



SARASIN

Shareholders' Information

Basel, 28 February 2005

Group profit jumps 46% to CHF 102 million

Improved operating performance: 11% growth in both operating profit and assets under management

Dear Shareholder

As a bank, we are committed to providing shareholders with a competitive return on their investment that is also commensurate with risk, as well as generating profitable growth for the business. During the 2004 financial year, we made good progress in achieving these key financial goals. Our operating profit rose 11% to CHF 71 million. Group profit climbed 46% to break the CHF 100 million barrier, mainly due to the extraordinary income from the sale of Banque Jenni & Cie SA. The Board of Directors will be submitting a proposal to the General Meeting of Shareholders on 25 April 2005 to raise the dividend paid on each Class B registered share from CHF 50 to CHF 60.

Apart from a gratifying financial performance, we also made progress in expanding our operating business activities. We significantly boosted our presence in the financial centre of London by acquiring the asset management company Chiswell Associates Ltd, increasing our assets under management there to almost CHF 9 billion in the process. In Switzerland, we agreed a takeover of the asset manager Colombo Gestioni Patrimoniali SA based in Lugano. As of December 31, 2004 we acquired an initial 50.1% stake in this company, which manages around CHF 686 million of private client assets. The agreement provides for the gradual increase of our shareholding to 100% by 2006. Apart from continuing to grow in our existing locations, we have ventured into new markets. In Dubai, one of the fastest growing financial centres in the Middle East market, we have entered into a joint venture with Alpen Capital Corporation Ltd. We recently received the necessary licences from the local regulators and will start trading in Dubai in the second quarter of 2005 under the name Bank Sarasin-Alpen (ME) Limited.

These activities, coupled with a strong operating performance, have resulted in an 11% increase in the assets we manage for clients, with total assets under management up CHF 5.2 billion on the previous year's level, to stand at CHF 53.8 billion.

Given this scenario, we are optimistic about the current financial year. We already have one major hurdle behind us – the migration to our new IT platform Avaloq – and can now concentrate our entire efforts on working the markets, looking after our clients and assuring the quality of our products. Under these conditions, we stand a good chance of making further improvements in our profitability and operating efficiency.

Financial markets in 2004: full of imponderables, fears and hopes

Share prices took off at the start of 2004. Initially, equity markets performed very well thanks to more benign macroeconomic indicators and the consistently relaxed monetary policy adopted by central banks. But the terrorist attacks in Madrid on 11 March brought an abrupt halt to this rally. This turned the attention of financial markets back to the geopolitical risks that had already proven to be such a drag on performance in 2003. The second quarter was overshadowed by the worsening of hostilities in Iraq and sharp rises in oil prices. With growth prospects looking poor, the second and third quarter of the year saw an early and unexpected fall in bond yields, while equity markets lost ground. The mood in financial markets did not eventually change until after the outcome of the US presidential elections in autumn 2004, allowing equity markets to stage an impressive end-of-year rally and to finish the year with a positive overall performance. The environment was however still tricky in the fourth quarter, especially for Europe. The dollar came under pressure and fell 10% against the Swiss franc. This kindled fears of a possible loss of confidence in the world's reserve currency and pushed up US long-term interest rates. Taking the year as a whole, the overall market conditions provided a changeable, but nevertheless fertile environment for our business to grow successfully.

Big swings in trading volumes and earnings

Our business performance over the year was just as volatile as the financial markets we are active in. The excellent performance of the first quarter was followed by two quarters of very low turnover and earnings, before business activity picked up again significantly in the fourth quarter. When examining our business performance, it is important not only to take into consideration this underlying volatility, but three other aspects as well: First, the purchase of the asset management company Chiswell Associates Ltd. will have an impact on our income statement as

of June 1, 2004. Colombo Gestioni Patrimoniali SA has also been included in the scope of the consolidation for the first time following our purchase of a majority stake. After the purchase of an initial shareholding of 25.1% (backdated to January 1, 2004), we subsequently increased our stake to 50.1% as of December 31, 2004. On the other hand Banque Jenni & Cie SA, which was sold in the summer of 2004, is only included in the consolidated accounts for the first six months.

Since interest rates have stopped falling, net interest income has stabilised, posting a modest 2% yoy rise to CHF 59 million. We are maintaining our measures to hedge the interest rate risk. If recent predictions of higher interest rates turn out to be true, it would have a positive impact thanks to our balance sheet structure and the measures we have put in place to manage the interest rate risk.

Net income from commissions and service fee activities – our most important earnings driver, accounting for 73% of revenues – rose 5% to CHF 301 million. Growth in the first half was actually up as much as 13% in comparison to the same period last year, but this dynamic pace could not be sustained in the second half. The client segment slowed noticeably in the third quarter and in the first half of the fourth quarter. Compared with the strong first quarter, transaction-based commissions fell by as much as a third in some cases.

Net income from trading operations was also 5% higher than in the same period in 2003, rising to CHF 47 million. Foreign exchange trading traditionally accounts for the lion's share (CHF 28m) of our trading operations. In addition, derivatives trading is having a growing influence on the trading operations result (CHF 12m) as structured products continue to play an increasingly important role in asset management.

Net inflow in assets under management

During the reporting period our total assets under management rose by CHF 5.2 billion, or 11%, to CHF 53.8 billion. Three factors contributed to this

welcome development: net inflows in the operating business (CHF 0.8bn), net inflows from company acquisitions and disposals (CHF 3.2bn) and a positive performance contribution (CHF 1.2bn). With the latter item, it should be remembered that currency movements (especially the weakening of the US dollar against the Swiss franc) had a negative impact on our international subsidiaries.

A breakdown of asset inflows by client segment shows the following picture: The increase in assets under management in the Private Clients segment totalled CHF 1.1 billion, with CHF 0.4 billion of this growth coming from net new money inflows in the operating business, and CHF 0.7 billion from the performance of financial markets. On balance, the effects of takeovers and disposals of participations are virtually negligible in the private clients segment. The increases created by the acquisition of Chiswell (CHF 0.8bn) and Colombo (CHF 0.7bn) were cancelled out by reductions following the disposal of Banque Jenni (CHF 1.4bn). In Institutional Banking, the main factor influencing performance was the Chiswell acquisition, which was responsible for CHF 3.2 billion of the total increase of CHF 3.8 billion. The net new money from the operating business is just under CHF 0.2 billion, with performance contributing CHF 0.4 billion of this. Demand for our investment fund products is still strong. Compared with 2003, the net inflow was the strongest in the operating business, with growth of 3% (CHF 0.2bn), while the impact of performance was comparatively small (CHF 0.1 billion or 2%). Purchases and disposals of holdings did not have any impact on the development of our Investment Funds division.

Costs under control

Following the cost-cutting measures implemented over the last two years, operating expenses rose again for the first time by 4% to CHF 311 million in 2004, in line with our budget. Personnel expenses increased by 4% to CHF 222 million, while general administrative expenses rose 5% to CHF 88 million. However, if we strip out the non-operating influ-

ences (Chiswell, Colombo and Jenni) from the operating expenses for comparison purposes, the increase in costs would only have been 1%. This is also reflected in the trend for employee numbers. The overall 3% increase in the number of employees to 1,145, is mainly due to the non-operating effects mentioned previously – after the relevant adjustments, the number even fell slightly.

Operating profit rose 8% to CHF 101 million. For a proper assessment of operating performance, it is also important to take into account the investment-related cost effects and the impact of risk management. Depreciation and write-offs on fixed assets fell by CHF 2 million, or 13%, to CHF 13 million, while write-offs on other intangible assets rose CHF 0.5 million to CHF 4.9 million. The latter will rise by another CHF 1 million or so due to further investments scheduled for 2005 in our IT platform. Despite this, it can be said that write-offs on investments are relatively low considering that the installation of the new IT platform is more or less complete. This is even the case when taking into account the CHF 15 million restructuring costs posted last year in connection with the IT project. Our active risk management also contributes to the good valuation result. Thanks to only modest losses in the area of operating risks and the credit business, the figure for value adjustments, provisions and losses rose by just CHF 0.2 million to CHF 0.8 million. Our overall operating result therefore climbed 11% to CHF 71 million.

Extraordinary result dominated by sale of Banque Jenni & Cie SA

At CHF 46 million, the extraordinary result was once again high in the year under review. While last year the reason for this was to be found in the adoption for the first time of the new bank accounting guidelines of the Swiss Federal Banking Commission (BAG-SFBC), this year it was due to the big impact which changes to our portfolio of holdings had in the year under review. With the switch to the international accounting standard IFRS, which will be applied to our annual accounts in the financial year

ending December 31, 2005, these effects will, in future be reported under other ordinary income.

Extraordinary income came to CHF 55 million in total, dominated by the proceeds of CHF 37 million from the sale of Banque Jenni & Cie SA and an additional CHF 5 million from the writing back of disclosed and undisclosed reserves at this subsidiary. Another CHF 8 million came from the release of reserves at the parent bank that were no longer required for operational reasons. Extraordinary expenses totalled CHF 9 million, with CHF 7.5 million of this relating to restructuring costs in connection with the acquisition and integration of Chiswell Associates Ltd in London. For comparison purposes, the CHF 15 million booked as restructuring cost in last year's accounts has been transferred to the extraordinary result.

Outlook for 2005

The first two months of 2005 were good, although not quite as dynamic as last year. We are optimistic for the year ahead. Although unpleasant surprises can never be totally ruled out on financial markets, the initiatives and business activities in place at our business locations in Switzerland and abroad encourage us to expect a strong business performance this year.

Our London office has been given a facelift – not only in terms of new personnel, but also new premises and better logistics – after intensive integration and restructuring work was successfully completed following our takeover of Chiswell. Everything is therefore in place for more profitable growth in the future. With our clear and strictly applied investment process, we now have a reputation as a leading provider in the attractive market niche of asset management for charities. Alongside, there are already some interesting product synergies between the charities business and the sustainability approach we have developed for asset management in Switzerland which could provide us with significant advantages when attempting to break into new client groups.

In Germany, we have applied for a licence to operate a securities trading bank following changes to the overall legal requirements. We intend to expand our existing Munich-based distribution company for marketing investment funds into a securities trading bank with a limited company status. From our Munich base we will in future not only offer investment fund products, but also look after private and institutional clients in the onshore business. As things stand, we expect the licence to be issued in the first half of 2005.

As well as expanding our business in existing locations, we have decided to extend our international presence to Dubai, one of the fastest growing markets in the Middle East. With this step we aim to concentrate on the private client segment of high net worth individuals (HNWI), a segment which in the United Emirates is showing one of the highest growth rates worldwide, both in terms of number of clients and size of assets. We are making this move as part of a joint venture with Alpen Capital Corporation Ltd. This company has been active in this region for more than 20 years. It is closely involved in all aspects of investment banking and therefore has access to a very attractive network in the Middle East. Alpen Capital Corporation Ltd is bringing this network, plus its detailed knowledge of local relationships in the region, into the joint venture, which should make it much easier for us to find our feet in this new market segment. Sarasin will hold a 60% majority stake in the new company which is in the process of being set up and which will be domiciled in Dubai. We expect to be issued a licence in the next few days.

We are also branching out in Switzerland with new initiatives. At our Lugano location, we have agreed a takeover of the asset manager Colombo Gestioni Patrimoniali SA, thereby boosting our presence in the Ticino market. Initially we hold a 50.1% stake in this company (as of December 31, 2004), which manages client assets of around CHF 686 million. We have agreed to gradually increase our stake to 100% by 2006. Logistically, we have already housed our bank branch in the same building as

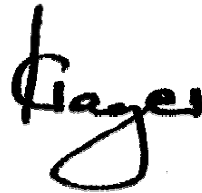
Colombo, which will allow us to gradually exploit the available synergies.

Aside from this, we shall also be taking initiatives at all Sarasin Group locations that are specifically designed to in particular improve our earnings power. All the work involved in migrating to the new IT platform Avaloq is now behind us, leaving us free to concentrate our entire efforts on working the markets, looking after our clients and assuring the quality of our products. Under these conditions we stand

a good chance of making further improvements in our profitability and operating efficiency.

We can only be confident of success because we know we can continue to count on the enormous support and commitment of our employees. On behalf of the Board of Directors and the Group Executive Board, I should like to express my warmest thanks to all members of staff for their hard work and dedication during the past year.

Bank Sarasin & Co. Ltd



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



Peter E. Merian
CEO

Group Balance Sheet as at December 31, 2004

Assets (1'000 CHF)	31.12.2004	31.12.2003	Change	
			CHF	%
Cash and other liquid assets	158'621	132'413	26'208	19.8
Money market investments	126'747	49'865	76'882	154.2
Due from banks	4'589'174	4'765'490	-176'316	-3.7
Due from customers	1'253'775	1'364'424	-110'649	-8.1
Mortgages	219'319	216'880	2'439	1.1
Securities and precious metals trading portfolios	217'172	193'737	23'435	12.1
Financial investments incl. non-consolidated participations	499'022	480'303	18'719	3.9
Fixed assets	133'763	138'129	-4'366	-3.2
Intangible assets	89'469	52'207	37'262	71.4
Accrued income and prepaid expenses	58'641	44'170	14'471	32.8
Other assets	152'372	139'331	13'041	9.4
Total assets	7'498'075	7'576'949	-78'874	-1.0
Liabilities and shareholders' equity (1'000 CHF)	31.12.2004	31.12.2003	Change	
			CHF	%
Due to banks	1'103'184	885'676	217'508	24.6
Due to customers in savings and investment accounts	451'958	545'510	-93'552	-17.1
Other amounts due to customers	4'199'741	4'600'749	-401'008	-8.7
Bonds and mortgage-backed bonds	432'585	321'900	110'685	34.4
Accrued expenses and deferred income	105'596	97'816	7'780	8.0
Other liabilities	293'635	276'658	16'977	6.1
Value adjustments and provisions	31'010	43'492	-12'482	-28.7
Reserves for general banking risks	36'000	41'500	-5'500	-13.3
Share capital	61'155	61'155		
Treasury shares	-11'545	-9'472	2'073	21.9
Capital reserve	588'556	587'129	1'427	0.2
Retained earnings	84'536	53'794	30'742	57.1
Minority participations in shareholders' equity	19'660	918	18'742	n.a.
Group profit including minority participations	102'005	70'124	31'881	45.5
Total liabilities and shareholders' equity	7'498'075	7'576'949	-78'874	-1.0

Group Income Statement for 2004

1'000 CHF	2004	2003	Change CHF	%
Interest income	151'168	163'417	-12'249	-7.5
Interest expenses	-91'998	-105'240	-13'242	-12.6
Net interest income	59'170	58'177	993	1.7
Net income from commission and service fee activities	301'236	286'572	14'664	5.1
Net income from trading operations	47'286	45'216	2'070	4.6
Other ordinary income	3'748	2'399	1'349	56.2
Total operating income	411'440	392'364	19'076	4.9
Personnel expenses	222'425	214'919	7'506	3.5
General administrative expenses	88'304	83'944	4'360	5.2
Total operating expenses	310'729	298'863	11'866	4.0
Operating Profit	100'711	93'501	7'210	7.7
Depreciation and write-offs on fixed assets	-13'337	-15'252	-1'915	-12.6
Amortisation of other intangible assets 1)	-4'866	-4'327	539	12.4
Amortisation of goodwill	-10'447	-9'043	1'404	15.5
Value adjustments, provisions and losses	-792	-576	216	37.6
Profit before extraordinary items and taxes	71'268	64'303	6'965	10.8
Extraordinary income/expenses	45'538	19'957	25'581	128.2
Taxes	-14'801	-14'136	665	4.7
Group profit	102'005	70'124	31'881	45.5
of which minority participations	836	-228	1'064	n.a.

Key figures of Sarasin Group

	2004	2003	Change (%)
Group income statement (1'000 CHF)			
Operating income	411'440	392'364	4.9
Operating profit	100'711	93'501	7.7
Group profit incl. minority participations	102'005	70'124	45.5
Cash flow	121'549	68'472	77.5
Ratios (%)			
Cost/income ratio	82.5	83.4	-1.1
Cost/income ratio before deduction of goodwill	79.9	81.2	-1.6
Return on equity (ROE)	12.1	9.0	34.4
ROE before deduction of goodwill	13.3	10.2	30.4
Key-data per class B registered share (CHF)			
Group profit	165.4	115.0	43.8
Cash flow	198.8	112.0	77.5
Stock market price on December 31	1'900.0	1'900.0	
Market capitalization on December 31 (million CHF)	1'162.0	1'162.0	
	31.12.2004	31.12.2003	Change (%)
Assets under management (billion CHF)			
Clients deposits	53.8	48.6	10.7
<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>14.7</i>	<i>10.9</i>	<i>34.9</i>
<i>of which investment fund assets</i>	<i>7.2</i>	<i>6.9</i>	<i>4.3</i>
Workforce (adjusted for part-time working)	1'144.5	1'109.8	3.1