

# Bank Sarasin & Co. Ltd

## Explanatory remarks on the 2004 financial year and consolidated financial statements

28 February 2005



SARASIN

### 1. Overview

2. Earnings development
3. Cost development
4. Acquisition of Chiswell / expansion of activities in London
5. Expansion of activities in Munich
6. Acquisition of Colombo Gestioni Patrimoniali SA / expansion of activities in Lugano
7. Entry into Dubai market: formation of a joint venture
8. Summary and outlook



Financial year 2004

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## Significant improvement in annual result

	2004	2003	+/- in %
Group profit (in CHF million)	102.0	70.1	46
Group profit per share (in CHF)	165.4	115.0	44
Return on Equity (before amortisation of goodwill)	13.3%	10.2%	30
BIS Tier 1 ratio	26.7%	23.4%	14

- Good progress in the operating result: operating profit +11%
- Changes in the portfolio of company holdings helps group profit climb to CHF 102m
- Proposal to raise dividend from CHF 50 (2003) to CHF 60
- Capital base still extremely strong
- Low risk exposure



Financial year 2004

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## Financial year 2004 headlines

- Quality push in Private Banking and products: number of industry accolades.
- Successful completion of integration and restructuring of Sarasin Chiswell in London: right personnel, premises and logistics create ideal conditions for profitable growth in future.
- Migration to new IT platform Avaloq successfully completed.
- Acquisition of asset manager Colombo Gestioni Patrimoniali SA in Lugano.
- Assets under management up CHF 5.2bn to CHF 53.8bn.
- Personal Banking unit launched in Swiss market.
- Successful launch of new, innovative products, such as Sarasin Real Estate Equity, Sarasin Global Return, investment funds for institutional investors and life insurance policies for foreign private clients.



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## Initiatives and priorities in 2005

- Entry into new markets: subsidiary opened in Dubai (joint venture with Alpen Capital Corporation Ltd).
- Growth at existing locations: Expansion of existing Sarasin Deutschland GmbH into securities trading bank with a limited company status set up in Munich.
- Growth push in clients segment in all locations: AuM target set for net new money inflows of CHF 3bn.
- Continued improvement in profitability and operating efficiency.
- Switch to IFRS as of 31.12.2005.



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## Overview over 2004 group results

	CHF million	2004	2003	+/- in %
Operating income		411.4	392.4	5
Operating expenses		-310.7	-298.9	4
<b>Operating profit</b>		<b>100.7</b>	<b>93.5</b>	<b>8</b>
Depreciation/write-offs on fixed assets		-13.3	-15.3	-13
Depreciation of other intangible assets		-4.9	-4.3	12
Amortisation of goodwill		-10.4	-9.0	16
Value adjustments, provisions, losses		-0.8	-0.6	38
<b>Profit before extraordinary items and taxes</b>		<b>71.3</b>	<b>64.3</b>	<b>11</b>
Taxes		-14.8	-14.1	5
Extraordinary income/expenses		45.5	20.0	128
<b>Group profit</b>		<b>102.0</b>	<b>70.1</b>	<b>46</b>
<i>of which minority participations</i>		<i>0.8</i>	<i>-0.2</i>	<i>n.a.</i>



Financial year 2004

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## Changes in the portfolio of company holdings



Acquisition of Chiswell Associates Ltd,  
01.06.2004



50.1% participation of Colombo Gestioni  
Patrimoniali SA



Sale of Banque Jenni & Cie SA,  
30.06.2004



Financial year 2004

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## Comparison easier if the effect of Chiswell, Colombo and Jenni is stripped out

Operating result up 22% after adjustments

	CHF million	2004	2003	+/- in %
Operating income		384.1	371.0	4
Operating expenses		-295.1	-290.9	1
<b>Operating profit</b>		<b>89.0</b>	<b>80.0</b>	<b>11</b>
Depreciation/write-offs on fixed assets		-12.9	-15.3	-16
Depreciation of other intangible assets		-4.9	-4.3	12
Amortisation of goodwill		-8.2	-9.0	-10
Value adjustments, provisions, losses		-0.8	-0.5	49
<b>Profit before extraordinary items and taxes</b>		<b>62.2</b>	<b>50.9</b>	<b>22</b>



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## Operating income

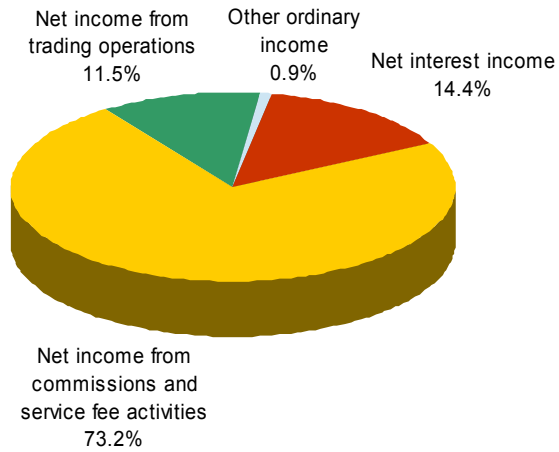
	CHF million	2004	2003	+/- in %
Net interest income		59.2	58.2	2
Net income from commissions and service fee activities		301.2	286.6	5
Net income from trading operations		47.3	45.2	5
Other ordinary income		3.7	2.4	56
<b>Operating income</b>		<b>411.4</b>	<b>392.4</b>	<b>5</b>



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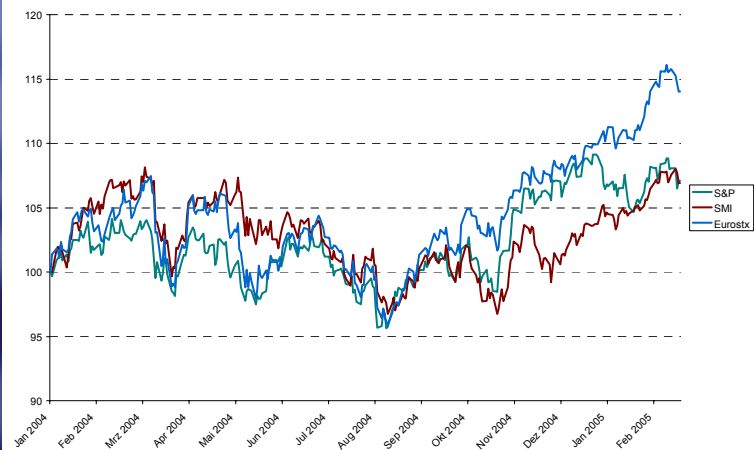
## Breakdown of operating income



Financial year 2004

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## Financial markets in 2004: Full of imponderables, contradictions, fears and hopes



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## Net interest income

	CHF million	2004	2003	+/- in %
Interest and discount income		138.6	152.3	-9
Interest and dividend income from financial investments		12.6	11.1	14
<i>Interest expenses</i>		-92.0	-105.2	-13
<b>Net interest income</b>		<b>59.2</b>	<b>58.2</b>	<b>2</b>



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## Net income from commission and service fee activities

	CHF million	2004	2003	+/- in %
Transactions and brokerage		79.0	76.9	3
Investment fund transactions		77.6	89.1	-13
Commission for investment advice, securities deposit fees		162.7	122.8	33
Underwriting		3.4	1.1	209
Other commissions		21.8	19.7	11
<i>Commission expenses</i>		-43.3	-23.0	88
<b>Net income from commission and service fee activities</b>		<b>301.2</b>	<b>286.6</b>	<b>5</b>

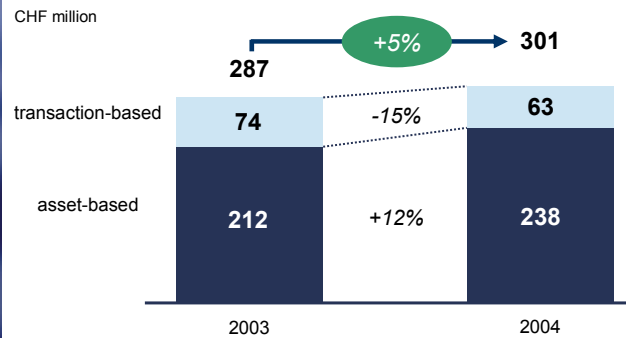


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## Quota of asset-based income increases at the expense of transaction-based income

Stock exchange turnover fell by up to 30% over the course of the year



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## Assets under management up 11% to CHF 53.8bn

	CHF billion	2004	2003	+/- in %
Private clients		31.9	30.8	4
Institutional clients		14.7	11.0	35
Investment fund assets		7.2	6.9	4
<b>Total assets under management</b>		<b>53.8</b>	<b>48.6</b>	<b>11</b>

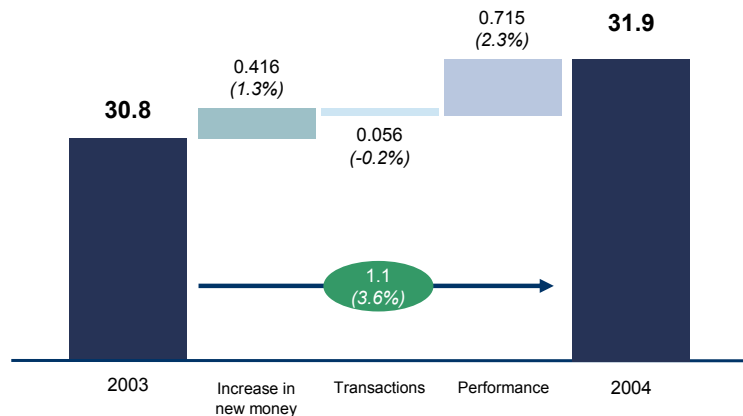


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## Increase in assets under management explained by new money, acquisitions and performance

Private Clients (Assets under management in CHF billion)

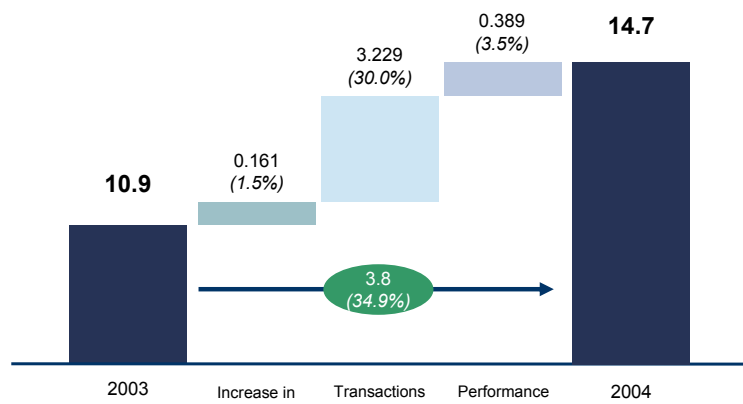


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## Increase in assets under management explained by new money, acquisitions and performance

Institutional Clients (Assets under management in CHF billion)

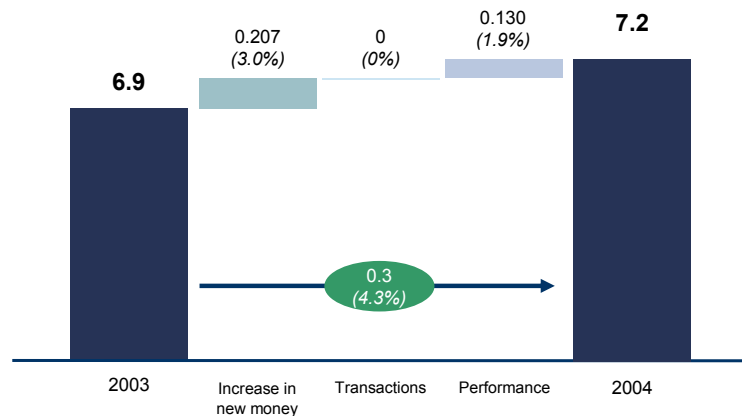


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## Increase in assets under management explained by new money, acquisitions and performance

Investment funds (Assets under management in CHF billion)



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## Net income from trading operations

	CHF million	2004	2003	+/- in %
Securities trading		19.5	19.4	0
Trading in foreign exchange, precious metals and banknotes		27.8	25.8	8
<b>Net income from trading operations</b>		<b>47.3</b>	<b>45.2</b>	<b>5</b>



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## Defensive risk profile in trading business

Trading – risk matrix as at 31.12.2004

CHF million	Bonds	Stocks	Options	FX	Overall
VaR *)	0.01	0.05	0.24	0.03	<b>0.32</b>
Exposure	2.71	24.25	0.55	3.75	<b>31.27</b>

\*) 99%, 1 day holding period

➤ Cautious risk profile in nostro trading throughout the year

## Other ordinary result

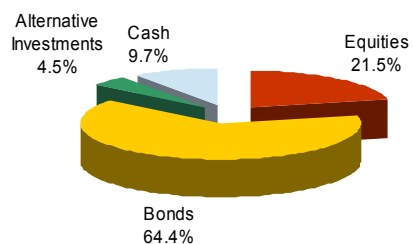
	CHF million	2004	2003	+/- in %
Income from financial investments		7.9	2.4	229
Income from participations		0.6	0.3	100
Income from real estate		0.4	0.5	-20
Other ordinary income		0.7	2.4	-71
Other ordinary expenses		-5.9	- 3.2	84
<b>Ordinary result from other sources</b>		<b>3.7</b>	<b>2.4</b>	<b>56</b>

## Rest of the ordinary result due to the effect of financial investments

### ALCO asset allocation by asset class as at 31.12.2004

(CHF million):

Equities	164
Bonds	492
Alternative Investments	34
Cash	74
<b>Total</b>	<b>762</b>



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## Low risk exposure in ALCO positions in relation to overall volume

ALCO risk matrix as at 31.12.2004

CHF	Bonds	Stocks	Options	Cash	Total
VaR *)	1.02	0.41	1.10	0.06	<b>2.14</b>
Exposure	510.55	59.96	118.26	73.60	<b>762.37</b>

\*) 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

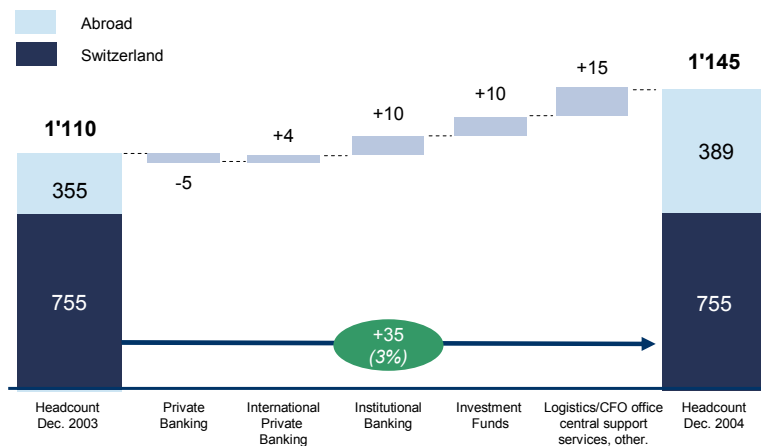
	CHF million	2004	2003	+/- in %
<b>Operating income</b>		<b>411.4</b>	<b>392.4</b>	<b>5</b>
Personnel expenses		222.4	214.9	4
General administrative expenses		88.3	83.9	5
<b>Operating profit</b>		<b>100.7</b>	<b>93.5</b>	<b>8</b>



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## Acquisitions led to a slight reduction in headcount on balance



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## Operating result

	CHF million	2004	2003	+/- in %
<b>Operating profit</b>		<b>100.7</b>	<b>93.5</b>	<b>8</b>
Depreciation/write-offs on fixed assets		-13.3	-15.3	-13
Depreciation of other intangible assets		-4.9	-4.3	12
Amortisation of goodwill		-10.4	-9.0	16
Value adjustments, provisions, losses		-0.8	-0.6	38
<b>Profit</b>		<b>71.3</b>	<b>64.3</b>	<b>11</b>



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## Low credit risk arising from amount due from clients

Total due from clients:  
CHF 1'620 m

### Currency:

<i>Due</i>	<i>CHF million</i>	<i>in %</i>
CHF	664.6	41
USD	329.2	20
EUR	222.7	14
JPY	236.0	15
GBP	31.7	2
other	136.4	8
<b>Total</b>	<b>1'620</b>	<b>100</b>

### Security:

<i>Due</i>	<i>CHF million</i>	<i>in %</i>
Lombard loans	1'370.7	85
Mortgages	237.8	15
A/c overdrafts*)	7.1	0
non-marketable collateral or unsecured	4.8	0
<b>Total</b>	<b>1'620</b>	<b>100</b>

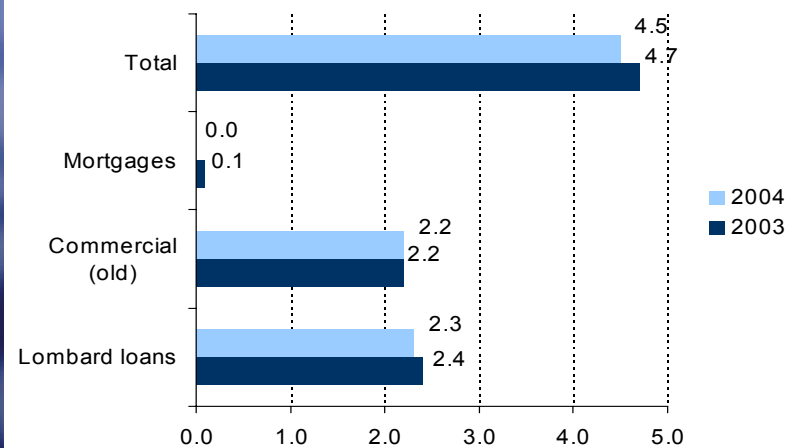
\*) gen. per Account < CHF 20'000



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## Still very low provisioning requirement for credit risks



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## Credit exposure to other banks shows defensive risk profile

	Exposure (1)	Limit (2)	in % (1)/(2)
Rabobank group *)	615	1'140	53.9
AAA	329	987	33.3
AA+	173	1'011	17.1
AA	593	1'968	30.1
AA-	911	3'449	26.4
A+	298	701	42.5
A	235	437	53.8
A-	239	359	66.6
without Rating	158	1'782	8.9
<i>Cantonal banks</i>	87	1'225	7.1
<i>Other banks CH</i>	71	453	15.7
<i>Others</i>	0	104	0.0
<b>Total</b>	<b>3'551</b>	<b>11'834</b>	<b>30.0</b>

\*) Excl. Europarco (CHF 1'115m), as bonds provide collateral.



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## Credit exposure to other banks shows defensive risk profile

Rating	31.12.03	31.03.04	31.06.04	30.09.04	31.12.04
<b>AAA</b>	3'073 98.1%	3'656 98.3%	3'532 98.2%	3'965 98.6%	3'117 98.4%
<b>AA</b>	16 0.5%	16 0.4%	14 0.4%	14 0.3%	12 0.4%
<b>A</b>	17 0.5%	26 0.7%	26 0.7%	18 0.4%	15 0.5%
<b>BAA</b>	12 0.4%	7 0.2%	8 0.2%	6 0.1%	20 0.6%
<b>BA</b>	16 0.5%	16 0.4%	16 0.4%	16 0.4%	4 0.1%
<b>B</b>	1 0%	0 0%	1 0%	1 0%	0 0%
<b>Total</b>	<b>3'134</b>	<b>3'721</b>	<b>3'596</b>	<b>4'020</b>	<b>3'169</b>

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



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## Unchanged excellent shareholders' equity position

	in CHF	2004	2003
Risk-weighted assets		2'930m	3'131m
Core capital		783m	734m
BIS Tier 1 Ratio		26.7%	23.4%
Shareholders' equity per share		1'406	1'315



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## Group profit 2004

	CHF million	2004	2003	+/- in %
<b>Operating result</b>		<b>71.3</b>	<b>64.3</b>	<b>11</b>
Taxes		-14.8	-14.1	5
Extraordinary income/expenses		45.5	20.0*	128
<b>Group profit</b>		<b>102.0</b>	<b>70.1</b>	<b>46</b>

\* For comparative reasons, CHF 15 million, which were accounted for as restructuring costs in the previous year, have been integrated into the extraordinary income/expenses 2003.



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## Extraordinary income dominated by changes in portfolio of company holdings

### Banque Jenni & Cie SA:

- Proceeds from sale of holding: CHF 37.0m.
- Of which, writing back of disclosed and undisclosed reserves as part of the sale transaction: CHF 5.1m

### Parent bank:

Release of reserves no longer required

### Group level:

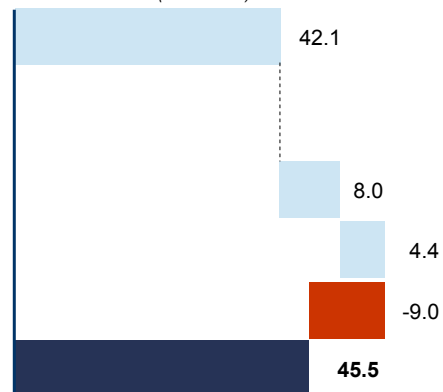
Various, distributed across the Group

### Extraordinary expenses:

CHF 7.5m of this due to restructuring at Sarasin (UK)

### TOTAL

### Effect on income statement (CHF million)



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Sarasin Chiswell  
Juxon House, St Paul's Churchyard, London



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2004: We have set and achieved immediate targets

Target

- ✦ To achieve critical mass - Assets under Management, i.e. £4 billion 2004
- ✦ To achieve annualised synergy savings of over £2 million
- ✦ To broaden the investment offering driven from one centralised asset management department

Achievement

- ✓ Current AuM £4.1m. No material losses (apart from the funds run for the previous owners (Nedcor))
- ✓ Immediate savings of £1.6m with other savings unfolding in 2005. (This includes the start-up costs for the new building)
- ✓ Asset management reorganisation in progress – launch of joint Property Fund and new Charity unit trust



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## 2004: We have set and achieved immediate targets (2)

### Target

- To unify onto one IT platform providing back and front office systems
- To achieve integration by 30 September 2004

### Achievement

- ✓ Project to unify platform onto Sarasin model with added functionality scheduled for completion 2<sup>nd</sup> quarter 2005
- ✓ Amalgamation in Juxon House, St Paul's Churchyard 20 September 2004.

2005: Sarasin Chiswell voted 'Best specialist provider of philanthropy services UK' by Euromoney

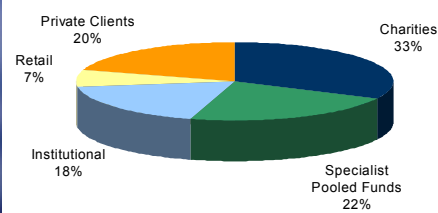


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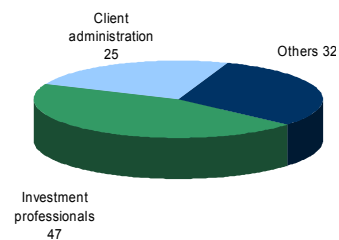
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## Sarasin Chiswell today

Assets under Management: £4.1bn



Staff: 104



as at 31 December 2004



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## Mission and targets for the future

To be one of the most highly regarded investment managers for private clients and charities and to establish ourselves as a distinctive, active manager in the institutional marketplace.

### Long-term targets

- To double assets under management by 2010
- To be the default investment manager of choice in our specialist sectors
- To become a major name in London asset management

### Mid-term targets

- Increase assets under management to £5.5 bn by 2007
- Stable gross margin of 54 bp
- C/I ratio decreasing to 60%



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## Sarasin Deutschland GmbH, Munich



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## Sarasin Deutschland GmbH today

### History

- Founded 1992, office in Hamburg
- 1998 second office added in Munich
- 2004 closure of Hamburg office; since then only company office is in Munich

### Mission

- Marketing Sarasin investment funds in the German market

### Distribution channels

- Selected banks and savings banks (credit institutions that actively offer third-party funds as part of their advisory service ⇒ open architecture)
- Sarasin funds as building blocks in fund-of-funds solutions offered by other investment companies
- Insurance companies (Sarasin funds as an investment option for unit-linked policies)
- Investment fund platforms, broker pools, asset managers and independent financial advisers (IFAs)

### No. of employees

- as at 31.12.2004: 5 employees



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## 19 January 2005: application to German regulator BaFin for a licence as a securities trading bank

- Securities trading bank**
  - Credit institution within the meaning of German Banking Law KWG § 1, para. 3d sentence 3
  - Conducts specific bank transactions and financial services
- Limited company**
  - Bank Sarasin & Co. Ltd shows commitment to German market: formation of a public limited company with share capital of € 1 million
- Munich**
  - Bank Sarasin & Co. Ltd has many years of experience in Munich
  - Now one of Germany's leading financial centres with huge potential
- Sarasin Deutschland GmbH**
  - Sarasin Deutschland GmbH will provide all activities under the new Ltd. co
  - New licence will allow it to expand existing activities (e.g. certificates)
- Timetable**
  - End of 2004: Sarasin Deutschland GmbH becomes a limited company
  - Conversion not effective until licence to trade as a securities bank is issued
  - Licence due to be issued at the start of April
- Objective**
  - Growth of Assets under Management to CHF 1.5 billion by 2007



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## Banca Sarasin & C. SA, Lugano



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## Initial position of Banca Sarasin & C. SA

- Banca Sarasin & C. SA, Lugano since 1999
- No. of employees: 7
- Assets under management as at 31.12.2004: CHF 445m
- No. of clients: 328
- Objective: growth through acquisition



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## Who is Colombo Gestioni Patrimoniali SA?

- Colombo Gestioni Patrimoniali SA, founded 1979
- Owner and managing director: Mrs Rita Colombo
- No. of employees: 8
- Assets under management: CHF 686m
- No. of clients: 365



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## Key points of the transaction

- Bank Sarasin & Co. Ltd is acquiring Colombo Gestioni Patrimoniali SA in 4 tranches of about 25% each as of closing.
- Since 1.1.2005 Bank Sarasin & Co. Ltd owns 50.1% of voting rights.
- Mrs Rita Colombo will continue as MD for five years.
- Cooperation agreement with Colombo & Partners SA
- Name rights: "Sarasin-Colombo Gestioni SA" with BSC's acquisition of the majority stake
- Board of directors:  
Mrs Rita Colombo (chairman), Mr E. Sarasin (representing PB Lugano), Mr Dario Colombo, Mr F. von Meyenburg and Dr H. Zimmer



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## Goals for joint activities

- To achieve the critical mass of AuM > CHF 1 billion through natural growth and acquisitions.
- To cut costs by merging the middle and back offices.
- To consistently exploit cross-selling opportunities provided by similar client structures.



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# Dubai



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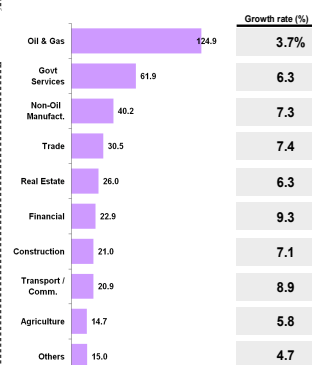
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## Potential of Gulf nations (Gulf Cooperation Council, "GCC")

### Economic & Wealth Statistics

GDP	\$380 Billion
Population	35 million
GDP/Capita	\$11,000
Gross Savings Rate (% GDP)	28%
Est. Total Wealth	\$2,000 billion
No. of HNWI's	200,000
HNWI Wealth	\$1,100 billion

### Profile of Economy



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## Bank Sarasin – Alpen (ME) Limited

- Joint venture between Bank Sarasin and local partner for acquiring private clients in Dubai International Financial Centre – DIFC
- Acquisition of high net worth individuals segment (Phase 1: in the United Arab Emirates)
- Phase 2: activities to be expanded to other countries in the Gulf region
- Operational as of 1 March 2005
- High potential in return for limited investment
- Objective: Assets under management US\$ 450m in 2007



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## Concept



- Client relationships
- Local know-how



- Financial services
- Brand



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## Bank Sarasin – Alpen (ME) Limited

Shareholding status: Sarasin 60% / Alpen 40%

- Board of Directors:  
Johann Kurmann (Alpen Capital)  
Franz von Meyenburg (Bank Sarasin)  
Eric Sarasin (Bank Sarasin)  
Rohit Walia (CEO) (Alpen Capital)  
Dr Heinz Zimmer (Chairman) (Bank Sarasin)
- Bank Sarasin's representative in Dubai:  
Dr Florian Treu (Deputy Managing Director)
- Responsibility within Bank Sarasin:  
Eric Sarasin



Financial year 2004

28 February 2005 57

1. Overview
2. Earnings development
3. Cost development
4. Acquisition of Chiswell / expansion of activities in London
5. Expansion of activities in Munich
6. Acquisition of Colombo Gestioni Patrimoniali SA / expansion of activities in Lugano
7. Entry into Dubai market: formation of a joint venture
8. Summary and outlook



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## Outlook

- Good start to 2005: January and February results on a par with last year.
- New money acquisition of 5% planned (about CHF 3 billion).
- Significant improvement in cost-income ratio targeted.
- Exploit further cost synergies by improved efficiency through Avaloq IT platform.
- Selective external growth potential being continuously monitored.



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