



SARASIN

Shareholder's Information

Basel, 8 March 2004

2003 closes with solid group profit Bank Sarasin doubles its operating result Acquisition of Chiswell Associates Limited in London

Dear Shareholders

Bank Sarasin & Co. Ltd posted a group profit of CHF 70 million in 2003, a significant improvement on the previous year's net loss of CHF 316 million, which was attributable to a number of exceptional factors. Operating results also improved markedly, doubling from CHF 32 million to CHF 64 million. The Board of Directors will propose an increase in the dividend from CHF 25 to CHF 50 per class B registered share to the General Meeting of Shareholders on 26 April 2004.

In our interim report, we forecast that earnings would stabilize, and we are pleased to confirm that this expectation was borne out as the year progressed. At the end of the year, operating income was only slightly down on the prior-year figure, declining by just 2%. With the financial markets staging a strong recovery and a general improvement in the economic situation, investor confidence gradually returned. After a cautious start, clients became noticeably more prepared to take risks, and transaction volumes increased accordingly. This welcome trend has continued in the opening months of 2004.

We continued to pursue our determined efforts to control costs, and the results became evident in 2003, with a 6% reduction following on from a 10% fall in operating expenses in 2002. It should be noted that the successful changeover to a new IT platform required particular efforts which impacted as well both general administrative and personnel expenses.

Total assets under management rose by CHF 2.2 billion, or 4.7%, year-on-year, to CHF 48.6 billion. This was chiefly due to the strong recovery in the financial markets during the second half of the year.

Sarasin expanded its activities in the City of London, entering into an agreement to acquire the asset management company Chiswell Associates Limited. This acquisition makes Sarasin London a market leader in asset management for charities in the UK. Chiswell assets under management amounted to some CHF 4 billion at the end of 2003.

Earnings potential in asset management set to grow as optimism returns to the financial markets.

For the financial markets, the year 2003 had two very different faces. In the first quarter, the downward trend that had already seen the SMI fall 28% during 2002 continued almost unabated, with the index shedding 20% by mid-March 2003. The conflict in the Middle East weighed heavily on the financial markets, impeding economic recovery. The immune-system disease SARS hit the dynamic Asian markets hard, further depressing what was already a downbeat mood. Caution and uncertainty pervaded the markets, causing a substantial reduction in activity in many areas. For Bank Sarasin, this manifested itself principally in a significant drop in transaction volumes, with business in some client segments coming virtually to a standstill at times. The mood then changed in the second quarter. The turnaround in the financial markets was accompanied by a reversal in the economic indicators, transforming the fortunes of the capital markets in the second half of the year with gratifyingly positive results for our bank's earnings. Clients slowly regained confidence in the financial markets, and this boosted both revenues and earnings.

The increasingly positive market environment in the second half of the year enabled us to post an operating income that was almost on a par with that of 2002. At CHF 392 million, the decline in operating income was a modest 2%. Interest income continued to suffer from the historically low level of interest rates, falling by a further 20% to CHF 58 million. The reasons for this were essentially two-fold: with the rates of interest paid to clients already low, there was little scope for further reductions in this area, while hedging operations to shield the bond portfolio from the impact of rising interest rates depressed the total still further.

Fee and commission income – our main earnings component, accounting for 73% of the total – staged a welcome recovery in the second half of the year. Following a 16% decline in the first half, commis-

sion income for the full year came to CHF 287 million, only 7% down on the prior-year figure. Transaction-based commissions performed especially well, rising for the first time after three down quarters. Commission income from other services showed an impressive improvement, rising by 30% to CHF 16 million. Our advisory services in the areas of corporate finance and alternative investments made a major contribution here.

Total assets under management grew by 4.7% in the year under review, to CHF 48.6 billion. Although the good overall performance of the financial markets made a positive contribution amounting to 7.1% or CHF 3.3 billion, net outflows of client funds totalling CHF 1.1 billion had a negative impact of 2.3%. It should be noted, however, that in the majority of cases, these outflows were attributable to specific individual circumstances. In Institutional Banking, the net outflow of -3% (CHF 315 million) was entirely due to the withdrawal of a single co-asset management mandate. Adjusted for this factor, net new money was slightly positive (CHF 340 million), while turnover in asset management mandates was high overall. The CHF 1.3 billion (-4.3%) decline in client assets under management in Private Banking was largely attributable to the loss of large individual mandates as well as changes to business policy in International Private Banking. In domestic business, the declines were due to the diversification of mandates and to transfers associated with client inheritances, while in our international operations, the closure of our private banking business in Guernsey led to corresponding outflows. The Investment Funds Division maintained its long-established track record of continuous growth in new funds, attracting a further CHF 539 million (+9.8%) in 2003.

Net income from trading operations rose markedly year on year, rising by 31% to CHF 45 million. The increasing importance of structured products in asset management, and the resulting growth in derivatives and products trading, played a major role in this development.

Other ordinary income virtually broke even, with a strong improvement of CHF 20 million on the prior-year figure. Write-downs on financial assets necessitated by the downtrend in the markets, which sharply depressed the result in 2002, had no such impact in 2003, thanks to a significant reduction in the equity component and the improved performance of the financial markets.

Cost cutting programme resolutely continued

In 2003, we continued to systematically pursue the cost cutting measures initiated in 2002. Operating expenses fell by a further CHF 18 million, or 6%, to CHF 298 million. Although personnel expenses were down by only 4%, general administrative expenses were as much as 10% lower. The disproportionately small reduction in personnel expenses was due partly to the fact that reductions in headcount (cutting the number of staff from 1281 to 1110) did not take effect until the year was already under way. In addition, the replacement of our HOST and the successful changeover to a new IT platform generated one-off staff costs, particularly due to supplementary payments for overtime and weekend working and bonus payments.

The reorganisation of our IT platform was not only the focus of much hard work last year, but also a major step forward in technological terms taken with a view to establishing a highly efficient long-term basis for the bank's future growth. The changeover also signals a strategic move away from the former product developed in-house in favour of "avalog", a flexible standard software system based on state-of-the-art technology which has already been successfully introduced in several other banks on the Swiss market. "avalog"'s system architecture combines the advantages of an independently run IT platform geared to the user's own quality standards, with the economies of scale offered by standard software. A project of this type and size encompasses the bank's entire staff, and makes the highest demands on all those concerned. The introduction of a platform of this complexity at the beginning of the year, ahead of schedule and after little more than 13

months of project work, can be considered a major success and an important milestone for our bank. The necessary investments were capitalized in instalments and recognized under restructuring expenses.

Operating profit grew by 11% to CHF 94 million. Depreciation and write-offs on fixed assets fell sharply, by 32% to just under CHF 15 million. This decline should, however, be seen in the context of the Swiss Federal Banking Commission's new accounting guidelines for banks (BAG-SFBC), which stipulate that amortisation of other intangible assets must now be shown separately. Including the investment in "avalog", this figure came to CHF 4 million for 2003. Accruals for value adjustments, provisions and losses were sharply down on the previous year, to a total of CHF 1 million. Adjusted for these valuation-related factors, the operating result before extraordinary items and taxes doubled, to CHF 64 million.

Strong impact of new BAG-SFBC on extraordinary result

At CHF 35 million, the extraordinary result was unusually high in the year under review. The application of the new accounting guidelines has meant that for the first time, certain reserves which banks were previously allowed to establish and maintain are now classified as undisclosed reserves, and must therefore be released at group level. This change particularly affects the global value adjustments previously made for latent risks in the credit portfolio as well as reserves in provisions for taxes. The figure for tax expenses must also be regarded as extraordinary inasmuch as the loss carry-forward resulting from the IPB impairment eliminated any tax on profits at group level, due to the possibility of offsetting it against earnings. The year-on-year increase in tax expense is largely attributable to provisions for deferred taxes necessitated by the release of reserves at group level. As mentioned above, the restructuring costs of CHF 15 million was incurred in connection with the organizational integration of the IPB units. We anticipate that the operational launch of the

"avalog" IT platform at the beginning of this year marks the end of the restructuring phase.

Outlook

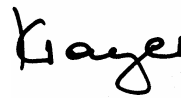
The first few months of 2004 have witnessed a continuation of the positive trend seen in the second half of last year, and have helped the bank get off to a promising start. Transaction volumes remain at a higher level, and clients are increasingly upbeat about the prospects for the financial markets. The degree to which this trend will continue in 2004 is, however, now more uncertain than it was a while back. The unambiguously clear and positive forecasts and indications of an economic recovery in 2004 that were in evidence a few months ago are now increasingly being questioned. The dollar's decline is one factor that will give observers good reason to keep a close eye on the leading indicators of economic performance in the months ahead.

As far as our clients are concerned, our attention in 2004 will be focused primarily on exploiting the potential for enhancing the quality and efficiency of our products and services that has been opened up by the introduction of our new IT platform.

We have also made progress in our acquisition efforts, expanding our activities in London with the acquisition of the asset management company Chiswell Associates Limited. Similarly to our London-based subsidiary Sarasin Investment Management, Chiswell specializes in asset management for wealthy private clients, charities and pension funds, and is one of the UK's leading asset managers for charities. At end-2003, the assets under Chiswell's management were equivalent to some CHF 4 billion, meaning that our activities in London's financial centre have doubled in total. The acquisition of Chiswell marks a strategic expansion of our core business in London, and also makes us a leading provider in the attractive niche market of asset management for charities.

With a year of hard work and major transformations behind us, we are now moving forward to tackle the new and important challenges facing us in 2004. The staff of our bank rose to the challenge impressively in 2003, making an invaluable contribution to our bank's continued development. 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 effort and commitment during the year.

Bank Sarasin & Co. Ltd



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



Peter E. Merian
CEO

Key figures of Sarasin Group

	31.12.2003	31.12.2002	Change (%)
Group income statement (1'000 CHF)			
Operating income	392'364	401'265	-2.2
Operating profit	93'501	84'032	11.3
Group profit/loss incl. minority participations	70'124	-315'563	n.a.
Cash flow	68'472	59'045	16.0
Ratios (%)			
Cost / income ratio	83.4	86.8	-3.9
Cost/income ratio before deduction of goodwill	81.2	84.6	-4.0
Return on equity (ROE)	9.0	-33.6	n.a.
ROE before deduction of goodwill and impairment	10.2	-1.9	n.a.
Key-data per class B registered share (CHF)			
Group profit	115.0	-515.9	n.a.
Dividend	50.0	25.0	100.0
Cash flow	112.0	96.5	16.1
Stock market price	1'900.0	1'538.0	23.5
Market capitalization (billion CHF)	1.2	0.9	33.3
Pay-out ratio (%)	43.5	n.a.	
	31.12.2003	31.12.2002	Change (%)
Assets under management (billion CHF)			
Clients deposits	48.6	46.4	4.7
<i>of which private clients</i>	<i>30.8</i>	<i>30.2</i>	<i>2.0</i>
<i>of which institutional clients</i>	<i>10.9</i>	<i>10.7</i>	<i>1.9</i>
<i>of which investment fund assets</i>	<i>6.9</i>	<i>5.5</i>	<i>25.5</i>
Workforce (adjusted for par-time working)	1'109.8	1'281.4	-13.4

Group Balance Sheet as at December 31, 2003

Assets (1'000 CHF)	31.12.2003	31.12.2002	CHF	Change %
Cash and other liquid assets	132'413	152'216	-19'803	-13.0
Money market investments	49'865	83'456	-33'591	-40.2
Due from banks	4'765'490	5'151'764	-386'274	-7.5
Due from customers	1'364'424	1'485'930	-121'506	-8.2
Mortgages	216'880	227'731	-10'851	-4.8
Securities and precious metals trading portfolios	193'737	96'534	97'203	100.7
Financial investments incl. non-consolidated participations	480'303	522'522	-42'219	-8.1
Fixed assets	138'129	141'386	-3'257	-2.3
Intangible assets	52'207	57'558	-5'351	-9.3
Accrued income and prepaid expenses	44'170	47'824	-3'654	-7.6
Other assets	139'331	172'534	-33'203	-19.2
Total assets	7'576'949	8'139'455	-562'506	-6.9
Liabilities and shareholders' equity (1'000 CHF)	31.12.2003	31.12.2002	CHF	Change %
Due to banks	885'676	747'186	138'490	18.5
Due to customers in savings and investment accounts	251'904	253'537	-1'633	-0.6
Other amounts due to customers	4'894'355	5'926'644	-1'032'289	-17.4
Medium term notes	0	31	-31	100.0
Bonds (including mortgage bonds)	321'900	94'376	227'524	241.1
Accrued expenses and deferred income	97'816	90'591	7'225	8.0
Other liabilities	276'658	212'047	64'611	30.5
Value adjustments and provisions	43'492	62'520	-19'028	-30.4
Reserves for general banking risks	41'500	41'500		
Share capital	61'155	61'155		
Own shares	-9'472	-11'570	-2'098	-18.1
Capital reserve	587'129	585'947	1'182	0.2
Retained earnings	53'794	390'187	-336'393	-86.2
Minority participations in shareholders' equity	918	867	51	5.9
Group loss / profit including minority participations	70'124	-315'563	385'687	n.a.
Total liabilities and shareholders' equity	7'576'949	8'139'455	-562'506	-6.9

Group Income Statement for 2003

1'000 CHF	2003	2002	CHF	Change %
Operating income				
Interest income	163'417	240'146	-76'729	-32.0
Interest expenses	-105'240	-167'172	-61'932	-37.0
Net interest income	58'177	72'974	-14'797	-20.3
Net income from commission and service fee activities	286'572	307'903	-21'331	-6.9
Net income from trading operations	45'216	34'602	10'614	30.7
Other ordinary income	2'399	-14'214	-16'613	n.a.
Total operating income	392'364	401'265	-8'901	-2.2
Operating expenses				
Personnel expenses	214'919	224'248	-9'329	-4.2
General administrative expenses	83'944	92'984	-9'040	-9.7
Total operating expenses	298'863	317'232	-18'369	-5.8
Operating Profit	93'501	84'033	9'468	11.3
Depreciation and write-offs on fixed assets	-15'252	-22'336	-7'084	-31.7
Amortisation of other intangible assets	-4'327	0	4'327	n.a.
Amortisation of goodwill	-9'043	-8'661	382	4.4
Value adjustments, provisions and losses	-576	-20'549	-19'973	-97.2
Profit before extraordinary items and taxes	64'303	32'487	31'816	97.9
Extraordinary income/expenses	34'944	2'728	32'216	n.a.
Taxes	-14'136	-9'338	4'798	51.4
Restructuring costs	-14'987	-52'377	-37'390	-71.4
Impairment for Rabobank's IPB units	0	-289'062	289'062	n.a.
Group profit/loss	70'124	-315'562	385'686	n.a.
<i>of which minority participations</i>	<i>-228</i>	<i>-43</i>	<i>185</i>	<i>430.2</i>