

Bank Sarasin & Co. Ltd
Explanatory remarks on the
2003 financial year and
consolidated financial statements

March 9, 2004
SARASIN



1. Overview

2. Earnings development
3. Cost development
4. Acquisition of Chiswell / expansion of activities in London
5. New management structure for the Sarasin Group
6. Summary and outlook



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Financial year 2003 headlines

2003 closes with solid net profit	<ul style="list-style-type: none"> • Net profit of CHF 70 m in 2003 compared to previous year's loss of CHF 316 m. ➤ Operating result doubled from CHF 32 m to CHF 64 m
Significant progress made	<ul style="list-style-type: none"> • Successful launch of a new IT platform • Quality offensive in Private Banking (nominated best Swiss bank by <i>Die Welt / Elite edition report</i>) • High pace of innovation in expanding range of products • AuM rose by just under 5% to CHF 48.6 bn based on market performance • Expansion and internationalisation of the Sarasin Group continued (takeover of DAB (Switzerland), Expertise Asset Management (Paris) and Pictet Fund Accounts)
Ups and downs in the environment	<ul style="list-style-type: none"> • The financial markets showed themselves from two very different sides in 2003 (SMI -20% to March 2003, strong recovery with cum. total performance of +19% for 2003) • Conflict in Middle East and respiratory illness SARS depressed markets • Due to improved economic indicators and rebound in the markets, confidence and transactions picked up noticeably during the year.



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Overview of 2003 group results

	CHF million		
	2003	2002	+ / - in %
Operating income	392.4	401.3	- 2
Operating expenses	298.9	317.2	- 6
Operating profit	93.5	84.0	11
Depreciation and write-offs on fixed assets	- 19.6	- 22.3	- 12
Ordinary amortisation of goodwill	- 9.0	- 8.7	4
Value adjustments, provisions, losses	- 0.6	- 20.5	- 97
Profit before extraordinary items and taxes	64.3	32.5	98
Taxes	-14.1	- 9.3	51
Extraordinary income	35.0	2.7	<i>n.a.</i>
Impairment IPB Rabobank	-	- 289.1	<i>n.a.</i>
Restructuring costs	-15.0	- 52.4	- 71
Group profit	70.1	- 315.6	<i>n.a.</i>



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Focus in 2003 and priorities for 2004 in Private Banking

	Main activities 2003	Objectives 2004
Private Banking	<ul style="list-style-type: none"> • Quality offensive in client advisory services <ul style="list-style-type: none"> - Award as best Swiss bank in Private Banking (<i>Die Welt</i>) • Expansion of product range <ul style="list-style-type: none"> - Expansion of Prime Fund Selection - Further development of alternative investment asset class - Launch of capital preservation products • Launch of avalog <ul style="list-style-type: none"> - Replacement of HOST application - Establishment of new workflows - First redesign of processes • Migration of RRBS <ul style="list-style-type: none"> - Conclusion of migration work in connection with integration of the former RRBS 	<ul style="list-style-type: none"> • Acquire net new money of 3% to 5% • Launch of a new CRM system • Expansion of Trading Advisory services • Concentration of Asset Management Units at bank level • Selective review of Private Banking acquisitions



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Focus in 2003 and priorities for 2004 in International Private Banking

	Main activities 2003	Objectives 2004
International Private Banking	<ul style="list-style-type: none"> • Hong Kong and Singapore <ul style="list-style-type: none"> - In the first half of the year, SARS nearly brought banking business to a standstill - Nevertheless, thanks to good acquisitions during the course of the year and expansion of our range of products, we met our growth target • Luxemburg <ul style="list-style-type: none"> - Difficult environment at the beginning of the year, headcount reduced by around 25% - Change in business model and infrastructure to focus on Private Banking for HNI clients • Guernsey <ul style="list-style-type: none"> - Political developments in the EU area leave little scope for profitable Private Banking - Concentration on institutional business 	<ul style="list-style-type: none"> • Following 2003, a year which focused on restructuring, cost-cutting and improving efficiency, 2004 will focus on growing our business • Expansion of client relationship management as USP in all IPB units • Expansion of acquisition teams in Asia and Luxemburg • Further expansion of Private Banking activities in France (on the basis of Sarasin Expertise, Paris) • Exploitation of synergies with Rabobank in international business



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Focus in 2003 and priorities for 2004 in Institutional Banking

	Main activities 2003	Objectives 2004
Institutional Banking	<ul style="list-style-type: none"> • Acquisition/client retention <ul style="list-style-type: none"> - Encouraging expansion of sustainable asset management in Germany • Expansion of product range <ul style="list-style-type: none"> - Two institutional investment funds for Swiss and US equities - Successful marketing of various niche products - New launch of an alternative product • Asset Management <ul style="list-style-type: none"> - New money inflows into the Sarasin Investment Foundation due to new sustainability sub-funds • Corporate Finance <ul style="list-style-type: none"> - Succeeded in maintaining position despite difficult market environment - Focus on M&A transactions and restructuring of listed companies 	<ul style="list-style-type: none"> • Acquisition of new mandates in the target markets CH, D and UK Additional focus: client retention Result: net new money • Improvement of scorecard approach in Asset Management • Complete the range of institutional investment funds • Ongoing cost discipline



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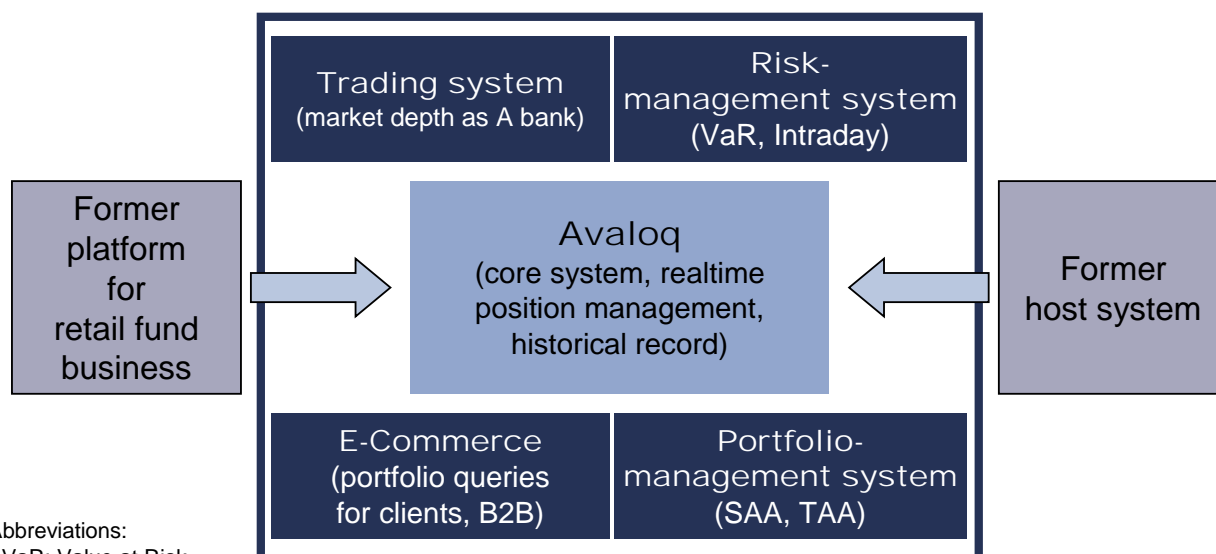
Focus in 2003 and priorities for 2004 in the Investment Funds division

	Main activities 2003	Objectives 2004
Investment Funds	<ul style="list-style-type: none"> • Clients <ul style="list-style-type: none"> - Expansion of client base by acquiring additional investment fund clients in CH - Implementation of communication and marketing concept for "Affluents" (Personal Banking) • Products <ul style="list-style-type: none"> - Launch of an investment account solution with and without discretionary mandate on an open architecture basis for fund and personal banking clients - Improve cooperation in the insurance and Private Label Segments • Markets <ul style="list-style-type: none"> - CH: Integration of Direkt Anlage Bank (Schweiz) AG with 9000 clients, CHF 330m in assets - F: Expand presence in France via purchase of Expertise SA, Paris • Marketing channels <ul style="list-style-type: none"> - Conclusion of long-term cooperation agreement with the most important IFP in the CH market - Expansion of Internet solution for sales partners 	<ul style="list-style-type: none"> • Implement the requirements for UCITS III and EU paying agent tax • Focus activities in the German market on the Munich location • Integrate the range of funds taken over from Rabo Lux. • Expand the investment fund client base in CH via targeted takeovers • Expand wholesale marketing activities (banks) in Europe • Launch fund distribution via Rabo network • Exploit process options / quality mgt. after avaloq (STP) launch • Expand new client acquisition in Personal Banking (Affluent) in the Swiss domestic market



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In 2003 Logistics focused on the launch of the new IT platform



Abbreviations:

- VaR: Value at Risk
- B2B: Business 2 Business
- SAA: Strategical Asset Allocation
- TAA: Tactical Asset Allocation



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Advantages and potential of the new IT platform

- ☑ Low-cost, highly efficient platform for all types of transactions including the settlement of retail fund business.
- ☑ Higher degree of automation for rebalancing, investment and disinvestment processes; clear increase in straight-through processing.
- ☑ From make to buy: changeover to standard software provides an opportunity to better exploit economies of scale.
- ☑ Not fully outsourced: operation of IT platform in-house as strategic components of added value.
- ☑ Realised ambitious goal of going live on 5 January 2004 ⇨ from 4Q 2004 priority on reaping benefits.
- ☑ Target from 2005: costs cut by 10%
 - by optimising workflows and increasing the STP rate
 - by exploiting economies of scale in IT



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Key projects also on agenda for 2004

	Main activities 2003	Objectives 2004
Logistics	<ul style="list-style-type: none">• SaraSwitch project<ul style="list-style-type: none">- Develop, set parameters and launch the Avaloq fund solution as of July 2003- Develop, set parameters and launch the Avaloq overall bank solution as of 5 January 2004• Merge DAB into Sarasin's system environment• Technical integration of foreign subsidiaries• Migration from Windows NT to Windows XP	<ul style="list-style-type: none">• SaraSwitch project<ul style="list-style-type: none">- Complete pending activities- Improve quality and efficiency by redefining key business processes- Plan system conversion for Sarasin Benelux• EU taxation on interest income• Client risk profile• Money Laundering Ordinance• Implement Basel II• Prepare IFRS conversion



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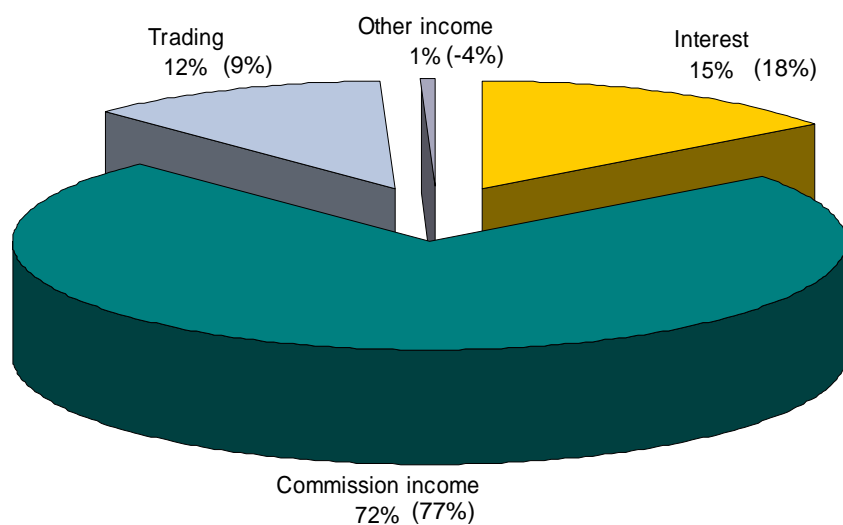
Operating income

	CHF million	2003	2002	+ / - in %
Net interest income		58.2	73.0	- 20
Net commission income		286.6	307.9	- 7
Net trading income		45.2	34.6	31
Other ordinary income		2.4	-14.2	<i>n.a.</i>
Operating income		392.4	401.3	- 2



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Breakdown of operating income



Last year's figures in brackets



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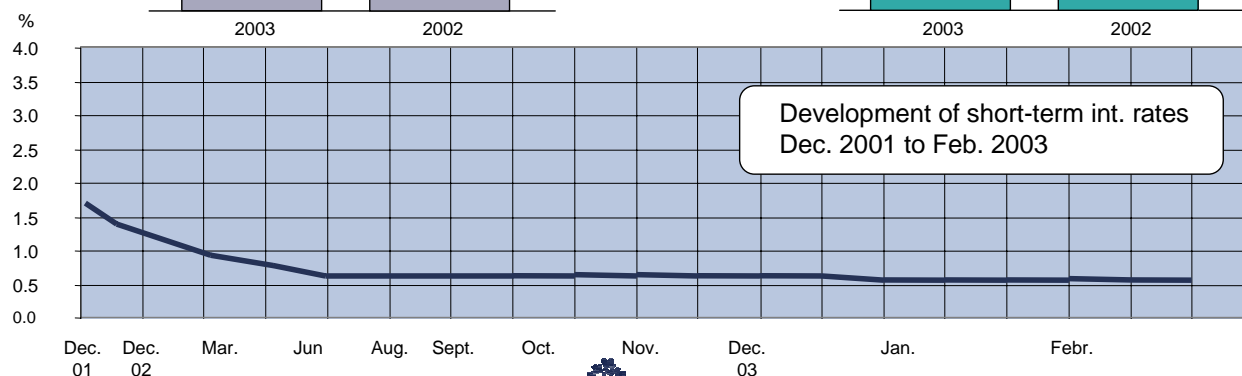
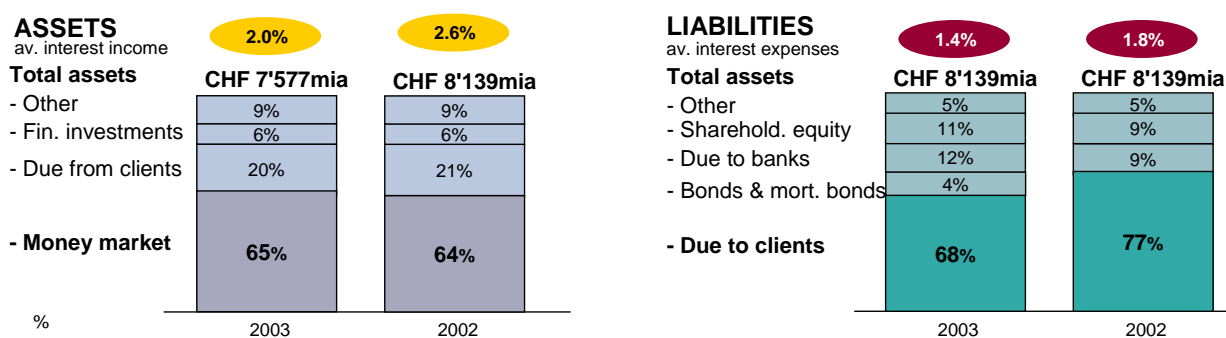
Net interest income

	CHF million	2003	2002	+ / - in %
Interest and discount income		152.3	222.0	- 31
Interest and dividend income from financial investments		11.1	18.1	-38
Interest expenses		105.2	167.2	- 37
Net interest income		58.2	73.0	- 20



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Ongoing low interest rates adversely affected interest income



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Net income from commission and service fee activities

	CHF million	2003	2002	+ / - in %
Transactions, brokerage		76.9	86.2	- 11
Investment funds transactions		89.1	94.0	- 5
Investment advisory/custody fees		109.6	121.7	- 10
Underwriting		1.1	1.9	- 42
Other commissions		32.9	31.7	4
<i>Commission expenses</i>		-23.1	-27.6	- 17
Net income from commission and service fee activities		286.5	307.9	- 7



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Strong recovery on the financial markets boosts performance of client assets under management

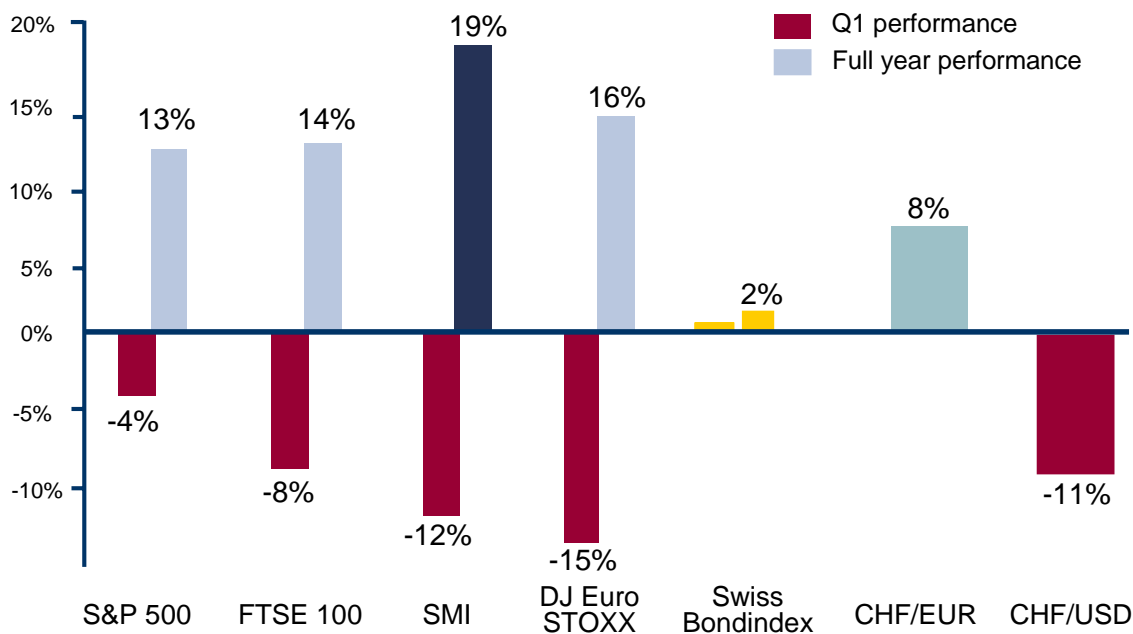
	CHF billion	2003	2002	+ / - in %
Private Banking		30.8	30.2	2.0
Institutional Banking		10.9	10.7	1.9
Investment Funds		6.9	5.5	25.5
Client assets under management		48.6	46.4	4.7



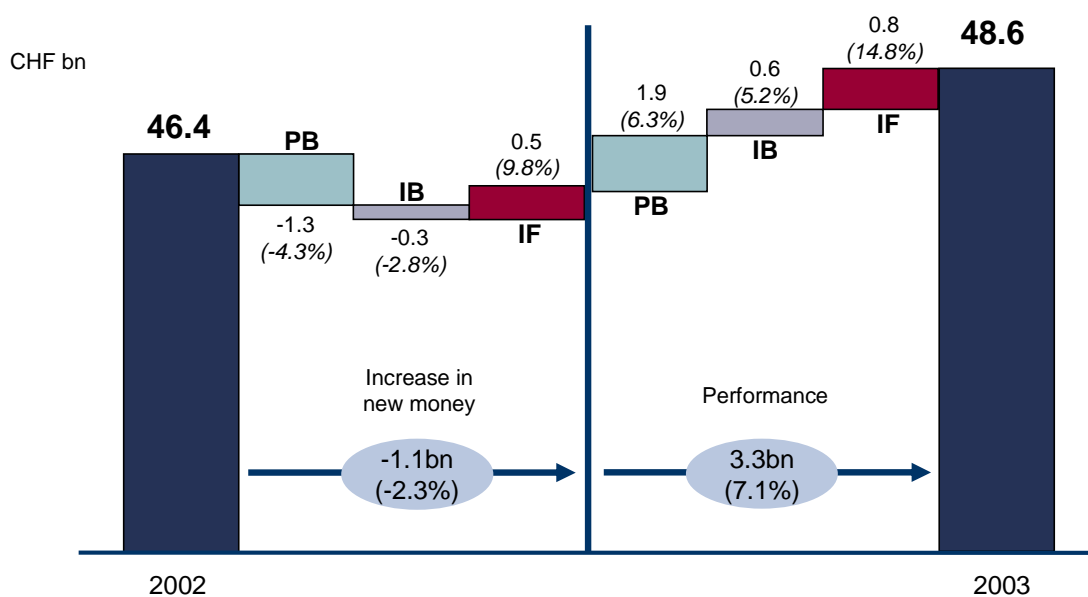
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With the rebound in the stock markets client assets and transaction volumes increase

Performance of key indices in 2003



Change in client assets resulting from net new money and performance



* CHF 0.7bn of the performance figure relates to exchange rate differences arising from the conversion of AuM of the IPB units into CHF.

Net income from trading operations

	CHF million	2003	2002	+ / - in %
Securities trading		19.4	6.0	223
Foreign notes, precious metals and coins		25.8	28.6	- 10
Net income from trading operations		45.2	34.6	31

- Net income from securities trading no longer contains results from trading in treasury shares.
- The trading result also comprises contributions to profits which do not lie within the responsibility of the Trading Profit Center (e.g. results from derivative transactions in financial investments, seed money, etc.).



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Defensive risk profile in trading business

Trading – Risk Matrix as at 31.12.2003

CHF million	Bonds	Stocks	Options	FX	Overall
VaR *)	0.04	0.04	0.24	0.09	0.42
Exposure	21.48	2.75	0.58	8.13	32.94

*) 99%, 1 day holding period

- Cautious risk profile in nostro trading throughout the year.



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Other ordinary income

	CHF million	2003	2002	+ / - in %
Sale of financial investments		2.4	10.9	-78
Income from participations		0.3	3.3	-90
Income from real estate		0.5	0.5	-
Other ordinary income		2.4	0.7	242
Other ordinary expenses		- 3.2	- 29.6	-89
Other ordinary income		2.4	-14.2	n.a.

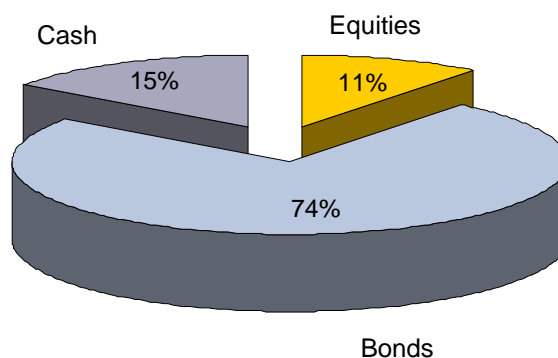


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Other ordinary expenses: value adjustments on financial investments

ALCO asset allocation by asset class as at 31.12.2003 (CHF million):

Equities	60	7%
Bonds	423	80%
Cash	85	12%
Total	569	100%



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Economic performance...

ALCO performance as at 31.12.2003

CHF million	Bonds	Stocks	Cash	Total
P&L	5.3	6.6	0	11.9
ALCO Overall-Perf.	0.96%	1.20%	n.a.	2.16%



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...is not fully reflected in other ordinary income because of accounting regulations

Using the lower of cost or market price results in write-downs to current market value, but does not allow recognition of unrealised gains.

	in CHF
1 st quarter	- 4'014'373
2 nd quarter	1'642'010
3 rd quarter	610'520
4 th quarter	989'829
Write-downs required	-772'014
Income from sales	2'404'701
Total	1'632'687



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Low risk exposure in ALCO positions in relation to overall volume

ALCO risk matrix as at 31.12.2003

in CHF	Bonds	Stocks	Options	Cash	Diversi- fication	Total
VaR *)	1.16	0.54	0.41	0.01	- 0.54	1.58
Exposure	424.20	34.93	24.68	85.42	-	569.23

*) 99%, 1 day holding period

- Relatively low risk profile overall
- No active limit overruns were recorded in ALCO. Limit overruns only occurred as a result of positive performance.



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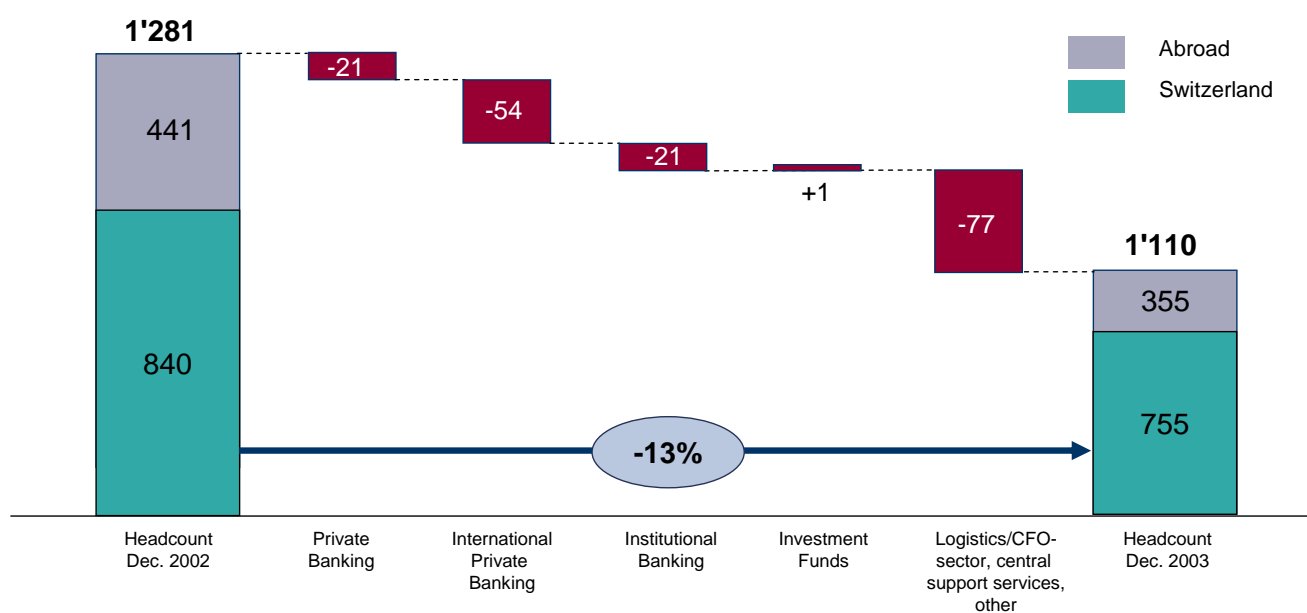
Operating profit

	CHF million	2003	2002	+ / - in %
Operating income		392.4	401.3	- 2
Personnel expenses		214.9	224.2	- 4
General administrative expenses		83.9	93.0	- 10
Operating profit		93.5	84.0	11



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Synergies from the IPB integration and other cost-cutting measures reduced headcount by 13%



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Breakdown of general administrative expenses

	in Mio. CHF	2003	2002	+ / - in %
Bank premises		17.0	20.4	-17
Maintenance – fixed assets		12.8	12.9	1
Telecommunication / IT-charges		18.3	24.0	-24
Advertising and travel		16.3	19.4	-16
Other business expenses		19.5	16.4	19
General administrative expenses		84.0	93.0	- 10



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Operating result

before taxes, extraordinary items and
restructuring costs

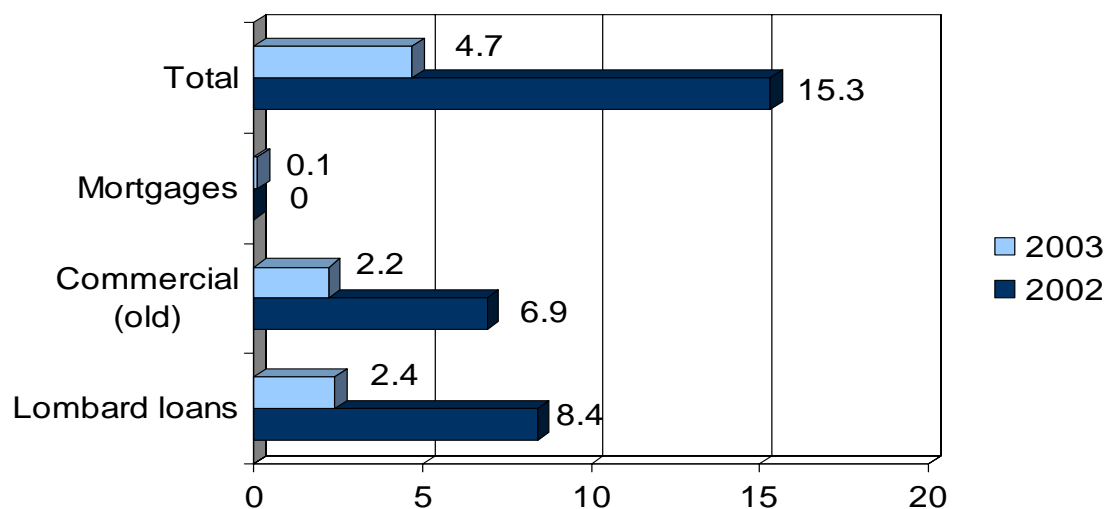
	CHF million	2003	2002	+ / - in %
Operating profit		93.5	84.0	11
Depreciation and write-offs on fixed assets		- 19.6	- 22.3	- 12
Amortisation of goodwill		- 9.0	- 8.7	4
Value adjustments, provisions, losses		- 0.6	-20.5	- 97
Operating result		64.3	32.5	98



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The need for provisions to cover credit risks declined sharply

Development of credit provisions as at 31.12.2003



Our client risk exposure has a low credit risk

**Total due from clients:
CHF 1'588 m**

Currency:

<i>Due</i>	<i>CHF million</i>	<i>in %</i>
CHF	494	31
USD	347	22
EUR	145	9
JPY	415	26
GBP	6	-
other	181	11
Total	1'588	100

Security:

<i>Due</i>	<i>CHF million</i>	<i>in %</i>
Lombard loans	1'330	84
Mortgages	243	15
non-marketable collateral or unsecured	15	1
Total	1'588	100

Credit exposure to other banks shows defensive risk profile

	Exposure (1)	Limit (2)	in % (1)/(2)
Rabobank Group *)	3'066	3'066	100
Large banks CH	185	795	23
Other banksCH	33	439	8
Cantonal banks	92	1'240	7
AAA	555	882	63
AA+	89	698	13
AA	410	1,672	25
AA-	335	2'861	12
A+	4	219	2
A	171	282	61
A+	985	316	31
no Rating	10	125	8
Total	5'048	11'469	44

*) Concentrations of risk must be reduced to the level permitted by the supervisory authorities within two years of closing (by 30 June 2004).



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Credit exposure to other banks shows defensive risk profile

Rating	31.12.02	31.03.03	30.06.03	30.09.03	31.12.03
Aaa	3'050 98%	3'432 98%	3'798 98%	3'716 98%	3'073 98.0%
Aa	16 1%	14 -	18 1%	16 -	169 1%
A	18 1%	19 1%	26 1%	22 1%	17 1%
Baa	9 0%	10 0%	10 0%	13 0%	127 0%
Ba	19 1%	19 1%	18 1%	17 1%	16 1%
B	1 0%	1 0%	1 0%	1 0%	1 0%
Total	3'112	3'494	3'871	3'785	3'134

➤ Over 99% of the country exposures relate to A-rated countries (A – Aaa).



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Group profit / loss 2003

	CHF million	2003	2002	+ / - in %
Operating result		64.3	32.5	98
Taxes		-14.1	-9.3	51
Extraordinary items		35.0	2.7	<i>n.a.</i>
Restructuring costs		-15.0	-52.4	-71
Impairment IPB Rabobank		-	-289.1	<i>n.a.</i>
Group profit / loss		70.1	-315.6	<i>n.a.</i>



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Adoption of BAG-SFBC has strong impact on extraordinary income

Parent company

Release of provisions for Sarabo CHF 1.2m
 Release of provisions for taxes CHF 8.1m
 Release of general value adjustments CHF 0.7m
 Capitalisation of tax credits CHF 2.1m
 Release of specific value adjustments CHF 6.4m

Luxemburg

Release of general value adjustments CHF 4.5m

At Group level

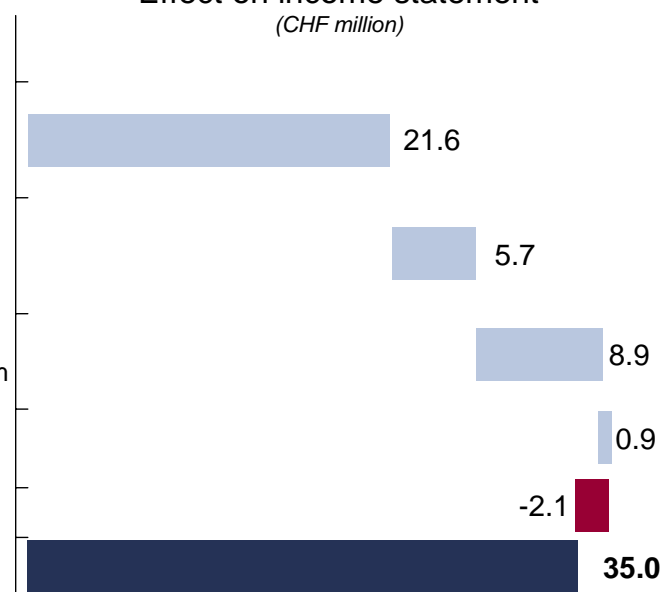
Release of provisions required for optns. CHF 8.4m

Misc. extraordinary income

Misc. extraordinary expenses

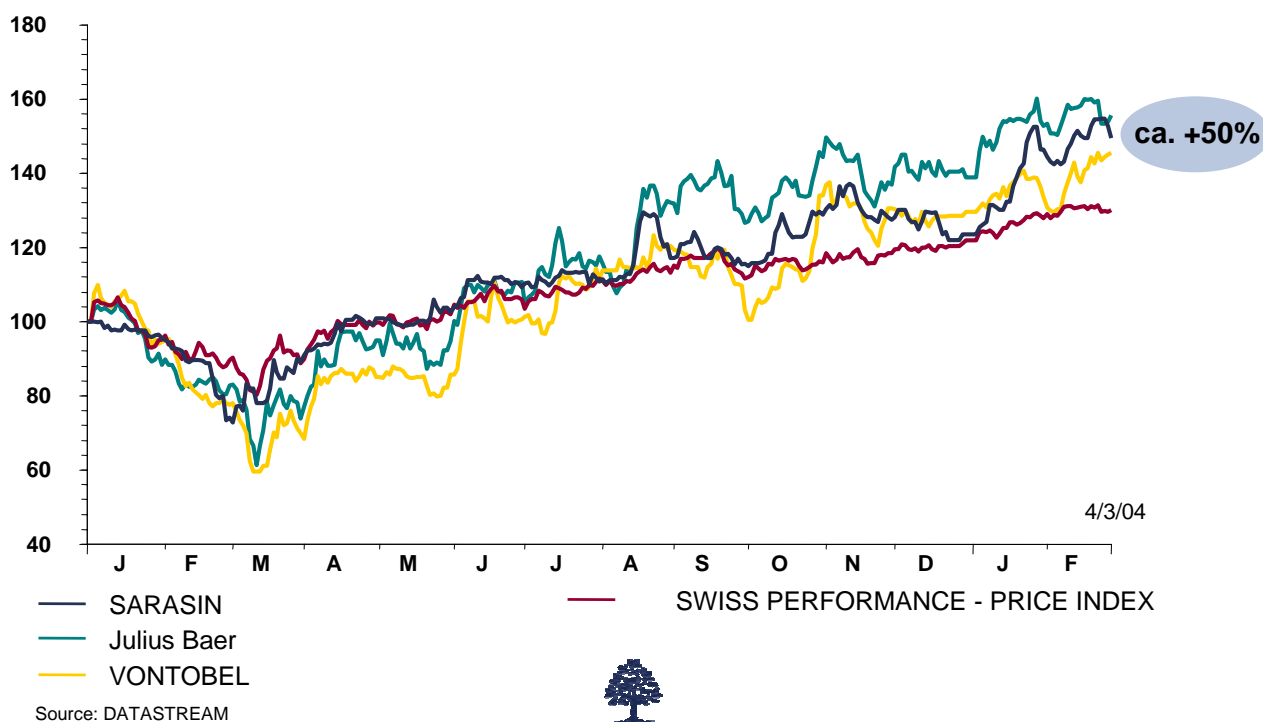
TOTAL

Effect on income statement (CHF million)



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Trend of stock market prices reflect improved market environment



Unchanged excellent shareholders' equity position

	in CHF	2003	2002
Risk-weighted assets		3'131 Mio.	2'919 Mio.
Core capital		734 Mio.	691 Mio.
BIZ Ratio Tier I		23.4%	23.7%
Shareholder's equity per share		1'315	1'230

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Background

1. Chiswell Associates Limited, London, offers **discretionary portfolio management** to Charities, small and medium sized pension funds and ultra high networth individuals („UHNIs“).
2. Chiswell had **GPB 1.8 bn under management** as of 31/12/03, spread over **240 clients** with average AuM of GBP 7.67 m. Chiswell showed impressive net new asset growth despite difficult markets.
3. **Nedcor**, South Africa's largest Banking Group, wished to sell Chiswell as this participation falls outside the scope of its activities.
4. Sarasin UK (SIM) agreed to buy Chiswell. The purchase price was GBP 20.9 million. Sarasin UK and Chiswell will be integrated. The combined entity has AuM of approximately GBP 4 bn (or CHF 8 bn).



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Pro forma key figures of the combined entity (based on actual 1.2.2004)

GBP 000	Sarasin UK	Chiswell	Combined
FuM Client Breakdown			
Institutional Clients	346'697	1'489'753	1'836'450
Asset Management	876'644		876'644
Funds	280'992		280'992
Private Clients	430'814	324'498	755'312
Total FuM	1'935'147	1'814'251	3'749'398
	%		
Gross margin	0.49	0.59	0.55
	%		
Historic Cost/Income-Ratio	87.6	81.5	64.9



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Pro forma key figures of the combined entity (based on actual 1.2.2004)

	Sarasin UK	Chiswell	Combined
Number of Clients			
Institutional Clients	50	148	198
Private Clients	605	91	696
Total	655	239	894
	GBP 000		
Average Size of Clients			
Institutional Clients	7'382	10'119	9'428
Private Clients	691	3'697	1'084
Total	2'954	7'674	4'194



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Rationale of proposed acquisition

SIM on its own

- Has a strong track record, innovative products
- Has a very good back to front office ratio
- Is profitable but **sub critical in size**

Chiswell on its own

- Is a strong asset gatherer and has a strong marketing team
- Has a clear focus (# 1 in Charities; focus on UHNWI; strict minimum pricing)
- Has a convincing management and investment team (loyal, focused, very low turnover)
- Is profitable but **sub critical in size**

The combined entity will have the critical size (approx. GBP 4 bn), a competitive set of core competencies, and yield synergy to increase profitability



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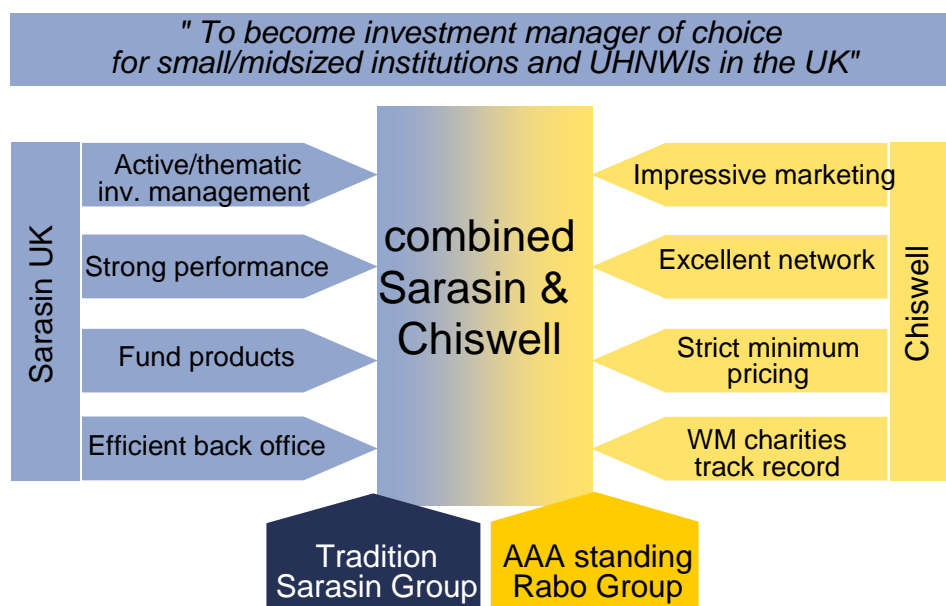
Sucess factors of the combined entity

1. Critical mass of GBP 3.7 bn under Management with exciting growth potential
2. Full integration of mid- and back-office functions
⇒ yearly synergy potential estimated at GBP 1.5 m
3. Nr. 1 in the UK Charities market
4. Strong opportunities for cross selling within the combined client bases
5. Broadened range of Investment Styles
6. Added Investment Management depth, especially in UK equities
7. Strong branding in specialist investment areas
8. Strong opportunities for the use of Sarasin Funds



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Vision of combined Sarasin & Chiswell



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Guidelines for our management structure

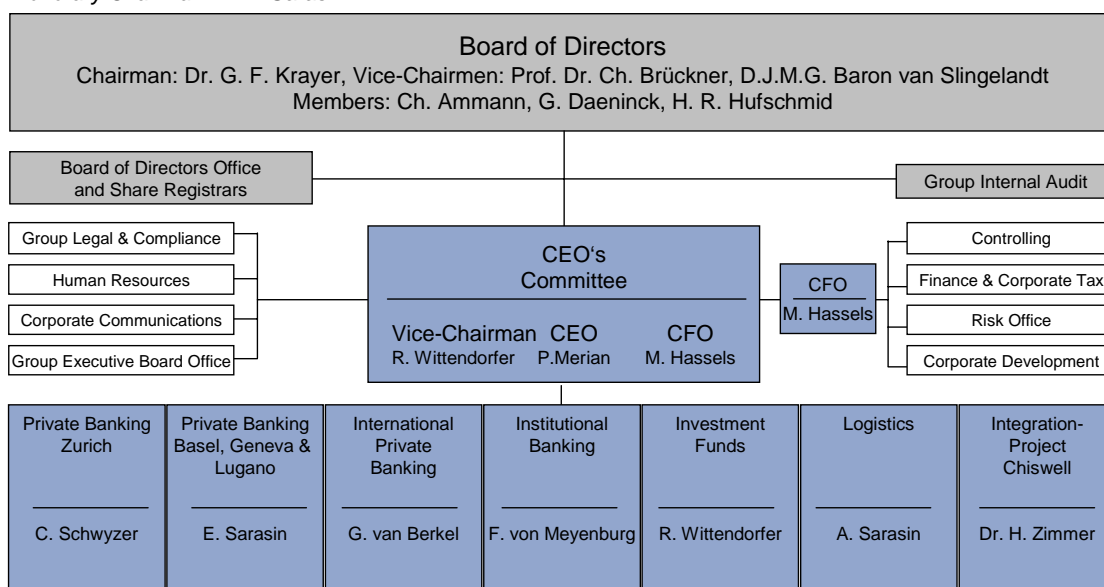
1. Business units with market responsibility are to make rapid and direct decisions, aiming to boost their own growth and results.
2. The Private Banking Division should receive a higher profile in all Swiss locations by boosting the division's personal identity and room for manoeuvre.
3. The management structures and incentive systems are to be tailored to the individual divisions.
4. A new CEO committee will ensure that the strategies and projects in the Sarasin Group are implemented.



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Organisation chart of Bank Sarasin & Co. Ltd as of April 1 2004

Honorary Chairman: A. E. Sarasin



Group Executive Board



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Summary and outlook

- **Back to solid profitability in 2003.**
 - Doubling of the operative result
 - Board of Directors will propose an increase in the dividend from CHF 25 to CHF 50 per class B registered share to the GM
- **Successful launch of the new EDP-platform offers potential for further increase of quality and efficiency of our products and services**
- **Amelioration of the market conditions offer a good platform for the start into 2004.**
 - Promising start in the first two months of the year
 - Higher transaction volumes to stay and higher confidence of investors
 - But: more and more question marks regarding to the sustainability of the economic rebound; negative surprises would have an immediate effect on financial markets
- **Growth in business and further improvement of profitability as the major goals for 2004.**



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