



SARASIN

## Shareholders' Information

Basel, 24 August 2004

### Operating result significantly improved

**Profit before tax up 49% - Assets under management increase by 10%**

Dear Shareholder

Bank Sarasin has made further advances in the realisation of its primary aim to steadily improve operating efficiency and profitability. Profit before extraordinary items and taxes in the first half was up 49% on the previous year, rising to CHF 43 million. Group profit also showed a strong growth of 29% to CHF 40 million. During the first half, the direct and sensitive link between developments in financial markets and our own business performance was once again clearly in evidence. While the first quarter showed peak results due to market improvements similar to those seen in the boom years of the late nineties, the development of our business in the second quarter cooled down noticeably. Geopolitical uncertainties, rising oil prices and worsening economic indicators clearly depressed market sentiment and subsequently affected turnover in the second quarter.

Nevertheless, we managed to achieve the Board's objectives and to increase operating income 8% to CHF 205 million. Our operating expenses increased by 3% to CHF 149 million as a result of the acquisition of Chiswell Associates Limited and the extra costs associated with salary increases for existing staff and higher provisions for the payment of bonuses. Consequently, operating profit rose to CHF 56 million, equivalent to a 22% increase on the CHF 46 million achieved for the same period last year.

Significant milestones were achieved in the growth of client assets. Total assets under management increased by CHF 4.9 billion (10%) since the end of 2003 to CHF 53.5 billion. New money inflow remained positive not only for our private clients business, but in all other client segments. Assets under management also rose significantly as our group grew through acquisition.

**Change in the Board of Directors:** Géry Daeninck resigned from the post of CEO of the Robeco Group N.V at the half year, and has therefore also stepped down as a Director of the Board of Bank Sarasin & Co. Ltd.

## Two quarters of conflicting signs in financial markets

The first half of this year has seen varied market performance in international financial markets due to continued terror alerts, threats of higher inflation, rising oil prices and the anticipation of higher interest rates. While the first quarter started well, with a good level of client activity, these levels fell slightly in the second quarter due to the unstable economic climate and adverse foreign exchange developments. Balanced over both quarters, the market environment however laid down a good foundation for the successful growth of our business.

This year there are two important aspects to consider when interpreting our first half results. One is the integration of Chiswell Associates Limited as of 1<sup>st</sup> of June 2004, which is reflected for one month in our income statement, as well as being fully incorporated in the balance sheet, assets under management and employee numbers. The second point to note is that this is the last time our consolidated figures will include Banque Jenni & Cie, SA as part of the Sarasin Group. The sale was completed at the end of July 2004.

Net interest income remained low for the period under review as a result of persistently low interest rates, and at CHF 29 million accounted for 14% of total operating income. Measures for hedging interest rate risks against future rate hikes led to another slight reduction in net interest income in the short term. If the prevalent scenario of rising interest rates in the mid-term does materialise, it is likely to have positive consequences for net interest income in view of our balance sheet structure.

Net income from commission and service fee activities totalled CHF 152 million. The 13% increase was a reflection of improved investor confidence and consequent client activity following more bullish markets in the first quarter. This gratifying overall result was achieved with a 17% increase in commission income on securities and investment transactions. Rising asset-dependent earnings therefore contrasted with a steady decline

in transaction-related revenues. Commission income on other services fell slightly, especially since the number of transactions in the Corporate Finance area is no longer comparable to the relatively high level achieved last year.

## Net inflow in assets under management

Our total assets under management grew 10% to CHF 53.5 billion. While performance this time had virtually no influence (CHF 135 million or 0.3%) on the growth in client assets, significant progress was made in all segments: private clients, institutional clients and investment funds. Alongside the contribution from performance, this growth of CHF 4.9 billion was due to a combination of both the integration of Chiswell's assets under management, which added CHF 4.0 billion, and organic growth of CHF 0.8 billion of net new money from existing and new clients.

Assets under management from private clients thus saw a 3% increase in net new money, or approximately CHF 1.0 billion, three-quarters of which are attributable to the integration of assets under management from our acquisition in London. Net inflows of new money from private clients were also promising in our core market of Switzerland and in the rapidly growing Asian region.

The growth of CHF 3.5 billion assets under management from institutional clients is explained by the large number of clients our London acquisition had in the charities sector. Net new money inflow from institutional clients amounted to CHF 300 million.

Furthermore, we continued to enjoy demand for our investment funds, where we saw net new money inflow of CHF 220 million (a rise of 3.2%). We are pleased to note that new inflows have been steadily maintained at a comparatively high level for some years now.

Net income from trading operations decreased 9% to CHF 22 million in the reporting period, and arose from foreign exchange trading (CHF 15 million) and also derivatives trading (CHF 6 million).

## Moderately higher costs

After successfully cutting costs in the last two years, expenses grew 3% for the first time in this half year, in line with our budget. Our personnel expenses grew 3%, with roughly 2% of this rise attributable to salary increases for our current staff and the remaining 1% coming from higher provisions set aside for the payment of future bonuses. Including the 60 Chiswell staff, the total number of employees rose by 50 to 1,160 people (adjusted for part-time working). General administrative expenses grew 3% to CHF 41 million due to the expansion of business operations at all our locations.

Operating profit recorded a robust 22% increase and reached a level of CHF 56 million by the end of the first semester. The sum of depreciation and write-offs on fixed assets was lower than last year, dropping 16% to CHF 8 million. These two items were reported separately for the first time in accordance with the new bank accounting guidelines of the Swiss Federal Banking Commission (BAG-SFBC). Value adjustments, provisions and losses were fortunately very low during the first half of the year.

Overall our profit before extraordinary items and taxes increased 49% to CHF 43 million, in line with our objectives. Group profit amounted to CHF 40 million, representing a 29% increase on last year,

due to a weaker extraordinary result and a 37% rise in taxes.

We have shown a remarkable operating result and promising growth in the first half of 2004. We have not only met, but at times exceeded the objectives we set ourselves at the year end. This result would not have been possible without the focused efforts of our staff at all levels.

## Board changes

We wish to inform you that following Géry Daeninck's resignation from his post as CEO of the Robeco Group N.V at the end of June 2004, he has also stepped down from the Board of Directors of Bank Sarasin & Co. Ltd. Mr Daeninck was a member of our Board of Directors following the creation of the strategic alliance with Rabobank in June 2002. We would like to thank him for all his valuable work during his membership of our Board of Directors.

## Outlook

Recent developments are a clear reminder of how dependent our business is on the course of financial markets. We are facing quite a strong headwind as we go into the third quarter. Given this challenging environment, our main focus will be on continuing to improve our efficiency and on strengthening our market position.

Bank Sarasin & Co. Ltd



Dr. Georg F. Kraye  
Chairman of the  
Board of Directors



Peter E. Merian  
CEO

## Key figures of Sarasin Group

	30.6.2004	30.6.2003	Change (%)
<b>Group income statement (1,000 CHF)</b>			
Operating income	205,068	190,535	7.6
Operating profit	55,688	45,819	21.5
Group profit incl. minority participations	40,365	31,192	29.4
Cash flow	48,968	41,435	18.2
<b>Ratios (%)</b>			
Cost-Income-Ratio	79.1	83.5	-5.3
Cost-Income-Ratio before deduction of goodwill	76.8	81.1	-5.3
Return on equity (ROE)	9.9	8.2	20.7
ROE before deduction of goodwill	11.0	9.4	17.0
<b>Key-data per class B registered share (CHF)</b>			
Group profit	66.7	51.0	30.8
Cash flow	80.1	67.8	18.1
Stock market price on June 30	1,920.0	1,680.0	14.3
Market capitalization on June 30 (million CHF)	1,174.0	1,027.4	14.3
	30.6.2004	31.12.2003	Change (%)
<b>Assets under management (billion CHF)</b>			
Total clients' assets	53.5	48.6	10.1
<i>of which private clients</i>	<i>31.9</i>	<i>30.8</i>	<i>3.6</i>
<i>of which institutional clients</i>	<i>14.6</i>	<i>10.9</i>	<i>33.9</i>
<i>of which investment fund assets</i>	<i>7.0</i>	<i>6.9</i>	<i>1.4</i>
<b>Workforce (adjusted for part-time working)</b>	<b>1,159.6</b>	<b>1,109.8</b>	<b>4.5</b>

## Group Balance Sheet as at June 30, 2004

Assets (1,000 CHF)	30.6.2004	31.12.2003	CHF	Change	
					%
Cash and other liquid assets	140,072	132,413	7,659		5.8
Money market investments	94,221	49,865	44,356		89.0
Due from banks	4,854,202	4,765,490	88,712		1.9
Due from customers	1,443,744	1,364,424	79,320		5.8
Mortgages	226,231	216,880	9,351		4.3
Securities and precious metals trading portfolios	202,820	193,737	9,083		4.7
Financial investments incl. non-consolidated participations	553,929	480,303	73,626		15.3
Fixed assets	134,572	138,129	-3,557		-2.6
Intangible assets	95,103	52,207	42,896		82.2
Accrued income and prepaid expenses	79,101	44,170	34,931		79.1
Other assets	135,344	139,331	-3,987		-2.9
<b>Total assets</b>	<b>7,959,339</b>	<b>7,576,949</b>	<b>382,390</b>		<b>5.0</b>
Liabilities and shareholders' equity (1,000 CHF)	30.6.2004	31.12.2003	CHF	Change	
					%
Due to banks	1,336,896	885,676	451,220		50.9
Due to customers in savings and investment accounts	187,069	251,904	-64,835		-25.7
Other amounts due to customers	4,764,761	4,894,355	-129,594		-2.6
Bonds and mortgage-backed bonds	410,717	321,900	88,817		27.6
Accrued expenses and deferred income	102,835	97,816	5,019		5.1
Other liabilities	286,514	276,658	9,856		3.6
Value adjustments and provisions	41,406	43,492	-2'086		-4.8
Reserves for general banking risks	37,700	41,500	-3,800		-9.2
Share capital	61,155	61,155	0		0.0
Treasury shares	-10,471	-9,472	999		10.5
Capital reserve	588,109	587,129	980		0.2
Retained earnings	95,751	53,794	41,957		78.0
Minority participations in shareholders' equity	16,532	918	15,614		n.a.
Group profit including minority participations	40,365	70,124	-29,759		n.a.
<b>Total liabilities and shareholders' equity</b>	<b>7,959,339</b>	<b>7,576,949</b>	<b>382,390</b>		<b>5.0</b>

## Group Income Statement for the first half of 2004

1,000 CHF	30.06.2004	30.06.2003	Change	
			CHF	%
Interest income	72,983	90,265	-17,282	-19.1
Interest expenses	-43,946	-59,202	-15,256	-25.8
<b>Net interest income</b>	<b>29,037</b>	<b>31,063</b>	<b>-2,026</b>	<b>-6.5</b>
Net income from commission and service fee activities	152,357	135,109	17,248	12.8
Net income from trading operations	21,917	24,053	-2,136	-8.9
Other ordinary income	1,757	310	1,447	466.8
<b>Total operating income</b>	<b>205,068</b>	<b>190,535</b>	<b>14,533</b>	<b>7.6</b>
Personnel expenses	108,179	104,889	3,290	3.1
General administrative expenses	41,201	39,827	1,374	3.4
<b>Total operating expenses</b>	<b>149,380</b>	<b>144,716</b>	<b>4,664</b>	<b>3.2</b>
<b>Operating Profit</b>	<b>55,688</b>	<b>45,819</b>	<b>9,869</b>	<b>21.5</b>
Depreciation and write-offs on fixed assets	-6,068	-9,736	-3,668	-31.7
Amortisation of other intangible assets <sup>1)</sup>	-2,114	0	n.a.	n.a.
Amortisation of goodwill	-4,624	-4,712	-88	-1.9
Value adjustments, provisions and losses	-97	-2,668	-2,571	-96.4
<b>Profit before extraordinary items and taxes</b>	<b>42,785</b>	<b>28,703</b>	<b>14,082</b>	<b>49.1</b>
Extraordinary income/expenses	2,766	6,266	-3,500	-55.9
Taxes	-5,186	-3'777	1,409	37.3
<b>Group profit</b>	<b>40,365</b>	<b>31,192</b>	<b>9,173</b>	<b>29.4</b>
of which minority participations	-441	-23	418	n.a.

<sup>1)</sup> The amortisation of other intangible assets has not been separately recorded for the first six months of 2003. The corresponding amount is included under depreciation and write-offs on fixed assets.

Our interim financial statements have not been audited by the external auditors, but they have been drawn up on the same basis as our year-end-financial statements and comply with the rules stipulated by Swiss banking law.