Julius Bär

Bank Julius Bär & Co. AG, Zurich
(acting in its own right or through its Guernsey branch**)**
("**BJB**" or interchangeably the "**Issuer**")

Registration Document

pursuant to Section 12 (1) Sentence 3 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*)

dated 22 June 2012

CONTENTS

I. RISK FACTORS RELATING TO BANK JULIUS BÄR & CO. AG

The following is a disclosure of risk factors that are material to the specific situation of BJB and may affect BJB's ability to fulfil its respective obligations as issuer of any issued products.

The investor assumes with the purchase of the products next to product specific risks also the counterparty risk, i.e. the risk that BJB at due redemption date is unable to fulfil its payment obligations. The following description, which is not exhaustive, entails according to BJB the most significant risks, which in light of current understanding could impair BJB's ability to fulfil its obligations towards the investors under the products. The order in which the following risk factors are presented is not an indication of the likelihood of their occurrence or their importance. Also to be taken into account is the fact that the risk factors described below may also apply cumulatively and be increased as a result. The materialisation of one or more of the risk factors described below may have considerable negative effects on BJB's results of operation, business and financial position.

As a result investors may lose part or all of their investment (i.e. the total loss of their invested capital may occur). The decision on any investment must be made on the basis of an independent examination made by the potential investor and, insofar as the investor considers it necessary, on the basis of professional advice, such as that provided by an investment or tax consultant.

BJB may be unable to fulfil its obligations under the Products. In the worst case, BJB may become insolvent. In such a case the products do not benefit from the Swiss deposit protection and the issuer risk might materialise.

Generally speaking, any investor assumes the risk that the financial situation of BJB may deteriorate and BJB may be unable to fulfil its obligations on due date or final maturity such as the payment of interest, redemption payment, etc. Issuer risk entails the risk of insolvency of BJB.

Structured products, such as the products issued by BJB, differ from collective investments not least through that in case of insolvency of BJB the invested capital is not secured in a special fund (*Sondervermögen*) or segregated and thus it is not be treated separately.

The products constitute direct, unsecured and unsubordinated liabilities of BJB. Claims under the products are not privileged in case of an insolvency/ bankruptcy of BJB, i.e. they are not treated preferential due to mandatory statutory regulations. The capital invested in structured products is no deposit (*Einlage*) within the meaning of the Swiss deposit protection (*Schweizer Einlagensicherung*) and thus does not benefit from the protection provided in case of bankruptcy under the Swiss deposit protection.

The claims under the products – also in the event of insolvency/ bankruptcy of BJB – are of equal rank (*pari passu*) among themselves and with any other present and future unsecured, not privileged and unsubordinated liabilities of BJB. Upon materialisation of the issuer risk, total loss of the invested capital of an investor in addition to all possible transaction costs may occur. The risk of total loss applies also to products the terms and conditions of which provide for a capital protection.

The developments and events in relations to the international financial crisis demonstrated that each investor of a structured product should attribute outmost importance to the creditworthiness of the respective issuer. The experiences in relation with the bankruptcy of the Lehman Brothers Group revealed that the purchaser of structured products has to give serious consideration to the fact whether the issuer at the relevant point in time is realistically able to perform its (redemption) obligations.

A deterioration of BJB's credit ratings as principal operating entity within Julius Baer Group could result in increased funding costs, may damage client perceptions of BJB and may have a material adverse impact on its liquidity and on the market value of BJB's products.

BJB's credit rating as the principal operating entity within the Julius Baer Group affects both the terms on which creditors are willing to transact with BJB and the willingness of clients to do business with BJB. Because the interest rate and other terms of BJB's debt agreements depend in part on the principal operating entity's credit rating, any deterioration in its credit ratings or a negative outlook given by a rating agency could result in increased funding costs and may limit its funding sources or impact its liquidity. In addition, rating downgrades may limit BJB's ability to conduct certain businesses or may cause clients to be reluctant to do business with BJB. Because of the negative consequences of a credit rating downgrade on BJB's funding costs and the impact on BJB's liquidity, a reduction in BJB's credit rating as the principal operating entity within the Julius Baer Group could have a material adverse effect on BJB's business, results of operations and financial condition.

The general assessment of the creditworthiness of BJB may possibly affect the market value of the products issued by BJB. Generally speaking, this assessment depends on ratings allocated to BJB or affiliated companies by rating agencies, such as Moody's.

Structured products are from a legal perspective bonds (*Schuldverschreibungen*) / claims (*Forderungen*) such that the risk of default of these securities or uncertificated securities (*Wertrechte*), such as debenture loans (*Obligationsanleihen*), are subject to the creditworthiness of the respective issuer. Therefore, the creditworthiness of the issuer should play an important role for the investor when selecting a structured product.

BJB is exposed to third-party credit risk, and financial or other problems experienced by third parties that may adversely affect BJB's business, results of operations and financial condition.

BJB is exposed to the risk that third parties which owe BJB money, securities or other assets will not perform their obligations. These parties include BJB's clients, trading counterparties, clearing agents, exchanges, clearing houses and other financial institutions. These parties may default on their obligations to BJB due to lack of liquidity, operational failure, bankruptcy or other reasons.

Credit risk not only entails the risk of partial or complete default in agreed interest and/or redemption payments that are due by a contracting party whereby the worse the creditworthiness of the contractual party is, the higher the risk of default is. Credit risk also includes the country-specific risk. The country-specific risk is the risk that a foreign debtor, despite its own ability to pay its debts, might not make its interest and/or redemption payments or not make them on due date, for example as a result of a lack of foreign exchange reserves at the responsible central bank ("economic risk") or as a result of political intervention by the government concerned ("political risk"). Finally, credit risk entails also the fulfilment risk ("settlement risk"), which arises at transactions with bilateral payment or deliver obligation when one party has to effectuate a delivery obligation, without being able to assure, the performance in return will be effectuated.

The risk of counterparty default has become increasingly relevant in the current financial crisis. Market conditions have led to the failure or merger under distressed conditions of a number of prominent financial institutions. Financial institution failures or near-failures have resulted in losses, including to BJB as principal operating entity within the Julius Baer Group, as a consequence of defaults on securities issued by such institutions and defaults under bilateral derivatives and other contracts entered into with such entities as counterparties.

Generally, the largest portion of BJB's exposure to credit risk is attributable to its margin and other securities lending activities, which are secured by pledges of marketable securities. As a result, BJB's risk management procedures focus more on the value of the collateral securing BJB's margin loans than on the creditworthiness of the borrower. In cases where BJB has engaged in margin lending, however, BJB may find that it has become under-collateralised, for example, as a result of sudden declines in market values that reduce the value of collateral securities. BJB may incur losses up to the amount by which the obligation owed to BJB exceeds the value of the collateral securing such obligation. These losses may have a material adverse effect on BJB's business, results of operations and financial condition.

BJB's is exposed to the heightened risk of sovereign bankruptcy.

Credit risk arises not only for natural persons and private companies but also for states. At present there is a heightened risk that a single or several states are partially or completely unable or not prepared to make interest and/or redemption payments. Such a sovereign bankruptcy has not only implications for the direct creditors of the affected state, but also on the market as a whole and in particular on the currency and financial system. Therefore, there is a risk that the sovereign bankruptcy could affect the creditworthiness of BJB.

BJB is exposed to market risks arising from open positions in e.g. interest rate, foreign exchange rates and equity and commodities prices, in particular changes in foreign exchange rates could have adverse effects on BJB's results of operations.

The market risk is the risk of making a loss as a result of changes in market prices, in particular as a result of changes in foreign exchange rates, interest rates, equity and commodities prices as well as price fluctuations of goods and derivatives. Market risks result primarily because of adverse and unexpected developments in the economic environment, the competitive position, the interest rates, equity and exchange rates as well as in the prices of commodities. Changes in market price may, not least, result from the extinction of markets and accordingly no market price may any longer be determined for a product. The credit- and country-specific risk factors or company intrinsic events arising from price changes of the underlying values are to be considered also as a market risk. In times of immense market uncertainty with regard to the development of the world economy, the investor should be particularly considerate of the market risk.

BJB has operating subsidiaries and booking centres located in multiple jurisdictions outside of Switzerland. The results of operations and financial condition of such subsidiaries and booking centres are reported in currencies other than Swiss francs. In each case, the results of operations and financial condition are translated into Swiss francs at the applicable exchange rates for inclusion in BJB's consolidated financial statements. This exposes BJB to currency fluctuations. Because BJB's consolidated financial statements are stated in Swiss francs, the translation effect of these other currencies could have a material adverse effect on BJB's results of operations and financial condition and may affect the comparability of BJB's results between financial periods.

BJB bears the risk of being unable to obtain financing at acceptable conditions and, related to this, the risk of having insufficient liquidity which may negatively affect its ability to fulfil its due obligations.

Liquidity and financing risk is the risk that due to the current market situation and due to unexpected changes, BJB does not have enough liquidity to fulfil due obligations and that no sufficient funding on appropriate conditions is available.

In times of immense uncertainty in the market and immense distrust amongst market participants, an investor should give the liquidity risk especial consideration. Even if the central and note issuing banks abundantly supply the market with liquidity, the liquidity risk is neither necessarily limited nor altogether eliminated.

BJB relies on internal processes, people and/or systems and inadequacies or failures thereof or resulting from external events may disrupt BJB's businesses, result in regulatory action against it or limit BJB's growth.

The operational risk is the risk of losses that arise resulting from inadequacies or failures of internal procedures, employees, systems or as a result of the occurrence of external events, whether intentional or random or in the natural course of events. It includes the risk of unexpected losses from isolated events, caused for example by faulty information systems, unsuitable organisational structures or deficient control mechanisms, as well as the risk of the occurrence of cost increases or profit cuts due to unfavourable general economic or sector specific trends. Reputation risks that result, for example, from the disruption of business processes, are also included in this risk category. The operational risk is an element of all the activities of BJB and cannot be eliminated per se.

BJB faces operational risks arising from mistakes made in the confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted. BJB's businesses are highly dependent on its ability to process, on a rapid basis, a large number of transactions across several and diverse markets in many currencies, and the transactions BJB processes have become increasingly complex. Consequently, BJB relies heavily on its financial, accounting and other data processing systems. In the future, if any of these systems does not operate properly or is disabled, BJB could suffer financial loss, a disruption to its business, liability to clients, regulatory intervention and/or reputational damage. In addition, if BJB's systems were unable to accommodate a substantial increase in the volume of transactions, BJB's ability to expand its business could be constrained.

BJB uses third parties for certain services, and if these third parties do not perform as contractually required or expected, BJB may be subject to the risk of client attrition, its reputation may suffer and businesses may not perform as expected.

In providing private banking services to its clients, BJB depends also on third parties for certain services. Although BJB engages in due diligence and closely scrutinises the third parties it procures services from, ultimately BJB does not control these third parties and is subject to risk if these third parties do not perform as expected, including as contractually or legally required.

BJB is involved in, and may become involved in, legal or other regulatory proceedings, including those related to tax matters, that may be costly and time consuming.

BJB in the ordinary course of business is involved in, and may become involved in, legal or other regulatory proceedings, including those arising out of the prior activities of Julius Bär Holding AG which may be costly to defend and could result in large monetary losses, including punitive damage awards, and cause significant harm to BJB's reputation. In particular, BJB is involved in a number of third-party claims made against it. In certain of these claims, BJB is unable to make a reasonable estimate of the amount or range of any loss that could result from an unfavourable outcome. Even if BJB is successful in defending the claims against it or in its claims against third parties, such proceedings may result in expenditures of sums which prove to be irrecoverable and may divert management's attention and resources. Consistent with applicable accounting standards, BJB from time to time takes provisions against any losses which it is more likely than not to incur.

BJB operates in an industry that is highly regulated. Increased regulation of BJB's business could decrease BJB's revenues and profitability.

BJB's operations are subject to oversight by regulatory authorities in multiple jurisdictions. Laws and regulations applied at the national, state, provincial, communal or local level generally grant governmental agencies and industry self-regulatory authorities broad administrative discretion over BJB's activities, including the power to limit or restrict business activities. It is possible that laws and regulations governing BJB's operations could be amended or interpreted in a manner that is adverse to it. To the extent that amendments to existing regulations or new regulations reduce the demand for BJB's services, BJB's assets under management and revenues could be adversely affected. (See "*BJB is subject to the risk that markets in which it operates will become less attractive to clients, in particular due to regulatory or tax changes in such jurisdictions or in the clients' home jurisdictions.*").

BJB's costs and therefore its profitability could also be adversely affected due to an increase in the cost of compliance following an increase in the scope of regulation to which BJB is subject. Due to the complexity of the regulatory environment in which BJB operates, BJB expects that any increase in regulation will result in an overall corresponding increase in the cost of compliance.

BJB is subject to various rules and regulations regarding money laundering prevention. Monitoring compliance with increasingly stringent anti-money laundering rules will place a significant financial burden on BJB and pose a significant challenge in ensuring that BJB's anti-money laundering standards are up-to-date and consistently applied in all circumstances by BJB's employees across all branches and subsidiaries. In the recent past, BJB and other financial services institutions have experienced increased regulation of their activities as a result of anti-money laundering initiatives in a number of jurisdictions. Furthermore, Switzerland and other jurisdictions in which BJB operates have proposed or adopted regulations to strengthen prohibitions on money laundering and terrorist financing. Any violation or potential violation of anti-money laundering rules or even the mere suggestion of such violations may have severe legal, regulatory and reputational consequences for BJB and may adversely affect BJB's business, results of operations and financial condition.

Non-compliance with regulatory requirements may result in enforcement measures or subject BJB to significant penalties and could adversely affect BJB's reputation, all of which could result in a significant decline in assets under management and hence, revenue and profitability.

Non-compliance with regulatory requirements may result in regulatory authorities taking enforcement action against BJB . Possible sanctions could include the revocation of licences to operate certain businesses, the suspension or expulsion from a particular jurisdiction or market of any of BJB's business organisations or their key personnel, the imposition of fines and censures on BJB and its employees, the enforcement of payment obligations to clients or market participants and the imposition of additional capital requirements. BJB cannot give any assurance that it will not be subject to future regulatory scrutiny, which could give rise to adverse publicity, damage BJB's reputation and/or have a material adverse effect on BJB's business. Any loss of investor and/or client confidence as a result of non-compliance or alleged non-compliance with regulatory requirements could lead to a significant decline in assets under management, which would have an adverse effect on BJB's business, results of operations and financial condition.

BJB faces increased competition.

BJB competes with a number of large commercial banks, insurance companies and other broad-based financial institutions that have the ability to offer a wide range of products, including loans, deposit-taking, insurance, securities, investment banking and asset management services, and may benefit from recently instituted government guarantees, all of which may enhance their competitive position. Generally, they also have substantial financial resources and, accordingly, have the ability to support securities, investment banking and asset management services in an effort to gain market share, which could result in pricing and other competitive pressures on BJB's business. The ability of BJB's clients to withdraw assets on short notice requires careful monitoring of, and quick responses to, the activities of BJB's competitors. If BJB is not able to respond to these activities rapidly enough, BJB could lose significant assets under management and/or clients, which would have a material adverse effect on BJB's business, results of operations and financial condition.

BJB's revenue may decline due to competition from alternative trading systems.

Securities and futures transactions are now being conducted through the internet and other alternative, non-traditional trading systems, and it appears that this trend toward the use of alternative trading systems will continue and may accelerate. A dramatic increase in electronic trading may adversely affect BJB's commission and trading income and could reduce BJB's market share.

BJB faces competition with respect to attracting and retaining key management and personnel, and in particular BJB's client relationship managers.

BJB's business model relies on experienced client relationship managers to attract and retain clients. As a result, BJB's ability to attract and retain experienced relationship managers, and the relationship managers' ability to recruit and retain clients, is central to BJB's ability to maintain and grow its assets under management and revenues. Individual relationship managers often maintain strong personal relationships with BJB's clients that are based on BJB's clients' trust in the relationship manager. Accordingly, any loss of client relationship managers could cause a loss of clients, thereby resulting in a decline in BJB's assets under management.

The employment agreements BJB has with its employees, including key management and client relationship managers, generally do not contain non-competition restrictions in the event they leave BJB , and therefore, there is nothing that legally prevents them from leaving BJB to engage in competing business activities. In addition, losing the services of one or more members of BJB's management team could adversely affect BJB's business and possibly prevent BJB from carrying out its strategy successfully.

It has been BJB's policy to provide the relationship managers and other key personnel with compensation and benefits that BJB believes are competitive with other leading private banks. However, the market for experienced relationship managers and other professionals is competitive, particularly in Asia where growth in private banking has been high and recruitment is often based on hiring relationship managers and other professionals from competitors. Consequently, there can be no assurance that BJB will be successful in its efforts to recruit and retain the required personnel. Any failure to recruit or retain suitably experienced relationship managers and other professionals could limit BJB's ability to grow its assets under management which could adversely affect BJB's business, results of operations and financial condition.

BJB's reputation is one of the most important assets BJB has and if that reputation is harmed, BJB may not be able to retain and attract clients and its business, results of operations and financial condition may suffer.

BJB is exposed to the risk that negative or adverse publicity, press speculation and threatened or actual legal proceedings concerning BJB's business or BJB's clients will harm its reputation. Any negative or adverse publicity could be based on actual or perceived misconduct of BJB's employees (including arising out of the prior activities of Julius Bär Holding AG), misconduct and potential misconduct by an existing or newly acquired client which could have a negative impact on BJB through allegations that BJB does not fully comply with regulatory requirements or anti-money laundering rules, publicity about politically exposed persons, if any, in BJB's client base or allegations that a regulator or prosecutor is conducting investigations involving BJB . BJB could suffer from an adverse impact on its reputation for instance if investments or financial products BJB recommends do not perform as expected. Negative publicity or legal proceedings could also result from failures in BJB's IT system, loss or theft of clients' data or confidential information, failure in BJB's risk management or internal control procedures as well as fraud or misconduct committed by one of BJB's employees, agents or third-party distributors. Any resulting damage to BJB's reputation could cause disproportionate damage to BJB's business regardless of whether the negative publicity or speculation is factually accurate or legal proceedings are commenced.

Any damage to BJB's reputation, including arising out of the prior activities of Julius Bär Holding AG, could cause existing clients to withdraw their assets from BJB , potential clients to be reluctant to do business with BJB , and investors to shy away from investing in BJB's shares. Furthermore, negative publicity or potential or actual legal proceedings may result in greater regulatory scrutiny and influence market perception of BJB. Any of these negative effects could adversely affect BJB's business, results of operations or financial condition.

BJB could be adversely affected by recent developments in the private banking industry, including the revision of double taxation treaties and potential changes to Swiss banking client confidentiality laws and practice as well as the development of the jurisdiction of Swiss courts in relation to fees paid by third-party asset managers to wealth managers.

Recent developments in the private banking industry, both in Switzerland and internationally, could have a material adverse effect on BJB.

Against the backdrop of the current financial crisis and, following an enforcement campaign by tax and other authorities against certain participants in the private banking industry, the Swiss banking client confidentiality laws, and low-tax jurisdictions in general, sparked new and intensified interest at the international level. Many countries, including Germany, the United Kingdom, and the United States, as well as the Organisation for Economic Cooperation and Development ("OECD") have demanded heightened transparency and the exchange of information on tax matters, exerting influence on those countries which have banking client confidentiality laws that limit, more than other jurisdictions, the circumstances in which the identity of bank clients can be lawfully disclosed. In March 2009, Switzerland, in common with several other jurisdictions, announced its decision to renegotiate its double taxation treaties to be in line with Article 26 of the OECD Model Tax Convention on Income and Capital, and the OECD Model Agreement on Exchange of Information on Tax Matters. Subsequently, Switzerland signed revised double taxation treaties with a number of countries, including the United States. Moreover, currently a proposal is pending in the Swiss parliament that, if accepted, would allow a slightly more flexible interpretation of the double taxation treaties with respect to group requests. Any future significant change to Swiss banking client confidentiality laws and practice and any additional or enhanced enforcement campaigns by tax and other authorities against participants in the private banking industry or their clients could have an adverse impact on the private banking industry in Switzerland generally and consequently on BJB . Self-disclosures to tax authorities made by bank clients might be expected to lead to increased regulatory scrutiny of the Swiss private banking industry, including BJB. In addition, continued publicity about the subject may place pressure on BJB's business, results of operations and financial position.

A 2006 decision by the Swiss Federal Supreme Court called into question the legal nature and correct application of certain fees paid by third-party asset managers to wealth managers in connection with the wealth managers' investing client assets with such third parties. More recent court decisions and discussions have provided some clarification on this issue, in particular with respect to distribution fees paid and received for the marketing and sales of financial products. While BJB believes that its current policies regarding such fees, both paid and received, are in compliance with general market practice and the law presently in force, it remains unclear how the law and practice will continue to develop, and any such development could have an adverse impact on BJB's business, results of operations and financial position.

BJB is subject to the risk that markets in which it operates will become less attractive to clients, in particular due to regulatory or tax changes in such jurisdictions or in the clients' home jurisdictions.

BJB is exposed to the risk that one or more jurisdictions in which BJB books client assets may become a less attractive location for its clients to hold their assets. In particular, legal, regulatory or tax changes in such jurisdictions might cause clients to move their assets to other jurisdictions. Clients may also have an incentive, through beneficial tax treatments due to changes in tax laws or tax amnesties, to move their assets into jurisdictions including the clients' home jurisdictions where BJB does not have banking operations, thereby negatively impacting BJB's assets under management. Because a significant portion of BJB's assets under management are booked in a location other than the clients' home jurisdictions, BJB is particularly exposed to regulatory and tax changes that make Switzerland and BJB's other booking centres less attractive locations for clients to hold their assets.

Changes to regulations or tax laws or their interpretation and enforcement may affect the attractiveness, and reduce sales, of certain of BJB's products that currently have favourable regulatory and tax treatment.

BJB may be exposed to increases in capital requirements causing potential costs which may not be compensated by additional profits thereby potentially reducing the profitability and the BJB's ability to engage in acquisitions.

Currently, nationally and internationally the increase of the capital requirements provisions is discussed. The Basel Committee on Banking Supervision released in the context of Basel III in the meantime respective recommendations which envisage a tightening of the provisions. The national bodies are now proceeding to implement the recommendations in one or another form in legislative drafts. It is to be anticipated that capital requirements for Swiss banks will be increased. In consideration of present information, BJB assumes that it is in compliance with the new provisions at present. It cannot be excluded that the new provisions result in an augmentation of the cost of business activities of BJB. There is a risk that the increased costs cannot be compensated by increased income and therefore reduced profits cannot be precluded. In addition, there is a risk that the increase of the capital requirements could adversely affect the ability of BJB of engaging in acquisitions.

BJB as a wholly owned subsidiary of Julius Bär Gruppe AG is dependent on the development/decisions of its parent and the Julius Baer Group as a whole.

BJB, as a one hundred per cent subsidiary of Julius Bär Gruppe AG, is particularly dependent on the development of the parent company and on its decisions as well as on the development of the Julius Baer Group as a whole.

BJB's growth into new markets and existing markets and potential failure to correctly implement applicable law and regulations may give rise to potential market withdrawals and may lead to financial expenditures and reputational harm.

Further risks may arise from the growth strategy of BJB. The growth markets are Asia, Middle East, East Europe and South America. In addition, BJB pursues a growth strategy in the existing markets in Switzerland and Germany.

In the context of realisation of the BJB's growth strategy, the risks result, not only from new but also existing markets, from the fact that BJB does not correctly implement the local law. If local regulations are infringed, the imposition of fines or revocation of potential local authorisation impends, which may result in a withdrawal of BJB from the affected market. Next to thereof resulting direct financial disadvantages, the risk arises that the violation of local of provisions harms the reputation of BJB domestically and abroad.

BJB is exposed to all risks associated with (past and possible future) acquisitions and investments by BJB which may result in material financial expenditures and losses in particular in case such investments are not successful and indented synergies are not achieved.

Part of the growth strategy of the Julius Baer Group is also the acquisition of other domestic or foreign banks, asset managers or any other operating companies in the financial industry or of business segments. It is intended by the Julius Baer Group, to execute selected acquisitions also in the future, in order to reinforce and enhance existing activities. Announcements in respect of possible acquisitions and investments by Julius Baer Group may follow at any time. The successful realisation of such growth strategy is subject to various factors, in particular, of the ability of the group to identify profitable acquisition opportunities, the executions of the acquisition at adequate costs and generate adequate profits from the effected acquisitions.

Acquisitions of companies and business segments is subject to risks at all times. Particularly the integration of acquired companies or business segments into the group may result in material financial expenditures and draw upon management resources. There is a risk that the integration costs are substantially higher than expected, or that the integration of the acquired companies or business segments is not or not completely successful and the sought business goals by the acquisition may not be accomplished. Additionally there is a risk that underlying synergy potentials to the acquisition may not or not completely be realised. Costs or delays in connection with the integration of the acquired company or business segments and/or the failure to realise the synergy potential may have an adverse effect on the net assets, financial position and results of operation of the Julius Baer Group and BJB.

The acquisitions which have been effected by the Julius Baer Group or may possibly be effected may involve further risks, which usually are associated with the acquisition of companies or business segments. Particularly there is the risk that the value of the acquired company or business segment does not correspond to the amount paid. Acquisitions and investments abroad may be subject to special investment regulations. It cannot be guaranteed that the Julius Baer Group can at all times comply with all applicable investment regulations and regulatory requirements for legal systems, in which it undertakes investments.

If BJB fails or is unable to adequately protect its intellectual property rights, BJB's competitive position could be adversely affected.

In the context of the September/October 2009 split up of the former Julius Bär Holding AG into today's Julius Baer Group focusing on the private banking business and the GAM Group focusing on institutional wealth management and fund business, GAM Group was granted the trademark license for the usage of the trademark (*Marke*) / logo “Julius Baer”. Adverse events in relation to the usage of the trademark/logo “Julius Baer” may result in an adverse influence in the trademark “Julius Baer” and hence on the reputation and the business operations of BJB and adversely affect the competitive position and the operating income of BJB.

The protection of BJB’s brand names is extremely important to BJB’s business. Even though BJB registered BJB’s brand names in the countries in which it operates, it may become necessary for BJB to defend its intellectual property rights in order to prevent others from misappropriating or infringing on BJB’s brand names. Should BJB be unable to adequately protect BJB’s brand names its competitive position could be adversely affected. BJB’ brand and thereby BJB’s reputation might furthermore be adversely affected if a third party, using BJB’s brand under a licence agreement, is exposed to negative or adverse publicity, press speculation and threatened or actual legal proceedings. Any misuse of or other adverse impact on the “Julius Baer” brand could adversely affect BJB’s reputation, competitive position and results of operations.

BJB has been and expects to continue to be affected by the ongoing financial crisis and economic downturn.

As a Private Bank operating internationally and with a global client base, BJB’s business is subject to changing conditions in the global financial markets and economic conditions generally. Compared to previous years, these conditions have recently deteriorated significantly and may continue to deteriorate.

Since the second half of 2007, and particularly since September 2008, the financial services industry and the global financial markets have been materially and adversely affected by significant declines in the values of nearly all classes of financial assets from pre-crisis levels. The financial markets have been characterised by unprecedented levels of volatility and limited liquidity. This has materially and adversely affected the availability and performance of instruments used to hedge positions and manage risks. Furthermore, there has been a widespread loss of investor confidence.

While governments, regulators and central banks worldwide have taken numerous steps designed to increase liquidity and to restore investor confidence, asset values have continued to decline and access to liquidity continues to be very limited.

The overall decrease in investor confidence has resulted in, and may continue to result in, clients switching to more conservative, lower margin products and services as well as a decline in the volume of transactions that BJB executes for its clients and hence to reduced commission income and to margin erosion.

The effects of the financial crisis on the real economy – with corporate losses rising, overall employee compensation coming under pressure, especially in the upper salary bands, the decline of values across asset classes, and thereby a need to liquidate investments – could be of significant importance to the investment behaviour of BJB’s core client group, i.e. high-net-worth individuals. BJB , similar to other financial institutions, could be confronted with net outflows of assets under management, and could experience difficulties attracting new clients, resulting in a material adverse effect on BJB’s business, results of operations and financial condition.

BJB has generated, and may continue to generate, lower income from commissions and fees due to fluctuations in the financial markets and clients experiencing weaker than expected returns on their investments.

BJB's results of operations depend, to a significant extent, on factors such as the returns enjoyed by its clients on their investments as well as the ability to attract net new money inflows. Weak investment performance in the financial markets, in general, will adversely impact the value of the assets BJB manages for its clients and, therefore, could also have a material adverse effect on BJB's results of operations. In addition, clients experiencing weaker than expected returns on investments BJB offers or recommends relative to investment solutions of or recommended by its competitors could trigger substantial redemptions and outflows from BJB's clients' accounts and hence also have a material adverse effect on BJB's results of operations and financial condition.

BJB's risk management policies and procedures may leave BJB exposed to unidentified or unmitigated risks, which could lead to material losses.

BJB has risk management policies and procedures in place to cover strategic and business risk, credit risk, market risk, liquidity and financing risk, operational risk and reputational risk. If these policies and procedures are inadequate to address all the risks BJB faces or are not properly adhered to, BJB may experience material losses.

BJB takes various actions to address risks that arise in its businesses, including entering into hedging transactions to address the market risks relating to BJB's limited market making and proprietary trading activities, prescribing limits on the amount and type of credit risk per counterparty that BJB may incur in its margin lending activities and prescribing acceptance and monitoring procedures relating to legal and regulatory risks that could arise in connection with its relationship with external asset managers. Some of these and other methods of managing risks that BJB employs are based upon its use of observed historical market behaviour. BJB applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. BJB's policies and procedures to identify, monitor and manage risks may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks which BJB fails to identify or anticipate. These methods may not be effective in predicting future risk exposures, which could be significantly greater than historical measures indicate. This is particularly true during times of extreme market conditions when, for instance, historically observed patterns of correlation and volatility of asset values break down, market-wide liquidity constraints materialise and counterparty risk increases to dramatic levels. Other risk management methods depend upon the evaluation of information regarding markets, customers or other matters that is publicly available or otherwise accessible. This information may not in all cases be accurate, up-to-date or properly evaluated.

BJB has a certain degree of client concentration, and to the extent BJB is unable to retain these clients or sufficiently diversify its client base, its results of operations may suffer.

As a pure private banking organisation, BJB is exposed to a certain degree of client concentration risk. A significant portion of BJB's customers are high net worth individuals. Those individuals and their households have, to a certain degree, similar socio-economic characteristics and they are likewise exposed to comparable macroeconomic and regulatory risks. Although BJB has made progress in diversifying the geographical mix of its client base, it will continue to be exposed to client concentration risk. In addition, a limited number of ultra-high-net-worth individuals will continue to be significant to BJB in terms of assets under management. If BJB is unable to retain these clients or sufficiently diversify its client base, its results of operations and financial condition may be adversely affected.

BJB may incur significant losses from its limited market making and proprietary trading activities due to market fluctuations.

BJB engages in certain limited market making activities principally in respect of its own structured products and proprietary trading activities in foreign exchange, fixed-income and equity markets, including derivatives markets, and is therefore exposed to losses in the event of adverse market movements (whether up or down) in specific equities, fixed-income or other products, baskets of securities, indices and the markets generally. BJB's trading positions can also be adversely affected by the level of volatility in the financial markets (that is, the degree to which prices fluctuate over a particular period) regardless of market levels. There can be no assurance that future results from market making and proprietary trading will not be materially and adversely different from those experienced in recent periods.

In connection with its limited market making and proprietary trading activities, BJB attempts to mitigate related market risks by entering into hedging transactions, which may include over-the-counter derivative contracts or the purchase or sale of securities, financial futures, options or forward contracts. If any of the variety of instruments and strategies BJB uses to hedge its exposure to market risks are not effective, BJB may incur losses. Many of BJB's strategies are based on historical trading patterns and correlations. However, these strategies may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk. Unexpected market developments may in the future also affect a number of hedging strategies.

BJB is exposed to the risk of losses as a result of employee fraud, misconduct or improper practice.

Fraud, misconduct or improper practice by any of BJB's employees could expose it to the risk of direct and/or indirect financial loss and damage to its reputation. Such fraud, misconduct and improper practice could involve, for example, fraudulent transactions entered into for a client's account, the intentional or inadvertent release of confidential customer information or failure to follow internal procedures. Such actions by employees may, again by way of example only, expose BJB to financial losses resulting from the need to reimburse customers or as a result of fines or other regulatory sanctions and may lead to damage BJB's reputation. Such financial losses and reputational damages may adversely affect BJB's business, results of operations and financial condition.

BJB may be engaged in transactions for their own account or for clients that are related to the products which may have negative effects on the products.

BJB and affiliated companies may from time to time enter into transactions for their own account or for the account of a client that are related to the products. These transactions may not be for the benefit of holders of the products and may have positive or negative effects on the value of the underlying and thus on the value of the products. Companies affiliated to BJB may also become counterparties in hedging transactions in relation to BJB's obligations arising from the products. Accordingly, conflicts of interest may therefore arise with regard to obligations relating to the ascertainment of the values of the products and other related determinations both among affiliated companies of BJB and between these companies and the investors. In addition, BJB and affiliated companies may exercise a different function, if applicable, in relation to the products, for example as calculation agent, paying agent or administrative office.

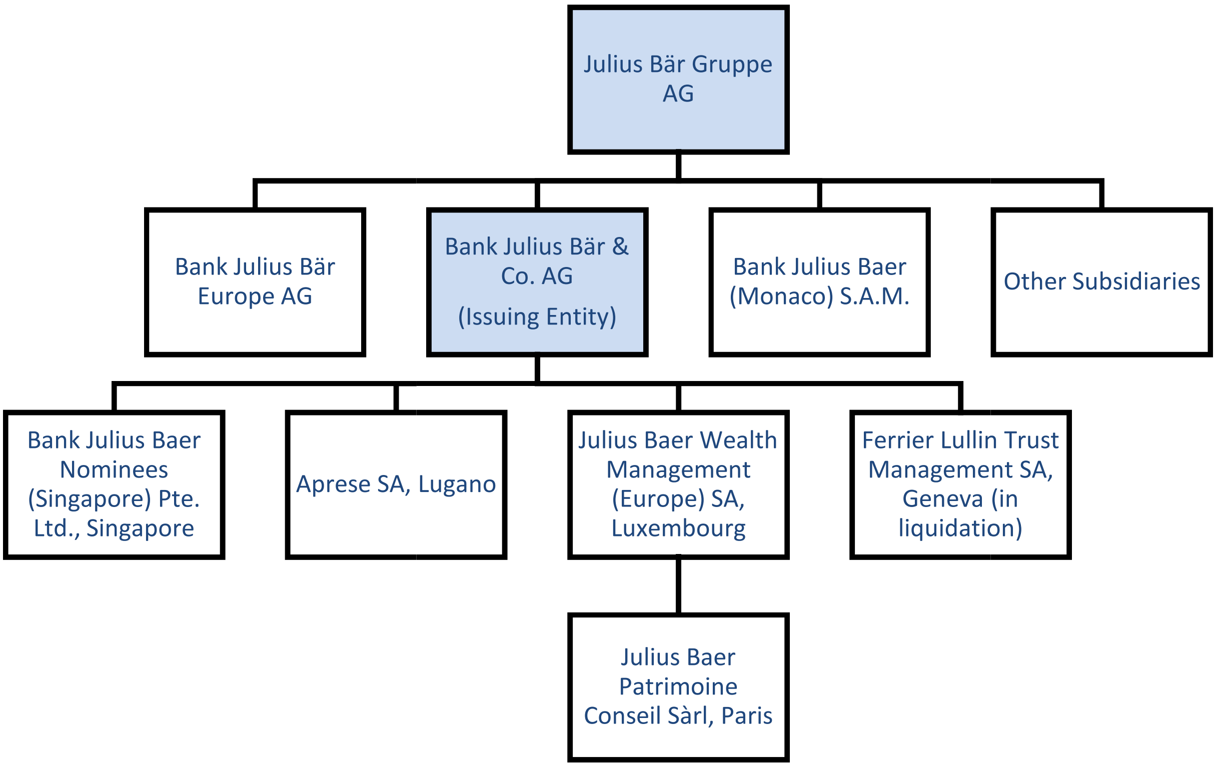
BJB and affiliated companies may furthermore issue other derivative instruments linked to the underlying; the introduction of such products that are in competition with the products may have an effect on the value of the products.

BJB and affiliated companies may receive information in relation to the underlying that is not publicly available and neither BJB nor any affiliated company undertakes to disclose such information to any product holder. In addition, one or more affiliated companies of BJB may publish research reports in relation to the underlying. Activities of this nature may entail certain conflicts of interest and have an effect on the value of the products.

II. ORGANISATIONAL CHART OF JULIUS BAER GROUP

Bank Julius Bär & Co. AG ("**BJB**"), together with the below depicted group companies, is a fully owned subsidiary of Julius Bär Gruppe AG (Julius Bär Gruppe AG together with its subsidiaries the "**Julius Baer Group**"). Julius Bär Gruppe AG was formed in 2009 out of a split-up of business segments of Julius Bär Holding AG. The Julius Baer Group mainly comprises banks and finance companies. On 15 January 2010, Julius Bär Gruppe AG acquired ING Bank (Switzerland) Ltd., a fully owned subsidiary of ING Group NV, including its subsidiaries in Monaco and Jersey. ING Bank (Switzerland) Ltd. has been fully integrated into the Issuer.

The below table provides a summary group chart as at the date of the Registration Document (on branches, see below under III.2.):



BJB is dependent on its sole shareholder, Julius Bär Gruppe AG, and thus on its business strategy for the entire Julius Baer Group. An important function provided by Julius Baer Group is risk management.

Risk management is regarded by the Julius Baer Group as a business enabler and as such forms a cornerstone of the management procedures of the Julius Baer Group. The overall responsibility for the implementation of risk management in the Julius Baer Group is that of the group management.

III. Bank Julius Bär & Co. AG

1. Statutory Auditors

For the financial years ended 31 December 2010 and 31 December 2011, the independent auditors of BJB were KPMG AG, Badenerstrasse 172, 8004 Zurich, Switzerland, acting in terms of the provisions of company and banking law. KPMG AG have audited the consolidated financial statements of BJB for the financial years ended 31 December 2010 and 31 December 2011 and the financial statements of BJB for the year ended 31 December 2011. KPMG AG is a member of the Swiss Institute of Certified Accountants and Tax Consultants with registered office in Zurich.

2. Information about Bank Julius Bär & Co. AG

BJB is registered with the name Bank Julius Bär & Co. AG (Banque Julius Baer & Cie SA, Bank Julius Baer & Co. Ltd., Banca Julius Baer & Co. SA) in the Commercial Register of the Canton of Zurich under the number CH-020.3.902.727-1 and in the UID- Register under CHE-105.940.833. BJB has no commercial names.

BJB was founded on 31 December 1974. It took over the banking operations of its predecessor, the private bank Julius Baer & Co., which began its operations in the 1890s.

Its registered office is at Bahnhofstrasse 36, 8001 Zurich, Switzerland (telephone number: +41 (0) 58 888 1111). BJB has branch offices in Ascona, Basle, Berne, Crans-Montana, Geneva, Guernsey, Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano, Singapore, Sion, St. Gallen, St. Moritz, Verbier and Zug. It also has representations in Abu Dhabi, Dubai, Istanbul, Montevideo (subsidiary of Julius Bär Gruppe AG, acting as representative office of Bank Julius Bär & Co. AG), Moscow, Santiago de Chile and, most recently, Shanghai and Tel Aviv.

BJB’s branch in Guernsey has its registered office at Lefebvre Court, Lefebvre Street, P.O. Box 87, St. Peter Port, GBG-Guernsey GY1 4 BS (telephone number: +44 (0) 1 481 726 618). It is licensed in Guernsey under the Banking Supervision (Bailiwick of Guernsey) Law 1994 and The Protection of Investors (Bailiwick of Guernsey) Law 1987.

3. Business Overview

Principal Activities

BJB operates a bank and may in accordance with Article 2 of its articles of incorporation dated 11 March 2009 execute all transaction which are directly or indirectly related to the purpose of BJB as well as all transactions which may further the purpose of BJB; such transactions may be executed for BJB ‘s own account or for third parties. BJB may purchase real estate, pledge it as security and sell it. BJB may be active domestically and abroad. BJB may establish branches and agencies domestically and abroad.

BJB’s core business is wealth management and investment counselling for private clients, family offices and external asset managers from around the world. In cooperation with other companies of the Julius Baer Group, comprehensive services are offered i.a. in the areas of wealth and tax planning, foreign exchange, equity, precious metals and fund trading, custody and execution services and other, complementary business fields. BJB is also active in the Lombard credit business for portfolio management and trading clients and provides straight residential mortgages to its private clients, predominantly in Switzerland, but also in high-end market areas of other

European countries. Within the Julius Baer Group, BJB operates as the central underwriter for traditional and innovative derivative investment products. BJB also engages in securities lending and borrowing.

Principal Markets

BJB is active around the world. In 2011, BJB achieved an operating income of CHF 1,400,583,000 in Switzerland, CHF 169,535,000 in Asia and CHF 60,827,000 in Europe. As a result of the sale of the USA business operation, the market in the USA will be of negligible importance in future. The most important markets are the home market in Switzerland and continental Europe. BJB expects the markets in Asia, the Middle East and South America to gain in importance (on BJB's branches and representative offices see above under III.2 "General Information").

Competitive Position

The following information on the Issuer's competitive position is based on BJB's own assessment of the situation:

In the view of BJB, it is the largest focused asset manager in Switzerland in terms of capital and is specialised on private banking services.

The Julius Baer Group is well established in the market as an international offeror with a tailor-made and versatile range of products and is present in more than 20 countries with 40 locations worldwide. Julius Baer Group is aiming to further expand its client basis in its two home markets Switzerland and Asia as well as in the European core markets and growing markets Far East, Latin America and Central and East Europe.

It should be noted, however, that BJB's asset management business is characterised by increasing competition and accelerating consolidation in private banking in Switzerland. The consolidation is not least being forced along by the rising costs of information technology and increasing regulation, which are growing ever more burdensome for smaller institutions. In addition, there has been a growth in competition between international financial centres such as London, Singapore and Switzerland. In view of these circumstances, BJB is endeavouring to strengthen its private banking position in Switzerland and to selectively develop its private banking activities abroad. Further events in the past years, which have an impact on the private banking business in Switzerland are, in particular, the increase of pressure on Swiss banking secrecy provisions, the announcement of tax amnesties by certain countries, such as Italy as well as the new negotiation of double taxation treaties.

4. Trend Information

There has been no material adverse change in the prospects of BJB since the date of its last published audited financial statements for the year ended 31 December 2011.

5. Board of Directors (*Verwaltungsrat*) and Executive Board (*Geschäftsleitung*)

BJB has a Board of Directors and an Executive Board. The Executive Board is appointed by the Board of Directors. The Executive Board and Board of Directors are, as required by Swiss banking law, kept strictly separate from each other. The Board of Directors is responsible for the supreme management and strategic orientation of the Issuer and for the supervision of the Executive Board. The Executive Board is responsible for the operational management of the company.
Members of the Board of Directors of the Issuer are identical to members of the Board of Directors of Julius Bär Gruppe AG. The members of the Board of Directors, as well as the President of the Board of Directors are elected by the general meeting for a three-year term of office. Re-election is permitted until the age of 67. The Executive Board of the Issuer has an identical membership to the group management of Julius Bär Gruppe AG.

As at the date of this Registration Document, members of the Board of Directors are:

Name and Position	**Significant outside activities**
Daniel J. Sauter, (non-executive Chairman of the Board of Directors), Zug	non-executive Chairman of the Board of Directors of Julius Bär Gruppe AG
Gilbert Achermann, Member of the Board of Directors, Basel (*as of 11 April 2012*)	Chairman of the Board of Strauman Group, Basel; Chairman of the Board of Sigfried Group, Basel
Andreas Amschwand, Member of the Board of Directors, Kerns (*as of 11 April 2012*)	none
Heinrich Baumann, Member of the Board of Directors, Zollikon	none
Leonhard H. Fischer, Member of the Board of Directors, Zollikon	Member of the Board of Directors and Chief Executive Officer of RHJ International SA, Brussels
Claire Giraut, Member of the Board of Directors, Neuilly sur Seine, France	none
Gareth Penny, Member of the Board of Directors, London, United Kingdom	none
Charles G.T. Stonehill, Member of the Board of Directors, New York, USA	Head Financial Services Practice of RSR Partners, New York Partner of Green & Blue Advisors LLC, New York

As at the date of this Registration Document, members of the Executive Board are:

Name	**Functions**	**Significant outside activities**
Boris F. J. Collardi	Chief Executive Officer	Chief Executive Officer of Julius Bär Gruppe AG
Dieter A. Enkelmann	Chief Financial Officer	Chief Financial Officer of Julius Bär Gruppe AG; Member of the Board of Directors of Cosmo Pharmaceuticals S.p.A., Lainate (Milano) and Head Audit Committee und member of the Nomination Committee; Member of the Board of Directors of GAM Holding Ltd, Zurich and member of the Audit Committee and Chairman of the Compensation Committee
Yves Robert-Charrue	CEO Switzerland	None
Giovanni Flury	CEO Italy	None
Rémy A. Bersier	CEO France / Belgium, Eastern Mediterranean, Middle East, Africa	None
Gian A. Rossi	CEO Northern, Central and Eastern Europe	None
Gustavo Raitzin	CEO Latin America	None
Thomas R. Meier	CEO Asia	None
Hans. F. Lauber	Head Investment Solutions Group	None
Peter Gerlach	Head Markets & Custody	None
Bernhard Hodler	Chief Operating Officer	Chief Operating Officer of Julius Bär Gruppe AG Member of the Board of Directors of Ifb Ltd, Cologne, Germany

For information: The place of origin (in German Heimatort) is a Swiss peculiarity. It is the place where the family register for the person concerned is kept. The places of origin of the members of the board are entered in the Commercial Register and this is why it is also indicated here.

The members of the Board of Directors and the Executive Board of BJB have additional positions as described above which may potentially result in conflicts of interest between their duties towards BJB and their private interests or other duties, in particular insofar as some of the members of the Board of Directors and the Executive Board have additional functions within Julius Baer Group.

All the members of the Board of Directors and the Executive Board may be contacted in their professional capacity at the address, Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zurich, Switzerland.

6. Major Shareholders

BJB is a company limited by shares under Swiss law. As at the date of the Registration Document, the share capital of the Issuer amounts to CHF 575 million. The most recent increase in capital took place on 6 December 2005. The share capital is now divided into 5,750,000 fully paid-up registered shares, each with a nominal amount of CHF 100. There is no category of shares that carry preferential rights. At the general meeting, each share carries one vote. Communications by BJB to its shareholders are made by post, provided the addresses of all the shareholders are known and the law does not provide otherwise, failing which by a single publication in the Swiss Official Commercial Gazette. It has neither authorised nor conditional capital. BJB does not hold any of its own shares. There is no capital made up of participation certificates or profit-sharing certificates. As at the date of the Registration Document, there are no debentures outstanding within the meaning of Art. 1156 ff. of the Swiss Code of Obligations.

BJB is a one hundred per cent subsidiary of Julius Bär Gruppe AG, the parent and public company of the Julius Baer Group, which is active in the financial services industry operating on a global basis. Julius Bär Gruppe AG evolved from the split-up of business segments of the former Julius Bär Holding AG.

Since the split up of the former Julius Bär Holding AG, Julius Baer Group and GAM Group act as independent and autonomous exchange listed corporate groups. Despite a few transaction related and merely temporary service agreements, both corporations interact with each other as third parties.

In accordance with the separation of the two business segments private banking and asset management following the split up, production and management of investment fund products distributed under the trademark Julius Baer was transferred to GAM Group. For this purpose, Julius Baer Group and GAM Group have entered into a trademark license agreement at market conditions, pursuant to which GAM Group receives exclusive rights worldwide for the production and distribution of investment fund products under the name Julius Baer. Subject to certain limited exemptions, Julius Baer Group will hence not offer any services in the area of investment funds during the term of the trademark license agreement.

As far as BJB is aware, as at the date of the Registration Document the following persons/groups are the main shareholders in Julius Bär Gruppe AG:

Name	Portion of the share capital
MFS Investment Management, Boston/USA	10.02%
Davis Selected Advisers L.P., Tucson, USA	8.46%
Thornburg Investment Management, Santa Fe, USA	5.12%
Julius Bär Gruppe AG, Zurich, Switzerland	5.02%
BlackRock, Inc., 40 East 52nd Street, New York, NY 10022, USA	5.01%
Harris Associates L.P., Chicago, USA	4.05%

7. Historical Financial Information

For the financial year ended 31 December 2010, BJB has published consolidated financial information including the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated statement of cash flows, Notes to the consolidated financial statements and the Auditors' report (the "**BJB Consolidated Financial Statements 2010**"). The BJB Consolidated Financial Statements 2010 are included in pages F-1 to F-46 of Appendix 1 to this Registration Document.

For the financial year ended 31 December 2011, BJB has published consolidated financial information including the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated statement of cash flows, Notes to the consolidated financial statements and the Auditors' report (the "**BJB Consolidated Financial Statements 2011**"). The BJB Consolidated Financial Statements 2011 are included in pages G-1 to G-46 of Appendix 2 to this Registration Document.

For the financial year ended 31 December 2011, BJB has published financial information including the Income statement, Balance sheet, Notes to the financial statements and the Auditors' report (the "**BJB Financial Statements 2011**"). The BJB Financial Statements 2011 are included in pages H-1 to H-27 of Appendix 3 to this Registration Document.

The BJB Consolidated Financial Statements 2010 and the BJB Consolidated Financial Statements 2011 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The BJB Financial Statements 2011 have been prepared in accordance with Swiss generally accepted accounting principles ("**Swiss GAAP**").

Auditing of Historical Financial Information

The responsible auditors of BJB (see Section IV.1. "Bank Julius Bär & Co AG - Statutory Auditors") have audited the historical financial information of BJB for financial years ended 31 December 2010 and 31 December 2011 as mentioned above and have issued an unqualified opinion in each case.

Interim and other Financial Information

BJB has not published interim financial information since the date of its last audited financial statements.

Legal and Arbitration Proceedings

BJB is involved in various legal, regulatory and arbitration proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of BJB – depending on the status of related proceedings – is difficult to assess. BJB establishes provisions for pending and threatened legal proceedings if the management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss or if the dispute for economic reasons should be settled without acknowledgment of any wrongdoing on the part of BJB and if the amount of such obligation or loss can be reasonably estimated. BJB does not believe that it can estimate an amount of reasonably possible losses for certain of its proceedings because e.g. of the complexity of the proceedings, the early stage of the proceedings and limited amount of discovery that has occurred and/or other factors. Described below are certain proceedings that might have a material effect on BJB.

In connection with certain private banking client accounts managed by an external asset manager and previously held with the former New York branch of BJB, as custodian and lender, there are civil legal proceedings pending before New York State Court against BJB alleging breach of contract, breach of fiduciary duty, negligence, conversion, unjust enrichment and/or fraud, and unauthorized pledging of client assets arising from and before 2001 when an external asset manager sent forged statements to certain clients and moved funds from certain clients' accounts, and pledged assets in certain clients' accounts, to cover losses in others. Proceedings before a New York arbitration panel in the same matter involving some of the same claimants have been closed in 2010 largely in favour of BJB, among others also clearly rejecting any allegations of fraud, conspiracy and the like (disputed claims, without interest and unquantifiable claims for punitive damages and counterclaims, all court and arbitration proceedings – the latter closed in the meantime – initially amounted to approximately USD 105 million). Nevertheless, the affected claimants continue with their proceedings that include challenging the arbitration award in state court. BJB is opposing these claims and has taken appropriate steps and measures to defend its interest.

In 2010 and 2011, litigation was commenced against BJB and numerous other financial institutions by the liquidators of the Fairfield funds, having acted as feeder funds for the Madoff fraudulent investment schemes, in the courts of New York and the British Virgin Islands and by the Trustee of Madoff's Broker-Dealer Company, Bernard L. Madoff Investment Securities LLC, in the courts of New York. The complaints refer to, and in some cases include as defendants, the unnamed beneficial owners of the accounts on whose behalf the payments were made. The plaintiff(s) in these various actions have asserted claims to avoid and/or recover alleged fraudulent transfers under the relevant bankruptcy code provisions and for mistake and restitution. The combined claims seek to recover approximately USD 1.8 billion in payments made by the Fairfield funds and received by the more than 80 defendants. Only a fraction of this amount is sought against BJB and, in some cases, its beneficial owners. Some of the complaints, however, aggregate the damages asserted against the many defendants so that a reliable allocation of the claimed amounts between BJB and the other defendants cannot be made at this time. In addition, because the litigation largely remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. BJB is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests.

In summer 2011 BJB has been informed by Swiss authorities that the US Department of Justice ("**DOJ**") named it as one of at that time ten Swiss banks being in the focus and investigated in connection with their cross-border private banking services provided to US private clients. BJB is in contact with the DOJ and has established cooperation with the US authorities within the confines of applicable laws with the aim to reach a settlement. In parallel, Swiss authorities are in negotiations with the DOJ and the US Internal Revenue Service ("**IRS**") as regards a resolution for the ongoing dispute on tax matters between the US and the Swiss financial industry that aims amongst others at supporting and facilitating settlement solutions for the named banks and at clarifying the scope and extent of administrative assistance and provision of certain client data under the applicable double taxation treaty. BJB, whilst also cooperating with its home regulator FINMA in this matter, is supporting such efforts of the Swiss government. In the context of its cooperation BJB has provided the US authorities data with regard to its historical US business. Based on the current stage of such negotiations and cooperation, however, the potential outcome (likelihood and potential content of a settlement) and the financial (potential settlement amount and other costs) and business impact are open and currently not reliably assessable.

Significant change in the financial position of Julius Baer Group

There has been no significant change in the financial position of Julius Baer Group since the end of the last financial period for which audited financial information has been published (31 December 2011).

8. Material Contracts

In the view of BJB, there are no essential contracts outside of normal business operations that have a significant effect on the ability of BJB to meet its obligations vis-à-vis the securities holders in relation to the securities issued.

IV. GENERAL INFORMATION

1. Responsibility statement

Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zurich, Switzerland, acting in its own right or through its Guernsey Branch, Lefebvre Court, Lefebvre Street, P.O. Box 87, St. Peter Port, GBG-Guernsey GY1 4 BS, and Bank Julius Bär & Co. AG, Zurich accepts responsibility for the information provided in this Registration Document.

Bank Julius Bär & Co. AG declares that the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and that not material circumstances have been omitted.

2. Documents Available for Inspection

Copies of the following documents can be ordered free of charge from or will be available, during usual business hours for inspection at Bank Julius Bär & Co. AG, Bahnhofstrasse 36, 8001 Zurich:

- Articles of Association of Bank Julius Bär & Co. AG;
- the annual report of Bank Julius Bär & Co. AG for the financial year ended 31 December 2010;

- the annual report of Bank Julius Bär & Co. AG for the financial year ended 31 December 2011;

On www.juliusbaer.com, the annual reports of Julius Bär Gruppe AG for the past two financial years may also be accessed electronically.

Appendix 1: Audited Consolidated Financial Statements of Bank Julius Bär & Co AG for the Financial Year 2010

Consolidated financial statements

Consolidated income statement

	Note	2010 CHF 1000	2009 CHF 1000	Change %
Interest income		**500 857**	552 247	-9.3
Interest expense		**64 975**	98 309	-33.9
Net interest income	1	**435 882**	453 938	-4.0
Fee and commission income		**1 124 010**	962 097	16.8
Commission expense		**252 658**	205 377	23.0
Net fee and commission income	2	**871 352**	756 720	15.1
Net trading income	3	**318 749**	290 618	9.7
Other ordinary results	4	**13 745**	415	-
Operating income		**1 639 728**	1 501 691	9.2
Personnel expenses	5	**709 612**	603 969	17.5
General expenses	6	**382 751**	328 926	16.4
Depreciation of property and equipment	13	**25 349**	19 838	27.8
Amortisation of customer relationships	13	**89 227**	75 543	18.1
Amortisation of other intangible assets	13	**39 946**	25 487	56.7
Operating expenses		**1 246 885**	1 053 763	18.3
Profit before taxes		**392 843**	447 928	-12.3
Income taxes	7	**78 670**	71 728	9.7
Net profit		**314 173**	376 200	-16.5

	Note	2010 CHF	2009 CHF	Change %
Share information				
Basic net profit per share	9	**54.64**	65.43	-16.5
Diluted net profit per share	9	**54.64**	65.43	-16.5
Dividend proposal 2010 and dividend 2009		**26.09**	52.17	-50.0

Consolidated statement of comprehensive income

	2010 CHF 1000	2009 CHF 1000
Net profit recognised in the income statement	**314 173**	376 200
Other comprehensive income (net of taxes):		
Net unrealised gains/(losses) on financial investments available-for-sale	**9 451**	56 583
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	**18 283**	26 363
Hedging reserve for cash flow hedges	**977**	3 125
Other comprehensive income for the year recognised directly in equity	**28 711**	86 071
Total comprehensive income for the year recognised in the income statement and in equity	**342 884**	462 271
Attributable to:		
Shareholders of Bank Julius Baer & Co. Ltd.	**342 884**	462 271
	342 884	462 271

Consolidated balance sheet

	Note	**31.12.2010** CHF 1000	31.12.2009 CHF 1000	Change CHF 1000
Assets				
Cash		**1 118 220**	2 812 217	-1 693 997
Due from banks	10	**7 227 693**	6 643 744	583 949
Loans	10	**13 762 220**	10 380 700	3 381 520
Trading assets	11	**3 752 920**	2 730 292	1 022 628
Derivative financial instruments	23	**2 700 311**	1 851 092	849 219
Financial investments available-for-sale	12	**13 412 918**	14 589 459	-1 176 541
Property and equipment	13	**327 569**	288 749	38 820
Goodwill and other intangible assets	13	**1 785 397**	1 694 913	90 484
Accrued income and prepaid expenses		**152 154**	132 570	19 584
Deferred tax assets	18	**91**	-	91
Other assets		**302 595**	142 861	159 734
Total assets		**44 542 088**	41 266 596	3 275 491

	Note	**31.12.2010** CHF 1000	31.12.2009 CHF 1000	Change CHF 1000
Liabilities and equity				
Due to banks		**4 955 414**	4 183 329	772 085
Due to customers		**28 407 291**	27 341 124	1 066 167
Trading liabilities	11	**800 882**	714 886	85 996
Derivative financial instruments	23	**2 754 538**	1 768 144	986 394
Financial liabilities designated at fair value	16	**3 154 425**	2 979 121	175 304
Debt issued	17	**15 210**	28 502	-13 292
Accrued expenses and deferred income		**326 864**	271 484	55 380
Current tax liabilities		**33 385**	3 608	29 777
Deferred tax liabilities	18	**119 374**	85 715	33 659
Provisions	19	**31 274**	16 691	14 583
Other liabilities		**156 073**	125 932	30 141
Total liabilities		**40 754 730**	37 518 536	3 236 194
Share capital		**575 000**	575 000	-
Capital reserves		**1 860 000**	1 860 000	-
Retained earnings		**1 387 213**	1 376 626	10 587
Other components of equity		**-34 855**	-63 566	28 711
Total equity attributable to shareholders of Bank Julius Baer & Co. Ltd.		**3 787 358**	3 748 060	39 298
Total liabilities and equity		**44 542 088**	41 266 596	3 275 492

Consolidated statement of changes in equity

	Share capital CHF 1000	Capital reserves CHF 1000	Retained earnings CHF 1000	Other components of equity: Financial investments available-for-sale, net of taxes CHF 1000	Other components of equity: Hedging reserve for cash flow hedges, net of taxes CHF 1000	Total equity attributable to shareholders of Bank Julius Baer & Co. Ltd. CHF 1000
At 1 January 2009	575 000	1 860 000	1 131 236	-144 159	-5 478	3 416 599
Net profit attributable to shareholders of Bank Julius Baer & Co. Ltd.	-	-	376 200	-	-	376 200
Unrealised gains/(losses)	-	-	-	56 583	3 125	59 708
Realised (gains)/losses reclassified to the income statement	-	-	-	26 363	-	26 363
Bank Julius Baer & Co. Ltd. dividend[1]	-	-	-120 000	-	-	-120 000
Capital transfer[2]	-	-	-10 810	-	-	-10 810
Share-based payment expense	-	-	10 638	-	-	10 638
Distribution to the parent related to share-based payments	-	-	-10 638		-	-10 638
At 31 December 2009	575 000	1 860 000	1 376 626	-61 213	-2 353	3 748 060
At 1 January 2010	**575 000**	**1 860 000**	**1 376 626**	**-61 213**	**-2 353**	**3 748 060**
Net profit attributable to shareholders of Bank Julius Baer & Co. Ltd.	-	-	**314 173**	-	-	**314 173**
Unrealised gains/(losses)	-	-	-	**9 451**	**977**	**10 428**
Realised (gains)/losses reclassified to the income statement	-	-	-	**18 283**	-	**18 283**
Bank Julius Baer & Co. Ltd. dividend[1]	-	-	**-300 000**	-	-	**-300 000**
Dividend in kind to the parent[3]	-	-	**-3 586**	-	-	**-3 586**
Share-based payment expense	-	-	**16 511**	-	-	**16 511**
Distribution to the parent related to share-based payments	-	-	**-16 511**		-	**-16 511**
At 31 December 2010	**575 000**	**1 860 000**	**1 387 213**	**-33 479**	**-1 376**	**3 787 358**

[1]Dividends of CHF 52.17 per share at CHF 100.00 (2009: CHF 20.87)

[2]Bank Julius Baer & Co. Ltd. and Swiss & Global Asset Management Ltd. (the former asset management segment) were separated as of 1 October 2009. Swiss & Global Asset Management and the related assets and liabilities were transferred to GAM Holding Ltd. (former Julius Baer Holding Ltd.) using book values. The net asset is recognised as “Non-cash distribution to shareholders”.

[3]Dividend in kind related to the acquisition of ING Bank (Switzerland) Ltd

Consolidated statement of cash flows

	2010 CHF 1000	2009 CHF 1000
Net profit	**314 173**	376 200
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	**25 349**	19 838
- Amortisation of intangible assets	**129 173**	101 030
- Allowance for credit losses	**10 258**	3 503
- Deferred tax expense/(benefit)	**-189**	-11 522
- Net loss/(gain) from investing acitivities	**18 493**	8 561
- Other non-cash income and expenses	**16 511**	10 638
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	**1 154 711**	895 569
- Trading portfolios and derivative financial instruments	**-798 204**	-1 693 725
- Loans/due to customers	**-3 313 833**	1 589 714
- Accrued income, prepaid expenses and other assets	**-159 738**	75 190
- Accrued expenses, deferred income, other liabilities and provisions	**18 889**	-380 902
Adjustment for income tax expenses	**78 859**	83 250
Income taxes paid	**-56 763**	-83 198
Cash flow from operating activities after taxes	**-2 562 311**	994 146
Purchase of property and equipment and intangible assets	**-92 363**	-63 092
Disposal of property and equipment and intangible assets	**7 372**	-
Net (investment in)/divestment of financial investments available-for-sale	**-1 878 362**	-1 787 220
Acquisition of subsidiaries, net of cash acquired	**-213 403**	-
Cash flow from investing activities	**-2 176 756**	-1 850 312
Net money market instruments issued/(repaid)	**-13 292**	22 335
Dividend payments	**-300 000**	-120 000
Issuance and repayment of long-term debt, including financial liabilities designated at fair value	**175 304**	847 481
Cash flow from financing activities	**-137 988**	749 816
Total	**-4 877 055**	-106 350
Cash and cash equivalents at the beginning of the year	**17 505 359**	17 616 310
Cash flow from operating activities after taxes	**-2 562 311**	994 146
Cash flow from investing activities	**-2 176 756**	-1 850 312
Cash flow from financing activities	**-137 988**	749 816
Effects of exchange rate changes	**313 226**	-4 601
Cash and cash equivalents at end of the year	**12 941 530**	17 505 359

Cash and cash equivalents are structured as follows:

	31.12.2010 CHF 1000	31.12.2009 CHF 1000
Cash	**1 118 220**	2 812 217
Money market instruments	**5 993 112**	9 086 662
Due from banks (original maturity of less than three months)	**5 830 198**	5 606 480
Total	**12 941 530**	17 505 359

	31.12.2010 CHF 1000	31.12.2009 CHF 1000
Additional information		
Interest received	**405 364**	557 902
Interest paid	**-53 995**	-100 675
Dividends on equities received	**68 585**	16 093
Total	**419 954**	473 320

Information on the consolidated income statement

1 Net interest income

	2010 CHF 1000	2009 CHF 1000	Change %
Interest income on amounts due from banks	**33 577**	36 347	-7.6
Interest income on loans	**226 472**	222 001	2.0
Interest income on money market instruments	**42 867**	155 052	-72.4
Interest income on financial investments available-for-sale	**123 364**	120 812	2.1
Dividend income on financial investments available-for-sale	**2 328**	3 605	-35.4
Interest income on trading portfolios	**5 993**	1 943	208.4
Dividend income on trading portfolios	**66 256**	12 487	430.6
Total interest income	**500 857**	552 247	-9.3
Interest expense on amounts due to banks	**9 310**	3 644	155.5
Interest expense on amounts due to customers	**55 665**	94 665	-41.2
Total interest expense	**64 975**	98 309	-33.9
Total	**435 882**	453 938	-4.0

2 Net fee and commission income

	2010 CHF 1000	2009 CHF 1000	Change %
Investment fund fees	**106 534**	103 187	3.2
Fiduciary commissions	**19 139**	25 414	-24.7
Portfolio and other management fees	**555 050**	483 164	14.9
Total fee and commission from asset management	**680 723**	611 765	11.3
Income from brokerage and securities underwriting	**395 851**	315 624	25.4
Commission income on lending activities	**3 164**	3 267	-3.2
Commission income on other services	**44 272**	31 441	40.8
Total fee and commission income	**1 124 010**	962 097	16.8
Commission expense	**252 658**	205 377	23.0
Total	**871 352**	756 720	15.1

3 Net trading income

	2010 CHF 1000	2009 CHF 1000	Change %
Debt instruments	**8 074**	10 209	-20.9
Equity instruments	**-11 763**	28 288	-
Foreign exchange	**322 438**	252 121	27.9
Total	**318 749**	290 618	9.7

4 Other ordinary results

	2010 CHF 1000	2009 CHF 1000	Change %
Net gains/(losses) from disposal of financial investments available-for-sale	**-7 396**	-9 855	25.0
Real estate income	**6 182**	5 905	4.7
Other ordinary results	**14 959**	4 365	242.7
Total	**13 745**	415	3 212.0

5 Personnel expenses

	2010 CHF 1000	2009 CHF 1000	Change %
Salaries and bonuses	**561 018**	490 899	14.3
Contributions to staff pension plans (defined benefits)	**50 909**	41 286	23.3
Contributions to staff pension plans (defined contributions)	**10 148**	9 240	9.8
Other social security contributions	**47 311**	43 134	9.7
Share-based payments	**16 511**	10 638	55.2
Other personnel expenses	**23 715**	8 772	170.3
Total	**709 612**	603 969	17.5

6 General expenses

	2010 CHF 1000	2009 CHF 1000	Change %
Occupancy expense	**43 214**	41 763	3.5
IT and other equipment expense	**51 536**	43 459	18.6
Information, communication and advertising expense	**104 201**	87 372	19.3
Service expense, fees and taxes	**165 265**	131 164	26.0
Valuation adjustments, provisions and losses	**17 767**	24 336	-27.0
Other general expenses	**768**	832	-7.7
Total	**382 751**	328 926	16.4

7 Income taxes

	2010 CHF 1000	2009 CHF 1000	Change %
Income tax on profit before taxes (expected tax expense)	**86 425**	98 544	-12.3
Tax rate difference on income of components subject to foreign taxation	**-13 191**	-27 972	52.8
Tax rate difference from local differences in domestic tax rates	**-1 973**	-3 922	49.7
Lower taxed income	**-12 858**	-13 755	6.5
Adjustments related to prior years	**-1 638**	1 300	-
Non-deductible expenses	**21 605**	18 032	19.8
Other	**300**	-499	-
Actual income tax expense	**78 670**	71 728	9.7

A tax rate of 22% (2009: 22%) was applied in the calculation of income tax in Switzerland. There are no capitalised accumulated operating loss carry-forwards.

	2010 CHF 1000	2009 CHF 1000	Change %
Domestic income taxes	**73 013**	67 143	8.7
Foreign income taxes	**5 657**	4 585	23.4
Total	**78 670**	71 728	9.7

Current income taxes	**78 859**	83 250	-5.3
Deferred income taxes	**-189**	-11 522	98.4
Total	**78 670**	71 728	9.7

Tax effects relating to components of other comprehensive income

	Before-tax amount *CHF 1000*	Tax (expense)/ benefit *CHF 1000*	Net of tax amount *CHF 1000*
			2010
Net unrealised gains/(losses) on financial investments available-for-sale	12 151	-2 700	9 451
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	19 349	-1 066	18 283
Hedging reserve for cash flow hedges	1 253	-276	977
Other comprehensive income for the year recognised directly in equity	**32 753**	**-4 042**	**28 711**

	Before-tax amount *CHF 1000*	Tax (expense)/ benefit *CHF 1000*	Net of tax amount *CHF 1000*
			2009
Net unrealised gains/(losses) on financial investments available-for-sale	65 984	-9 401	56 583
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	29 579	-3 216	26 363
Hedging reserve for cash flow hedges	4 006	-881	3 125
Other comprehensive income for the year recognised directly in equity	99 569	-13 498	86 071

8 Reporting by segment

Bank Julius Baer & Co. Ltd. comprised from 1 January 2009 until 30 September 2009 of two independent segments: private banking and asset management. The asset management business of Bank Julius Baer was considered to have a different character to the private banking business, therefore they were not aggregated for segment reporting purposes even though the asset management business was of a lesser importance.

Since the separation of the businesses of the former Julius Baer Holding Ltd. into two distinct, independent entities, Bank Julius Baer & Co. Ltd. engages exclusively in private banking activities primarily in Switzerland, Europe and Asia. The asset management business and the related assets and liabilities were transferred to GAM Holding Ltd (formerly Julius Baer Holding Ltd.) at book values (see statement of changes in equity) in 2009. The focus on pure-play private banking has been defined by the new strategy and positioning of the Bank. It includes certain internal supporting functions which serve entirely the core business activities. Revenues from private banking activities primarily encompass fees charged for servicing and advising private clients as well as net interest income on financial instruments.

The Bank's new external segment reporting is based on the internal reporting to the chief operating decision maker, who is responsible for allocating resources and assesses the financial performance of the business. The Chief Executive Officer (CEO) has been identified as the chief operating decision-maker, as he is responsible for the operational management of the whole Bank.

Various management reports with discrete financial information are prepared at regular intervals for various management levels. However, the CEO reviews and uses for his management decisions the aggregated financial information on the level of the Bank only.

In accordance with the applicable rules and based on the analysis of the relevant factors determining segments, the Bank consists of the single reportable segment Private Banking. This is in line with the new strategy and business model of Bank Julius Baer & Co. Ltd. and reflects the management structure and the use of information by management in making operating decisions.

Therefore, the Bank does not disclose separate segment information, as the external reporting provided in these financial statements reflects the internal management accounting.

Entity-wide disclosures

	31.12.2010 Total assets *CHF m*	31.12.2009 *CHF m*	**2010** Operating income *CHF m*	2009 *CHF m*	**2010** Investments *CHF 1000*	2009 *CHF 1000*
Switzerland	**33 643**	30 813	**1 416**	1 185	**83 672**	59 395
Europe (excl. Switzerland)	**10 153**	14 596	**100**	241	**71**	25
Other countries	**5 373**	3 732	**139**	89	**8 620**	3 672
Less consolidation items	**4 627**	7 874	**15**	13	**-**	-
Total	**44 542**	41 267	**1 640**	1 502	**92 363**	63 092

The information about geographical areas is based on the domicile of the reporting entity. This geographical information is provided to comply with IFRS and does not reflect the way the Bank is managed.

9 Earnings per share and shares outstanding

	2010	2009
Basic net profit per share		
Net profit (CHF 1000)	**314 173**	376 200
Weighted average number of shares outstanding	**5 750 000**	5 750 000
Basic net profit per share (CHF)	**54.64**	65.43

	31.12.2010	31.12.2009
Shares outstanding		
Total shares issued	**5 750 000**	5 750 000
Total	**5 750 000**	5 750 000

There are no dilutive effects.

Information on the consolidated balance sheet

10a Due from banks

	31.12.2010 CHF 1000	31.12.2009 CHF 1000	Change CHF 1000
Due from banks	**7 237 372**	6 656 453	580 919
Allowance for credit losses	**-9 679**	-12 709	3 030
Total	**7 227 693**	6 643 744	583 949

Due from banks by type of collateral:

	31.12.2010 CHF 1000	31.12.2009 CHF 1000	Change CHF 1000
Securities collateral	**980 361**	1 748 730	-768 369
Without collateral	**6 247 332**	4 895 014	1 352 318
Total	**7 227 693**	6 643 744	583 949

10b Loans

	31.12.2010 CHF 1000	31.12.2009 CHF 1000	Change CHF 1000
Loans	**10 753 808**	8 091 021	2 662 787
Mortgages	**3 061 104**	2 342 417	718 687
Subtotal	**13 814 912**	10 433 438	3 381 474
Allowance for credit losses	**-52 692**	-52 738	46
Total	**13 762 220**	10 380 700	3 381 520

Loans by type of collateral:

	31.12.2010 CHF 1000	31.12.2009 CHF 1000	Change CHF 1000
Securities collateral	**7 070 461**	4 688 374	2 382 087
Mortgage collateral	**3 036 632**	2 332 450	704 182
Other collateral (mainly cash and fiduciary deposits)	**3 342 318**	3 195 728	146 590
Without collateral	**312 809**	164 148	148 661
Total	**13 762 220**	10 380 700	3 381 520

10c Allowance for credit losses

	2010 Specific CHF 1000	**2010** Collective CHF 1000	2009 Specific CHF 1000	2009 Collective CHF 1000
Balance at the beginning of the year	**42 295**	**23 152**	40 753	19 778
Write-offs	**-9 553**	**-**	-390	-
Increase in allowance for credit losses	**7 948**	**2 310**	3 278	3 374
Decrease in allowance for credit losses	**-**	**-**	-171	-
Translation differences and other adjustments	**-3 781**	**-**	-1 175	-
Balance at the end of the year	**36 909**	**25 462**	42 295	23 152

10d Impaired loans

	31.12.2010 CHF 1000	31.12.2009 CHF 1000	Change CHF 1000
Gross loans	**62 576**	70 441	-7 865
Specific allowance for credit losses	**-36 909**	-42 295	5 386
Net loans	**25 667**	28 146	-2 479

11a Trading assets and liabilities

	31.12.2010 CHF 1000	31.12.2009 CHF 1000	Change CHF 1000
Trading assets			
Debt instruments	**300 944**	363 340	-62 396
of which listed	***271 622***	*266 885*	*4 737*
of which unlisted	***29 322***	*96 455*	*-67 133*
Equity instruments	**2 987 799**	1 987 335	1 000 464
of which listed	***2 301 836***	*767 524*	*1 534 312*
of which unlisted	***685 963***	*1 219 811*	*-533 848*
Precious metals	**464 177**	379 617	84 560
Total	**3 752 920**	2 730 292	1 022 628

Trading liabilities			
Short positions - debt	**11 699**	36 728	-25 029
of which listed	***8 116***	*4 685*	*3 431*
of which unlisted	***3 583***	*32 043*	*-28 460*
Short positions - equity	**789 183**	678 158	111 025
of which listed	***34 599***	*57 398*	*-22 799*
of which unlisted	***754 584***	*620 760*	*133 824*
Total	**800 882**	714 886	85 996

11b Reclassifications

In 2008, the Bank reclassified certain trading assets to financial investments available-for-sale, as those assets were no longer held for the purpose of selling them in the near term. In 2009 and 2010, the Bank did not reclassify any further financial assets.

The carrying amount of these financial investments available-for-sale as at 31 December 2010 is CHF 14.1 million, as compared to CHF 46.8 million in the previous year and CHF 58.0 million in 2008. Changes in fair value recognised in other comprehensive income amounted to CHF -2.3 million (2009: CHF 4.1 million). Financial investments at the carrying amount of CHF 30.5 million (2009: CHF 17.2 million) were sold or matured during the 2010 financial year, with net gains recognised in the income statement of CHF 0.1 million (2009: CHF 1.9 million).

For these financial investments, interest income of CHF 0.8 million was recognised in the income statement (2009: CHF 2.4 million).

12a Financial investments available-for-sale

	31.12.2010 CHF 1000	31.12.2009 CHF 1000	Change CHF 1000
Money market instruments	**5 993 112**	9 086 662	-3 093 550
Government and agency bonds	**2 360 727**	917 227	1 443 500
Financial institution bonds	**3 216 090**	2 586 023	630 067
Corporate bonds	**1 716 325**	1 845 075	-128 750
Debt instruments	**7 293 142**	5 348 325	1 944 817
of which listed	***6 871 875***	*4 764 953*	*2 106 922*
of which unlisted	***421 267***	*583 372*	*-162 105*
Equity instruments	**126 664**	154 472	-27 808
of which listed	***6 951***	*5 754*	*1 197*
of which unlisted	***119 713***	*148 718*	*-29 005*
Total	**13 412 918**	14 589 459	-1 176 541

12b Financial investments available-for-sale – Credit ratings

Debt instruments by credit rating classes (excluding money market instruments)	**Fitch, S&P** [1]	**Moody's** [1]	31.12.2010 CHF 1000	31.12.2009 CHF 1000	Change CHF 1000
1-2	AAA - AA-	Aaa - Aa3	**5 488 014**	3 784 270	1 703 744
3	A+ - A-	A1 - A3	**1 642 696**	1 326 346	316 350
4	BBB+ - BBB-	Baa1 - Baa3	**101 888**	123 229	-21 341
5-7	BB+ - CCC-	Ba1 - Caa3	**31 577**	30 414	1 163
Unrated			**28 967**	84 066	-55 099
Total			**7 293 142**	5 348 325	1 944 817

[1] This document may contain information obtained from third parties, including ratings from rating agencies such as Standard & Poor’s, Moody’s, Fitch and other similar rating agencies. Reproduction and distribution of third-party content in any form is prohibited except with the prior written permission of the related third party. Third-party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third-party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the market value of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

13 Intangible assets, property and equipment

	Goodwill *CHF m*	Customer relationships *CHF m*	Software *CHF m*	**Total intangible assets** *CHF m*	Bank premises *CHF m*	Other property and equipment *CHF m*	**Total property and equipment** *CHF m*
Historical cost							
Balance on 01.01.2009	1 120.8	746.2	240.8	2 107.8	288.5	92.2	380.7
Additions	-	1.9	41.1	43.0	9.5	10.6	20.1
Disposals/transfers[1]	-	-	34.5 [2]	34.5	-	0.8 [2]	0.8
Balance on 31.12.2009	1 120.8	748.1	247.4	2 116.3	298.0	102.0	400.0
Additions	-	-	67.3	67.3	7.3	17.7	25.0
Acquisition of subsidiaries	4.3	146.4	1.6	152.3	41.7	2.4	44.1
Disposals/transfers[1]	-	-	8.2	8.2	4.8	4.4	9.2
Balance on 31.12.2010	1 125.1	894.5	308.1	2 327.7	342.2	117.7	459.9
Depreciation and amortisation							
Balance on 01.01.2009	-	231.3	109.2	340.5	35.9	56.1	92.0
Charge for the period	-	75.5	25.5	101.0	4.6	15.2	19.8
Disposals/transfers[1]	-	-	20.1	20.1	-	0.6	0.6
Balance on 31.12.2009	-	306.8	114.6	421.4	40.5	70.7	111.2
Charge for the period	-	89.2	39.9	129.1	5.9	19.4	25.3
Disposals/transfers[1]	-	-	8.2	8.2	-	4.2	4.2
Balance on 31.12.2010	-	396.0	146.3	542.3	46.4	85.9	132.3
Book value							
Balance on 31.12.2009	1 120.8	441.3	132.8	1 694.9	257.5	31.3	288.8
Balance on 31.12.2010	**1 125.1**	**498.5**	**161.8**	**1 785.4**	**295.8**	**31.8**	**327.6**

[1]Includes derecognition of fully depreciated and amortised assets
[2]Assets transfer due to the separation transaction between Bank Julius Baer & Co. Ltd. and Swiss & Global Asset Management Ltd. as of 1 October 2009.

Goodwill – Impairment testing

To identify any indications of impairment on goodwill, the recoverable amount based on the value in use is determined for the respective cash-generating unit (i.e. for the smallest identifiable groups of assets that generate cash inflows independently from other assets) and is subsequently compared to the carrying amount of that unit.

The Bank uses a proprietary model based on the discounted cash flow method to calculate the recoverable amount. The Bank estimates the free cash flows expected to be generated from the continuing use of the cash-generating unit based on its own four-year financial planning, taking into account the following key parameters and their single components:

- assets under management;
- return on assets (RoA) on the average assets under management (driven by fixed and performance fees, commissions, trading income and net interest income);
- operating income and expenses; and
- tax rate applicable.

To each of these applicable key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows. The Bank assumes that markets will remain more volatile than they used to be and that short-term disruptions cannot be excluded. However, the Bank expects in the medium and long-term a favorable development of the private banking activities which is reflected in the respective growth of the key parameters. The Bank also takes the relative strengths of itself as a pure private banking competitor vis-à-vis its peers into consideration, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 9.4% (2009: 9.9%).

The Bank's approach to determine the key assumptions and related growth expectations is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned business initiatives and other reasonable intentions of management. For that purpose, the Bank uses historical information by taking into consideration the current and expected market situations as well as the current and expected future relative market position of the Bank vis-à-vis its respective competitors and in its industry.

The discount rates used in the above calculation represent the Bank's specific risk-weighted rates.

Changes in key assumptions

Deviations of future actual results achieved vs. forecasted/planned key assumptions, as well as future changes of any of the key assumptions based on a future different assessment of the development of relevant markets, and/or the businesses, may occur. Such deviations may result from changes in products and client mix, profitability, required types and intensity of personnel resources, general and company-specific driven personnel cost development and/or changes in the implementation of known or addition of new business initiatives and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the unit's recoverable amount or may even lead to a partial impairment of goodwill.

Management has performed sensitivity analyses on the discount rates and growth rates applied to a four-year forecast period. No impairment resulted from these analyses. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market environment.

14 Operating lease commitments

	31.12.2010 CHF 1000	31.12.2009 CHF 1000
Not later than one year	**37 879**	36 005
Later than one year and not later than five years	**57 068**	62 237
Later than five years	**123 395**	86 799
Subtotal	**218 342**	185 041
Less sublease rentals received under non-cancellable leases	**10 361**	14 460
Total	**207 981**	170 581

Operating leases in the gross amount of CHF 37.0 million are included in operating expenses for the 2010 financial year (2009: CHF 38.5 million).

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

		31.12.2010		31.12.2009
	Book value CHF 1000	Effective commitment CHF 1000	Book value CHF 1000	Effective commitment CHF 1000
Securities	**520 636**	**520 636**	484 541	484 541
Other	**492**	**492**	462	452
Total	**521 128**	**521 128**	485 003	484 993

The assets are mainly pledged for lombard limits at central banks and for stock exchange securities deposits.

16 Financial liabilities designated at fair value

	2011 CHF m	2012 CHF m	2013 CHF m	2014 CHF m	2015 CHF m	2016-2020 CHF m	**31.12.2010** CHF m	31.12.2009 CHF m
Senior debt								
Fixed rate	1 898.5	47.0	16.9	21.0	-	-	**1 983.4**	1 889.9
Interest rates (ranges in %)	1.0-37.0	0.3-11.2	0.2-9.0	1.5-3.0	-	-	**-**	-
Floating rate	673.7	176.6	51.0	31.6	8.0	230.1	**1 171.0**	1 089.2
Total	**2 572.2**	**223.6**	**67.9**	**52.6**	**8.0**	**230.1**	**3 154.4**	2 979.1

The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0.2% up to 68.5%. 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 generally does not reflect the effective interest rate paid to service the debt after the embedded derivative has been separated and, where applicable, the application of hedge accounting.

Changes in the fair value of financial liabilities designated at fair value are attributable to changes in the market risk factors of the embedded derivatives. The credit rating of the Bank had no material impact on the fair value changes of these liabilities.

17 Debt issued

	31.12.2010 CHF 1000	31.12.2009 CHF 1000
Money market instruments	**15 210**	28 502
Total	**15 210**	28 502

18a Deferred tax assets

	31.12.2010 CHF 1000	31.12.2009 CHF 1000
Balance at the beginning of the year	-	-
Income statement - credit	91	-
Balance at the end of the year	**91**	-

18b Deferred tax liabilities

	31.12.2010 CHF 1000	31.12.2009 CHF 1000
Balance at the beginning of the year	85 715	83 740
Income statement - credit	-98	-11 522
Acquisition of subsidiaries	29 715	-
Recognised directly in equity	4 042	13 497
Balance at the end of the year	**119 374**	85 715

The components of deferred tax liabilities are as follows:

Provisions	53 976	53 976
Property and equipment	13 812	10 182
Financial investments available-for-sale	24 072	21 408
Intangible assets	27 514	149
Total deferred tax liabilities	**119 374**	85 715

19 Provisions

	Restructuring CHF 1000	Legal risks CHF 1000	Other CHF 1000	**2010** Total CHF 1000	2009 Total CHF 1000
Balance at the beginning of the year	**-**	**14 353**	**2 338**	**16 691**	36 537
Utilised during the year	**-8 106**	**-7 317**	**-**	**-15 423**	-25 384
Provisions made during the year	**15 420**	**3 482**	**-**	**18 902**	8 693
Provisions reversed during the year	**-**	**-756**	**-**	**-756**	-2 814
Acquisition of subsidaries	**-**	**13 342**	**-**	**13 342**	-2 814
Other adjustments	**-**	**-1 482**	**-**	**-1 482**	-341
Balance at the end of the year	**7 314**	**21 622**	**2 338**	**31 274**	13 877
Maturity of provisions					
Up to one year	**7 314**	**1 366**	**-**	**8 680**	-
Over one year	**-**	**20 256**	**2 338**	**22 594**	13 877

Details to restructuring provisions	2010	2009
Balance at the beginning of the year	**-**	17 479
Provisions made during the year	**15 420**	-
Provisions used:		
– Personnel	**-7 800**	-17 479
– Occupancy expense	**-306**	-
Balance at the end of the year	**7 314**	-

The restructuring provisions made during the 2010 financial year relate to the acquisition of ING Bank (Switzerland) Ltd (see page 73).

The Bank is involved in various legal proceedings in the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of the Bank – depending on the status of related proceedings – is difficult to assess. The Bank establishes provisions for pending and threatened legal proceedings if the management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss or if the dispute for economic reasons should be settled without acknowledgment of any wrongdoing on the part of the Bank and if the amount of such obligation or loss can be reasonably estimated. Described below are certain proceedings that might have a material effect on the Bank.

In 2010, litigation was commenced against Bank Julius Baer & Co. Ltd., and numerous other financial institutions by the liquidators of the Fairfield funds, having acted as feeder funds for the Madoff (Ponzi) investment schemes, in the courts of New York and the British Virgin Islands. Plaintiff(s) have asserted claims to avoid, and for mistake and restitution based on, approximately USD 1.8 billion in payments made by the Fairfield funds and received by the Bank and overall more than 80 further defendants. The complaints also refer to, and in some cases include as defendants, the unnamed beneficial owners of the accounts on whose behalf the payments were made. The current status of the proceedings does not allow a reliable allocation of the claimed amounts to the Bank and the other defendants, and consequently in general a meaningful assessment of the potential outcome is not possible yet. The Bank is challenging the complaints on procedural and substantive grounds and has taken further measures to defend and protect its interests.

In connection with certain private banking client accounts managed by an external asset manager and previously held with the former New York branch of the Bank, as custodian and lender, there are civil legal proceedings pending before New York State Court against the Bank alleging breach of contract, breach of fiduciary duty, negligence, conversion, unjust enrichment and/or fraud, and unauthorised pledging of client assets arising from and before 2001 when an external asset manager sent forged statements to certain clients and moved funds from certain clients' accounts, and pledged assets in certain clients' accounts, to cover losses in others. Proceedings before a New York arbitration panel in the same matter involving some of the same claimants have been closed in 2010 largely in favour of the Bank, among others also clearly rejecting any allegations of fraud, conspiracy and the like (disputed claims, without interest and unquantifiable claims for punitive damages and counterclaims, all court and arbitration proceedings – the latter closed in the meantime – initially amounted to approximately USD 105 million). Nevertheless, the affected claimants continue with their proceedings that include challenging the arbitration award in state court. The Bank is opposing these claims and has taken appropriate steps and measures to defend its interests.

Additional information

20 Related party transactions

	31.12.2010 CHF 1000	31.12.2009 CHF 1000
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**13 025**	8 378
Post-employment benefits	**678**	393
Share-based payments	**5 466**	4 505
Total	**19 169**	13 276
Receivables from		
Julius Baer Group entities	**897 346**	318 304
significant shareholders[2]	**1 725**	1 463
key management personnel[1]	**18 531**	36 976
own pension funds	**-**	80
Total	**917 602**	356 823
Liabilities to		
Julius Baer Group entities	**650 964**	417 255
significant shareholders[2]	**804 600**	627 397
key management personnel[1]	**16 842**	34 457
own pension funds	**1 676**	1 092
Total	**1 474 082**	1 080 201
Credit guarantees to		
Julius Baer Group entities	**21 394**	8 709
significant shareholders[2]	**7 532**	8 931
key management personnel[1]	**875**	18
Total	**29 801**	17 658
Income from services provided to		
Julius Baer Group entities	**40 627**	53 820
significant shareholders[2]	**59 333**	15 456
key management personnel[1]	**386**	893
Total	**100 346**	70 169
Services provided by		
Julius Baer Group entities	**25 035**	13 618
significant shareholders[2]	**3 890**	1 474
Total	**28 925**	15 092

[1] Board of Directors and Group Executive Board

[2] Julius Baer Group Ltd.

The loans granted to key management personnel consist of lombard loans on a secured basis (through pledging of the securities portfolios) and mortgage loans on a fixed and variable basis.

The interest rates of the lombard loans and mortgage loans are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties, though employees of the Group are granted a discounted rate of the Bank's refinancing rate plus 0.25% for fixed mortgages and 0.5% for money market mortgages respectively. Variable mortgages are granted at client rates minus 1%. Interest rates of 0.64% to 4.55% are applied to the mortgage portfolio as at 31 December 2010. The residual maturities of the mortgage loans as at 31 December 2010 range between four days and ten years. Interest rates ranging from 0.49% to 3.45% are charged on the fixed-term lombard loans outstanding as at 31 December 2010.

Other financial services are transacted at arm's length.

21 Pension plans and other employee benefits

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

	2010 CHF 1000	2009 CHF 1000
1. Development of pension obligations and assets		
Present value of funded obligation at the beginning of the year	**-1 284 042**	-1 285 497
Acquisitions/transfer from restructuring reserve	**-141 494**	2 868
Service cost	**-74 600**	-68 022
Interest cost	**-45 532**	-41 622
Settlements	**2 351**	-2 262
Benefits paid	**53 807**	45 328
Actuarial gain/(loss)	**-110 027**	65 593
Translation differences	**1 158**	-428
Present value of funded obligation at the end of the year	**-1 598 379**	-1 284 042
Fair value of plan assets at the beginning of the year	**1 295 323**	1 149 805
Acquisition/transfer from restructuring reserve	**124 664**	-2 868
Expected return on plan assets	**64 381**	51 862
Employer's contributions	**55 357**	73 383
Employees' contributions	**25 513**	23 508
Settlements	**-2 351**	2 137
Benefits paid	**-53 807**	-45 328
Actuarial gain/(loss)	**10 047**	42 355
Translation differences	**-1 039**	469
Fair value of plan assets at the end of the year	**1 518 088**	1 295 323

	31.12.2010 CHF 1000	31.12.2009 CHF 1000
2. Balance sheet		
Fair value of plan assets	**1 518 088**	1 295 323
Present value of funded obligation	**-1 598 379**	-1 284 042
(Unfunded)/funded status	**-80 291**	11 281
Unrecognised plan assets	**-**	-10 790
Unrecognised actuarial (gain)/loss	**77 350**	8 830
Translation differences	**1 039**	883
(Accrued)/prepaid pension cost	**-1 902**	10 204

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

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

	2010 CHF 1000	2009 CHF 1000
3. Income statement		
Service cost	**-74 600**	-68 022
Interest cost	**-45 532**	-41 622
Expected return on plan assets	**64 381**	51 862
Amortisation of actuarial gain/(loss)	**121**	278
Recognised actuarial gain/(loss)	**-31 582**	3 624
Increase/(decrease) of unrecognised plan assets	**10 790**	-10 790
Settlements	**-**	-125
Net periodic pension cost	**-76 422**	-64 795
Employees' contributions	**25 513**	23 509
Expense recognised in the income statement	**-50 909**	-41 286

	2010 CHF 1000	2009 CHF 1000
4. Movement in the net asset (or liability)		
(Accrued)/prepaid pension cost at the beginning of the year	**10 204**	-21 636
Acquisitions	**-16 830**	-
Translation differences	**276**	-257
Expense recognised in the income statement	**-50 909**	-41 286
Employer's contributions	**55 357**	73 383
Amount recognised in the balance sheet	**-1 902**	10 204
(Accrued)/prepaid pension cost	**-1 902**	10 204
(Accrued)/prepaid pension cost	**-1 902**	10 204
Actual return on plan assets	**74 428**	94 217

	2010 %	2009 %
5. Asset allocation		
Cash	**2.69**	1.50
Debt instruments	**37.19**	42.65
Equity instruments	**25.92**	26.33
Real estate	**12.93**	13.02
Other	**21.27**	16.50
Total	**100.00**	100.00

	31.12.2010 CHF 1000	31.12.2009 CHF 1000	31.12.2008 CHF 1000	31.12.2007 CHF 1000	31.12.2006 CHF 1000
6. Defined benefit pensions plans					
Fair value of plan assets	**1 518 088**	1 295 323	1 149 805	1 232 094	1 222 887
Present value of funded obligation	**-1 598 379**	-1 284 042	-1 285 497	-1 212 979	-1 240 068
(Unfunded)/funded status	**-80 291**	11 281	-135 692	19 115	-17 181
Experience adjustment on plan liabilities	**-31 029**	66 532	-2 352	-35 643	-24 808
Change in assumptions adjustment on plan liabilities	**-78 998**	-939	30 650	64 683	-8 189
Experience adjustment on plan assets	**10 047**	42 355	-221 777	-4 114	44 542
Total actuarial gain/(loss)	**-99 980**	107 948	-193 479	24 926	11 545

Defined contribution pension plans

Bank Julius Baer & Co. Ltd. maintains a number of defined contribution pension plans, primarily outside Switzerland. 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 10.1 million during the 2010 financial year (2009: CHF 9.2 million).

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2010. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland which accounts for about 99% of all benefit obligations and plan assets:

	2010	2009
Discount rate	**2.60%**	3.25%
Expected net return on plan assets	**3.80%**	4.50%
Average future salary increases	**2.00%**	1.50%
Future pension increases	**0.00%**	0.00%

The expected return on funded pension plan assets is based on long-term historical performance of the asset categories as well as expectations for future market performance.

The expected employer contributions for the 2011 financial year are estimated at CHF 52.2 million.

22 Securities transactions

	31.12.2010 CHF m	31.12.2009 CHF m
Securities lending and borrowing transactions / repurchase and reverse repurchase transactions		
Receivables from cash collateral provided in securities borrowing and reverse repurchase transactions	**402.5**	1 260.7
Obligations to return cash collateral received in securities lending and repurchase transactions	**585.3**	320.4
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**1 105.0**	1 300.5
of which securities the right to pledge or sell has been granted without restriction	***1 105.0***	*1 300.5*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**4 594.6**	8 214.8
of which repledged or resold securities	***3 841.7***	*3 670.0*

23 Derivative financial instruments

Derivatives held for trading

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Foreign exchange derivatives			
Forward contracts	94 096.4	1 511.7	1 605.5
Futures	52.2	-	0.9
Options (OTC)	43 642.0	715.3	644.6
Total foreign exchange derivatives 31.12.2010	**137 790.6**	**2 227.0**	**2 251.0**
Total foreign exchange derivatives 31.12.2009	156 497.8	1 322.9	1 286.5
Interest rate derivatives			
Swaps	3 879.3	31.1	32.3
Futures	348.7	0.6	0.8
Options (OTC)	350.9	1.3	1.2
Total interest rate derivatives 31.12.2010	**4 578.9**	**33.0**	**34.3**
Total interest rate derivatives 31.12.2009	2 329.8	29.2	28.3
Precious metals derivatives			
Forward contracts	3 289.2	102.3	108.0
Futures	145.5	-	1.2
Options (OTC)	12 649.1	136.1	123.7
Total precious metals derivatives 31.12.2010	**16 083.8**	**238.4**	**232.9**
Total precious metals derivatives 31.12.2009	11 274.2	230.1	220.3
Equity/indices derivatives			
Futures	431.3	0.7	3.4
Options (OTC)	9 733.3	163.4	143.1
Options traded	2 026.0	37.3	69.2
Total equity/indices derivatives 31.12.2010	**12 190.6**	**201.4**	**215.7**
Total equity/indices derivatives 31.12.2009	6 142.4	262.4	216.1
Other derivatives			
Futures	223.8	-	19.7
Total other derivatives 31.12.2010	**223.8**	**-**	**19.7**
Total other derivatives 31.12.2009	465.9	6.0	8.9
Total derivatives held for trading 31.12.2010	**170 867.7**	**2 699.8**	**2 753.6**
Total derivatives held for trading 31.12.2009	176 710.1	1 850.6	1 760.1

Derivatives held for hedging

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Derivatives designated as cash flow hedges			
Interest rate swaps	33.8	0.5	0.9
Total derivatives held for hedging 31.12.2010	**33.8**	**0.5**	**0.9**
Total derivatives held for hedging 31.12.2009	318.1	0.5	8.0
Total derivative financial instruments 31.12.2010	**170 901.5**	**2 700.3**	**2 754.5**
Total derivative financial instruments 31.12.2009	177 028.2	1 851.1	1 768.1

24a Financial instruments by category

Financial assets

	31.12.2010 Book value CHF m	31.12.2010 Fair value CHF m	31.12.2009 Book value CHF m	31.12.2009 Fair value CHF m
Cash, loans and receivables				
Cash	**1 118.2**	**1 118.2**	2 812.2	2 812.2
Due from banks	**7 227.7**	**7 240.3**	6 643.7	6 650.0
Loans	**13 762.2**	**13 959.5**	10 380.7	10 556.0
Accrued income	**136.4**	**136.4**	120.3	120.3
Total	**22 244.5**	**22 454.4**	19 956.9	20 138.5
Held for trading				
Trading assets	**3 752.9**	**3 752.9**	2 730.3	2 730.3
Derivative financial instruments	**2 699.8**	**2 699.8**	1 850.6	1 850.6
Total	**6 452.7**	**6 452.7**	4 580.9	4 580.9
Derivatives designated as hedging instruments				
Derivative financial instruments	**0.5**	**0.5**	0.5	0.5
Total	**0.5**	**0.5**	0.5	0.5
Available-for-sale				
Financial investments available-for-sale	**13 412.9**	**13 412.9**	14 589.5	14 589.5
Total	**13 412.9**	**13 412.9**	14 589.5	14 589.5
Total financial assets	**42 110.6**	**42 320.5**	39 127.8	39 309.4

Financial liabilities

	31.12.2010 Book value CHF m	31.12.2010 Fair value CHF m	31.12.2009 Book value CHF m	31.12.2009 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**4 955.4**	**4 956.1**	4 183.3	4 183.3
Due to customers	**28 407.3**	**28 440.8**	27 341.1	27 376.1
Debt issued	**15.2**	**15.2**	28.5	28.5
Accrued expenses	**105.3**	**105.3**	84.3	84.3
Total	**33 483.2**	**33 517.4**	31 637.2	31 672.2
Held for trading				
Trading liabilities	**800.9**	**800.9**	714.9	714.9
Derivative financial instruments	**2 753.6**	**2 753.6**	1 760.1	1 760.1
Total	**3 554.5**	**3 554.5**	2 475.0	2 475.0
Derivatives designated as hedging instruments				
Derivative financial instruments	**0.9**	**0.9**	8.0	8.0
Total	**0.9**	**0.9**	8.0	8.0
Designated at fair value				
Financial liabilities designated at fair value	**3 154.4**	**3 154.4**	2 979.1	2 979.1
Total	**3 154.4**	**3 154.4**	2 979.1	2 979.1
Total financial liabilities	**40 193.0**	**40 227.2**	37 099.3	37 134.3
Total difference between fair value and book value, excluding deferred taxes		**175.7**		146.6

The following methods are used in calculating the 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 applies for 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 and debt issued. For short-term financial instruments which do not have a market price published by a recognised 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 and debt issued. 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 assets and financial investments available-for-sale

For the majority of the trading assets and the financial investments available-for-sale (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.

24b Financial instruments – Fair value determination

For listed trading assets and financial investments available-for-sale 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 (level 1).

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 (level 2). This is the case for the majority of OTC derivatives, most unlisted financial instruments, and other items that are not traded in active markets. The main pricing models and valuation techniques applied include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes model or generalisations of that model. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility, or credit risk.

For certain 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 (level 3). In 2010, Bank Julius Baer & Co. Ltd. did not have or transferred any such instruments.

The fair value of financial instruments carried at fair value are determined as follows:

Determination of fair values	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	31.12.2010 Total CHF m
Trading assets	3 054.0	234.7	**3 288.7**
Derivative financial instruments	37.8	2 662.5	**2 700.3**
Financial investments available-for-sale	126.7	13 286.2	**13 412.9**
Total assets at fair value	**3 218.5**	**16 183.4**	**19 401.9**
Trading liabilities	535.1	265.8	**800.9**
Derivative financial instruments	95.3	2 659.2	**2 754.5**
Financial liabilities designated at fair value	2 029.3	1 125.1	**3 154.4**
Total liabilities at fair value	**2 659.7**	**4 050.1**	**6 709.8**

Determination of fair values	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	31.12.2009 Total CHF m
Trading assets	2 466.7	263.6	2 730.3
Derivative financial instruments	38.7	1 812.4	1 851.1
Financial investments available-for-sale	154.5	14 435.0	14 589.5
Total assets at fair value	2 659.9	16 511.0	19 170.9
Trading liabilities	488.2	226.7	714.9
Derivative financial instruments	86.8	1 681.3	1 768.1
Financial liabilities designated at fair value	1 397.6	1 581.5	2 979.1
Total liabilities at fair value	1 972.6	3 489.5	5 462.1

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

Total results from trading operations came to CHF 318.7 million for the 2010 financial year (2009: CHF 290.6 million). This figure represents the net result from various products traded across different business activities, including the effect of foreign currency translation, and including both realised and unrealised income. Unrealised 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 unrealised portion of the results from trading operations are net losses from changes in fair values of CHF 131.8 million (2009: net gain CHF 247.9 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 recognised 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 realised or valued using quoted market prices or rates. The amount of such income for 2010, including the effect of foreign currency translation on unrealised transactions, was a gain of CHF 450.5 million (2009: CHF 34.7 million).

25 Companies consolidated as at 31 December 2010

	Head Office	Currency	Share capital *m*	Equity interest *%*
Banks				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Basle, Berne, Brig, Crans-Montana, Geneva, Guernsey,				
Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano, Singapore,				
Sion, St. Gallen, St. Moritz, Verbier, Zug				
Representative Offices in Abu Dhabi, Dubai, Istanbul,				
Moscow, Santiago de Chile				
including				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	*Singapore*	*SGD*	*0.000*	*100*
Julius Baer (Singapore) Ltd.	*Singapore*	*SGD*	*25.000*	*100*
BJBJ (Jersey) Limited	*Jersey*	*CHF*	*5.000*	*100*

Changes in the companies consolidated:

- ING Bank (Switzerland) Ltd, Geneva, new and merged into Bank Julius Baer & Co. Ltd., Zurich

26 Acquisitions

On 15 January 2010, Bank Julius Baer & Co. Ltd. acquired ING Bank (Switzerland) Ltd, a fully owned subsidiary of ING Group NV, including its subsidiary in Jersey. The Bank paid a total consideration of CHF 451.0 million in cash. The purchase price was fully funded by existing excess capital of the Bank. ING Bank (Switzerland) Ltd, which was active in private banking business, has been fully integrated into Bank Julius Baer & Co. Ltd. At the time of acquisition, the assets under management amounted to CHF 11.9 billion.

The assets and liabilities of the acquired entity were recorded as follows:

	Fair value *CHF 1000*
Assets	
Cash	237 552
Due from banks	1 432 887
Loans[1]	535 327
Financial investments available-for-sale	349 972
Customer relationship	146 407
Goodwill	4 348
All other assets	81 868
Total	2 788 361
Liabilities and equity	
Due to banks	692 904
Due to customers	1 524 451
Deferred tax liabilities	29 715
All other liabilities	90 336
Total liabilities	2 337 406
Equity	450 955
Total	2 788 361

[1]At the acquisition date, the gross contractual amount of loans acquired was CHF 555.3 million.

The transaction resulted in goodwill of CHF 4.3 million, which represents expected synergies and growth opportunities from the combined private banking activities. Other intangible assets recognised consist of CHF 146.4 million for the existing customer relationships of the acquired entity, which are amortised over an expected useful life of ten years.

27 Share-based payments

Equity Participation Programmes

The Compensation Committee of the Board of Directors is responsible for determining and making changes to all of the equity-based incentives. The programmes described below reflect the plan landscape as at 31 December 2010. However, the two new plans (i.e. Premium Share Plan and Incentive Share Plan, see below) have not yet been implemented fully. The shares of Julius Baer Group Ltd. required for the equity-based incentives are procured from the market.

Staff Participation Plan

The Staff Participation Plan of Bank Julius Baer & Co. Ltd. offers employees the opportunity to purchase shares of Julius Baer Group Ltd. at a discount. The discount is defined annually and may change from year to year. The shares acquired by the participants are blocked from sale for three years following purchase.

The objective of this plan is to strengthen the identification with the Bank and its future development of employees on all levels of the organisation. The offer price for the 2010 Staff Participation Plan was 25% below the average weighted market value of the shares of the Julius Baer Group Ltd. for the period from 1 March until 12 March 2010.

Equity Bonus Plan

Up to 2006, Senior Management had the possibility to choose to have part or all of their bonus paid out in the form of the former Julius Baer Holding Ltd. shares and/or options on such shares at market price. The shares and options acquired in this way are subject to a sales restriction period.

Long-Term Incentive Plan

The Long-Term Incentive Plan (LTI) of Bank Julius Baer & Co. Ltd. is aimed at employees who have a significant influence on the Bank's long-term development and financial results. The purpose of the LTI is to strengthen long-term commitment to the Bank and to foster interdisciplinary teamwork required for the long-term success of the organisation as a whole. LTI is part of the total compensation of the Board of Directors and in some individual cases the LTI is used to compensate new hires for their lost long-term incentives forfeited by their previous employer due to resignation.

LTI participants are granted a number of shares which vest in equal one-third portions over a period of three years. The shares are transferred to the employees at vesting, subject to continued employment and any other conditions set out in the plan rules, and remain blocked from sale until the third anniversary of the grant. In case of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares will be forfeited.

Until vesting, the granted shares are managed by the Loteco Foundation. The Loteco Foundation hedges its liabilities from the LTI on grant date through the purchase of the corresponding shares from the market.

The Bank finances these shares and options purchased by the Loteco Foundation. At the end of the reporting period the Bank recognised the amount of CHF 7.5 million (2009: CHF 13.6 million) as "prefinanced share-based payments" included in "other assets". This asset will be recovered over the vesting period by way of a capital distribution representing the recharge of share-based payments made by the Loteco Foundation.

In the reporting period this capital distribution amounted to CHF 13.7 million (2009: CHF 7.9 million).

To the extent that the prefinanced share-based payments will not result in vested share-based payment the asset will be recovered in cash from the Loteco Foundation.

The expense related to prefinanced share-based payments amount to CHF 13.7 million (2009: CHF 7.9 million).

Equity-based incentives with a deferral component

Premium Share Plan

The Premium Share Plan (PSP) is a deferred equity plan which applies to certain senior members of the staff and comprises between 19% and 47% of their total variable compensation. The plan is designed to link and tie a portion of the employee's variable compensation to the long-term development and success of the Group through the share price.

At the start of the plan period, a certain percentage of the employee's variable cash incentive is deferred to the PSP, and the employee is then granted a number of shares equal in value to the deferred cash element. These shares vest in equal one-third portions over a three-year plan period. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one third of the original grant.

Until vested, the shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's behaviour has substantially contributed to a financial loss of the Group or caused reputational damage.

No grants have yet been made from the PSP. The plan will be implemented from 2011 onwards.

Incentive Share Plan

The Incentive Share Plan (ISP) applies to the members of the Senior Management and some other key members of the staff. The ISP is designed to link part of the variable compensation of the executive directly to the long-term performance of the Company and part of the payment depends on achievement against two performance targets over a three-year period:

Economic Profit, which measures value creation of the Julius Baer Group against the strategic three-year plan of the Company over the three-year plan period.

Relative Share Price, which compares the performance of the Julius Baer Group share against the STOXX Europe 600 Banks Index.

The three-year performance period and the targets reflect the Group's underlying business cycle and its short- and long-term risk profile.

At the start of the plan period, 15% to 40% of the executive's variable incentive is deferred to the ISP and the employee is then granted a number of shares equal in value to the deferred element. These shares vest in equal one-third portions over the three-year plan period, subject to continued employment.

Also at the start of the plan period, the executives are granted a certain number of performance units which, subject to the achievement of the predefined targets and continued employment, vest at the end of the three-year performance period in the form of additional shares. The total number of vested additional shares can be between zero and two times the number of performance units (for plan participants other than members of the Senior Management and of the Executive Board of Bank Julius Baer) resp. zero to four times for members of the Senior Management and of the Executive Board of Bank Julius Baer. Including the value development of the performance units the ISP can represent between 15% and 67% (77% for members of Senior Management) of the total variable compensation of the executive.

Until vested, the units/shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's behaviour has substantially contributed to a financial loss of the Group or caused reputational damage.

The ISP has been applied to the members of the Senior Management and selected key staff as part of the variable compensation for 2010. The Compensation Committee decided on 25 January 2011 on the participants of the ISP and on the individual allocations as part of the variable compensation for 2010.

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

	31.12.2010	31.12.2009
Staff Participation Plan		
Number of shares taken up	**315 423**	473 360
Preferential price per share (CHF)	**26.71** [1]	17.20 [2]
Compensation expense (CHF 1000)	**2 813**	2 712

[1]The preferential price was 25% below the weighted average market value of Julius Baer Group Ltd. for the period from 1 March until 12 March 2010.
[2]The preferential price was 25% below the weighted average market value of the former Julius Baer Holding Ltd. for the period from 2 March until 11 March 2009.

	31.12.2010	31.12.2009
Long-Term Incentive Plan		
Unvested shares outstanding, at the beginning of the year	**364 845**	72 953
Shares awarded during the year	**227 364**	353 093
Vested during the year	**-191 697**	-61 201
Forfeited during the year	**-6 552**	-
Unvested shares outstanding, at the end of the year	**393 960**	364 845
Weighted average fair value per share awarded (CHF)	**37.58**	39.57
Fair value of outstanding shares at the end of the year (CHF 1000)	**17 255**	13 273

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

	Number of options	31.12.2010 Weighted average exercise price CHF	Number of options	31.12.2009 Weighted average exercise price CHF
Equity Bonus Plan				
Outstanding, at the beginning of the year	**1 770**	**55.00**	14 800	37.07
Exercised during the year	**-1 770**	**55.00**	-13 030	34.64
Outstanding, at the end of the year	**-**	**-**	1 770	55.00

	Number of options	31.12.2010 Weighted average exercise price CHF	Number of options	31.12.2009 Weighted average exercise price CHF
Long-Term Incentive Plan				
Options outstanding, at the beginning of the year	**420 464**	**91.20**	1 182 330	86.94
Vested/exercised during the year	**-420 464**	**91.20**	-741 164	84.40
Forfeited during the year	**-**	**-**	-20 702	91.20
Options outstanding, at the end of the year	**-**	**-**	420 464	91.20

28 Assets under management

Assets under management include all bankable assets managed by or deposited with the Bank for investment purposes. Assets included are portfolios of wealth management clients for which the Bank provides discretionary or advisory asset management services. Assets deposited with the Bank held for transactional or safekeeping/custody purposes, and where the Bank does not offer advice on how the assets should be invested, are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management.

Assets with discretionary mandate are defined as the assets for which the investment decisions are made by the Bank, and cover assets deposited with the Bank as well as assets deposited at third-party institutions. Other assets under management are defined as the assets for which the investment decision is made by the client himself. Both assets with discretionary mandate and other assets under management take into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions.

When assets under management are subject to more than one level of asset management services, double counting arises within the total assets under management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Bank.

Net new money consists of new client acquisitions, client departures and in- or outflows attributable to existing clients. It is calculated through 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 Bank subsidiary or business are stated separately. Reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets under management are stated according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Assets under management

	2010 CHF m	2009 CHF m	Change %
Assets with discretionary mandate	**21 083**	20 461	3.0
Other assets under management	**139 558**	126 691	10.2
Total assets under management (including double counting)	**160 641**	147 152	9.2
of which double counting	***1 745***	*1 501*	*16.3*
Change through net new money	**7 055**	3 813	
Change through market and currency appreciation	**-5 430**	18 447	
Change through acquisition[1]	**11 864**	-	
Change through divestment[2]	**-**	-19 290	
Client assets	**258 284**	234 427	10.2

[1] On 15 January 2010, Bank Julius Baer & Co. Ltd. acquired parts of ING Bank (Switzerland) Ltd.
[2] Client transfer due to the separation transaction between Bank Julius Baer & Co. Ltd. and Swiss & Global Asset Management Ltd. as of 1 October 2009.

Breakdown of assets under management

	2010 %	2009 %
By types of investment		
Equities	**26**	23
Bonds (including convertible bonds)	**28**	29
Money market instruments	**9**	11
Investment funds	**20**	20
Client deposits	**15**	15
Other	**2**	2
Total	**100**	100

Client assets are defined as all bankable assets managed by or deposited with the Bank for investment purposes, and only those deposited assets held for transactional, safekeeping/custody or administrative purposes for which additional services, for example analysis and reporting or securities lending and borrowing, are provided. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes, assets primarily used for cash management, funding or trading purposes or deposited assets held purely for transactional or safekeeping/custody purposes are excluded from client assets.

29 Requirements of Swiss banking law

The Bank is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Swiss-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard to provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP is ruled by the principal provisions of the Banking Ordinance and the related Guidelines governing financial statement reporting.

The following main differences exist between IFRS and Swiss GAAP (true and fair view):

Under IFRS, changes in the fair value of financial investments available-for-sale are directly recognised in equity. Under Swiss GAAP, such investments are recorded at the lower of cost or market, with changes in value where required recorded in the income statement. In addition, realised gains and losses on financial assets that are valued at amortised cost and that are sold or repaid prior to the final maturity are recorded immediately in the income statement. Under Swiss GAAP, such gains and losses are amortised to the stated maturity of the financial assets sold or prepaid.

Under IFRS, all income and expenses are attributed to ordinary business operations. Under Swiss GAAP, certain income and expenses are classified as extraordinary, e.g. if they are from non-operating transactions or are non-recurring.

Under IFRS, goodwill is not amortised but must be tested for impairment annually, and a write-off is made if the recoverable amount is less than the carrying amount. Under Swiss GAAP, goodwill is amortised over its useful life, generally not exceeding five years (in justified cases up to twenty years), and tested for impairment.

Under IFRS, intangible assets with indefinite lives are not amortised but tested for impairment on an annual basis. Under Swiss GAAP, such intangible assets are amortised over the useful lives up to a maximum of five years, and tested for impairment.

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

30 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 2010 financial year.

Report of the Statutory Auditor to the General Meeting of Bank Julius Baer & Co. Ltd., Zurich

KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich

P.O. Box
CH-8026 Zurich

Telephone +41 44 249 31 31
Fax +41 44 249 23 19
Internet www.kpmg.ch

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

Bank Julius Baer & Co. Ltd., Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of Bank Julius Baer & Co. Ltd., which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 4 to 80) for the year ended 31 December 2010.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

KPMG

Bank Julius Baer & Co. Ltd., Zurich
Report of the Statutory Auditor
on the Consolidated Financial Statements
to the General Meeting of Shareholders

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

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

KPMG AG

Daniel Senn	Hans Stamm
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Appendix 2: Audited Consolidated Financial Statements of Bank Julius Bär & Co AG for the Financial Year 2011

Consolidated financial statements
Consolidated income statement

	Note	**2011** CHF 1000	2010 CHF 1000	Change %
Interest income		**619 046**	500 857	23.6
Interest expense		**105 512**	64 975	62.4
Net interest income	1	**513 534**	435 882	17.8
Fee and commission income		**1 079 442**	1 124 010	-4.0
Commission expense		**229 452**	252 658	-9.2
Net fee and commission income	2	**849 990**	871 352	-2.5
Net trading income	3	**252 433**	318 749	-20.8
Other ordinary results	4	**-2 363**	13 745	-
Operating income		**1 613 594**	1 639 728	-1.6
Personnel expenses	5	**722 155**	709 612	1.8
General expenses	6	**462 606**	382 751	20.9
Depreciation of property and equipment	12	**26 973**	25 349	6.4
Amortisation of customer relationships	12	**89 131**	89 227	-0.1
Amortisation of other intangible assets	12	**54 921**	39 946	37.5
Operating expenses		**1 355 786**	1 246 885	8.7
Profit before taxes		**257 808**	392 843	-34.4
Income taxes	7	**50 130**	78 670	-36.3
Net profit		**207 678**	314 173	-33.9

	Note	**2011** CHF	2010 CHF	Change %
Share information				
Basic net profit per share	8	**36.12**	54.64	-33.9
Diluted net profit per share	8	**36.12**	54.64	-33.9
Dividend proposal 2011 and dividend 2010		**26.09**	26.09	-

Consolidated statement of comprehensive income

	2011 *CHF 1000*	2010 *CHF 1000*
Net profit recognised in the income statement	**207 678**	314 173
Other comprehensive income (net of taxes):		
Net unrealised gains/(losses) on financial investments available-for-sale	**-31 131**	9 451
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	**16 759**	18 283
Hedging reserve for cash flow hedges	**-5 164**	977
Other comprehensive income for the year recognised directly in equity	**-19 536**	28 711
Total comprehensive income for the year recognised in the income statement and in equity	**188 142**	342 884
Attributable to:		
Shareholders of Bank Julius Baer & Co. Ltd.	**188 142**	342 884

Consolidated balance sheet

	Note	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000
Assets				
Cash		**4 233 883**	1 118 220	3 115 663
Due from banks	9	**10 758 566**	7 227 693	3 530 873
Loans	9	**15 265 054**	13 762 220	1 502 834
Trading assets	10	**4 935 549**	3 752 920	1 182 629
Derivative financial instruments	23	**2 104 465**	2 700 311	-595 846
Financial investments available-for-sale	11	**12 079 574**	13 412 918	-1 333 344
Property and equipment	12	**322 982**	327 569	-4 587
Goodwill and other intangible assets	12	**1 697 591**	1 785 397	-87 806
Accrued income and prepaid expenses		**180 551**	152 154	28 397
Deferred tax assets	17	**4 744**	91	4 653
Other assets		**152 409**	302 595	-150 186
Total assets		**51 735 368**	44 542 088	7 193 280

	Note	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000
Liabilities and equity				
Due to banks		**6 786 879**	4 955 414	1 831 465
Due to customers		**34 104 697**	28 407 291	5 697 406
Trading liabilities	10	**814 077**	800 882	13 195
Derivative financial instruments	23	**2 101 838**	2 754 538	-652 700
Financial liabilities designated at fair value	15	**3 494 592**	3 154 425	340 167
Debt issued	16	**8 694**	15 210	-6 516
Accrued expenses and deferred income		**300 721**	326 864	-26 143
Current tax liabilities		**6 930**	33 385	-26 455
Deferred tax liabilities	17	**114 612**	119 374	-4 762
Provisions	18	**52 295**	31 274	21 021
Other liabilities		**124 533**	156 073	-31 540
Total liabilities		**47 909 868**	40 754 730	7 155 138
Share capital		**575 000**	575 000	-
Capital reserves		**1 860 000**	1 860 000	-
Retained earnings		**1 444 891**	1 387 213	57 678
Other components of equity		**-54 391**	-34 855	-19 536
Total equity attributable to shareholders of Bank Julius Baer & Co. Ltd.		**3 825 500**	3 787 358	38 142
Total liabilities and equity		**51 735 368**	44 542 088	7 193 280

Consolidated statement of changes in equity

	Share capital CHF 1000	Capital reserves CHF 1000	Retained earnings CHF 1000	Other components of equity: Financial investments available-for-sale, net of taxes CHF 1000	Other components of equity: Hedging reserve for cash flow hedges, net of taxes CHF 1000	Total equity attributable to shareholders of Bank Julius Baer & Co. Ltd. CHF 1000
At 1 January 2010	575 000	1 860 000	1 376 626	-61 213	-2 353	3 748 060
Net profit attributable to shareholders of Bank Julius Baer & Co. Ltd.	-	-	314 173	-	-	314 173
Unrealised gains/(losses)	-	-	-	9 451	977	10 428
Realised (gains)/losses reclassified to the income statement	-	-	-	18 283	-	18 283
Total other comprehensive income	-	-	-	27 734	977	28 711
Total comprehensive income	-	-	314 173	27 734	977	342 884
Bank Julius Baer & Co. Ltd. dividend[1]	-	-	-300 000	-	-	-300 000
Dividend in kind to the parent[2]	-	-	-3 586	-	-	-3 586
Share-based payments expensed for the year	-	-	16 511	-	-	16 511
Distribution to the parent related to share-based payments for the year	-	-	-16 511		-	-16 511
At 31 December 2010	575 000	1 860 000	1 387 213	-33 479	-1 376	3 787 358
At 1 January 2011	**575 000**	**1 860 000**	**1 387 213**	**-33 479**	**-1 376**	**3 787 358**
Net profit attributable to shareholders of Bank Julius Baer & Co. Ltd.	**-**	**-**	**207 678**	**-**	**-**	**207 678**
Unrealised gains/(losses)	-	**-**	-	**-31 131**	**-5 164**	**-36 295**
Realised (gains)/losses reclassified to the income statement	-	**-**	-	**16 759**	-	**16 759**
Total other comprehensive income	**-**	**-**	**-**	**-14 372**	**-5 164**	**-19 536**
Total comprehensive income	**-**	**-**	**207 678**	**-14 372**	**-5 164**	**188 142**
Bank Julius Baer & Co. Ltd. dividend[1]	-	-	**-150 000**	-	-	**-150 000**
Share-based payments expensed for the year	**-**	**-**	**20 105**	**-**	**-**	**20 105**
Distribution to the parent related to share-based payments for the year	**-**	**-**	**-20 105**		**-**	**-20 105**
At 31 December 2011	**575 000**	**1 860 000**	**1 444 891**	**-47 851**	**-6 540**	**3 825 500**

[1]Dividends of CHF 26.09 per share (2010: CHF 52.17)
[2]Dividend in kind related to the acquisition of ING Bank (Switzerland) Ltd

Consolidated statement of cash flows

	2011 CHF 1000	2010 CHF 1000
Net profit	**207 678**	314 173
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	**26 973**	25 349
- Amortisation of intangible assets	**144 052**	129 173
- Allowance for credit losses	**29 490**	10 258
- Deferred tax expense/(benefit)	**-3 957**	-189
- Net loss/(gain) from investing activities	**41 021**	18 493
- Other non-cash income and expenses	**20 105**	16 511
Net increase/decrease in operating assets and liabilities:		
- Net due from/to banks	**2 034 226**	1 154 711
- Trading portfolios and derivative financial instruments	**-1 232 895**	-798 204
- Loans/due to customers	**4 161 221**	-3 313 833
- Accrued income, prepaid expenses and other assets	**101 684**	-159 738
- Accrued expenses, deferred income, other liabilities and provisions	**-36 701**	18 889
Adjustment for income tax expenses	**54 086**	78 859
Income taxes paid	**-80 509**	-56 763
Cash flow from operating activities after taxes	**5 466 474**	-2 562 311
Purchase of property and equipment and intangible assets	**-85 292**	-92 363
Disposal of property and equipment and intangible assets	**7 529**	7 372
Net (investment in)/divestment of financial investments available-for-sale	**-1 373 004**	-1 878 362
Acquisition of subsidiaries, net of cash acquired	**-**	-213 403
Cash flow from investing activities	**-1 450 767**	-2 176 756
Net money market instruments issued/(repaid)	**-6 516**	-13 292
Dividend payments	**-150 000**	-300 000
Issuance and repayment of long-term debt, including financial liabilities designated at fair value	**340 167**	175 304
Cash flow from financing activities	**183 651**	-137 988
Total	**4 199 358**	-4 877 055
Cash and cash equivalents at the beginning of the year	**12 941 530**	17 505 359
Cash flow from operating activities after taxes	**5 466 474**	-2 562 311
Cash flow from investing activities	**-1 450 767**	-2 176 756
Cash flow from financing activities	**183 651**	-137 988
Effects of exchange rate changes	**73 675**	313 226
Cash and cash equivalents at end of the year	**17 214 563**	12 941 530

Cash and cash equivalents are structured as follows:

	31.12.2011 CHF 1000	31.12.2010 CHF 1000
Cash	**4 233 883**	1 118 220
Money market instruments	**3 420 657**	5 993 112
Due from banks (original maturity of less than three months)	**9 560 023**	5 830 198
Total	**17 214 563**	12 941 530

	31.12.2011 CHF 1000	31.12.2010 CHF 1000
Additional information		
Interest received	**460 322**	405 364
Interest paid	**-109 170**	-53 995
Dividends on equities received	**103 932**	68 585

Information on the consolidated income statement

1 Net interest income

	2011 CHF 1000	2010 CHF 1000	Change %
Interest income on amounts due from banks	**47 338**	33 577	41.0
Interest income on loans	**255 385**	226 472	12.8
Interest income on money market instruments	**38 655**	42 867	-9.8
Interest income on financial investments available-for-sale	**128 535**	123 364	4.2
Dividend income on financial investments available-for-sale	**2 148**	2 328	-7.7
Interest income on trading portfolios	**45 201**	5 993	-
Dividend income on trading portfolios	**101 784**	66 256	53.6
Total interest income	**619 046**	500 857	23.6
Interest expense on amounts due to banks	**9 617**	9 310	3.3
Interest expense on amounts due to customers	**95 895**	55 665	72.3
Total interest expense	**105 512**	64 975	62.4
Total	**513 534**	435 882	17.8

2 Net fee and commission income

	2011 CHF 1000	2010 CHF 1000	Change %
Investment fund fees	**104 354**	106 534	-2.0
Fiduciary commissions	**18 778**	19 139	-1.9
Portfolio and other management fees	**555 950**	555 050	0.2
Total fee and commission income from asset management	**679 082**	680 723	-0.2
Income from brokerage and securities underwriting	**343 215**	395 851	-13.3
Commission income on lending activities	**3 656**	3 164	15.5
Commission income on other services	**53 489**	44 272	20.8
Total fee and commission income	**1 079 442**	1 124 010	-4.0
Commission expense	**229 452**	252 658	-9.2
Total	**849 990**	871 352	-2.5

3 Net trading income

	2011 CHF 1000	2010 CHF 1000	Change %
Debt instruments	**15 940**	8 074	97.4
Equity instruments	**-105 506**	-11 763	-
Foreign exchange	**341 999**	322 438	6.1
Total	**252 433**	318 749	-20.8

4 Other ordinary results

	2011 CHF 1000	2010 CHF 1000	Change %
Net gains/(losses) from disposal of financial investments available-for-sale	**-16 670**	-7 396	-125.4
Real estate income	**5 639**	6 182	-8.8
Other ordinary results	**8 668**	14 959	-42.1
Total	**-2 363**	13745	-117.2

5 Personnel expenses

	2011 CHF 1000	2010 CHF 1000	Change %
Salaries and bonuses	**582 874**	561 018	3.9
Contributions to staff pension plans (defined benefits)	**32 982**	50 909	-35.2
Contributions to staff pension plans (defined contributions)	**13 004**	10 148	28.1
Other social security contributions	**45 637**	47 311	-3.5
Share-based payments[1]	**20 105**	16 511	21.8
Other personnel expenses	**27 553**	23 715	16.2
Total	**722 155**	709 612	1.8

[1]Including Staff Participation Plan, see Note 27

6 General expenses

	2011 CHF 1000	2010 CHF 1000	Change %
Occupancy expense	**45 942**	43 214	6.3
IT and other equipment expense	**46 322**	51 536	-10.1
Information, communication and advertising expense	**100 528**	104 201	-3.5
Service expense, fees and taxes	**178 271**	165 265	7.9
Valuation allowances, provisions and losses	**85 602** [1]	17 767	-
Other general expenses	**5 941**	768	-
Total	**462 606**	382 751	20.9

[1] On 14 April 2011, it was announced that German authorities and Julius Baer had agreed on a one-off payment by the latter of EUR 48.4 million to end the investigations against Julius Baer and unknown employees regarding tax matters in Germany.

7 Income taxes

	2011 CHF 1000	2010 CHF 1000	Change %
Income tax on profit before taxes (expected tax expense)	**56 718**	86 425	-34.4
Tax rate difference on income of components subject to foreign taxation	**-6 318**	-13 191	52.1
Tax rate difference from local differences in domestic tax rates	**-1 463**	-1 973	25.8
Lower taxed income	**-34 078**	-12 858	-165.0
Adjustments related to prior years	**-458**	-1 638	72.0
Non-deductible expenses	**36 999**	21 605	71.3
Other	**-1 270**	300	-
Actual income tax expense	**50 130**	78 670	-36.3

A tax rate of 22% (2010: 22%) was applied in the calculation of income tax in Switzerland. There are no capitalised accumulated operating loss carry-forwards.

	2011 CHF 1000	2010 CHF 1000	Change %
Domestic income taxes	**47 391**	73 013	-35.1
Foreign income taxes	**2 739**	5 657	-51.6
Total	**50 130**	78 670	-36.3

Current income taxes	**54 086**	78 859	-31.4
Deferred income taxes	**-3 956**	-189	-
Total	**50 130**	78 670	-36.3

Tax effects relating to components of other comprehensive income

			2011
	Before-tax amount CHF 1000	Tax (expense)/ benefit CHF 1000	Net of tax amount CHF 1000
Net unrealised gains/(losses) on financial investments available-for-sale	-36 595	5 464	-31 131
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	18 208	-1 449	16 759
Hedging reserve for cash flow hedges	-6 607	1 443	-5 164
Other comprehensive income for the year recognised directly in equity	**-24 994**	**5 458**	**-19 536**

			2010
	Before-tax amount CHF 1000	Tax (expense)/ benefit CHF 1000	Net of tax amount CHF 1000
Net unrealised gains/(losses) on financial investments available-for-sale	12 151	-2 700	9 451
Net realised (gains)/losses reclassified to the income statement on financial investments available-for-sale	19 349	-1 066	18 283
Hedging reserve for cash flow hedges	1 253	-276	977
Other comprehensive income for the year recognised directly in equity	32 753	-4 042	28 711

8 Earnings per share and shares outstanding

	2011	2010
Basic net profit per share		
Net profit (CHF 1000)	**207 678**	314 173
Weighted average number of shares outstanding	**5 750 000**	5 750 000
Basic net profit per share (CHF)	**36.12**	54.64

	31.12.2011	31.12.2010
Shares outstanding		
Total shares issued	**5 750 000**	5 750 000
Total	**5 750 000**	5 750 000

There are no dilutive effects.

Information on the consolidated balance sheet

9a Due from banks

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000
Due from banks	**10 764 436**	7 237 372	3 527 064
Allowance for credit losses	**-5 870**	-9 679	3 809
Total	**10 758 566**	7 227 693	3 530 873

Due from banks by type of collateral:

Securities collateral	**1 876 345**	980 361	895 984
Without collateral	**8 882 221**	6 247 332	2 634 889
Total	**10 758 566**	7 227 693	3 530 873

9b Loans

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000
Loans	**11 531 053**	10 753 808	777 245
Mortgages	**3 820 120**	3 061 104	759 016
Subtotal	**15 351 173**	13 814 912	1 536 261
Allowance for credit losses	**-86 119**	-52 692	-33 427
Total	**15 265 054**	13 762 220	1 502 834

Loans by type of collateral:

Securities collateral	**8 086 318**	7 070 461	1 015 857
Mortgage collateral	**3 780 979**	3 036 632	744 347
Other collateral (mainly cash and fiduciary deposits)	**3 382 309**	3 342 318	39 991
Without collateral	**15 448**	312 809	-297 361
Total	**15 265 054**	13 762 220	1 502 834

9c Allowance for credit losses

	2011 Specific CHF 1000	2011 Collective CHF 1000	2010 Specific CHF 1000	2010 Collective CHF 1000
Balance at the beginning of the year	**36 909**	**25 462**	42 295	23 152
Write-offs	**-**	**-**	-9 553	-
Increase in allowance for credit losses	**28 186**	**1 735**	7 948	2 310
Decrease in allowance for credit losses	**-431**	**-**	-	-
Translation differences and other adjustments	**128**	**-**	-3 781	-
Balance at the end of the year	**64 792**	**27 197**	36 909	25 462

9d Impaired loans

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000
Gross loans	**102 400**	62 576	39 824
Specific allowance for credit losses	**-64 791**	-36 909	-27 882
Net loans	**37 609**	25 667	11 942

10a Trading assets and liabilities

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000
Trading assets			
Debt instruments	**617 138**	300 944	316 194
of which quoted	***596 126***	*271 622*	*324 504*
of which unquoted	***21 012***	*29 322*	*-8 310*
Equity instruments	**3 480 221**	2 987 799	492 422
of which quoted	***2 719 981***	*2 301 836*	*418 145*
of which unquoted	***760 240***	*685 963*	*74 277*
Precious metals	**838 190**	464 177	374 013
Total	**4 935 549**	3 752 920	1 182 629

Trading liabilities			
Short positions - debt	**14 108**	11 699	2 409
of which quoted	***10 582***	*8 116*	*2 466*
of which unquoted	***3 526***	*3 583*	*-57*
Short positions - equity	**799 969**	789 183	10 786
of which quoted	***369 449***	*34 599*	*334 850*
of which unquoted	***430 520***	*754 584*	*-324 064*
Total	**814 077**	800 882	13 195

The criteria for a financial instrument to qualify as quoted have been aligned with the disclosures about the determination of fair values (see also Note 24b). The previous year has been adjusted accordingly.

10b Reclassifications

In 2008, the Bank reclassified certain trading assets to financial investments available-for-sale, as those assets were no longer held for the purpose of selling them in the near term. In 2009, 2010 and 2011, the Bank did not reclassify any further financial assets.

The carrying amount of these financial investments available-for-sale as at 31 December 2011 is CHF nil, as compared to CHF 14.1 million in the previous year and CHF 46.8 million in 2009 and CHF 58.0 million in 2008. Changes in fair value recognised in other comprehensive income amounted to CHF nil (2010: CHF -2.3 million, 2009: CHF 4.1 million). Financial investments at the carrying amount of CHF 13.9 million (2010: CHF 30.5 million, 2009: CHF 17.2 million) were sold or matured during the 2011 financial year, with net gains recognised in the income statement of CHF -0.2 million (2010: CHF 0.1 million, 2009: CHF 1.9 million).

For these financial investments, interest income of CHF 0.2 million was recognised in the income statement (2010: CHF 0.8 million, 2009: CHF 2.4 million).

11a Financial investments available-for-sale

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000
Money market instruments	**3 420 657**	5 993 112	-2 572 455
Government and agency bonds	**1 720 213**	2 360 727	-640 514
Financial institution bonds	**4 368 704**	3 216 090	1 152 614
Corporate bonds	**2 503 171**	1 716 325	786 846
Debt instruments	**8 592 088**	7 293 142	1 298 946
of which quoted	***7 914 403***	*6 871 875*	*1 042 528*
of which unquoted	***677 685***	*421 267*	*256 418*
Equity instruments	**66 829**	126 664	-59 835
of which quoted	**-**	*6 951*	*-6 951*
of which unquoted	***66 829***	*119 713*	*-52 884*
Total	**12 079 574**	13 412 918	-1 333 344

The criteria for a financial instrument to qualify as quoted have been aligned with the disclosures about the determination of fair values (see also Note 24b). The previous year has been adjusted accordingly.

11b Financial investments available-for-sale – Credit ratings

Debt instruments by credit rating classes (excluding money market instruments)	**Fitch, S&P**	**Moody's**	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000
1-2	AAA - AA-	Aaa - Aa3	**6 369 551**	5 488 014	881 537
3	A+ - A-	A1 - A3	**1 991 067**	1 642 696	348 371
4	BBB+ - BBB-	Baa1 - Baa3	**124 532**	101 888	22 644
5-7	BB+ - CCC-	Ba1 - Caa3	**50 462**	31 577	18 885
Unrated			**56 476**	28 967	27 509
Total			**8 592 088**	7 293 142	1 298 946

12 Intangible assets, property and equipment

	Goodwill CHF m	Customer relationships CHF m	Software CHF m	**Total intangible assets** CHF m	Bank premises CHF m	Other property and equipment CHF m	**Total property and equipment** CHF m
Historical cost							
Balance on 01.01.2010	1 120.8	748.1	247.4	2 116.3	298.0	102.0	400.0
Additions	-	-	67.3	67.3	7.3	17.7	25.0
Acquisition of subsidiaries	4.3	146.4	1.6	152.3	41.7	2.4	44.1
Disposals/transfers[1]	-	-	8.2	8.2	4.8	4.4	9.2
Balance on 31.12.2010	1 125.1	894.5	308.1	2 327.7	342.2	117.7	459.9
Additions	-	-	56.2	56.2	6.2	22.9	29.1
Acquisition of subsidiaries	-	-	-	-	-	-	-
Disposals/transfers[1]	-	-	8.0	8.0	6.8	10.0	16.8
Balance on 31.12.2011	1 125.1	894.5	356.3	2 375.9	341.6	130.6	472.2
Depreciation and amortisation							
Balance on 01.01.2010	-	306.8	114.6	421.4	40.5	70.7	111.2
Charge for the period	-	89.2	39.9	129.1	5.9	19.4	25.3
Disposals/transfers[1]	-	-	8.2	8.2	-	4.2	4.2
Balance on 31.12.2010	-	396.0	146.3	542.3	46.4	85.9	132.3
Charge for the period	-	89.1	54.9 [2]	144.0	6.6	20.4	27.0
Disposals/transfers[1]	-	-	8.0	8.0	0.1	10.0	10.1
Balance on 31.12.2011	-	485.1	193.2	678.3	52.9	96.3	149.2
Book value							
Balance on 31.12.2010	1 125.1	498.5	161.8	1 785.4	295.8	31.8	327.6
Balance on 31.12.2011	**1 125.1**	**409.4**	**163.1**	**1 697.6**	**288.7**	**34.3**	**323.0**

[1]Includes derecognition of fully depreciated and amortised assets
[2]Includes additional charges of CHF 21.0 million related to adjusted useful lives of software

Goodwill – Impairment testing

To identify any indications of impairment on goodwill, the recoverable amount based on the value in use is determined for the respective cash-generating unit (i.e. for the smallest identifiable groups of assets that generate cash inflows independently from other assets) and is subsequently compared to the carrying amount of that unit.

The Bank uses a proprietary model based on the discounted cash flow method to calculate the recoverable amount. The Bank estimates the free cash flows expected to be generated from the continuing use of the cash-generating unit based on its own four-year financial planning, taking into account the following key parameters and their single components:

- assets under management;
- return on assets (RoA) on the average assets under management (driven by fixed and performance fees, commissions, trading income and net interest income);
- operating income and expenses; and
- tax rate applicable.

To each of these applicable key parameters, reasonably expected growth assumptions are applied in order to calculate the projected cash flows. The Bank assumes that markets will remain more volatile than they used to be and that short-term disruptions cannot be excluded. However, the Bank expects in the medium and long term a favorable development of the private banking activities which is reflected in the respective growth of the key parameters. The Bank also takes the relative strengths of itself as a pure private banking competitor vis-à-vis its peers into consideration, which should result in a better-than-average business development in the respective market. Additionally, the estimates of the expected free cash flows take into account the projected investments. The resulting free cash flows are discounted to present value, using a pre-tax discount rate of 9.3% (2010: 9.4%).

The Bank's approach to determine the key assumptions and related growth expectations is based on management's knowledge and reasonable expectations of future business, using internal and external market information, planned business initiatives and other reasonable intentions of management. For that purpose, the Bank uses historical information by taking into consideration the current and expected market situations as well as the current and expected future relative market position of the Bank vis-à-vis its respective competitors and in its industry.

The discount rates used in the above calculation represent the Bank's specific risk-weighted rates.

Changes in key assumptions

Deviations of future actual results achieved vs. forecasted/planned key assumptions, as well as future changes of any of the key assumptions based on a future different assessment of the development of relevant markets, and/or the businesses, may occur. Such deviations may result from changes in products and client mix, profitability, required types and intensity of personnel resources, general and company-specific driven personnel cost development and/or changes in the implementation of known or addition of new business initiatives and/or other internal and/or external factors. These changes may cause the value of the business to alter and therefore either increase or reduce the difference between the carrying value in the balance sheet and the unit's recoverable amount or may even lead to a partial impairment of goodwill.

Management has performed sensitivity analyses on the discount rates and growth rates applied to a four-year forecast period. No impairment resulted from these analyses. However, there remains a degree of uncertainty involved in the determination of these assumptions due to the general market environment.

13 Operating lease commitments

	31.12.2011 CHF 1000	31.12.2010 CHF 1000
Not later than one year	**32 482**	37 879
Later than one year and not later than five years	**108 284**	57 068
Later than five years	**120 502**	123 395
Subtotal	**261 268**	218 342
Less sublease rentals received under non-cancellable leases	**13 734**	10 361
Total	**247 534**	207 981

Operating leases in the gross amount of CHF 41.0 million are included in operating expenses for the 2011 financial year (2010: CHF 37.0 million).

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

	31.12.2011		31.12.2010	
	Book value CHF 1000	Effective commitment CHF 1000	Book value CHF 1000	Effective commitment CHF 1000
Securities	**676 683**	**676 683**	520 636	520 636
Other	**10 013**	**10 013**	492	492
Total	**686 696**	**686 696**	521 128	521 128

The assets are mainly pledged for Lombard limits at central banks and for stock exchange securities deposits.

15 Financial liabilities designated at fair value

	2012 CHF m	2013 CHF m	2014 CHF m	2015 CHF m	2016 CHF m	2017-2021 CHF m	**31.12.2011** CHF m	31.12.2010 CHF m
Senior debt								
Fixed rate	1 945.3	25.6	28.9	-	-	-	**1 999.8**	1 983.4
Interest rates (ranges in %)	0.2-50.1	1.5-11.5	4.0-6.1	-	-	-	**-**	-
Floating rate	1 131.9	72.1	60.0	8.1	8.5	214.2	**1 494.8**	1 171.0
Total	**3 077.2**	**97.7**	**88.9**	**8.1**	**8.5**	**214.2**	**3 494.6**	3 154.4

The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0.2% up to 50.1%. 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 generally does not reflect the effective interest rate paid to service the debt after the embedded derivative has been separated and, where applicable, the application of hedge accounting.

Changes in the fair value of financial liabilities designated at fair value are attributable to changes in the market risk factors of the embedded derivatives. The credit rating of the Bank had no material impact on the fair value changes of these liabilities.

16 Debt issued

	31.12.2011 CHF 1000	31.12.2010 CHF 1000
Money market instruments	**8 694**	15 210
Total	**8 694**	15 210

17a Deferred tax assets

	31.12.2011 CHF 1000	31.12.2010 CHF 1000
Balance at the beginning of the year	**91**	-
Income statement - credit	**4 653**	91
Balance at the end of the year	**4 744**	91

The components of deferred tax liabilities are as follows:

Operating loss carry-forwards	**4 744**	91
Total deferred tax assets	**4 744**	91

17b Deferred tax liabilities

	31.12.2011 CHF 1000	31.12.2010 CHF 1000
Balance at the beginning of the year	**119 374**	85 715
Income statement - charge	**697**	-
Income statement - credit	**-**	-98
Acquisition of subsidiaries	**-**	29 715
Recognised directly in equity	**-5 459**	4 042
Balance at the end of the year	**114 612**	119 374

The components of deferred tax liabilities are as follows:

Provisions	**53 976**	53 976
Property and equipment	**12 679**	13 812
Financial investments available-for-sale	**21 435**	24 072
Intangible assets	**24 473**	27 514
Other	**2 049**	-
Total deferred tax liabilities	**114 612**	119 374

18 Provisions

	Restructuring CHF 1000	Legal risks CHF 1000	Other CHF 1000	2011 Total CHF 1000	2010 Total CHF 1000
Balance at the beginning of the year	**7 314**	**21 622**	**2 338**	**31 274**	16 691
Utilised during the year	**-5 629**	**-66 523**	**-989**	**-73 141**	-15 423
Recoveries	**-**	**19 572**	**-**	**19 572**	-
Provisions made during the year	**24 374**	**70 478**	**215**	**95 067**	18 902
Provisions reversed during the year	**-**	**-20 438**	**-**	**-20 438**	-756
Acquisition of subsidaries	**-**	**-**	**-**	**-**	13 342
Translation differences	**-**	**-39**	**-**	**-39**	-1 482
Balance at the end of the year	**26 059**	**24 672**	**1 564**	**52 295**	31 274
Maturity of provisions					
Up to one year	**22 939**	**8 726**	**-**	**31 665**	8 680
Over one year	**3 120**	**15 946**	**1 564**	**20 630**	22 594

Details to restructuring provisions	2011	2010
Balance at the beginning of the year	**7 314**	-
Provisions made during the year	**24 374**	15 420
Provisions used:		
– Personnel	**-5 497**	-7 800
– Occupancy expense	**-132**	-306
Balance at the end of the year	**26 059**	7 314

The restructuring provisions made during the 2010 financial year and relating to the acquisition of ING Bank (Switzerland) Ltd have been almost entirely utilised in 2011.

The Bank announced a new cost reduction plan in November 2011 in response to the continued challenging general business environment. The cost reduction efforts structurally curb general as well as personnel expenses. A restructuring provision in the amount of CHF 24.4 million has been made in order to account for related expenses in the following years.

The Bank is involved in various legal, regulatory and arbitration proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of the Bank – depending on the status of related proceedings – is difficult to assess. The Bank establishes provisions for pending and threatened legal proceedings if the management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss or if the dispute for economic reasons should be settled without acknowledgment of any wrongdoing on the part of the Bank and if the amount of such obligation or loss can be reasonably estimated. The Bank does not believe that it can estimate an amount of reasonably possible losses for certain of its proceedings because e.g. of the complexity of the proceedings, the early stage of the proceedings and limited amount of discovery that has occurred and/or other factors. Described below are certain proceedings that might have a material effect on the Bank.

In connection with certain private banking client accounts managed by an external asset manager and previously held with the former New York branch of the Bank, as custodian and lender, there are civil legal proceedings pending before New York State Court against the Bank alleging breach of contract, breach of fiduciary duty, negligence, conversion, unjust enrichment and/or fraud, and unauthorised pledging of client assets arising from and before 2001 when an external asset manager sent forged statements to certain clients and moved funds from certain clients' accounts, and pledged assets in certain clients' accounts, to cover losses in others. Proceedings before a New York arbitration panel in the same matter involving some of the same claimants have been closed in 2010 largely in favour of the Bank, among others also clearly rejecting any allegations of fraud, conspiracy and the like (disputed claims, without interest and unquantifiable claims for punitive damages and counterclaims, all court and arbitration proceedings – the latter closed in the meantime – initially amounted to approximately USD 105 million). Nevertheless, the affected claimants continue with their proceedings that include challenging the arbitration award in state court. The Bank is opposing these claims and has taken appropriate steps and measures to defend its interest.

In 2010 and 2011, litigation was commenced against the Bank and numerous other financial institutions by the liquidators of the Fairfield funds, having acted as feeder funds for the Madoff fraudulent investment schemes, in the courts of New York and the British Virgin Islands and by the Trustee of Madoff's Broker-Dealer Company, Bernard L. Madoff Investment Securities LLC, in the courts of New York. The complaints refer to, and in some cases include as defendants, the unnamed beneficial owners of the accounts on whose behalf the payments were made. The plaintiff(s) in these various actions have asserted claims to avoid and/or recover alleged fraudulent transfers under the relevant bankruptcy code provisions and for mistake and restitution. The combined claims seek to recover approximately USD 1.8 billion in payments made by the Fairfield funds and received by the more than 80 defendants. Only a fraction of this amount is sought against the Bank and, in some cases, its beneficial owners. Some of the complaints, however, aggregate the damages asserted against the many defendants so that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. In addition, because the litigation largely remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests.

In summer 2011 the Bank has been informed by Swiss authorities that the US Department of Justice (DOJ) named it as one of at that time ten Swiss banks being in the focus and investigated in connection with their cross-border private banking services provided to US private clients. The Bank is in contact with the DOJ and has established cooperation with the US authorities within the confines of applicable laws with the aim to reach a settlement. In parallel, Swiss authorities are in negotiations with the DOJ and the US Internal Revenue Service (IRS) as regards a resolution for the ongoing dispute on tax matters between the US and the Swiss financial industry that aims amongst others at supporting and facilitating settlement solutions for the named banks and at clarifying the scope and extent of administrative assistance and provision of certain client data under the applicable double taxation treaty. The Bank, whilst also cooperating with its home regulator FINMA in this matter, is supporting such efforts of the Swiss government. In the context of its cooperation the Bank has provided the US authorities data with regard to its historical US business. Based on the current stage of such negotiations and cooperation, however, the potential outcome (likelihood and potential content of a settlement) and the financial (potential settlement amount and other costs) and business impact are open and currently not reliably assessable.

Additional information
19 Reporting by segment

Bank Julius Baer & Co. Ltd. engages exclusively in private banking activities primarily in Switzerland, Europe and Asia. This focus on pure-play private banking includes certain internal supporting functions which serve entirely the core business activities. Revenues from private banking activities primarily encompass fees charged for servicing and advising private clients as well as net interest income on financial instruments.

The Bank's external segment reporting is based on the internal reporting to the chief operating decision-maker, who is responsible for allocating resources and assesses the financial performance of the business. The Chief Executive Officer (CEO) has been identified as the chief operating decision-maker, as he is responsible for the operational management of the whole Bank.

Various management reports with discrete financial information are prepared at regular intervals for various management levels. However, the CEO reviews and uses for his management decisions the aggregated financial information on the level of the Bank only.

In accordance with the applicable rules and based on the analysis of the relevant factors determining segments, the Bank consists of the single reportable segment Private Banking. This is in line with the new strategy and business model of Bank Julius Baer & Co. Ltd. and reflects the management structure and the use of information by management in making operating decisions.

Therefore, the Bank does not disclose separate segment information, as the external reporting provided in these financial statements reflects the internal management accounting.

Entity-wide disclosures

	31.12.2011	31.12.2010	**2011**	2010	**2011**	2010
	Total assets		Operating income		Investments	
	CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF 1000*	*CHF 1000*
Switzerland	**40 913**	33 643	**1 401**	1 416	**70 665**	83 672
Europe (excl. Switzerland)	**12 384**	10 153	**61**	100	**1 846**	71
Asia and other countries	**6 282**	5 373	**169**	139	**12 781**	8 620
Less consolidation items	**7 844**	4 627	**17**	15	**-**	-
Total	**51 735**	44 542	**1 614**	1 640	**85 292**	92 363

The information about geographical areas is based on the domicile of the reporting entity. This geographical information is provided to comply with IFRS and does not reflect the way the Bank is managed.

20 Related party transactions

	31.12.2011 CHF 1000	31.12.2010 CHF 1000
Key management personnel compensation[1]		
Salaries and other short-term employee benefits	**11 177**	13 025
Post-employment benefits	**659**	678
Other long-term benefits	**4**	-
Participation plan	**6 105**	5 466
Total	**17 945**	19 169
Receivables from		
Julius Baer Group entities	**1 112 101**	897 346
significant shareholders[2]	**16 584**	1 725
key management personnel[1]	**19 806**	18 531
own pension funds	**-**	-
Total	**1 148 491**	917 602
Liabilities to		
Julius Baer Group entities	**1 310 046**	650 964
significant shareholders[2]	**746 514**	804 600
key management personnel[1]	**14 821**	16 842
own pension funds	**1 202**	1 676
Total	**2 072 583**	1 474 082
Credit guarantees to		
Julius Baer Group entities	**35 678**	21 394
significant shareholders[2]	**4 001**	7 532
key management personnel[1]	**1 024**	875
Total	**40 703**	29 801
Income from services provided to		
Julius Baer Group entities	**59 710**	40 627
significant shareholders[2]	**63 450**	59 333
key management personnel[1]	**522**	386
Total	**123 682**	100 346
Services provided by		
Julius Baer Group entities	**28 175**	25 035
significant shareholders[2]	**4 383**	3 890
Total	**32 558**	28 925

[1] Board of Directors and Group Executive Board
[2] Julius Baer Group Ltd.

The loans granted to key management personnel consist of Lombard loans on a secured basis (through pledging of the securities portfolios) and mortgage loans on a fixed and variable basis.

The interest rates of the Lombard loans and mortgage loans are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties adjusted for reduced credit risk.

21 Pension plans and other employee benefits

	2011 CHF 1000	2010 CHF 1000
1. Development of pension obligations and assets		
Present value of funded obligation at the beginning of the year	**-1 598 379**	-1 284 042
Acquisitions/transfer from restructuring reserve	**-**	-141 494
Service cost	**-71 943**	-74 600
Past service cost	**-19 366**	-
Interest cost	**-41 147**	-45 532
Settlements	**4 461**	2 351
Benefits paid	**49 031**	53 807
Actuarial gain/(loss)	**6 886**	-110 027
Translation differences	**-12**	1 158
Present value of funded obligation at the end of the year	**-1 670 469**	-1 598 379
Fair value of plan assets at the beginning of the year	**1 518 088**	1 295 323
Acquisition/transfer from restructuring reserve	**-**	124 664
Expected return on plan assets	**58 378**	64 381
Employer's contributions	**55 006**	55 357
Employees' contributions	**26 396**	25 513
Settlements	**-5 295**	-2 351
Benefits paid	**-49 031**	-53 807
Actuarial gain/(loss)	**-76 852**	10 047
Translation differences	**-17**	-1 039
Fair value of plan assets at the end of the year	**1 526 673**	1 518 088

	31.12.2011 CHF 1000	31.12.2010 CHF 1000
2. Balance sheet		
Fair value of plan assets	**1 526 673**	1 518 088
Present value of funded obligation	**-1 670 469**	-1 598 379
(Unfunded)/funded status	**-143 796**	-80 291
Unrecognised plan assets	**15 534**	-
Unrecognised net actuarial (gain)/loss	**147 315**	77 350
Translation differences	**1 079**	1 039
(Accrued)/prepaid pension cost	**20 132**	-1 902

The pension plan assets are invested in accordance with local laws and do not include shares of Julius Baer Group Ltd.

	2011 CHF 1000	2010 CHF 1000
3. Income statement		
Service cost	**-71 943**	-74 600
Interest cost	**-41 147**	-45 532
Expected net return on plan assets	**58 378**	64 381
Amortisation of actuarial gain/(loss)	**-**	121
Past service cost	**-3 832**	-
Recognised actuarial gain/(loss)	**-**	-31 582
Increase/(decrease) of unrecognised plan assets	**-**	10 790
Settlements	**-834**	-
Net periodic pension cost	**-59 378**	-76 422
Employees' contributions	**26 396**	25 513
Expense recognised in the income statement	**-32 982**	-50 909

	2011 CHF 1000	2010 CHF 1000
4. Movement in the net asset or (liability)		
(Accrued)/prepaid pension cost at the beginning of the year	**-1 902**	10 204
Acquisitions	**-**	-16 830
Translation differences	**10**	276
Expense recognised in the income statement	**-32 982**	-50 909
Employer's contributions	**55 006**	55 357
Amount recognised in the balance sheet	**20 132**	-1 902
Prepaid pension cost	**21 751**	-
Accrued pension liability	**-1 619**	-1 902
(Accrued)/prepaid pension cost	**20 132**	-1 902
Actual return on plan assets	**-18 474**	74 428

	2011 %	2010 %
5. Asset allocation		
Cash	**5.02**	2.69
Debt instruments	**39.87**	37.19
Equity instruments	**23.78**	25.92
Real estate	**13.13**	12.93
Other	**18.20**	21.27
Total	**100.00**	100.00

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	31.12.2009 CHF 1000	31.12.2008 CHF 1000	31.12.2007 CHF 1000
6. Defined benefit pensions plans					
Fair value of plan assets	**1 526 673**	1 518 088	1 295 323	1 149 805	1 232 094
Present value of funded obligation	**-1 670 469**	-1 598 379	-1 284 042	-1 285 497	-1 212 979
(Unfunded)/funded status	**-143 796**	-80 291	11 281	-135 692	19 115
Experience adjustment on plan liabilities	**8 923**	-31 029	66 532	-2 352	-35 643
Change in assumptions adjustment on plan liabilities	**-2 037**	-78 998	-939	30 650	64 683
Experience adjustment on plan assets	**-76 852**	10 047	42 355	-221 777	-4 114
Total actuarial gain/(loss)	**-69 966**	-99 980	107 948	-193 479	24 926

Defined contribution pension plans

Bank Julius Baer & Co. Ltd. maintains a number of defined contribution pension plans, primarily outside Switzerland. 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 13.0 million during the 2011 financial year (2010: CHF 10.1 million).

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2011. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland which accounts for about 99% of all benefit obligations and plan assets:

	2011	2010
Discount rate	**2.25%**	2.60%
Expected net return on plan assets	**3.50%**	3.80%
Average future salary increases	**2.00%**	2.00%
Future pension increases	**0.00%**	0.00%

The expected return on funded pension plan assets is based on long-term historical performance of the asset categories as well as expectations for future market performance.

The expected employer contributions for the 2012 financial year are estimated at CHF 58.7 million.

22 Securities transactions

	31.12.2011 CHF m	31.12.2010 CHF m
Securities lending and borrowing transactions / repurchase and reverse repurchase transactions		
Receivables from cash collateral provided in securities borrowing and reverse repurchase transactions	**1 696.0**	402.5
Obligations to return cash collateral received in securities lending and repurchase transactions	**579.6**	585.3
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**1 757.8**	1 105.0
of which securities where the right to pledge or sell has been granted without restriction	***1 757.8***	*1 105.0*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**6 170.4**	4 594.6
of which repledged or resold securities	***3 703.5***	*3 841.7*

23 Derivative financial instruments

Derivatives held for trading

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Foreign exchange derivatives			
Forward contracts	63 744.9	757.9	737.2
Futures	55.4	-	0.1
Options (OTC)	50 586.3	695.6	626.2
Total foreign exchange derivatives 31.12.2011	**114 386.6**	**1 453.5**	**1 363.5**
Total foreign exchange derivatives 31.12.2010	137 790.6	2 227.0	2 251.0
Interest rate derivatives			
Swaps	5 352.0	57.4	61.5
Futures	344.2	1.4	2.8
Options (OTC)	410.4	1.9	2.2
Total interest rate derivatives 31.12.2011	**6 106.6**	**60.7**	**66.5**
Total interest rate derivatives 31.12.2010	4 578.9	33.0	34.3
Precious metals derivatives			
Forward contracts	4 671.6	139.9	155.6
Futures	268.9	7.2	-
Options (OTC)	7 168.4	164.0	145.7
Total precious metals derivatives 31.12.2011	**12 108.9**	**311.1**	**301.3**
Total precious metals derivatives 31.12.2010	16 083.8	238.4	232.9
Equity/indices derivatives			
Futures	386.1	8.8	1.1
Options (OTC)	6 321.4	127.5	280.6
Options traded	1 387.6	136.5	80.1
Total equity/indices derivatives 31.12.2011	**8 095.1**	**272.8**	**361.8**
Total equity/indices derivatives 31.12.2010	12 190.6	201.4	215.7
Other derivatives			
Futures	219.1	6.0	0.2
Total other derivatives 31.12.2011	**219.1**	**6.0**	**0.2**
Total other derivatives 31.12.2010	223.8	-	19.7
Total derivatives held for trading 31.12.2011	**140 916.3**	**2 104.1**	**2 093.3**
Total derivatives held for trading 31.12.2010	170 867.7	2 699.8	2 753.6

Derivatives held for hedging

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Derivatives designated as cash flow hedges			
Interest rate swaps	100.0	0.4	8.5
Total derivatives held for hedging 31.12.2011	**100.0**	**0.4**	**8.5**
Total derivatives held for hedging 31.12.2010	33.8	0.5	0.9
Total derivative financial instruments 31.12.2011	**141 016.3**	**2 104.5**	**2 101.8**
Total derivative financial instruments 31.12.2010	170 901.5	2 700.3	2 754.5

24a Financial instruments by category

Financial assets

	31.12.2011 Book value CHF m	31.12.2011 Fair value CHF m	31.12.2010 Book value CHF m	31.12.2010 Fair value CHF m
Cash, loans and receivables				
Cash	**4 233.9**	**4 233.9**	1 118.2	1 118.2
Due from banks	**10 758.6**	**10 771.7**	7 227.7	7 240.3
Loans	**15 265.1**	**15 560.3**	13 762.2	13 959.5
Accrued income	**162.7**	**162.7**	136.4	136.4
Total	**30 420.3**	**30 728.6**	22 244.5	22 454.4
Held for trading				
Trading assets	**4 097.3**	**4 097.3**	3 288.7	3 288.7
Derivative financial instruments	**2 104.1**	**2 104.1**	2 699.8	2 699.8
Total	**6 201.4**	**6 201.4**	5 988.5	5 988.5
Derivatives designated as hedging instruments				
Derivative financial instruments	**0.4**	**0.4**	0.5	0.5
Total	**0.4**	**0.4**	0.5	0.5
Available-for-sale				
Financial investments available-for-sale	**12 079.6**	**12 079.6**	13 412.9	13 412.9
Total	**12 079.6**	**12 079.6**	13 412.9	13 412.9
Total financial assets	**48 701.7**	**49 010.0**	41 646.4	41 856.3

Financial liabilities

	31.12.2011 Book value CHF m	31.12.2011 Fair value CHF m	31.12.2010 Book value CHF m	31.12.2010 Fair value CHF m
Financial liabilities at amortised costs				
Due to banks	**6 786.9**	**6 787.8**	4 955.4	4 956.1
Due to customers	**34 104.7**	**34 141.2**	28 407.3	28 440.8
Debt issued	**8.7**	**8.7**	15.2	15.2
Accrued expenses	**98.8**	**98.8**	105.3	105.3
Total	**40 999.1**	**41 036.5**	33 483.2	33 517.4
Held for trading				
Trading liabilities	**814.1**	**814.1**	800.9	800.9
Derivative financial instruments	**2 093.3**	**2 093.3**	2 753.6	2 753.6
Total	**2 907.4**	**2 907.4**	3 554.5	3 554.5
Derivatives designated as hedging instruments				
Derivative financial instruments	**8.5**	**8.5**	0.9	0.9
Total	**8.5**	**8.5**	0.9	0.9
Designated at fair value				
Financial liabilities designated at fair value	**3 494.6**	**3 494.6**	3 154.4	3 154.4
Total	**3 494.6**	**3 494.6**	3 154.4	3 154.4
Total financial liabilities	**47 409.6**	**47 447.0**	40 193.0	40 227.2

The following methods are used in calculating the 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 applies for 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 and debt issued. For short-term financial instruments which do not have a market price published by a recognised 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 and debt issued. 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 assets and financial investments available-for-sale

Refer to Note 24b for details regarding the valuation of these instruments.

24b Financial instruments – Fair value determination

For trading assets and financial investments available-for-sale 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 (level 1).

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 (level 2). This is the case for the majority of OTC derivatives, most unquoted financial instruments, and other items that are not traded in active markets. The main pricing models and valuation techniques applied include forward pricing and swap models using present-value calculations, and option models such as the Black-Scholes model or generalisations of that model. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility, or credit risk.

For certain 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 (level 3). In 2011, Bank Julius Baer & Co. Ltd. did not have or transfer any such instruments.

The fair value of financial instruments carried at fair value is determined as follows:

	Quoted market price Level 1 *CHF m*	Valuation technique market-observable inputs Level 2 *CHF m*	**31.12.2011** Total *CHF m*
Determination of fair values			
Trading assets	3 316.1	781.3	**4 097.4**
Derivative financial instruments	159.8	1 944.6	**2 104.4**
Financial investments available-for-sale	7 914.4	4 165.2	**12 079.6**
Total assets at fair value	**11 390.3**	**6 891.1**	**18 281.4**
Trading liabilities	380.0	434.1	**814.1**
Derivative financial instruments	84.3	2 017.5	**2 101.8**
Financial liabilities designated at fair value	1 103.3	2 391.3	**3 494.6**
Total liabilities at fair value	**1 567.6**	**4 842.9**	**6 410.5**

Determination of fair values	Quoted market price Level 1 CHF m	Valuation technique market-observable inputs Level 2 CHF m	31.12.2010 Total CHF m
Trading assets	2 457.4	831.3	3 288.7
Derivative financial instruments	37.8	2 662.5	2 700.3
Financial investments available-for-sale	6 624.2	6 788.7	13 412.9
Total assets at fair value	9 119.4	10 282.5	19 401.9
Trading liabilities	535.1	265.8	800.9
Derivative financial instruments	95.3	2 659.2	2 754.5
Financial liabilities designated at fair value	2 029.3	1 125.1	3 154.4
Total liabilities at fair value	2 659.7	4 050.1	6 709.8

In the past, each financial instrument with a price adjustment was classified as a level 2 instrument. As of the financial year 2011, the Bank classifies financial instruments with price adjustments which are not significant into level 1. The previous year has been adjusted accordingly (trading assets CHF 596.6 million from level 1 to level 2 and financial investments available-for-sale CHF 6 497.5 million from level 2 to level 1).

25 Companies consolidated as at 31 December 2011

	Head Office	Currency	Share capital m	Equity interest %
Banks				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Ascona, Basle, Berne, Crans-Montana, Geneva, Guernsey				
Hong Kong, Kreuzlingen, Lausanne, Lucerne, Lugano, Singapore				
Sion, St. Gallen, St. Moritz, Verbier, Zug				
Representative Offices in Abu Dhabi, Dubai, Istanbul, Moscow				
Santiago de Chile, Shanghai				
including				
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	*Singapore*	*SGD*	*0.000*	*100*

Major changes in the companies consolidated:

- There are no changes in the companies consolidated.

26 Acquisitions

On 15 January 2010, Bank Julius Baer & Co. Ltd. acquired ING Bank (Switzerland) Ltd, a fully owned subsidiary of ING Group NV, including its subsidiary in Jersey. The Bank paid a total consideration of CHF 451.0 million in cash. The purchase price was fully funded by existing excess capital of the Bank. ING Bank (Switzerland) Ltd, which was active in private banking business, has been fully integrated into Bank Julius Baer & Co. Ltd. At the time of acquisition, the assets under management amounted to CHF 11.9 billion.

The assets and liabilities of the acquired entity were recorded as follows:

	Fair value *CHF 1000*
Assets	
Cash	237 552
Due from banks	1 432 887
Loans[1]	535 327
Financial investments available-for-sale	349 972
Customer relationship	146 407
Goodwill	4 348
All other assets	81 868
Total	2 788 361
Liabilities and equity	
Due to banks	692 904
Due to customers	1 524 451
Deferred tax liabilities	29 715
All other liabilities	90 336
Total liabilities	2 337 406
Equity	450 955
Total	2 788 361

[1]At the acquisition date, the gross contractual amount of loans acquired was CHF 555.3 million.

The transaction resulted in goodwill of CHF 4.3 million, which represents expected synergies and growth opportunities from the combined private banking activities. Other intangible assets recognised consist of CHF 146.4 million for the existing customer relationships of the acquired entity, which are amortised over an expected useful life of ten years.

27 Share-based payments

Equity-based incentives

The Compensation Committee of the Board of Directors is responsible for determining and making changes to all of the equity-based incentives. The programmes described below reflect the plan landscape as at 31 December 2011. However, the two new plans (i.e. Premium Share Plan and Incentive Share Plan, see below) have not yet been implemented fully. The shares of Julius Baer Group Ltd. required for the equity-based incentives are procured from the market.

Staff Participation Plan

The Staff Participation Plan of Bank Julius Baer & Co. Ltd. offers employees the opportunity to purchase shares of Julius Baer Group Ltd. at a discount. The discount is defined annually and may change from year to year. The shares acquired by the participants are blocked from sale for three years following purchase.

The objective of this plan is to strengthen the identification with the Bank and its future development of employees on all levels of the organisation. The offer price for the 2011 Staff Participation Plan was 25% below the average weighted market value of the shares of Julius Baer Group Ltd. for the period from 1 March until 11 March 2011.

Equity Bonus Plan

Up to 2006, Senior Management had the possibility to choose to have part or all of their bonus paid out in the form of the former Julius Baer Holding Ltd. shares and/or options on such shares at market price. The shares and options acquired in this way are subject to a sales restriction period.

Long-Term Incentive Plan

The purpose of the Bank Julius Baer & Co. Ltd. Long-Term Incentive Plan (LTI) is to strengthen long-term commitment to the Company and to foster interdisciplinary teamwork required for the long-term success of the organisation as a whole. The LTI is part of the total compensation of the Board of Directors and in some individual cases is used to compensate new hires for their lost long-term incentives forfeited by their previous employer due to resignation. In addition, it may be granted in special cases to employees who have a significant influence on the Bank's long-term development and financial results.

The LTI runs over a three-year plan period and is applied with two different vesting schedules. Under the first vesting schedule, the participants are granted a number of shares which vest in equal one-third tranches over the period of three years. Under the second vesting schedule, participants are granted a number of shares which cliff-vest in one single tranche at the end of the three-year period.

The shares are transferred to participants at vesting dates, subject to continued employment and any other conditions set out in the plan rules, and remain blocked from sale until the third anniversary of the grant. In case of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares will be forfeited.

Until vesting, the granted shares are managed by the Loteco Foundation. The Loteco Foundation hedges its liabilities from the LTI on grant date through the purchase of the corresponding shares from the market.

Equity-based incentives with a deferral component

The two plans described below are mutually exclusive, i.e. an employee can only receive a grant from one of the plans described in any given year.

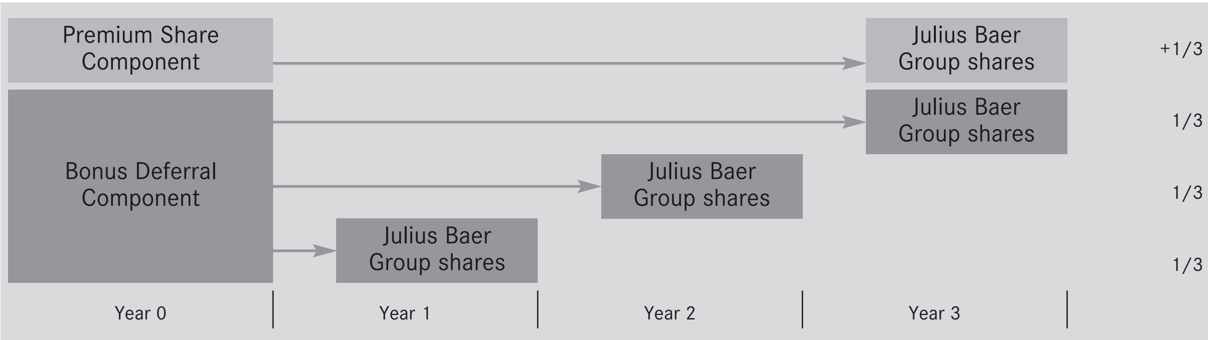
Premium Share Plan

The Premium Share Plan (PSP) is a three-year deferred equity plan which applies to senior members of the staff whose variable compensation amounts to CHF 150 000 or more (or a local equivalent). PSP grant is made once a year as part of an annual variable compensation and participation is determined on an annual basis.

The plan is designed to link and tie a portion of the employee's variable compensation to the long-term development and success of the Group through its share price.

At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or, as it may be, the local equivalent) of the employee's variable incentive is deferred to the PSP, and the employee is then granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over a three-year plan period. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one-third of the number of shares granted to them at the plan beginning.

PSP structure and payout schedule



Until vested, the shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's behaviour has substantially contributed to a financial loss of the Bank or caused reputational damage.

The plan was implemented as part of the variable compensation for 2011.

Incentive Share Plan

The Incentive Share Plan (ISP) applies to the members of the Senior Management and some other key members of staff whose contributions are decisive for the long-term development of Bank Julius Baer & Co. Ltd. and whose variable compensation amounts to CHF 150 000 or more (or local equivalent). ISP grant is made once a year as part of annual variable compensation and participation is determined on an annual basis.

The ISP is designed to link part of the variable compensation of the executive directly to the long-term performance of the Company and part of the payment depends on achievement against two key performance indicators (KPI) over a three-year period:

Economic Profit, which measures value creation of the Julius Baer Group against the strategic three-year plan of the Company over the three-year plan period.

Relative Share Price, which compares the performance of the Julius Baer Group share against the STOXX Europe 600 Banks Index.

The three-year performance period and the targets reflect the Group's underlying business cycle and its short- and long-term risk profile.

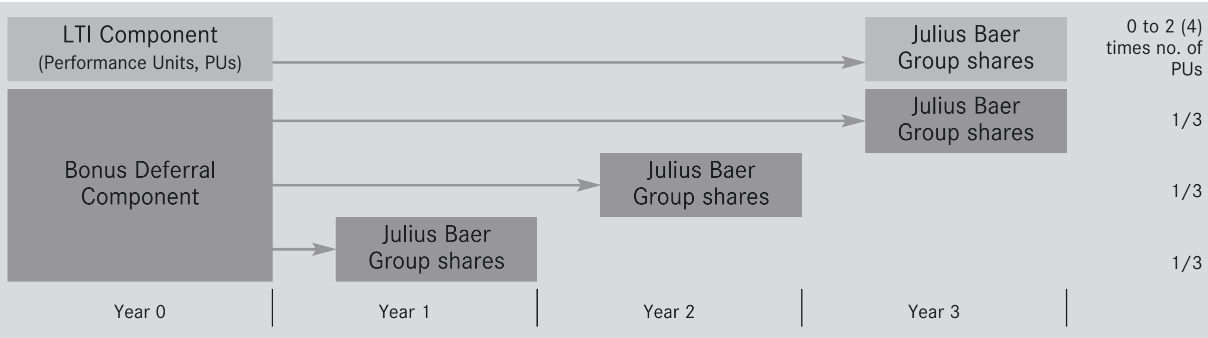
At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or, as it may be, the local equivalent) of the executive's variable incentive is deferred to the ISP and the employee is then granted a number of shares equal in value to the deferred element. These shares vest in equal one-third tranches over the three-year plan period, subject to continued employment.

Also at the start of the plan period, the executives are granted one performance unit (PU) for each granted ISP share which, subject to the achievement of the predefined targets and continued employment, vest at the end of the three-year performance period and are settled in the form of Julius Baer Group shares. At settlement the number of these additional shares can be between zero and two times the number of PUs for plan participants other than members of the Senior Management and of the Executive Board of Bank Julius Baer and zero to four times the number of PUs for members of the Senior Management and of the Executive Board of Bank Julius Baer. The final ratio between the granted PUs and the number of shares at settlement is determined by a final payout factor which is derived from the two KPIs which both carry equal weight in determining the final payout factor.

The plan provides participants with a symmetric upside (capped at 2 or 4) and downside (limited to 0) potential.

Including the value development of the PUs the ISP can represent between 15% and 67% (77% for members of Senior Management) of the total variable compensation of the executive.

ISP structure and payout schedule



Until vested, the units/shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's behaviour has substantially contributed to a financial loss of the Bank or caused reputational damage.

The ISP was applied for the first time to the members of the Senior Management and selected key staff as part of the variable compensation for 2010. The Compensation Committee approved the list of ISP participants and the individual allocations as part of the variable compensation for 2011 on 23 January 2012.

Financing of Share plans
The Bank finances these shares and options purchased by the Loteco Foundation. At the end of the reporting period the Bank recognised the amount of CHF 18.0 million (2010: CHF 7.5 million) as "prefinanced share-based payments" included in "other assets". This asset will be recovered over the vesting period by way of a capital distribution representing the recharge of share-based payments made by the Loteco Foundation.

In the reporting period this capital distribution amounted to CHF 16.8 million (2010: CHF 13.7 million).

To the extent that the prefinanced share-based payments will not result in vested share-based payment the asset will be recovered in cash from the Loteco Foundation.

The expense related to prefinanced share-based payments amount to CHF 16.8 million (2010: CHF 13.7 million). The compensation expense recognised for the Long-Term Incentive Plan amounted to CHF 7.0 million (2010: CHF 13.7 million) and for the Incentive Share Plan to CHF 9.8 million.

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

	31.12.2011	31.12.2010
Staff Participation Plan		
Number of shares taken up	**320 461**	315 423
Preferential price per share (CHF)	**31.04** [1]	26.71 [2]
Compensation expense (CHF 1000)	**3 316**	2 813

[1]The preferential price was 25% below the weighted average market value of Julius Baer Group Ltd. for the period from 1 March until 11 March 2011.
[2]The preferential price was 25% below the weighted average market value of Julius Baer Group Ltd. for the period from 1 March until 12 March 2010.

	31.12.2011	31.12.2010
Long-Term Incentive Plan		
Unvested shares outstanding, at the beginning of the year	**393 960**	364 845
Shares awarded during the year	**150 377**	227 364
Vested during the year	**-246 781**	-191 697
Forfeited during the year	**-27 033**	-6 552
Unvested shares outstanding, at the end of the year	**270 523**	393 960
Weighted average fair value per share awarded (CHF)	**40.51**	37.58
Fair value of outstanding shares at the end of the year (CHF 1000)	**9 939**	17 255

	31.12.2011	31.12.2010
Incentive Share Plan		
Unvested shares outstanding, at the beginning of the year	**-**	-
Shares awarded during the year	**249 800**	-
Vested during the year	**-**	-
Forfeited during the year	**-1 352**	-
Unvested shares outstanding, at the end of the year	**248 448**	-
Weighted average fair value per share awarded (CHF)	**43.10**	-
Fair value of outstanding shares at the end of the year (CHF 1000)	**9 128**	-

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

	31.12.2011 Number of options	31.12.2011 Weighted average exercise price *CHF*	31.12.2010 Number of options	31.12.2010 Weighted average exercise price *CHF*
Equity Bonus Plan				
Outstanding, at the beginning of the year	-	-	1 770	55.00
Exercised during the year	-	-	-1 770	55.00
Outstanding, at the end of the year	-	-	-	

	31.12.2011 Number of options	31.12.2011 Weighted average exercise price *CHF*	31.12.2010 Number of options	31.12.2010 Weighted average exercise price *CHF*
Long-Term Incentive Plan				
Options outstanding, at the beginning of the year	-	-	420 464	91.20
Vested/exercised during the year	-	-	-420 464	91.20
Options outstanding, at the end of the year	-	-	-	-

	31.12.2011 Number of units Economic Profit	31.12.2011 Number of units Relative Share Price	31.12.2010 Number of units Economic Profit	31.12.2010 Number of units Relative Share Price
Incentive Share Plan				
Units outstanding, at the beginning of the year	-	-	-	-
Granted during the year	**117 291**	**117 291**	-	-
Forfeited during the year	**-2 973**	**-2 973**	-	-
Units outstanding, at the end of the year	**114 318**	**114 318**	-	-

28 Assets under management

Assets under management include all bankable assets managed by or deposited with the Bank for investment purposes. Assets included are portfolios of wealth management clients for which the Bank provides discretionary or advisory asset management services. Assets deposited with the Bank held for transactional or safekeeping/custody purposes, and where the Bank does not offer advice on how the assets should be invested, are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management.

Assets with discretionary mandate are defined as the assets for which the investment decisions are made by the Bank, and cover assets deposited with the Bank as well as assets deposited at third-party institutions. Other assets under management are defined as the assets for which the investment decision is made by the client himself. Both assets with discretionary mandate and other assets under management take into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions.

When assets under management are subject to more than one level of asset management services, double counting arises within the total assets under management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Bank.

Net new money consists of new client acquisitions, client departures and in- or outflows attributable to existing clients. It is calculated through 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 Bank subsidiary or business are stated separately. Reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets under management are stated according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Assets under management

	2011 CHF m	2010 CHF m	Change %
Assets with discretionary mandate	**22 273**	21 083	5.6
Other assets under management	**138 038**	139 558	-1.1
Total assets under management (including double counting)	**160 311**	160 641	-0.2
of which double counting	***1 834***	*1 745*	*5.1*
Change through net new money	**8 632**	7 055	
Change through market and currency impacts	**-8 962**	-5 430	
Change through acquisition[1]	**-**	11 864[1]	
Client assets	**248 104**	258 284	-3.9

[1]On 15 January 2010, Bank Julius Baer & Co. Ltd. acquired parts of ING Bank (Switzerland) Ltd.

Breakdown of assets under management

	2011 %	2010 %
By types of investment		
Equities	**26**	26
Bonds (including convertible bonds)	**22**	22
Investment funds	**19**	20
Money market instruments	**8**	9
Client deposits	**18**	15
Structured products	**5**	6
Other	**2**	2
Total	**100**	100

Client assets are defined as all bankable assets managed by or deposited with the Bank for investment purposes, and only those deposited assets held for transactional, safekeeping/custody or administrative purposes for which additional services, for example analysis and reporting or securities lending and borrowing, are provided. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes, assets primarily used for cash management, funding or trading purposes or deposited assets held purely for transactional or safekeeping/custody purposes are excluded from client assets.

29 Requirements of Swiss banking law

The Bank is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), which requires Swiss-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard to provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP is ruled by the principal provisions of the Banking Ordinance and the related Guidelines governing financial statement reporting.

The following main differences exist between IFRS and Swiss GAAP (true and fair view) which are relevant to the Bank:

Under IFRS, changes in the fair value of financial investments available-for-sale are directly recognised in equity. Under Swiss GAAP, such investments are recorded at the lower of cost or market, with changes in value where required recorded in the income statement.

Under IFRS, all income and expenses are attributed to ordinary business operations. Under Swiss GAAP, certain income and expenses are classified as extraordinary, e.g. if they are from non-operating transactions or are non-recurring.

Under IFRS, goodwill is not amortised but must be tested for impairment annually, and a write-off is made if the recoverable amount is less than the carrying amount. Under Swiss GAAP, goodwill is amortised over its useful life, generally not exceeding five years (in justified cases up to twenty years), and tested for impairment.

Under IFRS, intangible assets with indefinite lives are not amortised but tested for impairment on an annual basis. Under Swiss GAAP, such intangible assets are amortised over the useful lives up to a maximum of five years, and tested for impairment.

30 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 2011 financial year.

Report of the Statutory Auditor to the General Meeting of Bank Julius Baer & Co. Ltd., Zurich

KPMG

KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich

P.O. Box
CH-8026 Zurich

Telephone +41 44 249 31 31
Fax +41 44 249 23 19
Internet www.kpmg.ch

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

Bank Julius Baer & Co. Ltd., Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of Bank Julius Baer & Co. Ltd., which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 4 to 83) for the year ended 31 December 2011.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

KPMG

Bank Julius Baer & Co. Ltd., Zurich
Report of the Statutory Auditor
on the Consolidated Financial Statements
to the General Meeting of Shareholders

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

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

KPMG AG

Daniel Senn	Hans Stamm
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 19 March 2012

Appendix 3: Audited Financial Statements of Bank Julius Bär & Co AG for the Financial Year 2011

Income statement

	Note	2011 CHF 1000	2010 CHF 1000	Change CHF 1000	Change %
Interest and discount income		**341 378**	302 502	38 876	12.9
Interest and dividend income on trading portfolios		**146 985**	72 249	74 736	103.4
Interest and dividend income on financial investments		**174 478**	164 541	9 937	6.0
Interest expense		**108 428**	64 499	43 929	68.1
Net interest income		**554 413**	474 793	79 620	16.8
Commission income on lending activities		**3 656**	3 164	492	15.5
Commission income on securities and investment transactions		**1 022 298**	1 074 383	-52 085	-4.8
Commission income on other services		**53 489**	44 094	9 395	21.3
Commission expenses		**229 452**	251 261	-21 809	-8.7
Results from commission and service fee activities		**849 991**	870 380	-20 389	-2.3
Results from trading operations	1	**256 567**	331 413	-74 846	-22.6
Results from the sale of financial investments		**1 537**	11 953	-10 416	-87.1
Income from participations		**59 421**	-	59 421	-
Real estate income		**5 640**	6 181	-541	-8.8
Other ordinary income		**7 770**	31 054	-23 284	-75.0
Other ordinary expenses		**78 592**	26 074	52 518	201.4
Other ordinary results		**-4 224**	23 114	-27 338	-
Operating income		**1 656 747**	1 699 700	-42 953	-2.5
Personnel expenses	2	**722 155**	725 800	-3 645	-0.5
General expenses	3	**375 265**	362 712	12 553	3.5
Operating expenses		**1 097 420**	1 088 512	8 908	0.8
Gross profit	4	**559 327**	611 188	-51 861	-8.5
Depreciation and amortisation	11	**246 361**	229 794	16 567	7.2
Valuation allowances, provisions and losses	20	**85 602**	36 390	49 212	135.2
Result before extraordinary items and taxes		**227 364**	345 004	-117 640	-34.1
Extraordinary income	5	**5 669**	9 271	-3 602	-38.9
Taxes		**56 378**	80 709	-24 331	-30.1
Net profit		**176 655**	273 566	-96 911	-35.4

Balance sheet

Assets	Note	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000	Change %
Cash		**4 233 883**	1 118 220	3 115 663	278.6
Money market instruments		**3 415 775**	5 989 893	-2 574 118	-43.0
Due from banks		**10 764 436**	7 237 371	3 527 065	48.7
Due from customers	6	**11 540 620**	10 769 738	770 882	7.2
Mortgages	6	**3 820 252**	3 063 454	756 798	24.7
Securities and precious metal trading portfolios	7	**4 935 549**	3 752 920	1 182 629	31.5
Financial investments	9	**8 569 984**	7 324 016	1 245 968	17.0
Participations	10	**2 160**	29 660	-27 500	-92.7
Property and equipment	11, 12	**427 695**	425 810	1 885	0.4
Intangible assets	11	**1 477 398**	1 642 240	-164 842	-10.0
Accrued income and prepaid expenses		**180 551**	152 155	28 396	18.7
Other assets	13	**2 261 710**	2 998 797	-737 087	-24.6
Total assets	26, 27, 28	**51 630 013**	44 504 274	7 125 739	16.0

Total subordinated claims		**84 709**	237 759	-153 050	- 64.4
Total due from significant shareholders		**16 584**	1 725	14 859	-

Liabilities and equity	Note	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000	Change %
Money market instruments		**3 503 286**	3 169 635	333 651	10.5
Due to banks		**6 786 879**	5 005 496 [1]	1 781 383	35.6
Due to customers, other		**34 104 697**	28 439 938	5 664 759	19.9
Issued certificates and short sales in securities	8	**814 077**	800 883 [1]	13 194	1.6
Accrued expenses		**307 651**	359 686	-52 035	-14.5
Other liabilities	14	**2 229 128**	2 911 153	-682 025	-23.4
Valuation allowances and provisions	20	**399 327**	359 170	40 157	11.2
				-	
Share capital	21, 22, 23	**575 000**	575 000	-	-
General legal reserve		**2 292 153**	2 280 028	12 125	0.5
of which capital contribution reserve		***1 913 380***	*1 913 380*	-	-
Other reserves		**440 280**	329 280	111 000	33.7
Retained earnings		**880**	439	441	100.5
Net profit		**176 655**	273 566	-96 911	-35.4
Total liabilities and equity	26, 28	**51 630 013**	44 504 274	7 125 739	16.0

Total subordinated liabilities		**180 000**	180 000	-	-
Total due to significant shareholders		**746 514**	804 600	-58 086	-7.2

[1]Certain reclassifications have been made to conform to the current year's presentation (details see page 31).

Information on the income statement

1 Results from trading operations

	2011 CHF 1000	2010 CHF 1000	Change CHF 1000	Change %
Securities	**-89 567**	-3 690	-85 877	-
Foreign exchange and notes	**346 134**	335 103	11 031	3.3
Total	**256 567**	331 413	-74 846	-22.6

In each case, the item includes results from trading in the corresponding derivative instruments.

2 Personnel expenses

	2011 CHF 1000	2010 CHF 1000	Change CHF 1000	Change %
Salaries and bonuses	**592 486**	570 412	22 074	3.9
Contributions to retirement plans	**36 374**	67 879	-31 505	-46.4
Other social benefits	**45 637**	47 297	-1 660	-3.5
Other personnel expenses	**52 366**	48 862	3 504	7.2
Changes provision restructuring personnel	**17 286**	14 427	2 859	19.8
Capitalised share of personnel expenses	**-21 994**	-23 077	1 083	4.7
Total	**722 155**	725 800	-3 645	-0.5

3 General expenses

	2011 CHF 1000	2010 CHF 1000	Change CHF 1000	Change %
Occupancy expense	**45 942**	43 167	2 775	6.4
Expense for EDP, machinery, furniture, vehicles and other equipment	**46 321**	51 527	-5 206	-10.1
Information, communication and advertising expense	**100 528**	104 139	-3 611	-3.5
Service expense, fees and taxes	**178 333**	175 919	2 414	1.4
Other general expenses	**11 852**	1 415	10 437	-
Changes provision restructuring other	**7 088**	993	6 095	-
Capitalised share of general expenses	**-14 799**	-14 448	-351	-2.4
Total	**375 265**	362 712	12 553	3.5

4 Income and expenses from ordinary banking operations by domicile

	2011	2010 Operating income	2011	2010 Operating expenses	2011	2010 Gross profit
	CHF 1000	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*
Domestic	**1 453 645**	1 433 832	**945 850**	982 255	**507 795**	451 577
Foreign	**220 453**	281 358	**168 921**	121 747	**51 532**	159 611
Consolidation items	**-17 351**	-15 490	**-17 351**	-15 490	**-**	-
Total	**1 656 747**	1 699 700	**1 097 420**	1 088 512	**559 327**	611 188

5 Extraordinary income

	2011 *CHF 1000*	2010 *CHF 1000*	Change *CHF 1000*	Change *%*
Results from the sale of bank premises and equipments	**5 669**	2 303	3 366	146.2
Results from the sale of customer relationships	**-**	5 193	-5 193	-
Results from the sale of participations	**-**	1 775	-1 775	-
Total	**5 669**	9 271	-3 602	-38.9

Information on the balance sheet

6 Listing of collateral

	Type of collateral			
	Mortgage collateral *CHF 1000*	Other collateral *CHF 1000*	Without collateral *CHF 1000*	Total *CHF 1000*
Loans				
Due from customers	6 325	11 450 470	83 825	**11 540 620**
Mortgages	3 785 202	35 050	-	**3 820 252**
of which residential real estate	*3 278 248*	-	-	***3 278 248***
of which office and business premises	*136 913*	-	-	***136 913***
of which trade and industrial property	*333 287*	-	-	***333 287***
of which other	36 754	35 050	-	**71 804**
Total loans 31.12.2011	3 791 527	11 485 520	83 825	**15 360 872**
Total loans 31.12.2010	3 046 371	10 425 276	361 545	13 833 192
Off-balance-sheet items				
Contingent liabilities	-	912 363	4 781	**917 144**
Irrevocable commitments	-	100 393	66 058	**166 451**
Obligation to make additional contributions	-	-	50	**50**
Total off-balance-sheet items 31.12.2011	-	1 012 756	70 889	**1 083 645**
Total off-balance sheet items 31.12.2010	-	908 414	86 792	995 206

	Gross claims *CHF 1000*	Estimated proceeds from liquidation of collateral *CHF 1000*	Net claims *CHF 1000*	Specific valuation allowances *CHF 1000*
Non-performing loans 31.12.2011	**111 538**	**44 984**	**66 554**	**73 800**
Non-performing loans 31.12.2010	92 744	57 926	34 818	54 497

7 Securities and precious metal trading portfolios

	31.12.2011 *CHF 1000*	31.12.2010 *CHF 1000*	Change *CHF 1000*	Change *%*
Debt instruments	**617 138**	300 943	316 195	105.1
of which quoted	***596 126***	*271 621*	*324 505*	*119.5*
of which unquoted	***21 012***	*29 322*	*-8 310*	*-28.3*
Equity instruments	**3 480 221**	2 987 800	492 421	16.5
Precious metals	**838 190**	464 177	374 013	80.6
Total	**4 935 549**	3 752 920	1 182 629	31.5
of which repo-eligible securities	***43 850***	*51 419*	*-7 569*	*-14.7*

8 Issued certificates and short sales in securities

	31.12.2011 *CHF 1000*	31.12.2010 *CHF 1000*	Change *CHF 1000*	Change *%*
Issued certificates	**644 460**	750 676	-106 216	-14.1
Short sales in securities	**169 617**	50 207	119 410	237.8
Total	**814 077**	800 883	13 194	1.6

9 Financial investments

	31.12.2011 *CHF 1000*	31.12.2010 Book value *CHF 1000*	**31.12.2011** *CHF 1000*	31.12.2010 Fair value *CHF 1000*
Debt instruments	**8 569 267**	7 268 690	**8 592 088**	7 293 141
of which valued at lower of cost or fair value	***8 569 267***	*7 268 690*	***8 592 088***	*7 293 141*
Equity instruments	**717**	55 326	**64 669**	124 504
Total	**8 569 984**	7 324 016	**8 656 757**	7 417 645
of which repo-eligible securities	***3 817 559***	*3 280 559*		

10 Participations

	Head office	Currency	Share capital *1 000*	**31.12.2011** Percentage holding of voting rights *%*	31.12.2010 Percentage holding of voting rights *%*
Julius Baer (Singapore) Ltd. (liquidated)	Singapore	SGD	25 000	0	100
Bank Julius Baer (Jersey) Ltd.(liquidated)	Jersey	CHF	5 000	0	100
Bank Julius Baer Nominees (Singapore) Pte. Ltd.	Singapore	SGD	-	100	100
Arpese SA	Lugano	CHF	400	100	100
Julius Baer Wealth Management (Europe) SA	Luxembourg	CHF	200	100	100
including					
- Julius Baer Patrimoine Conseil Sàrl	*Paris*	*EUR*	*10*	*100*	*100*
Ferrier Lullin Trust Management SA (in liquidation)	Geneva	CHF	50	100	100

11 Intangible assets and property and equipment

	Goodwill *CHF 1000*	Customer relationships *CHF 1000*	**Total intangible assets** *CHF 1000*	Bank premises *CHF 1000*	Software *CHF 1000*	Other property and equipment *CHF 1000*	**Total property and equipment** *CHF 1000*
Historical cost							
Balance on 01.01.2010	1 466 065	731 468	2 197 533	250 973	251 157	91 891	594 021
Additions	24 228	146 407	170 635	7 324	67 266	17 702	92 292
Disposals/transfers[1]	-	-	-	4 886	8 249	4 319	17 454
Balance on 31.12.2010	1 490 293	877 875	2 368 168	278 178	311 810	107 660	697 648
Additions	-	-	-	6 156	56 246	22 890	85 292
Disposals/transfers[1]	-	-	-	1 900	7 991	10 018	19 909
Balance on 31.12.2011	1 490 293	877 875	2 368 168	282 434	360 065	120 532	763 031
Depreciation and amortisation							
Balance on 01.01.2010	271 618	289 372	560 990	39 713	119 092	60 683	219 488
Charge for the period	75 711	89 227	164 938	5 547	39 945	19 364	64 856
Disposals/transfers[1]	-	-	-	84	8 249	4 173	12 506
Balance on 31.12.2010	347 329	378 599	725 928	45 176	150 788	75 874	271 838
Charge for the period	75 710	89 132	164 842	6 249	54 921 [2]	20 349 [2]	81 519
Disposals/transfers[1]	-	-	-	41	7 991	9 989	18 021
Balance on 31.12.2011	423 039	467 731	890 770	51 384	197 718	86 234	335 336
Book value							
Balance on 31.12.2010	1 142 964	499 276	1 642 240	233 002	161 022	31 786	425 810
Balance on 31.12.2011	**1 067 254**	**410 144**	**1 477 398**	**231 050**	**162 347**	**34 298**	**427 695**

[1]Includes derecognition of fully depreciated assets
[2]Includes additional charges of CHF 22.2 million for software and hardware related to adjusted useful lives of the assets

There are no significant obligations arising from operating leases.

12 Fire insurance value

	31.12.2011 *CHF 1000*	31.12.2010 *CHF 1000*	Change *CHF 1000*	Change *%*
Real estate	**421 114**	434 538	-13 424	-3.1
Other property and equipment	**179 901**	156 936	22 965	14.6

13 Other assets

	31.12.2011 *CHF 1000*	31.12.2010 *CHF 1000*	Change *CHF 1000*	Change *%*
Positive replacement values of derivative instruments	**2 104 465**	2 700 311	-595 846	-22.1
of which from trading operations	***2 104 053***	*2 699 796*	*-595 743*	*-22.1*
of which other	***412***	*515*	*-103*	*-20.0*
Balance of adjusting account	**4 835**	-	4 835	
Withholding taxes, VAT and other taxes	**3 088**	1 659	1 429	86.1
Other	**149 322**	296 827	-147 505	-49.7
Total	**2 261 710**	2 998 797	-737 087	-24.6

14 Other liabilities

	31.12.2011 *CHF 1000*	31.12.2010 *CHF 1000*	Change *CHF 1000*	Change *%*
Negative replacement values of derivative instruments	**2 101 838**	2 754 538	-652 700	-23.7
of which from trading operations	***2 093 356***	*2 753 654*	*-660 298*	*-24.0*
of which other	***8 482***	*884*	*7 598*	*-*
Balance of adjusting account	**-**	*2 467*	*-2 467*	-100.0
Withholding taxes, VAT and other taxes	**54 349**	49 553	4 796	9.7
Other	**72 941**	104 595	-31 654	-30.3
Total	**2 229 128**	2 911 153	-682 025	-23.4

15 Capitalised formation expenses, costs incurred in connection with rights issues and organisation costs

There are no items to report.

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

	31.12.2011 Book value CHF 1000	31.12.2011 Effective commitment CHF 1000	31.12.2010 Book value CHF 1000	31.12.2010 Effective commitment CHF 1000
Securities	**676 683**	**676 683**	520 636	520 636
Other	**10 013**	**10 013**	492	492
Total	**686 696**	**686 696**	521 128	521 128

The assets are pledged for Lombard limits at central banks and for stock exchange security deposits.

17 Commitments to own pension plans

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000	Change %
Commitments to own pension plans	**1 202**	1 676	-474	-28.3

18 Securities lending and borrowing transactions/repurchase and reverse repurchase transactions

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000	Change %
Receivables from cash collateral provided in securities borrowing and reverse repurchase transactions	**1 695 599**	402 533	1 293 066	321.2
Obligations to return cash collateral received in securities lending and repurchase transactions	**579 590**	585 314	-5 724	-1.0
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	**1 757 843**	1 105 033	652 810	59.1
of which securities where the right to pledge or sell has been granted without restriction	***1 757 843***	*1 105 033*	*652 810*	*59.1*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	**6 170 366**	4 594 632	1 575 734	34.3
of which repledged or resold securities	***3 703 488***	*3 841 696*	*-138 208*	*-3.6*

19 Pension plans and other employee benefits

	2011 CHF 1000	2010 CHF 1000
1. Development of pension obligations and assets		
Present value of funded obligation at the beginning of the year	**-1 598 379**	-1 284 042
Acquisitions/transfer from restructuring reserve	**-**	-141 494
Service cost	**-71 943**	-74 600
Past service cost	**-19 366**	-
Interest cost	**-41 147**	-45 532
Settlements	**4 461**	2 351
Benefits paid	**49 031**	53 807
Actuarial gain/(loss)	**6 886**	-110 027
Translation differences	**-12**	1 158
Present value of funded obligation at the end of the year	**-1 670 469**	-1 598 379
Fair value of plan assets at the beginning of the year	**1 518 088**	1 295 323
Aquisitions/transfer from restructuring reserve	**-**	124 664
Expected return on plan assets	**58 378**	64 381
Employer's contributions	**55 006**	55 357
Employees' contributions	**26 396**	25 513
Settlements	**-5 295**	-2 351
Benefits paid	**-49 031**	-53 807
Actuarial gain/(loss)	**-76 852**	10 047
Translation differences	**-17**	-1 039
Fair value of plan assets at the end of the year	**1 526 673**	1 518 088

	31.12.2011 CHF 1000	31.12.2010 CHF 1000
2. Balance sheet		
Fair value of plan assets	**1 526 673**	1 518 088
Present value of funded obligation	**-1 670 469**	-1 598 379
(Unfunded)/funded status	**-143 796**	-80 291
Unrecognised past service cost	**15 534**	-
Unrecognised net actuarial (gain)/loss	**147 315**	77 350
Translation differences	**1 079**	1 039
(Accrued)/prepaid pension cost	**20 132**	-1 902

	2011 CHF 1000	2010 CHF 1000
3. Income statement		
Service cost	**-71 943**	-74 600
Interest cost	**-41 147**	-45 532
Expected net return on plan assets	**58 378**	64 381
Amortisation of actuarial gain/(loss)	**-**	121
Past service cost	**-3 832**	-
Recognised actuarial gain/(loss)	**-**	-31 582
Increase/(decrease) of unrecognised plan assets	**-**	10 790
Settlements	**-834**	-
Net periodic pension cost	**-59 378**	-76 422
Employees' contributions	**26 396**	25 513
Expense recognised in the income statement	**-32 982**	-50 909

	2011 CHF 1000	2010 CHF 1000
4. Movement in the net asset or (liability)		
(Accrued)/prepaid pension cost at the beginning of the year	**-1 902**	10 204
Acquisitions	**-**	-16 830
Translation differences	**10**	276
Expense recognised in the income statement	**-32 982**	-50 909
Employer's contributions	**55 006**	55 357
Amounts recognised in the balance sheet	**20 132**	-1 902
Prepaid pension cost	**21 751**	-
Accrued pension liability	**-1 619**	-1 902
(Accrued)/prepaid pension cost	**20 132**	-1 902
Actual return on plan assets	**-18 474**	74 428

	2011 %	2010 %
5. Asset allocation		
Cash	**5.02**	2.69
Debt instruments	**39.87**	37.19
Equity instruments	**23.78**	25.92
Real estate	**13.13**	12.93
Other	**18.20**	21.27
Total	**100.00**	100.00

	31.12.2011 CHF 1000	31.12.2010 CHF 1000
6. Defined benefit pension plans		
Fair value of plan assets	**1 526 673**	1 518 088
Present value of funded obligation	**-1 670 469**	-1 598 379
(Unfunded)/funded status	**-143 796**	-80 291
Experience adjustment on plan liabilities	**8 923**	-31 029
Change in assumptions adjustment on plan liabilities	**-2 037**	-78 998
Experience adjustment on plan assets	**-76 852**	10 047
Total actuarial gain/(loss)	**-69 966**	-99 980

Defined contribution pension plans

Bank Julius Baer & Co. Ltd. maintains a number of defined contribution pension plans, primarily outside Switzerland. 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 13.0 million during the 2011 financial year (2010: CHF 10.1 million).

Actuarial calculation of pension assets and obligations

The latest actuarial calculation was carried out as at 31 December 2011. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland, which accounts for about 99% of all benefit obligations and plan assets:

	2011	2010
Discount rate	**2.25%**	2.60%
Expected net return on plan assets	**3.50%**	3.80%
Average future salary increases	**2.00%**	2.00%
Future pension increases	**0.00%**	0.00%

20 Valuation allowances and provisions

	Balance on 01.01.2011 *CHF 1000*	Specific usage *CHF 1000*	Change in definition of purpose (reclassifications) *CHF 1000*	Recoveries, doubtful interest, currency differences *CHF 1000*	New creation charged to income statement *CHF 1000*	Reversals credited to income statement *CHF 1000*	**Balance on 31.12.2011** *CHF 1000*
Credit risks	80 650	3 218	-	3 607	26 366	5 717	**101 688**
Pension obligations	1 902	-	-	-	-	1 902	**-**
Restructuring costs	7 314	5 629	-	-	24 374	-	**26 059**
Other provisions	269 304	67 512	-	19 533	70 693	20 438	**271 580**
Total	359 170	76 359	-	23 140	121 433	28 057	**399 327**

The restructuring provisions made during the 2010 financial year and relating to the acquisition of ING Bank (Switzerland) Ltd have been almost entirely utilised in 2011.

The Bank announced a new cost reduction plan in November 2011 in response to the continued challenging general business environment. The cost reduction efforts structurally curb general as well as personnel expenses. A restructuring provision in the amount of CHF 24.4 million has been made in order to account for related expenses in the following years.

The Bank is involved in various legal, regulatory and arbitration proceedings concerning matters arising within the course of normal business operations. The current business environment involves substantial legal and regulatory risks, the impact of which on the financial position or profitability of the Bank – depending on the status of related proceedings – is difficult to assess. The Bank establishes provisions for pending and threatened legal proceedings if the management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss or if the dispute for economic reasons should be settled without acknowledgment of any wrongdoing on the part of the Bank and if the amount of such obligation or loss can be reasonably estimated. The Bank does not believe that it can estimate an amount of reasonably possible losses for certain of its proceedings because e.g. of the complexity of the proceedings, the early stage of the proceedings and limited amount of discovery that has occurred and/or other factors. Described below are certain proceedings that might have a material effect on the Bank.

In connection with certain private banking client accounts managed by an external asset manager and previously held with the former New York branch of the Bank, as custodian and lender, there are civil legal proceedings pending before New York State Court against the Bank alleging breach of contract, breach of fiduciary duty, negligence, conversion, unjust enrichment and/or fraud, and unauthorised pledging of client assets arising from and before 2001 when an external asset manager sent forged statements to certain clients and moved funds from certain clients' accounts, and pledged assets in certain clients' accounts, to cover losses in others. Proceedings before a New York arbitration panel in the same matter involving some of the same claimants have been closed in 2010 largely in favour of the Bank, among others also clearly rejecting any allegations of fraud, conspiracy and the like (disputed claims, without interest and unquantifiable claims for punitive damages and counterclaims, all court and arbitration proceedings – the latter closed in the meantime – initially amounted to approximately USD 105 million). Nevertheless, the affected claimants continue with their proceedings that include challenging the arbitration award in state court. The Bank is opposing these claims and has taken appropriate steps and measures to defend its interest.

In 2010 and 2011, litigation was commenced against the Bank and numerous other financial institutions by the liquidators of the Fairfield funds, having acted as feeder funds for the Madoff fraudulent investment schemes, in the courts of New York and the British Virgin Islands and by the Trustee of Madoff's Broker-Dealer Company, Bernard L. Madoff Investment Securities LLC, in the courts of New York. The complaints refer to, and in some cases include as defendants, the unnamed beneficial owners of the accounts on whose behalf the payments were made. The plaintiff(s) in these various actions have asserted claims to avoid and/or recover alleged fraudulent transfers under the relevant bankruptcy code provisions and for mistake and restitution. The combined claims seek to recover approximately USD 1.8 billion in payments made by the Fairfield funds and received by the more than 80 defendants. Only a fraction of this amount is sought against the Bank and, in some cases, its beneficial owners. Some of the complaints, however, aggregate the damages asserted against the many defendants so that a reliable allocation of the claimed amounts between the Bank and the other defendants cannot be made at this time. In addition, because the litigation largely remains in the preliminary procedural stages, a meaningful assessment of the potential outcome is not yet possible. The Bank is challenging these actions on procedural and substantive grounds and has taken further measures to defend and protect its interests.

In summer 2011 the Bank has been informed by Swiss authorities that the US Department of Justice (DOJ) named it as one of at that time ten Swiss banks being in the focus and investigated in connection with their cross-border private banking services provided to US private clients. The Bank is in contact with the DOJ and has established cooperation with the US authorities within the confines of applicable laws with the aim to reach a settlement. In parallel, Swiss authorities are in negotiations with the DOJ and the US Internal Revenue Service (IRS) as regards a resolution for the ongoing dispute on tax matters between the US and the Swiss financial industry that aims amongst others at supporting and facilitating settlement solutions for the named banks and at clarifying the scope and extent of administrative assistance and provision of certain client data under the applicable double taxation treaty. The Bank, whilst also cooperating with its home regulator FINMA in this matter, is supporting such efforts of the Swiss government. In the context of its cooperation the Bank has provided the US authorities data with regard to its historical US business. Based on the current stage of such negotiations and cooperation, however, the potential outcome (likelihood and potential content of a settlement) and the financial (potential settlement amount and other costs) and business impact are open and currently not reliably assessable.

21 Capital structure of Bank Julius Baer & Co. Ltd., Zurich

	31.12.2011 CHF	31.12.2010 CHF	Change CHF	Change %
Share capital				
Notional amount	**100**	100	-	-
Number of shares	**5 750 000**	5 750 000	-	-
Dividend-bearing capital	**575 000 000**	575 000 000	-	-

There is no authorised capital or conditional capital.
All registered shares are fully paid.

22 Significant shareholders[1]

Bank Julius Baer is a wholly owned subsidiary of Julius Baer Group Ltd.

	Disclosure of purchase positions [2]	Disclosure of sale positions [3]
Significant shareholders/participants of Julius Baer Group Ltd.[4]		
MFS Investment Management[5]	10.02%	
Davis Selected Advisers L.P.[6]	8.46%	
Harris Associates L.P.[7]	5.02%	
BlackRock, Inc.[8]	5.01%	0.05%
Thornburg Investment Management[9]	3.81%	
Julius Baer Group Ltd.[10]	3.02%	0.14%

[1] The percentage holding of voting rights as well as the other terms as used herein have to be defined and read in the context of the relevant and applicable stock exchange rules.
[2] Equity securities, conversion and share purchase rights (art. 15 para. 1a SESTO-FINMA), granted (written) share sale rights (art. 15 para 1b SESTO-FINMA) and financial instruments (art. 15 para. 1c and para. 2 SESTO-FINMA)
[3] Share sale rights (specifically put options) and granted (written) conversion and share purchase rights as well as financial instruments that provide for or permit cash settlement as well as other differential transactions (such as contracts for difference and financial futures)
[4] Please note that any change in the holding of voting rights between reportable thresholds does not trigger any notification duty.
[5] MFS Investment Management, Boston/USA (reported on 2 February 2011)
[6] Davis Selected Advisers L.P., Tucson/USA, as investment advisor (reported on 6 October 2009)
[7] Harris Associates L.P., Chicago/USA (reported on 13 May 2011)
[8] BlackRock, Inc., 40 East 52nd Street, New York, NY 10022, USA (reported on 5 November 2010)
[9] Thornburg Investment Management, Santa Fe/USA, as investment manager on behalf of clients (reported on 1 October 2009)
[10] Julius Baer Group Ltd., Bahnhofstrasse 36, 8001 Zurich/Switzerland, Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zurich/Switzerland, Loteco Stiftung, c/o Julius Baer Group Ltd., Bahnhofstrasse 36, 8001 Zurich/Switzerland, and Julius Baer Life (Bahamas) Ltd., Winterbotham Place, Marlborough and Queen Streets, 3026 Nassau/Bahamas (reported on 19 August 2011)

23 Statement of changes in shareholders' equity

	31.12.2011 *CHF 1000*	31.12.2010 *CHF 1000*	Change *CHF 1000*	Change *%*
Shareholders' equity at the beginning of the year				
Corporate capital	**575 000**	575 000	-	-
General legal reserve	**2 280 028**	2 252 903	27 125	1.2
Other reserves	**329 280**	247 280	82 000	33.2
Disposable profit	**274 005**	409 564	-135 559	-33.1
Total shareholders' equity at the beginning of the year (before appropriation of profit)	**3 458 313**	3 484 747	-26 434	-0.8
Dividends	**-150 000**	-300 000	150 000	-50.0
Net profit	**176 655**	273 566	-96 911	-35.4
Total shareholders' equity at the end of the year (before appropriation of profit)	**3 484 968**	3 458 313	26 655	0.8
of which share capital	***575 000***	*575 000*	*-*	*-*
of which general legal reserve	***2 292 153***	*2 280 028*	*12 125*	*0.5*
of which other reserves	***440 280***	*329 280*	*111 000*	*33.7*
of which retained earnings	***177 535***	*274 005*	*-96 470*	*-35.2*

24 Maturity structure of current assets and borrowed funds

	On demand *CHF m*	Callable *CHF m*	Due within 3 months *CHF m*	Due within 3 to 12 months *CHF m*	Due within 12 months to 5 years *CHF m*	Due after 5 years *CHF m*	Total *CHF m*
Current assets							
Cash	4 234	-	-	-	-	-	**4 234**
Money market instruments	-	-	2 290	1 126	-	-	**3 416**
Due from banks	6 073	619	3 749	256	60	7	**10 764**
Due from customers	-	1 320	7 417	1 876	866	62	**11 541**
Mortgages	-	32	1 600	382	1 140	666	**3 820**
Securities and precious metal trading portfolios	4 935	-	-	-	-	-	**4 935**
Financial investments	7	-	757	2 042	4 870	894	**8 570**
Total current assets 31.12.2011	15 249	1 971	15 813	5 682	6 936	1 629	**47 280**
Total current assets 31.12.2010	8 994	1 791	16 017	5 292	5 423	1 739	39 256
Liabilities							
Money market instruments	-	119	1 396	827	947	214	**3 503**
Due to banks	4 680	303	1 797	5	2	-	**6 787**
Due to customers, other	25 998	3 997	3 803	127	180	-	**34 105**
Issued certificates and short sales in securities	170	166	176	160	142	-	**814**
Total liabilities 31.12.2011	30 848	4 585	7 172	1 119	1 271	214	**45 209**
Total liabilities 31.12.2010	24 328	4 456	6 281	995	909	447	37 416

25 Related party transactions

	31.12.2011 *CHF 1000*	31.12.2010 *CHF 1000*	Change *CHF 1000*	Change *%*
Claims on	**1 161 426**	935 585	225 841	24.1
affiliated companies	**1 112 101**	897 346	214 755	23.9
significant shareholders	**16 584**	1 725	14 859	-
members of the Bank's corporate bodies	**32 741**	36 514	-3 773	-10.3
of which Board of Directors	***14 087***	*12 718*	*1 369*	*10.8*
of which Group Executive Board and Management Committee[1]	***18 654***	23 796	-5 142	-21.6
Liabilities to	**2 081 540**	1 479 476	602 064	40.7
affiliated companies	**1 310 046**	650 964	659 082	101.2
significant shareholders	**746 514**	804 600	-58 086	-7.2
members of the Bank's corporate bodies	**23 778**	22 236	1 542	6.9
of which Board of Directors	***12 075***	*9 311*	*2 764*	*29.7*
of which Group Executive Board and Management Committee[1]	***11 703***	*12 925*	*-1 222*	*-9.5*
own pension funds	**1 202**	1 676	-474	-28.3
Credit guarantees to	**40 711**	29 809	10 902	36.6
affiliated companies	**35 678**	21 394	14 284	66.8
significant shareholders	**4 001**	7 532	-3 531	-46.9
members of the Bank's corporate bodies	**1 032**	883	149	16.9
of which Board of Directors	***1 024***	*875*	*149*	*17.0*
of which Group Executive Board and Management Committee[1]	***8***	*8*	*-*	*-*
Other transactions				
Services provided to	**123 968**	100 726	23 242	23.1
affiliated companies	**59 710**	40 627	19 083	47.0
significant shareholders	**63 450**	59 333	4 117	6.9
members of the Bank's corporate bodies	**808**	766	42	5.5
of which Board of Directors	***456***	*373*	*83*	*22.3*
of which Group Executive Board and Management Committee[1]	***352***	*393*	*-41*	*-10.4*
Services provided by	**32 558**	28 925	3 633	12.6
affiliated companies	**28 175**	25 035	3 140	12.5
significant shareholders	**4 383**	3 890	493	12.7

[1]Executive Board Members of Julius Baer Group Ltd.

The loans granted to key management personnel consist of Lombard loans on a secured basis (through pledging of the securities portfolios) and mortgage loans on a fixed and variable basis.

The interest rates of the Lombard loans and mortgage loans are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties adjusted for reduced credit risk.

26 Assets and liabilities by domestic and foreign origin

	31.12.2011		31.12.2010		Change	
	Domestic CHF m	Foreign CHF m	Domestic CHF m	Foreign CHF m	Domestic CHF m	Foreign CHF m
Assets						
Cash	**4 209**	**25**	1 104	14	3 105	11
Money market instruments	**-**	**3 416**	1 041	4 949	-1 041	-1 533
Due from banks	**933**	**9 831**	881	6 356	52	3 475
Due from customers	**1 407**	**10 134**	1 919	8 851	-512	1 283
Mortgages	**3 482**	**338**	2 824	239	658	99
Securities and precious metal trading portfolios	**3 070**	**1 866**	2 217	1 536	853	330
Financial investments	**493**	**8 077**	435	6 889	58	1 188
Participations	**2**	**-**	2	28	-	-28
Property and equipment	**405**	**23**	413	13	-8	10
Intangible assets	**1 477**	**-**	1 642	-	-165	-
Accrued expenses and deferred income	**55**	**126**	57	95	-2	31
Other assets	**785**	**1 476**	1 295	1 704	-510	-228
Total	**16 318**	**35 312**	13 830	30 674	2 488	4 638

Liabilities and equity						
Money market instruments	**52**	**3 451**	45	3 125	7	326
Due to banks	**569**	**6 218**	844	4 161	-275	2 057
Due to customers, other	**7 894**	**26 211**	7 035	21 405	859	4 806
Issued certificates and short sales in securities	**814**	**-**	801	-	13	-
Accrued expenses and deferred income	**220**	**88**	273	87	-53	1
Other liabilities	**568**	**1 661**	1 269	1 642	-701	19
Valuation allowances and provisions	**331**	**68**	311	48	20	20
Equity	**3 485**	**-**	3 458	-	27	-
Total	**13 933**	**37 697**	14 036	30 468	-103	7 229

27 Assets by country/country groups

	Switzerland CHF m	Europe CHF m	Americas CHF m	Asia/Pacific CHF m	Other countries CHF m	**31.12.2011 Total CHF m**
Money market instruments	-	2 969	190	257	-	**3 416**
Due from banks	933	8 353	257	1 220	1	**10 764**
Loans	4 889	2 406	5 186	2 658	222	**15 361**
Financial investments	493	6 572	881	613	11	**8 570**
Positive replacement values	654	1 041	255	150	4	**2 104**
Other assets	9 349	957	797	309	3	**11 415**
Total	16 318	22 298	7 566	5 207	241	**51 630**
Total in %	31.6	43.2	14.6	10.1	0.5	**100.0**

	Switzerland CHF m	Europe CHF m	Americas CHF m	Asia/Pacific CHF m	Other countries CHF m	31.12.2010 Total CHF m
Money market instruments	1 041	4 489	150	310	-	5 990
Due from banks	881	4 801	454	1 101	-	7 237
Loans	4 744	2 380	4 065	2 421	223	13 833
Financial investments	435	5 490	936	452	11	7 324
Positive replacement values	1 014	1 237	271	170	8	2 700
Other assets	5 715	653	801	245	6	7 420
Total	13 830	19 050	6 677	4 699	248	44 504
Total in %	31.1	42.8	15.0	10.5	0.6	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.

28 Assets and liabilities by currencies

	CHF *CHF m*	USD *CHF m*	EUR *CHF m*	Other *CHF m*	Total *CHF m*
Assets					
Cash	4 189	1	17	27	**4 234**
Money market instruments	1 713	978	352	373	**3 416**
Due from banks	552	3 420	3 414	3 378	**10 764**
Due from customers	1 942	6 039	1 682	1 878	**11 541**
Mortgages	3 501	53	24	242	**3 820**
Securities and precious metal trading portfolios	2 214	672	669	1 381	**4 936**
Financial investments	1 998	1 447	3 850	1 275	**8 570**
Participations	2	-	-	-	**2**
Property and equipment	428	-	-	-	**428**
Intangible assets	1 477	-	-	-	**1 477**
Accrued income and prepaid expenses	75	30	63	13	**181**
Other assets	704	968	92	497	**2 261**
Total of balance sheet assets 31.12.2011	18 795	13 608	10 163	9 064	**51 630**
Claims on unsettled foreign exchange spot, forward and options contracts	15 881	34 633	19 058	18 101	**87 673**
Total assets 31.12.2011	34 676	48 241	29 221	27 165	**139 303**
Liabilities and shareholders' equity					
Money market instruments	812	1 005	1 063	623	**3 503**
Due to banks	3 055	1 035	1 225	1 472	**6 787**
Due to customers, other	8 326	11 688	7 823	6 268	**34 105**
Issued certificates and short sales in securities	152	417	221	24	**814**
Accrued income and prepaid expenses	274	8	10	16	**308**
Other liabilities	670	559	416	584	**2 229**
Valuation allowances and provisions	316	61	20	2	**399**
Equity	3 485	-	-	-	**3 485**
Total of balance sheet liabilities and shareholders' equity 31.12.2011	17 090	14 773	10 778	8 989	**51 630**
Liabilities to unsettled foreign exchange spot, forward and options contracts	15 197	34 561	17 556	20 265	**87 579**
Total liabilities 31.12.2011	32 287	49 334	28 334	29 254	**139 209**
Net position per currency 31.12.2011	2 389	-1 093	887	-2 089	**94**

Information on off-balance-sheet transactions

29 Contingent liabilities

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000	Change %
Credit guarantees in the form of obligations under avals, sureties and guarantees, including guarantee obligations in the form of irrevocable letters of credit	**917 144**	883 989	33 155	3.8

30 Irrevocable commitments

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000	Change %
Unutilised irrevocable commitments to extend credit	**112 793**	56 189	56 604	100.7
Irrevocable commitments to the deposit guarantee institution	**53 658**	54 978	-1 320	-2.4
Total	**166 451**	111 167	55 284	49.7

31 Obligation to make additional contributions

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000	Change %
Obligation to make additional contributions	**50**	50	-	-

32 Fiduciary transactions

	31.12.2011 CHF 1000	31.12.2010 CHF 1000	Change CHF 1000	Change %
Fiduciary deposits at third-party banks	**10 653 994**	14 802 818	-4 148 824	-28.0
Fiduciary deposits at Group banks	**-**	53 775	-53 775	-
Total	**10 653 994**	14 856 593	-4 202 599	-28.3

33 Derivative financial instruments

Derivatives held for trading

	31.12.2011 Positive replacement value CHF m	31.12.2011 Negative replacement value CHF m	31.12.2011 Contract volume CHF m	31.12.2010 Positive replacement value CHF m	31.12.2010 Negative replacement value CHF m	31.12.2010 Contract volume CHF m
Interest rate derivatives						
Swaps	**57.4**	**61.5**	**5 352**	31.1	32.3	3 879
Futures	**1.4**	**2.9**	**344**	0.6	0.8	349
Options (OTC)	**1.9**	**2.1**	**410**	1.4	1.2	351
Total	**60.7**	**66.5**	**6 106**	33.1	34.3	4 579
Foreign exchange derivatives						
Forward contracts	**757.9**	**737.2**	**63 745**	1 511.6	1 605.5	94 096
Futures	**-**	**0.1**	**56**	-	0.9	52
Options (OTC)	**695.6**	**626.2**	**50 586**	715.3	644.6	43 642
Total	**1 453.5**	**1 363.5**	**114 387**	2 226.9	2 251.0	137 790
Precious metals derivatives						
Forward contracts	**140.0**	**155.6**	**4 672**	102.3	108.0	3 289
Futures	**7.2**	**-**	**269**	-	1.2	146
Options (OTC)	**164.0**	**145.7**	**7 168**	136.1	123.7	12 649
Total	**311.2**	**301.3**	**12 109**	238.4	232.9	16 084
Equity/indices derivatives						
Futures	**8.8**	**1.1**	**386**	0.7	3.4	431
Options (OTC)	**127.4**	**280.6**	**6 321**	163.4	143.1	9 733
Options traded	**136.5**	**80.1**	**1 388**	37.3	69.2	2 026
Total	**272.7**	**361.8**	**8 095**	201.4	215.7	12 190
Other						
Futures	**6.0**	**0.2**	**219**	-	19.7	224
Options (OTC)	**-**	**-**	**-**	-	-	-
Total	**6.0**	**0.2**	**219**	-	19.7	224
Total derivatives held for trading	**2 104.1**	**2 093.3**	**140 916**	2 699.8	2 753.6	170 867

Derivatives held for hedging

	31.12.2011 Positive replacement value CHF m	31.12.2011 Negative replacement value CHF m	31.12.2011 Contract volume CHF m	31.12.2010 Positive replacement value CHF m	31.12.2010 Negative replacement value CHF m	31.12.2010 Contract volume CHF m
Interest rate derivatives						
Swaps	**0.4**	**8.5**	**100**	0.5	0.9	34
Total	**0.4**	**8.5**	**100**	0.5	0.9	34
Total derivatives held for hedging	**0.4**	**8.5**	**100**	0.5	0.9	34
Total derivative financial instruments	**2 104.5**	**2 101.8**	**141 016**	2 700.3	2 754.5	170 901

Derivative financial instruments

	31.12.2011 Positive replacement value CHF m	31.12.2011 Negative replacement value CHF m	31.12.2011 Contract volume CHF m	31.12.2010 Positive replacement value CHF m	31.12.2010 Negative replacement value CHF m	31.12.2010 Contract volume CHF m
Analysis according to remaining life						
up to 12 months	**1 952.0**	**1 911.3**	**136 246**	2 466.1	2 504.3	163 534
1 to 5 years	**114.4**	**146.8**	**3 890**	217.3	221.5	6 530
over 5 years	**38.1**	**43.7**	**880**	16.9	28.7	837
Total	**2 104.5**	**2 101.8**	**141 016**	2 700.3	2 754.5	170 901

34 Assets under management

	31.12.2011 CHF m	31.12.2010 CHF m	Change CHF m	Change %
Assets with discretionary mandate	**22 273**	21 083	1 190	5.6
Other assets under management	**138 038**	139 558	-1 520	-1.1
Total assets under management (including double counting)	**160 311**	160 641	-330	-0.2
of which double counting	***1 834***	*1 745*	*89*	*5.1*
change through net new money	***8 632***	*7 055*	*1 577*	
change through market and currency appreciation	***-8 962***	*-5 430*	*-3 532*	
change through acquisition	**-**	*11 864* [1]	-11 864	
Client assets	**248 104**	258 284	-10 180	-3.9

[1]On 15 January 2010, Bank Julius Baer & Co. Ltd. acquired parts of ING Bank (Switzerland) Ltd.

Assets under management include all bankable assets managed by or deposited with the Bank for investment purposes. Assets included are portfolios of wealth management clients for which the Bank provides discretionary or advisory asset management services. Assets deposited with the Bank held for transactional or safekeeping/custody purposes, and where the Bank does not offer advice on how the assets should be invested, are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management.

Assets with discretionary mandate are defined as the assets for which the investment decisions are made by the Bank, and cover assets deposited with the Bank as well as assets deposited at third-party institutions. Other assets under management are defined as the assets for which the investment decision is made by the client himself. Both assets with discretionary mandate and other assets under management take into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions.

When assets under management are subject to more than one level of asset management services, double counting arises within the total assets under management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Bank.

Net new money consists of new client acquisitions, client departures and in- or outflows attributable to existing clients. It is calculated through 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 Bank subsidiary or business are stated separately. Reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets under management are stated according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Client assets are defined as all bankable assets managed by or deposited with the Bank for investment purposes, and only those deposited assets held for transactional, safekeeping/custody or administrative purposes for which additional services, for example analysis and reporting or securities lending and borrowing, are provided. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes, assets primarily used for cash management, funding or trading purposes or deposited assets held purely for transactional or safekeeping/custody purposes are excluded from client assets.

Report of the Statutory Auditor to the Ordinary Annual General Meeting of Bank Julius Baer & Co. Ltd., Zurich

KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich
P.O. Box
CH-8026 Zurich
Telephone +41 44 249 31 31
Fax +41 44 249 23 19
Internet www.kpmg.ch

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

Bank Julius Baer & Co. Ltd., Zurich

As statutory auditor, we have audited the accompanying financial statements of Bank Julius Baer & Co. Ltd., which comprise the balance sheet, income statement and notes (pages 11 to 54) for the year ended 31 December 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company's articles of incorporation.

KPMG

Bank Julius Baer & Co. Ltd., Zurich
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Daniel Senn	Hans Stamm
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 16 February 2012

SIGNATORIES BY BANK JULIUS BÄR & CO AG

22 June 2012

Bank Julius Bär & Co AG

signed by Silke Nock Executive Director	signed by Luzius Sauter Associate Director