



SARASIN

ANNUAL REPORT  
2003

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## Key Data (on a consolidated basis)

GROUP INCOME STATEMENT	1000 CHF	2003	2002	2001 pro forma	2000	1999
Operating income		392 364	401 265	489 791	419 534	338 556
Operating expenses		298 863	317 232	351 978	221 701	174 820
<b>OPERATING PROFIT</b>		<b>93 501</b>	<b>84 033</b>	<b>137 813</b>	<b>197 833</b>	<b>163 736</b>
Cash flow <sup>1)</sup>		68 472	59 045	114 618	151 813	123 524
Group result including minority participations		70 124	-315 563	92 122	131 128	99 667
Group result excluding minority participations		70 351	-315 521	91 496	127 995	95 712
<b>GROUP BALANCE SHEET</b>	<b>1000 CHF</b>					
Total assets		7 576 949	8 139 455	10 615 130	3 556 966	3 244 926
Loans and advances to customers		1 581 304	1 713 661	1 999 587	837 162	601 148
Amounts due to customers		5 146 259	6 180 212	7 994 958	2 365 492	2 420 455
Shareholders' equity including minority participations		805 148	752 523	1 125 341	589 105	493 649
Shareholders' equity excluding minority participations		804 458	751 698	1 121 894	582 331	486 161
<i>of which reserves for general banking risks</i>		41 500	41 500	41 500	45 500	41 500
<b>RATIOS</b>	<b>%</b>					
Return on assets (RoA)						
– Operating income as a percentage of total assets <sup>2)</sup>		5.0	4.3	6.9	12.3	11.2
– Group result as a percentage of total assets <sup>2)</sup>		0.9	-3.4	1.3	3.9	3.3
Return on equity (RoE) <sup>3)</sup>		9.0	-33.6	10.7	24.2	22.0
RoE before amortisation of goodwill		10.2	-1.9	11.5		
Equity ratio <sup>4)</sup>		10.6	9.2	10.6	16.6	15.2
BIS Tier 1 ratio		23.4	23.7	n/a	28.0	30.0
Operating expenses / Operating income <sup>5)</sup>		83.4	86.8	79.3	57.5	55.8
Operating expenses / Operating income <sup>5)</sup> before amortisation of goodwill		81.2	84.6	78.0		
<b>ASSETS UNDER MANAGEMENT <sup>6)</sup></b>	<b>millions CHF</b>					
Private customers		30 821.2	30 197.0	36 591.6	22 303.7	18 989.3
Institutional customers		10 958.3	10 720.0	12 210.1	12 115.5	10 908.4
Investment fund assets		6 870.3	5 517.1	6 293.7	7 001.8	6 096.2
<b>TOTAL ASSETS UNDER MANAGEMENT</b>		<b>48 649.8</b>	<b>46 434.1</b>	<b>55 095.4</b>	<b>41 421.0</b>	<b>35 993.9</b>
Year-on-year increase/decrease	<b>%</b>	<b>4.8</b>	<b>-15.7</b>	<b>n/a</b>	<b>15.1</b>	<b>28.5</b>

SELECTED KEY DATA PER EMPLOYEE <sup>7)</sup>	CHF	2003	2002	2001 <i>pro forma</i>	2000	1999
Cash flow		57 270	44 939	104 279	237 719	233 129
Group result including minority participations		58 651	-240 173	83 812	205 328	188 103
Operating income		328 174	305 400	445 609	656 933	638 966
Operating expenses <sup>5)</sup>		273 909	265 035	353 385	377 710	356 637
Operating profit		78 205	63 957	125 381	309 779	309 024
<b>SELECTED KEY DATA PER CLASS B REGISTERED SHARE WITH A NOMINAL VALUE OF CHF 100 <sup>8)</sup></b>						
	CHF					
Cash flow		112.0	96.5	187.4	345.0	280.7
Group result		115.0	-515.9	149.6	290.9	217.5
Operating profit		152.9	137.4	225.3	449.6	372.1
Shareholders' equity		1 315.4	1 229.6	1 834.5	1 323.5	1 104.9
Dividend		50.0	25.0	79.0	100.0	75.0
Pay-out ratio	%	43.5	n/a	36.1	34.4	34.5
Stock market price / Group profit <sup>9)</sup>		16.5	n/a	21.6	17.9	14.8
<b>STOCK MARKET PRICE</b>						
	CHF					
On December 31		1 900	1 538	3 225	5 200	3 230
High		2 130	3 710	5 500	5 920	3 250
Low		1 020	1 150	2 125	3 020	2 355
Market capitalisation <i>(at year-end)</i>	millions CHF	1 162	941	n/a	2 288	1 421
<b>REGISTERED SHAREHOLDERS</b>						
		2 217	2 372	2 265	2 078	2 165
<b>WORKFORCE <i>(adjusted for part-time working)</i></b>						
	employees					
Group		1109.8	1281.4	1346.4	710.8	566.5
<i>of which Switzerland</i>		755.0	840.2	868.0	596.5	484.7
<i>of which abroad</i>		354.8	441.2	478.4	114.3	81.8

1) Our cash flow essentially consists of our net profit including minority participations, depreciation and write-offs on fixed assets, value adjustments, provisions and losses as well as net changes in provisions charged to extraordinary income.

2) Total assets: average of two year-end figures

3) Shareholders' equity before distribution of profit: average of two year-end figures including minority participations

4) Shareholders' equity including minority participations as a percentage of total assets

5) Operating expenses including depreciation and write-offs on fixed assets, goodwill and intangible assets

6) Securities, rights, precious metals and fiduciary assets are valued at market. The total includes deposits with companies in the Group as well as with third parties for which those companies have management authority. The assets of publicly traded Sarasin investment funds are reported under investment fund assets.

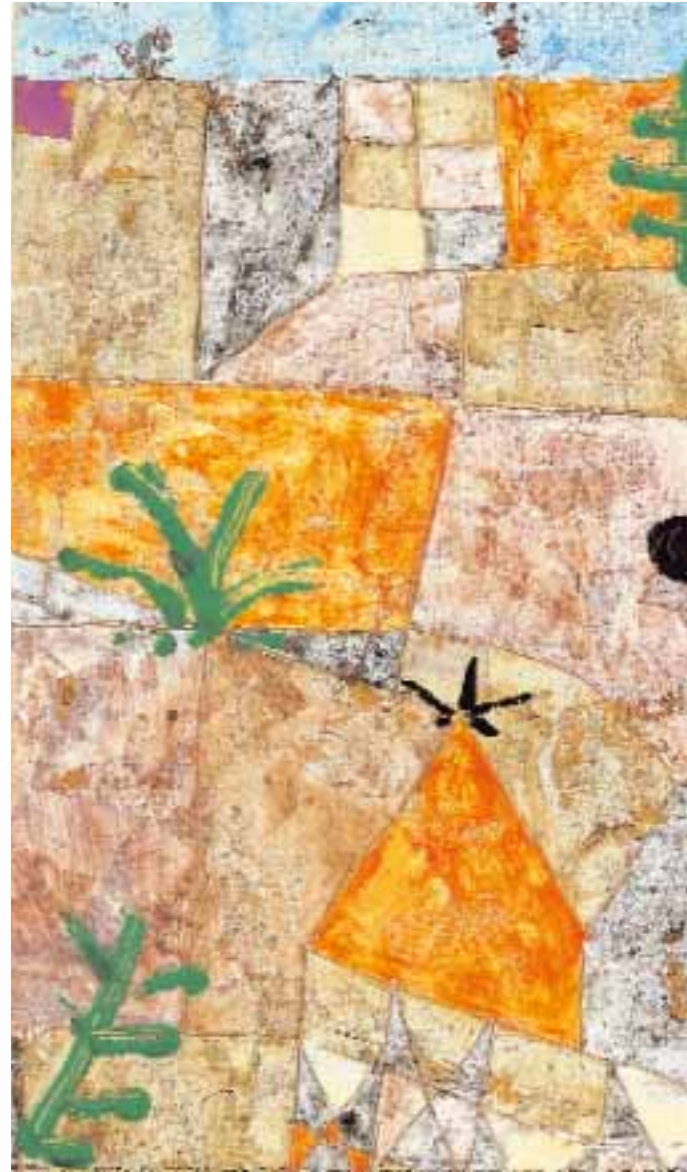
7) Headcount *(adjusted for part-time working)*: average of two year-end figures

8) The selected key data per Class B registered share are calculated without minority participations.

9) Ratio at year-end

# Paul Klee's late work and Bank Sarasin – parallels

Paul Klee's late work is characterised by two remarkable features: his unambiguous opposition to despotism and tyranny and his radical departure from his earlier style, which often had a dreamlike quality. The completely new artistic idiom he adopted reflected his state of mind. At the same time his newly found creative freedom was a powerful inspiration to him, despite the difficult and often tragic circumstances of his life.



"Art is a parable of creation."

Aphorism of Paul Klee, New Year 1932

in ier  
oberster K  
11-akt über die VIT  
Sche: in mis - und der  
Klich  
/ Let



Today, the demands of the markets and the needs expressed by clients make it imperative always to keep an eye on what is essential and to implement individually defined strategies for success. Clarity, transparency and efficiency are what is required.

Our Annual Report for 2003 proves that these efforts are worthwhile. This will be demonstrated not just by reference to Paul Klee's late work but also by figures and facts relating to our performance last year.

Southern Gardens, Paul Klee, 1936

## Introduction by the Chairman of the Board of Directors



Dr. Georg F. Kraye

Dear Shareholder

Once again we are reporting to you on a financial year that has drawn to a close and once again our sober report is accompanied by impressive pictures and commentaries relating to an exhibition at the Fondation Beyeler, this time the show of Paul Klee's late work that was held in the autumn of 2003.

Up until now we have always succeeded in drawing parallels between the works of art in the Fondation Beyeler's exhibitions and our own activities and results. This year, for two reasons, that task is more difficult: firstly, neither our activities nor our results in 2003 can be seen as "late work" and, secondly, the titles Klee gave to his paintings, while eloquent, were often enigmatic.

Given that we created a new dimension for ourselves in 2002, which had its first operational impact last year, the term "late work" is hardly applicable. The expression is associated with an imminent end; it comes after the principal body of work. How different that is from our bank's situation and objectives! We embarked on much that was new in 2003: some things were minor, while some, like the installation of our new IT system, were major projects.

Yet parallels to the idea of “late work” can be found if one considers the values with which it is associated: experience, farsightedness, certainty, emotional and intellectual maturity are all characteristic of Paul Klee’s art. Those values have always been central pillars of our philosophy. We demonstrate them daily and we always shall.

So what title should we give our work in 2003? The first quarter was a strain on our nerves and left us feeling perplexed. Conditions on the stock markets started improving as from April but investors were still suffering from the shock of the preceding slump.

“One swallow doesn’t make a summer.” That title evokes our positive result and the doubling of our dividend, as well as those areas where we need to make improvements.

A very sound financial base, a friendlier economic climate and a new IT system that offers fresh scope are the springboard from which, more than ever before, we can strive to offer clients excellent services that are tailored to suit their needs.

This is a message that I intend to repeat week after week. I am convinced that it will be heard and acted on by all those to whom, on your behalf too, I now wish to extend my thanks for their effort and dedication in the course of the past year.

Yours sincerely,



Dr. Georg F. Kraye

Chairman of the Board of Directors

Peter E. Merian



### **Recovery and confidence in the 2003 financial year**

A year ago we were cautiously optimistic about the prospects for the future. Yet the early months of 2003 seemed to prove that the pessimists among us were right: after a miserable year in 2002, when the Swiss Market Index slumped by 28%, the downtrend appeared set to continue at first, with the SMI losing a further 20% by mid-March 2003. The conflicts in the Near East and the SARS virus put a damper on economic recovery. However, the long-awaited turnaround on the financial markets that occurred in the second quarter was then followed in the third quarter by an upturn in the economic indicators too. The capital markets thus showed a very different face, one that was much more favourable for our bank's profitability. The initial underlying uncertainty gave way to a feeling of confidence. Our clients' faith in the financial markets gradually returned with the recovery; their readiness to take risks and the volume of transactions both increased noticeably.

In retrospect, it was not just the market environment and our financial results that made 2003 a good year for us. We can also look back on much that was positive in respect of the

Sarasin Group's development, particularly the way in which it moved ahead with its expansion and internationalisation in 2003. At the beginning of the year we acquired Direkt Anlage Bank (Schweiz) AG. This will enable us to develop further our efficient administration platform for investment funds and our strong partnership with AWD, a leading German provider of financial services. It should also help us to gain new clients. The Paris-based firm Sarasin Expertise Asset Management SAS became part of our Group in March, which will assist us in developing our onshore business further. In February 2004 we took over the fund accounts previously looked after by the Geneva-based bank Pictet & Cie, which meant that additional clients and their assets were entrusted to our care.

We also took exceptional steps to enhance the quality and efficiency of our services and products, the most important of which related to the installation of our new IT platform. Our Avaloq system went live after just thirteen months of actual project work, which was much sooner than originally planned. The project, which was pushed through at breakneck speed, represents a major advance into a new technological dimension. It also represents a change of strategy for us, insofar as we have now switched to standard banking software. Based on the latest technology, our new software is both state-of-the-art and flexible and it has already proven its value in several other banks on the Swiss market. The new platform permits significant efficiency gains and provides

a long-term basis for our growth. Specific add-ons to the software also further reinforce our position in the investment funds area: the high degree of automation gives us competitive advantages in the marketing and administration of our various Sarasin investment funds, which have received international recognition through a number of awards. The introduction of this complex platform, which was a major success and an important milestone for us, could not have been achieved without the great dedication of all our staff.

In addition, we took further steps to ensure that issues relating to sustainability, which is an essential component of our corporate philosophy, are fully integrated into our business activities and our management decisions. A newly created technical committee, with groupwide competence, has redefined our profile and adopted a new environmental policy and targets for the years 2004–2006.

Our key financial data reflect the gradual recovery that occurred in the second half of the year. At CHF 70 million, our Group profit showed a significant improvement compared with 2002, when special factors had resulted in a CHF 316 million loss. Thanks to the much improved markets in the second half of 2003, our operating results were very much in line with the figures for the previous year. Our operating income totalled CHF 392 million, just 2% less than in 2002.

Interest income continued to suffer badly from the historically low level of interest rates, declining by a further 20% to CHF 58 million. Our net income from commission and service fee activities – the main component of our earnings, accounting for 73% of the total – performed much better, however. The 16% decline recorded in the first half of the year was halted. For the year as a whole, our net commission and fee income totalled CHF 287 million, only 7% less than in 2002. Commission income from other service activities increased by 30% to CHF 16 million, with our advisory activities in the areas of corporate finance and alternative investments making a major contribution in this respect.

Total assets under management increased by 4.8% to CHF 48.6 billion in 2003. The financial markets' good overall performance was a positive factor here, accounting for 7.1%, or CHF 3.3 billion, of the increase. There were unfortunately specific circumstances that resulted in net outflows of client funds totalling CHF 1.1 billion (–2.3%). On the institutional banking side, the withdrawal of a single co-management mandate caused a net outflow of CHF 315 million (–3%). On the private banking side, the overall decline of CHF 1.3 billion (–4.3%) reflected the withdrawal of a number of large mandates, losses resulting from clients wishing to diversify their portfolios and the discontinuation of our private banking business in Guernsey, which had not been very profitable (around CHF 600 million). Our Investment Funds division, on the other hand, maintained

its three-year track record of continuous growth in new assets, attracting a further CHF 539 million (+9.8%) in 2003.

Other trading income was up significantly over 2002, increasing by 31% to CHF 45 million. The growing importance of structured products in asset management and the associated intensification of trading in derivatives and structured products played a role in this positive development.

Other ordinary income was close to break-even point, showing a strong improvement of around CHF 17 million over the previous year's figure. Write-downs on financial investments, which had sharply depressed our result in 2002, did not have a similar impact in 2003, owing to the significant reduction in the equity component and the improved performance of the financial markets.

On the cost management front, we systematically continued along the path on which we had embarked in 2002. That approach paid dividends: our operating expenses were cut by a further CHF 18 million, or 6%, to CHF 299 million, while general business expenses were also significantly lower, showing a decline of 10%. In addition, we completed the restructuring programme we had initiated in 2003. Overall, 200 jobs were shed within the context of our integration exercise. Despite those measures, personnel expenses were down by only 4% in 2003. One reason for this is that our staff cuts only started to have an effect

in the course of the year. The second is that the changeover to Avaloq, our new IT platform, entailed once-only staff costs, particularly payments for overtime and weekend working and special bonuses. As at December 31, 2003, our headcount was 1110 (2002: 1281).

Our operating profit grew by 11% to CHF 94 million, which can be described as an excellent achievement. Depreciation and write-offs on fixed assets declined substantially, falling by 32% to just over CHF 15 million. That reduction reflects the fact that the new accounting guidelines for banks (BAG-SFBC) stipulate that the amortisation of other intangible assets must now be shown separately. Adjusted for valuation-related factors, our operating result before extraordinary items and taxes doubled from CHF 32 million to CHF 64 million.

At CHF 35 million, our extraordinary result was unusually high in the year under review. The application of the new BAG-SFBC accounting guidelines means that, for the first time, certain reserves that banks were previously allowed to establish and maintain now count as undisclosed reserves and must therefore be released at Group level. Our tax expenses can to some extent also be classified as extraordinary because the applicable tax rate has been significantly reduced by the loss we carried forward in 2002 as a result of the IPB impairment. The increase in tax expenses by comparison with 2002 largely reflects provisions for deferred taxes necessitated by the

release of reserves at Group level. Our restructuring costs of CHF 15 million were connected with the organisational integration of our International Private Banking unit.

We are delighted at the positive trend that emerged last year and that has persisted in the early months of 2004. After all the hard work and volatility of 2003, the present year will again bring great challenges. My thanks go to all our members of staff, without whose efforts our successful development would not be possible.



Peter E. Merian  
Chief Executive Officer

Luxuriant vegetation can spring up in even the smallest cracks between stone and asphalt. Such natural phenomena illustrate that growth potential exists everywhere. We had many experiences of this kind in 2003. Our staff had to push themselves to the hilt to cultivate the global markets' terrain, but our efforts bore fruit. We shall in future therefore continue to work hard at identifying and creating niches in which we can cultivate a valuable harvest for our clients.

## Market Environment

We brought in a good harvest even  
from hard ground

*Gut vorangehen kommt  
Fortschritt. Ist es nie zu spät.  
Ich habe von dieser Zeit ein schönes  
Büchlein mit dem Titel*

“...It is never too late for progress.”

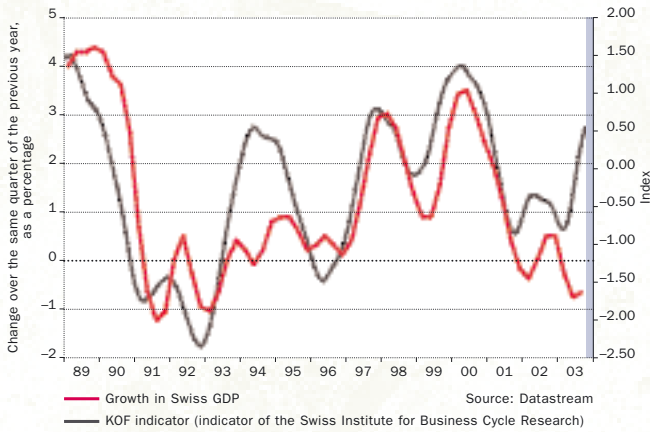
From a letter written by Paul Klee in 1939



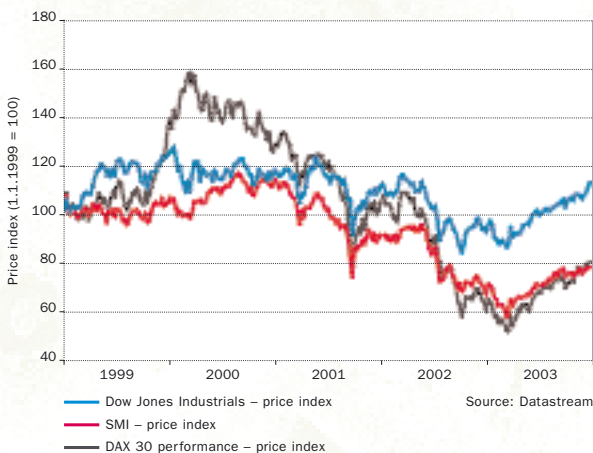
Flowers in Stone, Paul Klee, 1939

## Market Environment

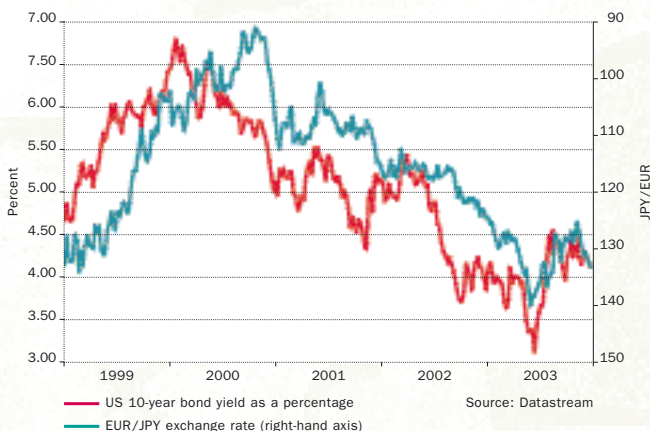
**Swiss GDP: recovery after the double dip?  
KOF indicator points upwards**



**After a three-year drop, it takes until May  
before share prices start rising**



**The Bank of Japan's interventions in the USD bring down  
US interest rates but cause the EUR to rise**



**After an unsatisfactory year in 2002,  
the market environment proved difficult  
in early 2003 but then developed in  
an increasingly positive way.**

In the first quarter of 2003 the international financial markets were negatively affected by, in particular, the hostilities in the Near East, which hampered a cyclical recovery. The SARS virus had a depressing impact on Asia's dynamic markets. Caution and uncertainty became determining factors, significantly reducing activity in many areas.

Hopes that the previous growth-inhibiting uncertainty would give way to a friendlier investment climate pushed up share prices once the war in Iraq came to an end. Yet even in the second quarter of 2003 the economic data provided no evidence of a recovery. In June, in order to defuse the risk of deflation, central banks reacted by cutting interest rates worldwide. Their resolute action was necessary in order to restore faltering confidence in the economy.

The second half of the year then saw the hoped-for turnaround in the cyclical indicators too, which gave substance to the greater optimism on the stock markets following the end of the war in Iraq. Encouraged by fiscal measures and a low interest rate policy, the US economy grew at a dazzling pace in the third quarter of the year. In the course of the fourth quarter, the US recovery spread to Japan and Europe as well. Despite

the risks that still exist, there are therefore grounds to assume that the economy's new buoyancy will continue into 2004.

**Together with the other Swiss banks, we pursue the goal of protecting our financial centre from the misuse of funds deriving from criminal sources.**

On an international level, the market environment within which banks operate is subject to ever-tighter regulation, while the pace of change in the legislative framework is also accelerating. With provisions such as the Ordinance of the Swiss Federal Banking Commission concerning the Prevention of Money Laundering that came into force in mid-2003 and the Revision of the Agreement on the Swiss Banks' Code of Conduct with regard to the Exercise of Due Diligence, the Swiss banks have further tightened their standards for due diligence, which are already high by international comparison, in order to ensure that, as a financial centre, Switzerland is protected from the misuse of funds deriving from criminal or terrorist sources.

The subjects of tax amnesties and banking secrecy remain highly topical for Switzerland as a financial centre. A number of European states want to use tax amnesties as a means to encourage the repatriation of funds or to bring their citizens' foreign earnings into their own tax net. Switzerland does not wish to resist these legitimate efforts, but at the same time it upholds banking secrecy. Up until now, it has been possible to find pragmatic solutions in all cases.

Cultivating relationships with clients is a demanding, complex task. In order to be successful at it, new avenues constantly have to be identified and explored. As in this painting, such a process may well include acts of “creative destruction”. After all, it is by breaking down traditional mindsets and patterns of behaviour, not by following predetermined avenues, that one creates scope for innovation. Viewed from that angle, Paul Klee’s “Destroyed Labyrinth” can be seen as an inspiration that encourages us, in our search for optimal solutions, to deal openly and flexibly with the never-ending changes in our clients’ needs and the markets.

## Private Banking

# Creating innovations by breaking down traditional patterns of behaviour

“Now, quite generally, we must get used to a certain elasticity...”

From a letter by Paul Klee written in 1932



Destroyed Labyrinth, Paul Klee, 1939



**Conrad P. Schwyzer, Dr. Heinz D. Zimmer**  
**Eric G. Sarasin, Peter Fischer**

## **Neutral experts give our services a “summa cum laude” rating**

In 2003, the high quality of our advisory services was confirmed by a survey of portfolio managers conducted by Elite-Edition in cooperation with the daily German newspaper *Die Welt*. Of all the portfolio managers featured in the survey, our bank earned first place in the areas of investment advice, risk information and services

**We got particularly high marks for our advisers, client guidance, product transparency and special products.**

for private clients. The survey results were based on the evaluation of questionnaires and of over 1000 conversations that financial reporters from Elite-Edition held on an unattributed basis with 173 portfolio managers from Germany, Switzerland, Austria, Liechtenstein and Luxemburg. Our bank's highly satisfactory “summa cum laude” overall rating reflected our excellent marks for the quality of our advisers, our guidance of clients, our product transparency and our special products. Thanks to continuous improvements, we were able to move up further in the league table as compared with the previous year's results and to come out top in the latest survey.

There were no major changes in our organisational structure in 2003. The services we provide to individual clients in Basel, Zurich, Geneva and Lugano continue to be divided according to the differing needs of our domestic and foreign clientele. A special unit, which was again highly successful in 2003, looks after external portfolio managers. One innovation was the creation of our focus team, which offers tailor-made products and services to lower net worth individuals.

**In order to respond even more effectively to individual client needs and the tougher market environment, we systematically expanded our range of products in 2003.**

Our Private Banking Division lost a number of mandates in the course of 2003. However, despite the associated outflow of funds, which was mainly attributable to changing mandates and to the fact that some fairly large portfolios passed down to clients' heirs, the volume of funds under our management increased by 2.1% to CHF 20.2 billion.

Our core competence continues to lie in the area of portfolio management tailored to meet the needs of individual clients, which involves our managing client portfolios in different currencies and following different investment strategies.

In order to respond even more effectively to individual client needs and the tougher market environment, we systematically expanded our range of products in 2003. Our Private Banking Division is increasingly offering clients non-traditional products such as alternative investments and tailor-made structured products. Against the background of the changing regulatory framework, we also expanded our range of products and services designed to help clients with tax and succession

planning. The life insurance products we developed in conjunction with partners based in the EU are one example of this.

**Given the changing environment, we further expanded the range of services we offer in the areas of tax and succession advice as well as financial and pension planning.**

In addition, we continued to offer our clients special facilities such as our trading advisory service and our prime fund selection, which picks out the best funds on the basis of fixed criteria, irrespective of who brought them to market. Through our managed funds portfolios, we were also able to achieve reasonable risk diversification for clients with a smaller volume of funds to invest.

We feel ourselves to be well positioned to turn in a good performance in 2004. We shall continue to focus our particular attention on personalised services to clients that are based on innovative, tailor-made solutions. We shall concentrate on sustaining and enhancing the quality of our services so that we can maintain our position as a leading Swiss private bank that fully satisfies its clients' demanding expectations.

We made significant progress in strengthening our international private banking activities in the course of 2003. To a very large extent, our subsidiaries in Guernsey, Luxemburg, Hong Kong and Singapore autonomously develop their own concepts for comprehensive wealth management, tailoring them to meet their individual clients' requirements. This structure – which can be compared with polyphony in music – enables us to achieve optimum closeness to clients.

At the same time, we also delegate full responsibility for market success to our individual subsidiaries. This combination of freedom and individual responsibility creates ideal conditions for exploiting the markets' potential to its full.

## International Private Banking

# Optimum closeness to clients thanks to “polyphonic” concepts

“I am a painter and one who is preoccupied with conception.”

From a letter written by Paul Klee in 1939



Polyphony, Paul Klee, 1932

## International Private Banking



**Guido van Berkel, Marc Tomchek**

**Simon Ruckert, Victor den Hoedt**

**Susan Havermans**

## **We faced great challenges in 2003**

The year under review was a challenging one for our international units but they succeeded in optimising and expanding their range of products and services and in offering our clients a high standard of quality.

**The competitive situation and EU policy were principally responsible for our strategic decision to concentrate on institutional banking in Guernsey.**

**Guernsey:** The banking sector in the Channel Islands was affected not only by the fierce competition from other financial centres but also by the European Union's attempts to halt the flow of funds transferred there. After weighing up the strategic options, we decided to bring our Private Banking activities on the island to a close at the end of 2003. Our activities in Guernsey now concentrate on institutional banking. The back office activities that were located there have been transferred to Bank Sarasin Benelux S.A. Despite these changes, a large number of our clients have decided to maintain their relationship with us, dealing either with our subsidiary in Luxemburg or with one of our offices in Switzerland.

**Hong Kong and Singapore:** SARS brought banking operations to a virtual standstill for a number of months in both our Asian locations. The epidemic reduced investors' interest in transactions to a minimum. The desire for diversification also caused clients to subdivide mandates, which ultimately resulted in a fall in the total volume of assets under management. Our staff nonetheless remained confident even in these difficult times, continuing to offer clients our customary high level of service.

**We expect private banking activities in Asia to grow substantially. Our offices in Singapore and Hong Kong will be able to benefit from this positive development.**

As a result of our excellent cooperation with Rabobank International and the Robeco Group and of our efforts to gain an even better understanding of our clients' concerns and needs, we further expanded our range of services in the year under review. Particularly in the second half of the year, this led to growth in the volume of funds under management. In the fourth quarter of 2003 we were thus able to achieve our growth target.

Private banking activities in Asia are likely to experience substantial growth in the next few years. The two financial centres of Hong Kong and Singapore are expected to play a key role in this process. We have tailored our range of services and products to suit the specific needs of private clients in Asia and therefore feel ourselves to be in an excellent position to benefit from this positive development.

**Luxemburg:** The unsatisfactory market developments during 2002 and the prospects for 2003 led to a 25 % reduction in the headcount at Bank Sarasin Benelux S.A. in early 2003. Our clientele, however, showed no change as compared with previous years. Around 75 % of our Luxembourg operation's clients placed their funds on accounts with us or in investment funds, while 25 % of them invested in equities and bonds.

**With its first-class infrastructure, our Luxembourg office will play an important role in our European expansion strategy.**

In the course of 2003 our Luxembourg office successfully completed the upgrading of its infrastructure that had already been begun. It is now well equipped to play an important role in Bank Sarasin's European expansion strategy.

In Luxembourg, unlike Guernsey, the measures announced by European governments did not result in the repatriation of a high volume of investment assets. We did, however, observe a sharp drop in the number of new accounts opened. Our team in Luxembourg will make a concerted effort to reverse this trend.

Forward-looking investment and patient cultivation are necessary long before one can think of harvests. Yet once the blooms begin to open, the first signs of success manifest themselves. Things are similar on the international financial markets: periods of growth follow on times of stagnation and even decline, as we have experienced in recent years. Since the second half of 2003 there have been more signs – if only discreet ones – of the return of a kinder climate. The painting “Parable of Bloom” also expresses an upward trend: dominant elements point upwards, simple forms demonstrate a striving for what is essential. Our Institutional Banking Division displays a comparable attitude: we unerringly search for new potential for success, seizing every opportunity we can and exploiting every market advantage.

## Institutional Banking

# Bloom comes before fruit

“New ways – a parable of creation”

From a letter written by Paul Klee in 1939



Parable of Bloom, Paul Klee, 1939



**Franz K. von Meyenburg, Dr. Urs Chicherio  
Hans Keist, Andreas Knörzer  
Guy Monson, Urs Müller  
Dr. Daniel Scheibler**



**Corporate Finance: Christian Lubicz**

## **Our fast pace of innovation in the development of new products pays dividends**

The increased risk averseness of many institutional investors, particularly pension funds and insurance companies, in the wake of the protracted decline in equity prices has resulted in a widespread reorientation of investment strategies. The heightened awareness of risks and costs has encouraged the amalgamation of different externally managed holdings into single portfolios and has led to a trend towards greater diversification of holdings (particularly in real estate, the emerging markets and alternative investments).

**Greater awareness of risks and costs and the reorientation of investment behaviour led to a reduction in mandates. The outflows were, however, largely offset by a strong increase in new assets.**

These trends were apparent in the above-average rate of incoming and outgoing portfolio management mandates. The outflow of previously held assets observed in the course of the year was accompanied by a strong increase in new assets, which largely offset the outflows. The assets managed by our Institutional Banking Division increased by CHF 594 million (+6.3%) to around CHF 10 billion between the beginning and the end of 2003.

The fast pace of innovation in product development continued. At the beginning of December we launched our first institutional investment fund for Swiss equities and a second such fund for US equities. It is therefore now also possible for non-pension funds to participate

at a reasonable cost in a broadly diversified, efficiently managed portfolio, just as pension funds have long been able to do through the instrument of the investment foundation (*Anlagestiftung*). Further institutional investment funds to complement those we already offer will be launched in the first half of 2004. Alternative investments performed well last year, so we expanded our range of products.

**Sustainable asset management is in great demand: in this market segment, funds from outside Switzerland alone now total over CHF 1 billion.**

As far as our traditional asset management activities were concerned, our investment process based on score cards brought positive results. The steady further development of this approach will bring improvements in 2004 too. We experienced strong demand in the area of sustainable portfolio management, where the total volume of investment assets from outside Switzerland increased to over CHF 1 billion. We also created a specific bond fund for this group of investors, so that risk-averse investors also have the opportunity to invest in sustainable assets.

A number of niche products benefited from the increased demand for additional investment diversification (Sarasin EmergingSar, SaraSelect, Sarasin EquiSar, CHF-denominated dynamic hedge bonds). Our Global-Balanced, Global Thematic Equity and Emerging Markets products did very well in 2003. This endorsed our commitment to our thematic investment approach, which is successfully followed by our London subsidiary.

On the trading side, our turnover remained at a low level, with our brokerage income from sales even showing a decline. The Virt-X exchange's introduction of a central counterparty at the end of May 2003 led not only to reduced settlement risks but also to reduced income. Our Financial-Engineering Team brought a number of products to market and succeeded in increasing their income significantly as compared with the previous year. On the bonds side, reorganisation and concentration continued throughout the year. Our London subsidiary Sarasin International Securities Ltd. was wound up; trading in foreign currency bonds was transferred from London to Zurich and Swiss-franc-denominated underwriting was transferred from Basel to Zurich.

**Thanks to its independence and its experience, our Corporate Finance Team successfully concluded a number of mergers & acquisitions and corporate-restructuring operations.**

The Corporate Finance Team that has been working for Sarasin since the middle of 2001 achieved excellent results. Despite the very challenging market environment, it more than achieved its objectives. The team's independence and wide experience enabled it to successfully complete a series of deals, mainly involving mergers & acquisitions and the restructuring of publicly quoted companies.

Just as the kettledrum – which can sometimes be sensed as much as heard – lends colour and dynamism to music, so our investment fund managers try to sense the trend of short- and long-term market developments. They do so in the context of the overall economic situation, working out suitable strategies and tactics. If musicians are to achieve the effect a composer wants, they may not miss their cues. Similarly, it is the job of those responsible for our investment funds to sense intuitively when the time is ripe for the market action indicated by our research. In 2003 both elements were necessary: thanks to a combination of rationally underpinned calculations and a highly developed sense of the markets, we were able to achieve major successes in the uncertain, volatile business environment.

## Investment Funds

A feeling for the market is becoming  
a more important factor in success

*Paul Klee's handwritten text in the background reads: "Man muss mit sich selbst arbeiten. Die Kunst ist eine innerliche Arbeit. Sie besteht darin, die richtigen Momente zu nutzen. Konzentration."*

**"It requires a constant readiness to exploit the right moment."**

**From a letter written by Paul Klee in 1939**



Kettledrummer, Paul Klee, 1940

## Investment Funds



**Rolf M. Wittendorfer, Christoph Fuchs**

**Nils Ossenbrink, Jürg Peng**

**Marco Weber**

## **A leading partner for independent investment fund marketing**

Our Investment Funds Division not only has product responsibility for our Sarasin investment funds but is also responsible for the marketing of our funds through independent sales partners. Our early introduction of Sarasin investment fund accounts and their extension to investment funds managed by third parties has given us an advantage as regards the administration and management of such products. We significantly enhanced this core competence in the year under review. By taking over the Direkt Anlage Bank (Schweiz) AG, we became the leading supplier and problem solver for all questions relating to administration and accounting for the independent marketing of investment funds. In addition, the introduction in mid-2003 of highly sophisticated investment fund accounting software gave us a further competitive edge.

**Our exceptional know-how and our new, ultramodern fund accounting software brought us competitive advantages in 2003 too.**

As well as making technical improvements, we also expanded our analysis of third-party investment funds. Today we offer numerous “managed fund portfolios” that take account of investors’ differing risk requirements.

INVESTMENT FUND ASSETS IN CHF	31.12.2003	31.12.2002	Change %
<b>SWISS INVESTMENT FUNDS</b>	<b>875 557 755</b>	<b>636 190 339</b>	<b>37.63</b>
SaraSwiss	377 325 253	300 259 200	25.67
SaraSelect	259 429 704	124 616 989	108.18
SaraFlex	50 631 574	42 349 141	19.56
SaraBond	153 350 237	168 965 010	-9.24
SaraPro Inst. Fd. Swiss Equities	23 548 815	-	-
SaraPro Inst. Fd. Equities North America	11 272 172	-	-
<b>LUXEMBURG INVESTMENT FUNDS</b>	<b>3 752 754 984</b>	<b>3 023 812 790</b>	<b>24.11</b>
Sarasin BlueChipSar	248 531 880	206 711 509	20.23
Sarasin EquiSar	244 679 504	161 908 721	51.12
Sarasin EuropeSar	161 142 049	146 527 867	9.97
Sarasin TecSar	140 777 441	120 534 413	16.79
Sarasin WebSar	72 321 906	67 654 859	6.90
Sarasin ValueSar Equity	142 243 104	94 761 147	50.11
Sarasin EmergingSar	382 936 009	198 788 849	92.63
Sarasin EmergingSar-Asia	59 972 903	25 555 211	134.68
Sarasin HealthSar	17 892 929	15 753 738	13.58
Sarasin GlobalSar (CHF)	812 976 071	748 665 566	8.59
Sarasin GlobalSar (EUR)	246 064 267	189 521 742	29.83
Sarasin OekoSar Portfolio	319 794 159	277 399 094	15.28
Sarasin SwissMix	41 889 675	47 572 971	-11.95
Sarasin BondSar World	561 155 180	500 933 444	12.02
Sarasin BondSar Swiss Franc	55 232 334	38 280 991	44.28
Sarasin BondSar Euro	103 457 857	95 578 544	8.24
Sarasin BondSar US Dollar	44 722 133	42 646 300	4.87
Sarasin BondSar US Dollar Opportunity	56 064 985	45 017 824	24.54
Sarasin Sustainable Bond Euro	40 900 600	-	-
<b>GUERNSEY INVESTMENT FUNDS</b>	<b>898 740 601</b>	<b>730 321 485</b>	<b>23.06</b>
GlobalSar-Sterling	418 974 397	335 966 812	24.71
GlobalSar-Dollar	149 056 000	125 506 252	18.76
EquiSar Guernsey	247 636 222	215 406 634	14.96
EquiSar Guernsey Dollar	22 363 393	14 496 901	54.26
Income Portfolio	60 710 590	38 944 886	55.89
<b>UK INVESTMENT FUNDS</b>	<b>295 754 678</b>	<b>244 207 346</b>	<b>21.11</b>
Alpha Charity Fund	61 442 040	46 429 077	32.34
EquiSar (GB)	187 898 231	152 721 286	23.03
GlobalSar Balanced Fund	41 113 479	36 764 666	11.83
WebSar (GB)	-	6 239 130	-100.00
Global Health	-	2 053 187	-100.00
Income Portfolio Fund	5 300 928	-	-
<b>FRENCH INVESTMENT FUNDS</b>	<b>153 559 493</b>	<b>-</b>	<b>-</b>
FCP Sarasin Expertise Actions Europe	36 875 308	-	-
FCP Sarasin Euro Mid-Caps Expansion Durable	1 919 156	-	-
FCP Sarasin Europe Expansion Durable	11 506 522	-	-
FCP Sarasin Expertise Crédit CT	46 989 694	-	-
FCP Sarasin Expertise Euro Oblig.	33 686 259	-	-
FCP Sarasin Expertise Inter Convertibles	22 582 554	-	-
<b>RABOBANK'S LUXEMBURG INVESTMENT FUNDS</b>	<b>49 582 383</b>	<b>44 131 595</b>	<b>12.35</b>
Rabobank Holland Fund – Dutch Equity Fund	33 186 522	28 895 429	14.8
Rabobank Holland Fund – Dutch Bond Fund	10 452 379	10 486 081	-0.32
Rabobank Select Fund – Select Equity	5 943 482	4 750 085	25.12
<b>LUXEMBURG PRIVATE LABEL INVESTMENT FUNDS</b>	<b>296 299 677</b>	<b>256 204 311</b>	<b>15.65</b>
Sarasin Multi Label SICAV – RM Growth Fund	62 347 379	59 732 132	4.38
Sarasin Multi Label SICAV – New Energy Fund (EUR)	6 821 881	6 030 384	13.13
Sarasin Multi Label SICAV – auxvita	-	10 826 990	-100.00
Sarasin Multi Label SICAV – Monti Harvest Fund	50 412 547	46 939 230	7.40
Sarasin Multi Label SICAV – Swiss Small & Midcap	79 934 087	46 904 632	70.42
Sarasin Multi Label SICAV – Master Selection CHF	85 512 175	77 892 084	9.78
Sarasin Multi Label SICAV – Master Selection EUR	11 271 608	7 878 861	43.06
<b>SWISS PRIVATE LABEL INVESTMENT FUNDS</b>	<b>548 002 852</b>	<b>582 275 084</b>	<b>-5.89</b>
CB-Accent Income Fund (CHF)	32 357 471	31 309 864	3.35
CB-Accent Income Fund (EUR)	37 202 092	38 044 677	-2.21
CB-Accent Income Fund (USD)	5 684 350	5 528 858	2.81
CB-Accent Money Market Fund (CHF)	47 931 273	90 130 211	-46.82
CB-Accent Money Market Fund (EUR)	349 554 639	324 180 527	7.83
CB-Accent Money Market Fund (USD)	75 273 027	93 080 947	-19.13
<b>TOTAL INVESTMENT FUND ASSETS</b>	<b>6 870 252 423</b>	<b>5 517 142 952</b>	<b>24.53</b>

The fact that we are not only good at offering and administering third-party funds but also offer a highly successful range of in-house investment funds is demonstrated by the various awards we earned in 2003. Lipper rated Sarasin as the “best overall group Switzerland 2003”, while Standard & Poor’s (S&P) gave us a special prize as the “most improved group” as well as placing us second in the category “large groups over one year”. In S&P’s European awards, Sarasin came second in the category “best specialist group” over one year. In the United Kingdom, Sarasin BondSar Euro was given first place by S&P in the category “Fixed Income EUR”, while in Italy, the two Sarasin funds “EmergingSar Asia” and “SwissMix” came first in their respective groups. In addition, EmergingSar was given a five-star rating by Morningstar.

Finally, our Paris subsidiary Sarasin Expertise AM was awarded first prize in its specialist area of international convertible bonds. Through this firm, which we acquired in March 2003, we plan to expand our investment fund activities in France even further. At the same time, this asset management company also provides a platform for the development of onshore private banking. Largely because of our partnership with the Dutch Rabo-Robeco Group, our Luxembourg investment funds are now also registered in the Netherlands, where they have been publicly traded since December 2003.

Another innovation we introduced was a tradeable investment note with a capital guarantee based on Sarasin GlobalSar, a product that we developed in cooperation with Rabo International. This is the first time we have applied our expertise in structured products to the management of investment funds. The repayment of the net initial investment is assured after five years through a guarantee issued by Rabo Bank (AAA rating).

**Our tradeable investment note with a capital guarantee based on Sarasin GlobalSar represents the first-ever application of our expertise in structured products to the management of investment funds.**

Through personal banking, we appeal to a market segment that ideally complements our existing activities in the areas of investment fund marketing and private banking. Our personal banking clients have access to standardised investment products that include a wide variety of investment funds offered by Bank Sarasin and the Robeco Group as well as selected third-party funds. In the year under review our range of products and services was rounded off and an effective communication strategy was developed and implemented. The preconditions have thus been created for the proactive acquisition of new clients in the personal banking segment.

A chess game is a prime example: even a limited field permits an almost countless number of alternative moves. What matters most is not the external framework but strategic and creative thinking. The members of our Logistics Division have to respond to this challenge on a daily basis: tomorrow's scenarios have to be anticipated as accurately as possible and to be reflected as early as possible in solutions and systems that, by a given point in time, must be practicable in the areas of central services, operations and IT. As in a chess game, every move must be thought through carefully, bearing in mind a host of possible consequences. The goal is always to reconcile the two opposing poles of strategic thinking and creativity. We were again largely successful in our efforts in 2003, for we further upgraded our existing infrastructure, enhanced efficiency and generally increased the satisfaction of our users.

## Logistics

Our goal is a synthesis of strategic and creative thinking

Example from Klee's catalogue of his works



Super-Chess, Paul Klee, 1937



**Andreas R. Sarasin, Rolf Bühler  
Georges Roten, Julius Zürcher**

## **We achieved ambitious interim targets along the way to optimum logistics**

2003 was a year of change and of a new beginning for our Logistics Division. The integration of Direkt Anlage Bank (Schweiz) AG was achieved in only two months, thanks to close cooperation between our Investment Funds Division and all the different units in our Logistics Division.

**Our new IT system Avaloq was introduced bankwide after only thirteen months of development.**

Throughout the whole of 2003 the major task of installing Avaloq (SaraSwitch project) was a significant challenge for our entire bank, including all the different units in our Logistics Division. The first part of the new system became operational in the summer of 2003 with the integration of investment fund transactions. The bankwide introduction of Avaloq was, however, an infinitely greater challenge. Despite the immensity and diversity of the task, the system was able to go into production after only thirteen months of preparation. In the area of transactions processing, our new IT system will further enhance the service we offer clients and our competitiveness. The fact that the system was introduced at a moderate cost and that it will meet the needs of our bank for a long time to come is a source of great satisfaction. In retrospect, SaraSwitch was more than just a large IT project, for it gave our bank an opportunity to review and, where necessary, to improve its processes and customary ways of doing things. Further stages in the project will follow in 2004.

Several other IT projects were started and completed in the course of 2003. In Switzerland all our offices switched over to the Windows XP operating system as well as to the IS Slider platform for information systems. In Asia we introduced a new system platform, which will satisfy all our requirements. In Luxemburg the old e-commerce system previously used by our subsidiary was replaced by the one we use in Switzerland. In the middle of the year the Sarasin Group also started using a common network infrastructure for a secure Intranet and e-mail system.

**Sustainability is one of the pillars of our corporate philosophy, so we move step by step towards forward-looking environmental and social targets.**

Over the years, sustainability has come to play an increasingly central role in our corporate philosophy and has turned into one of the main pillars of our business activity. Our concept combines both environmental and social aspects. A newly created committee now makes sure that adequate consideration is given to these important components of our corporate philosophy. As a groupwide body competent in the area of sustainability, this committee has been guiding and coordinating our activities since November 2003. It has already defined wide-ranging environmental and social objectives that set the stage for the future.

It is periodically necessary to heighten our staff members' awareness of environmental issues. In the autumn of 2003, for the third time since 1998, we organised action weeks devoted to the theme of energy at our largest offices in Switzerland. The individual events and the information provided were well received by our staff and attendance was high.

**We had our operating indicators audited by external experts for the first time, which optimised the collection process and improved the quality of the data.**

Since 1996 we have been reporting operating indicators that provide information about our energy and water consumption, refuse collection and business transport. In Bank Sarasin's environmental report, which was published for the first time in 2002 and which is to be issued annually, clients and staff can inform themselves about current developments relating to our environmental controlling<sup>1</sup>. Our larger offices outside Switzerland are also going to be included in the data collection process in the future. In 2004 Luxemburg will be the first to be included, while Singapore will follow suit in 2005. In addition, we have had our operating indicators audited by PricewaterhouseCoopers for the first time. Certification by external auditors makes it possible to optimise the data collection processes and to enhance even further the quality of the data reported. Our indicators for 2003 will be announced in the autumn of 2004.

<sup>1</sup> Our separately published environmental report is available on [www.sarasin.ch](http://www.sarasin.ch) (under the heading "About Sarasin").

We use our eyes to focus but also to see the whole picture. Both things are important at different points in time. Yet when it comes to defining, updating and monitoring our corporate strategies, it is seeing the whole picture that matters most.

The people who perform staff functions at our bank support our management in all these areas. Their main fields of activity are Legal Services, Compliance, Human Resources and Corporate Communications. Some of the other tasks they perform are to develop the foundations that underpin the decision-making process, to pinpoint tasks that require coordination, to merge detailed know-how from different sources and to highlight broad, multidisciplinary lines that transcend day-to-day business.

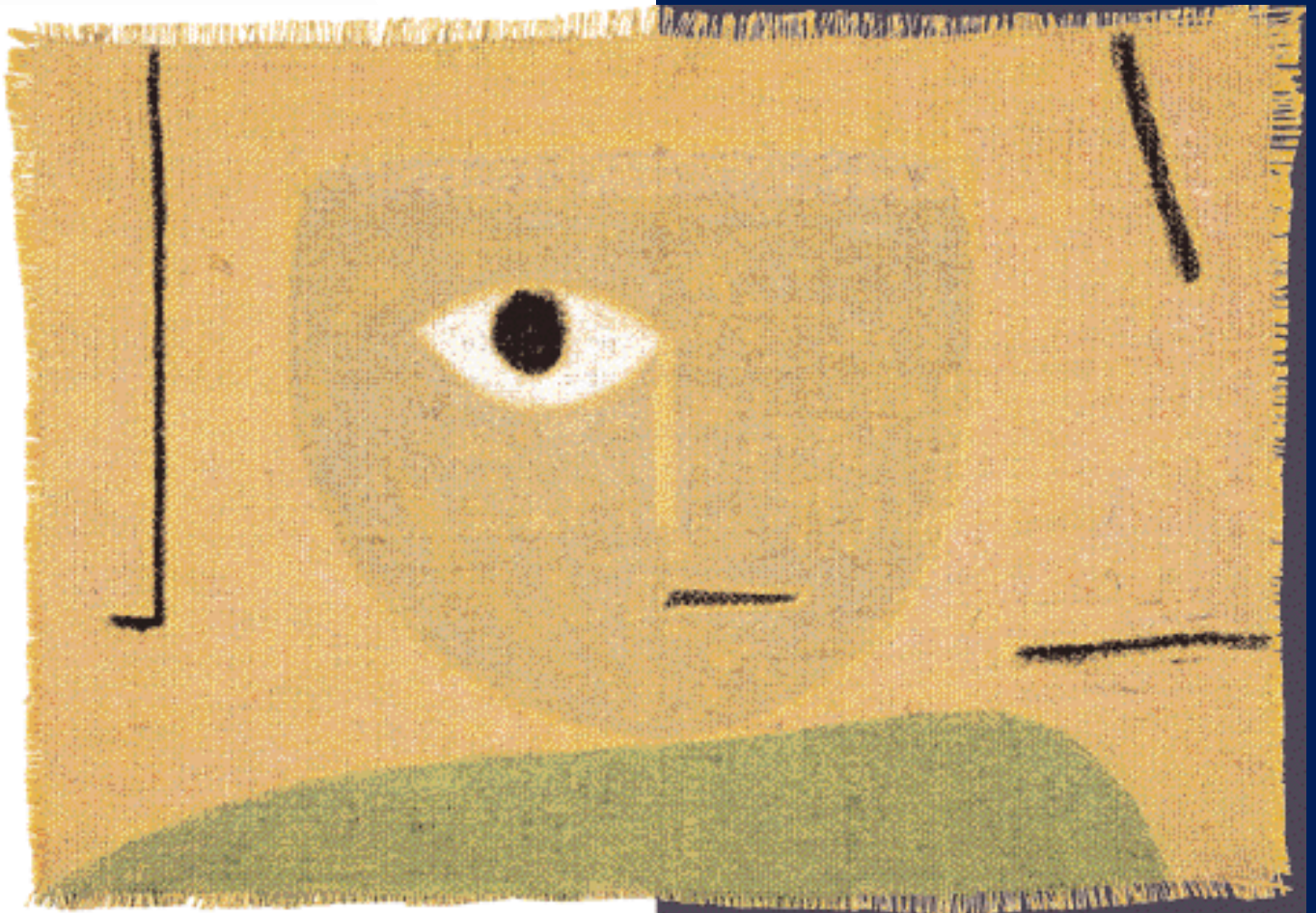
## Staff Functions

# What matters most is seeing the whole picture

*Gleichnisartiges. Das ist sehr dehnbar  
optische Realität ist für mich Kunst  
die Formwelt ist für mich Kunst  
an sich jedoch nur nicht Kunst*

“The connection to optical reality is very elastic.”

Aphorism of Paul Klee, New Year 1932



The Eye, Paul Klee, 1938

## Staff Functions



**Dr. Markus Affolter, Dr. Benedikt Gratzl  
Hanspeter Wüst**

## **Our corporate responsibility includes social integration**

**Human Resources:** In 2003 our staff were kept busy with the completion of the restructuring that had been commenced in 2002 and with the introduction of Avaloq, our new IT system. That project, which we called SaraSwitch, required a tremendous effort from everyone concerned and generally resulted in a heavy workload.

**Following the completion of our restructuring exercise, which particularly affected Switzerland, Luxemburg and London, our headcount has dropped to 1100 from 1281 at the end of 2002.**

Over a period of one and a half years, our restructuring measures led to the disappearance, as previously announced, of 200 jobs. Of the locations in which our Group has offices, Switzerland, Luxemburg and London were the most seriously affected by the cutback in staff. The restructuring was completed in the year under review. As at December 31, 2003, our headcount was 1110 persons, down from 1281 a year earlier.

The year under review saw the introduction of a model hierarchy as well as uniform, transparent staff regulations. The new provisions regarding leave entitlement and the continuation of salary payments in the event of accident or illness merit particular mention. Our staff regulations are now an integral component of our permanent employment contracts. In the course of the year a working party laid the foundations for the

changeover from a defined benefit to a defined contribution pension plan. The new plan was introduced in January 2004.

The members of our staff again showed a keen interest in the range of internal training opportunities we provide. In Switzerland the arrangements relating to our apprentices changed significantly following a nationwide reform of the basic training for apprentices in commerce. Our arrangements were upgraded in order to satisfy the authorities' requirements. Of the twenty-two apprentices working with us in the year under review, three successfully completed their training.

**In 2003 we were again one of the sponsors of Swiss Indoors, Switzerland's most important sporting event with an international audience.**

**Corporate Communications:** The traditional oak tree with the Sarasin logo was further developed as the Sarasin Group's international emblem, guaranteeing the projection of a uniform corporate identity. By cooperating with partners who ideally match our identity, we communicated our values to the outside world through our sponsoring activities. In 2003 we again supported Swiss Indoors, the tennis tournament that is Switzerland's most important national sporting event with an international audience, as well as maintaining our long-standing cooperation with the internationally renowned museum, the Fondation Beyeler. In addition, we gave our support to various events in the environmental field. Our management, executives and staff not only made many variously sized contributions to charity, but also repeatedly accepted voluntary functions in the public service.

**Group Legal & Compliance:** The various new provisions adopted in Switzerland in the course of 2003 left their mark on the activities of our Legal & Compliance unit, requiring considerable organisational effort and financial expenditure. The provisions that were most important for our bank were the revision of the Agreement on the Swiss Banks' Code of Conduct with regard to the Exercise of Due Diligence and the Ordinance of the Swiss Federal Banking Commission concerning the Prevention of Money Laundering, which now, for certain implementation work, foresees a grace period until June 30, 2004.

**The revised Code of Conduct for banks with regard to the Exercise of Due Diligence involved considerable organisational effort and financial expenditure.**

Effective measures to prevent money laundering are undoubtedly an important element in protecting Switzerland's reputation as a financial centre. However, in order to comply with these rules, we need to obtain much more information about clients (client profiles) and their transactions, which they do not always appreciate. We wish to emphasise that, in order to guard against any misuse of such information, the Sarasin Group applies extremely strict standards regarding confidentiality and data protection.





## Introduction

The corporate governance principles and rules followed by Bank Sarasin & Co. Ltd are laid down by our Articles of Association<sup>1</sup>, our Business and Organisational Regulations and the regulations of the committees that report to our Board of Directors. They are regularly reviewed in accordance with applicable rules and are submitted to the Board of Directors or the General Meeting of shareholders for their approval. The principles we follow are modelled on the guidelines and recommendations contained in the Swiss code of best practice for corporate governance established by Economiesuisse. As a bank governed by Swiss law, Bank Sarasin & Co. Ltd is obliged to submit both its Articles of Association and its Business and Organisational Regulations to the Swiss Federal Banking Commission for its approval.

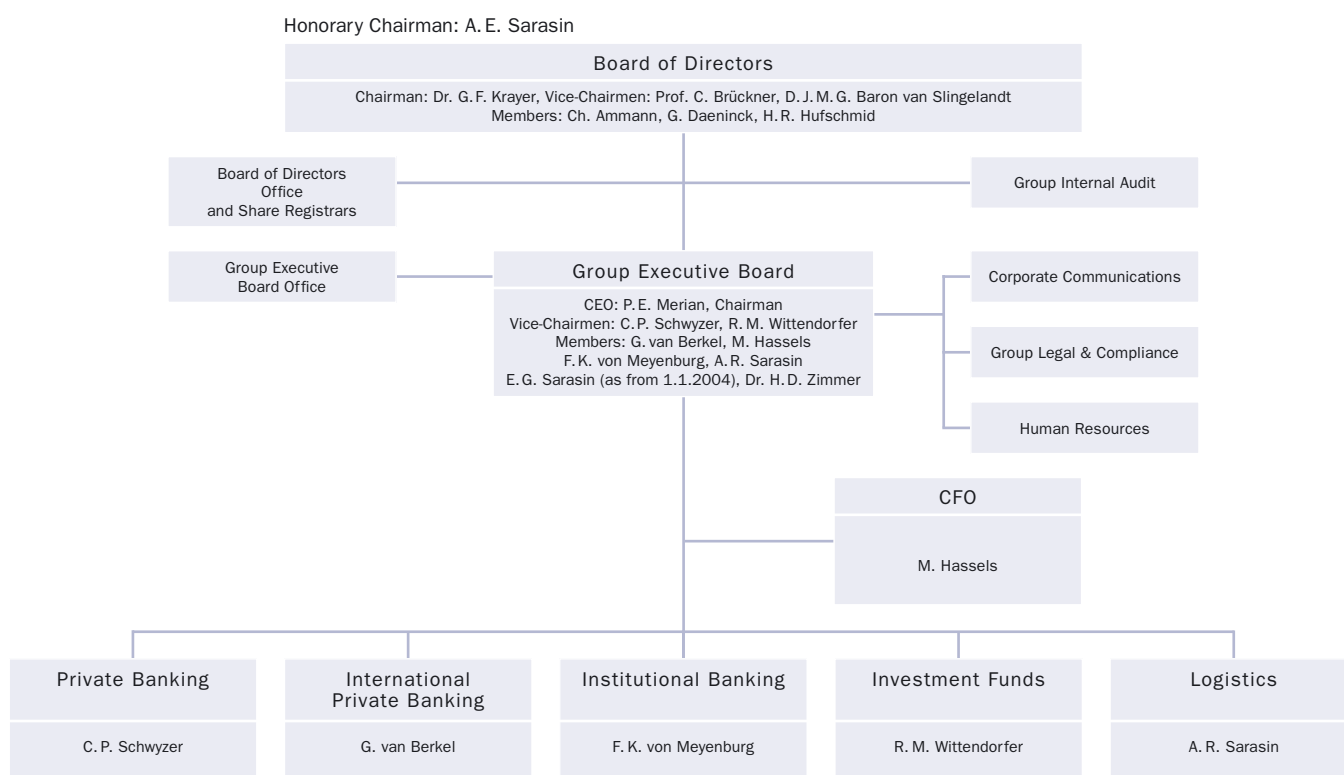
In accordance with the SWX Swiss Exchange's guideline on information about corporate governance, the present Corporate Governance Report describes the corporate governance principles followed by Bank Sarasin & Co. Ltd.

In accordance with a decision by the Board of Directors of Bank Sarasin & Co. Ltd, Eric G. Sarasin was appointed to the Group Executive Board, the bank's top executive management body, as at January 1, 2004. Facts and figures relating to the end or to the whole of 2003 therefore do not reflect his appointment.

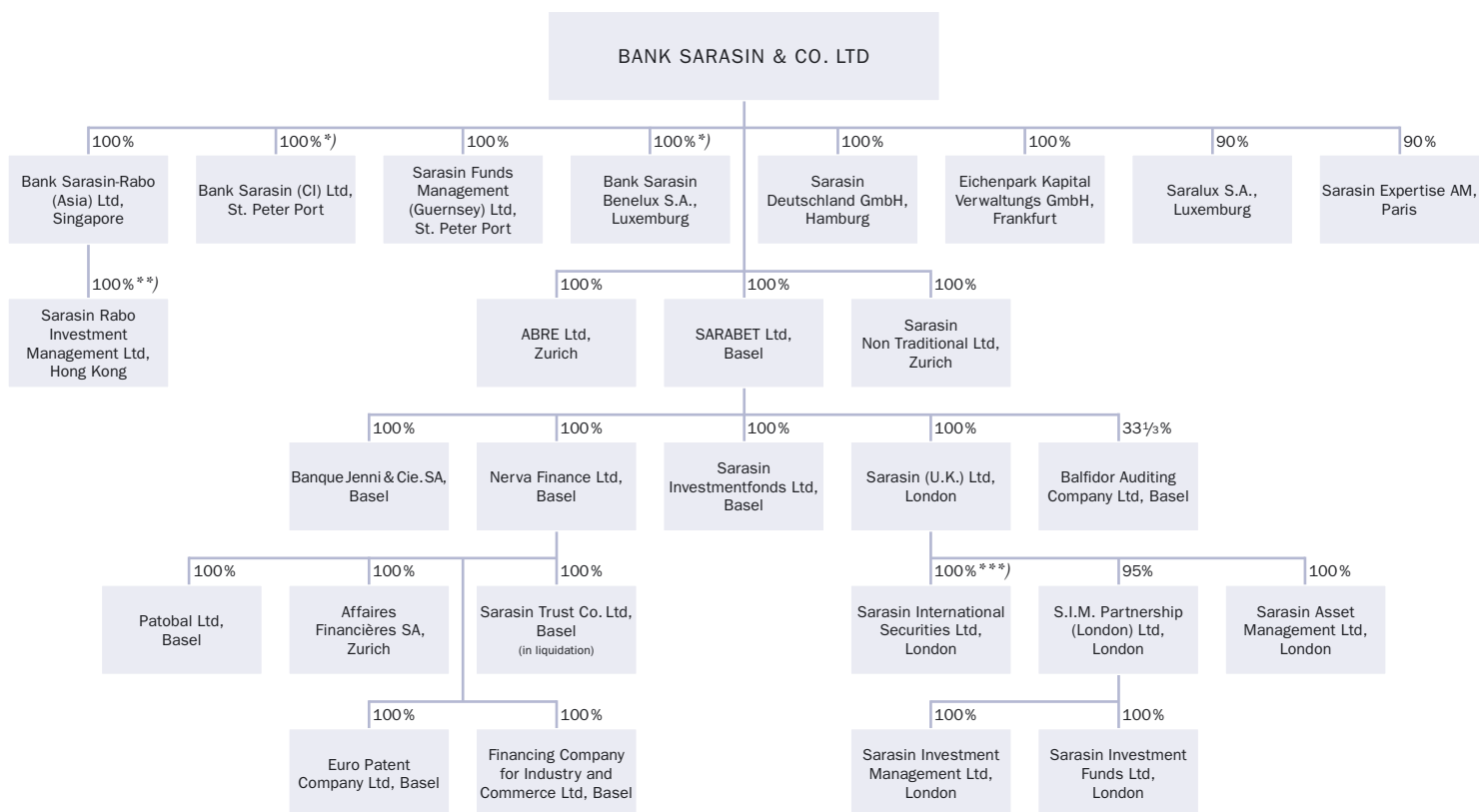
## 1. Group structure and shareholders

### 1.1 Group structure

#### Operational presentation of our Group's structure



## Legal structure of our subsidiaries



\*) For legal reasons, one share in each of these companies is held by Sarabet Ltd

\*\*) For legal reasons, one share in this company is directly held by Bank Sarasin & Co. Ltd

\*\*\*) Will be wound up as at 31.3.2004

Other details, for example share capital, stock market capitalisation and shareholdings, relating to Bank Sarasin & Co. Ltd and all subsidiaries that are included within the scope of consolidation can be found on page 88 in the notes to the group financial statements.

<sup>1</sup> Bank Sarasin & Co. Ltd's Articles of Association are publicly available in the Internet ([www.sarasin.ch](http://www.sarasin.ch)/see section headed "About Sarasin").

## 1.2 Significant shareholders

As at 31.12.2003, the following shareholders held over 5 per cent of Bank Sarasin & Co. Ltd's total share capital:

**Eichbaum Holding Ltd:** All 550 000 Class A registered shares as well as 150 Class B registered shares, corresponding to 52.3 % of the voting rights in Bank Sarasin & Co. Ltd and 18.0 % of its share capital. All shares in Eichbaum Holding Ltd are held by Dr. Philip Baumann, Matthias Hassels, Hans-Rudolf Hufschmid, Dr. Georg F. Kraye, Peter E. Merian, Franz K. von Meyenburg, J. Guy E. Monson, Andreas R. Sarasin, Dr. Beat A. Sarasin, Eric G. Sarasin, Conrad P. Schwyzer and Rolf M. Wittendorfer. The above-mentioned men have granted IPB Holding B.V. a call option on all the shares in Eichbaum Holding Ltd. That option, which runs for around 7 years (until June 30, 2009), gives IPB Holding B.V. the right to obtain those shares and consequently also the voting majority in Bank Sarasin & Co. Ltd within that period of time.

**IPB Holding B.V.:** IPB Holding B.V., a fully owned subsidiary of the Cooperatieve Centrale Raiffeisen-Boerenleenbank (Rabobank), owns 171 553 Class B registered shares, corresponding to 16.3 % of the voting rights in the company and 28.0 % of its share capital.

## 1.3 Cross-shareholdings

Bank Sarasin & Co. Ltd does not own any cross-shareholdings in other companies.

## 2. Capital structure

### 2.1 Capital

Details regarding Bank Sarasin & Co. Ltd's share capital can be found on page 110 in the notes to its financial statements.

### 2.2 Authorised and conditional capital in particular

Further details regarding Bank Sarasin & Co. Ltd's authorised and conditional share capital can be found on page 111 in the notes to its financial statements.

### 2.3 Changes in capital

Changes in Bank Sarasin & Co. Ltd's share capital during the last five financial years are presented on pages 92 and 112.

### 2.4 Shares and participation certificates

Details regarding the number, type and par value of shares in our company are given on page 110 in the notes to Bank Sarasin & Co. Ltd's financial statements.

### 2.5 Bonus certificates

Bank Sarasin & Co. Ltd has not issued any bonus certificates.

## **2.6 Limitations on transferability and nominee registrations**

### **2.6.1 Limitations on transferability and rules regarding exceptions**

Authorisation to exercise voting rights and the associated rights of shareholders and beneficiaries of registered shares requires that the Board of Directors recognises the shareholders concerned and registers them in the share register. Under Article 5 of our Articles of Association<sup>2</sup>, recognition and registration in the share register as shareholders of Class B registered shares may be refused:

- if, despite a request from the company, the party that has acquired shares does not expressly state that they have been acquired in his or her own name and on his or her own account.
- if, as a result of the transaction, the person acquiring the shares would hold more than 5 % of the total number of Class B registered shares recorded in the Commercial Register. Shareholders and beneficiaries who cooperate to circumvent the restrictions on inclusion in the share register are regarded as a single person.
- insofar as approval of the acquisition might prevent the company from providing the proof about the composition of its shareholders that is required under Swiss Federal Law.

Exceptions may be made at the discretion of the Board of Directors, which shall let itself be guided by the interests of the company when making its decision.

### **2.6.2 Reasons for making an exception in 2003**

No exceptions were made in 2003 but no corresponding applications were submitted either.

### **2.6.3 Rules regarding nominee registrations**

There are no provisions regarding nominee registrations that diverge from the rules laid down in our Articles of Association (Article 5), as presented in 2.6.1 above.

### **2.6.4 Procedures for changing the rules regarding transferability**

Any change in the provisions of our Articles of Association regarding restrictions on the transferability of registered shares requires at least two thirds of the votes represented at the General Meeting and an absolute majority of the par value of the registered shares represented.

## **2.7 Convertible bonds and options**

Bank Sarasin & Co. Ltd has not issued any convertible bonds. Details regarding the options in the possession of members of the Board of Directors and the Group Executive Board can be found in section 5.6 below on page 67. There are no outstanding options granted to staff which, if exercised, would be issued from conditional capital.

<sup>2</sup> Bank Sarasin & Co. Ltd's Articles of Association are publicly available in the Internet ([www.sarasin.ch](http://www.sarasin.ch) / see section headed "About Sarasin").



*Dr. Georg F. Kraye*



*Prof. Dr. Christian Brückner*



*Diederik J.M.G. Baron van Slingelandt*

### 3. Board of Directors

#### 3.1 Members of the Board of Directors

No member of the Board of Directors of Bank Sarasin & Co. Ltd had operational management functions for the company or any of its subsidiaries as at December 31, 2003. Nor did any member of the Board of Directors have a significant business relationship with Bank Sarasin & Co. Ltd or with any of its subsidiaries. The same is true of the business relationships between Bank Sarasin & Co. Ltd and third-party firms for which a member of Bank Sarasin's Board of Directors carries out a mandate.

Dr. Beat A. Sarasin retired from the Board at the General Meeting of shareholders of Bank Sarasin & Co. Ltd held on May 5, 2003.

#### **Dr. Georg F. Kraye (Chairman)**

Swiss citizen; lives in Basel, Switzerland; doctorate in law from the University of Basel.

Georg F. Kraye joined A. Sarasin & Co., Bankers in 1970. From 1978 to June 2002 he was a partner and from 1997 he was Chairman of the Board of Administration. He is a director of the following publicly quoted companies: Bâloise Holding and Pirelli SpA.

#### **Professor Christian Brückner (Vice-Chairman)**

Swiss citizen; lives in Basel, Switzerland; doctorate in law from the University of Basel, Switzerland; LL.M. from Harvard Law School, USA.

Christian Brückner is a barrister, solicitor and a partner in the law firm of VISCHER in Basel and since 1995 he has also held a chair in the law faculty of the University of Basel. In addition, he is on the board of several companies (including Jungbunzlauer Holding AG, Christoph Burckhardt AG, Rhenus-Alpina AG) and a member of various auditing authorities.

#### **Diederik J.M.G. Baron van Slingelandt (Vice-Chairman)**

Dutch citizen; lives in Voorburg, the Netherlands; studied economics at the University of Groningen (specialising in management and organisation), the Netherlands.

After occupying senior finance positions in various firms, Diederik van Slingelandt joined Rabobank Nederland in 1989. He has been a member of the management of the Rabobank Group since 1996. Since July 2000 he has also been the CEO of Rabobank International. In addition, he is Chairman of the Board of Rabo Pensioenfondsen, Rabo International Advisory Services B.V. and N.V. Interpolis as well as being a director of Rabo Australia Ltd/Primary Industry Bank of Australia Ltd and the Robeco Group N.V.



*Christoph Ammann*



*Géry Daeninck*



*Hans-Rudolf Hufschmid*



*Alfred E. Sarasin, Honorary Chairman*

**Christoph Ammann**

Swiss citizen; lives in Kilchberg, Switzerland.

After completing a banking apprenticeship, Christoph Ammann worked in various areas of the Credit Suisse Group from 1969 until the end of 2000. He was the head of Accounting/Controlling and had overall responsibility for a number of major integration projects implemented by Credit Suisse. In 1996 he was appointed Chief Information Officer of the Credit Suisse Group and in the autumn of 1997 he became a member of the management of Credit Suisse Private Banking. Christoph Ammann has been an independent consultant since the end of 2000. He is a member of the Swiss Federal Banking Commission, Chairman of the Board of Directors of the SIS Swiss Financial Services Group AG and a director of MSE MAT Securitas Express AG.

**Géry Daeninck**

Belgian citizen; lives in Watermaal-Bosvoorde, Belgium; has an engineering degree from the Imperial University of Ghent and the Catholic University of Louvain-la-Neuve, Belgium, as well as a Master of Science degree from the Sloan School of Management, Massachusetts Institute of Technology, USA.

Géry Daeninck worked in the operations research field and as a senior management consultant. As the Chief Operating Officer of an international airline, he was responsible for its corporate development. In 1997 he joined the Robeco Group as a director and as its coordinator for finance and systems. He has been the CEO of Robeco, Rotterdam, and the Chairman of the Board of the Robeco Groep N.V. since the beginning of 2002, as well as the Chairman of the Dutch Fund Association since the beginning of 2003.

**Hans-Rudolf Hufschmid**

Swiss citizen; lives in Therwil, Switzerland; has a degree in political science from the University of Basel, Switzerland.

As from 1980, Hans-Rudolf Hufschmid worked in various positions in the institutional clients area at Sarasin. From 1993 to April 2000 he was a member of the Group Executive Board and from 1998 to June 2002 he was a partner of the bank. An independent consultant since July 2002, he also holds a number of directorships (Chairman of the Board of Glanzmann AG, Vice-Chairman of the Board of Fritz Blaser & Cie AG and Blaser Bauglas AG and a director of Markant Finanz AG) as well as being active in foundations and commissions.

**3.2 Other activities and functions**

See 3.1.

### 3.3 Cross-involvement

There is no cross-involvement between our directors and the boards of publicly quoted companies.

### 3.4 Election and term of office

Under Article 15 of our Articles of Association, directors have a three-year term of office. However, in the context of Bank Sarasin's transformation into a limited company, it was decided at the General Meeting on June 4, 2002 that the terms of office of directors would be staggered in order to make it possible to modify the Board's composition at all future General Meetings while at the same time preserving continuity. Re-election is permissible.

#### Term of office of current directors

	Director since	Term of office ends
Dr. Georg F. Kraye	2002	2004
Professor Dr. Christian Brückner	2002	2005
Diederik J.M.G. Baron van Slingelandt	2002	2005
Christoph Ammann	2002	2004
Géry Daeninck	2002	2004
Hans-Rudolf Hufschmid	2002	2005

### 3.5 Internal organisational structure

The Board of Directors as an entity is responsible for the ultimate direction of the company and the ultimate supervision and control of the way it is run, in accordance with Article 3 paragraph 2 of Switzerland's Banking Act. It lays down the bank's objectives and the broad lines of its business policy, supervises those entrusted with the management and representation of the bank in order to guarantee compliance with the provisions of the law, the Articles of Association and the regulations, regularly receives reports regarding the course of business and is responsible for all business that the Articles of Association and the law do not specifically reserve either for the Statutory Auditors required by banking and stock exchange legislation or for the General Meeting of shareholders.

Meetings of the Board of Directors are convened by its Chairman or, should he be impeded, by a Vice-Chairman. Meetings take place as often as business requires and generally once a quarter. In addition, any member may request in writing that a meeting be convened (to discuss matters within the competence of the Board of Directors), provided they specify the agenda items for discussion.

The Chairman of the Board of Directors, in cooperation with the bank's senior executive management, the Group Executive Board (GEB), ensures that the Board of Directors and the committees that report to it are promptly notified of all issues relating to the bank and its group that are important for decision-making and monitoring. He informs the Board of Directors immediately of any extraordinary events.

The Board of Directors has set up the following committees:

- a) the Nomination and Compensation Committee,**
- b) the Audit Committee.**

The tasks and reporting obligations of these committees are defined in special regulations. The Board of Directors may set up additional committees to carry out other functions. The tasks and reporting obligations of such committees must also be defined in regulations.

**a) Nomination and Compensation Committee**

Diederik J.M.G. Baron van Slingelandt chairs this committee, on which Professor Christian Brückner also sits. For the attention of the full Board of Directors, this committee evaluates nominations for membership of the Board of Directors and proposes candidates for the position of CEO. It also examines proposals by the CEO for appointments to the GEB. All appointments are, however, decided on by the full Board of Directors. The Committee sets the level of directors' fees. It also submits proposals to the full Board of Directors regarding salaries and bonuses for members of the GEB. Finally, it evaluates the content of and the method for determining salaries, bonuses and shareholding programmes.

**b) Audit Committee**

Hans-Rudolf Hufschmid chairs this committee, on which Christian Ammann and Géry Daeninck also sit. The members of this Committee fulfil certain requirements regarding independence and qualifications. This committee principally supports the Board of Directors in the area of accounting, risk management and internal and external auditing, by forming an independent opinion regarding the suitability of the organisation and the functioning of the internal and external control and evaluation systems, and regarding the preparation of the financial statements. In particular, it annually examines the scope and carrying-out of the internal and external audit plans and their results, verifying that management follows up on any recommendations and criticism. In addition, it monitors the terms of the mandate of the auditors required under banking legislation, including their compensation, and evaluates the internal and external auditors' performance.

### **3.6 Definition of areas of responsibility**

Pursuant to Article 16 paragraph 5 of our Articles of Association, the Board of Directors delegates the management of the company to the GEB, in accordance with the “division of responsibilities between the Board of Directors and the Group Executive Board”, and receives the reports prepared by the GEB.

For the attention of the Board of Directors, the CEO establishes the long-term objectives, strategic orientation and future development of the company and the Group, including the necessary financial and human resources, and, once they have been approved by the Board of Directors, assures their implementation.

In agreement with the Chairman of the Board of Directors, whom he immediately informs of any extraordinary events, the CEO is responsible for the prompt notification of the Board of Directors and of the committees that report to it of any aspects of the company and the Group that are significant for decision-making and monitoring. In particular, he informs them about the course of business, major projects and the risk exposure of the company and the Group. He delegates and monitors the implementation of the Board of Directors' decisions.

### **3.7 Information and control instruments relating to the Group Executive Board**

The GEB informs the Board of Directors:

1. regularly about the general course of business, developments on key markets and the bank's financial performance;
2. about the bank's monthly financial statements and the Group's quarterly consolidated results;
3. about the interim and annual financial statements of subsidiaries and participations;
4. about its assessment of the risks in the different business areas, about losses that seem imminent or that have already been sustained, about litigation and any other incidents that are exceptional, significant or likely to influence public opinion, serious disciplinary offences or infringements of regulations and about whatever measures have been taken;
5. periodically about the existence of bulk risks pursuant to Article 21 of the Banking Ordinance (parent company and on a consolidated basis);
6. through quarterly reports, about the implementation of the agreed risk policy (identification, management and limitation of risk positions).

In a general way, the GEB provides the Board of Directors with the information it requires to carry out its supervisory and control functions. The Chairman of the Board is entitled at all times to receive or demand reports from the Chief Financial Officer, the Risk Office and Group Compliance.

**Group Internal Audit (GIA)** is responsible for the internal auditing of the Group. The Board of Directors has issued regulations applying to the GIA, which set out its tasks, duties and powers. The GIA prepares its reports without instruction from any quarter. It reports directly to the Chairman of the Board of Directors, who ensures that the audit reports are presented to the Audit Committee and that, in cooperation with the GEB, the latter Committee takes any measures that the GIA's reports show to be necessary. The Chairman of the Board also receives the reports prepared by the Statutory Auditors required under banking and stock exchange legislation and presents them to the Audit Committee and the GEB so that they can be examined and discussed.

On behalf of and in cooperation with the Board of Directors and the external auditors, the GIA supervises the activities of the bank and the companies that fall within the scope of consolidation. It verifies compliance with the provisions laid down by law, the Articles of Association and regulations, standards promulgated by the auditing profession and internal instructions and guidelines. Pursuant to objectives approved every year by the Board of Directors, it carries out audits within the meaning of the regulations. The GIA may be given permanent or once-only instructions to carry out audits or to monitor subsidiaries or companies in which a participation is held.

GIA staff have an unlimited right to see and examine documents, to the extent necessary for them to fulfil their tasks and auditing duties. After obtaining the views of the audited unit, the GIA regularly reports on the results of the audits performed to the Chairman of the Board of Directors, the members of the Audit Committee, the CEO and, in accordance with Article 40 of the Banking Ordinance, to the Statutory Auditors required by banking and stock exchange legislation. Should anything exceptional come to light, it immediately informs the Chairman of the Board of Directors, the CEO and, in important cases, the Statutory Auditors.



*Peter E. Merian*



*Conrad P. Schwyzer*



*Rolf M. Wittendorfer*



*Guido M. P. M. van Berkel*

## 4. Executive management

### 4.1 Members of the Group Executive Board

#### **Peter E. Merian, Chairman of the GEB and Chief Executive Officer**

Swiss citizen; lives in Binningen BL, Switzerland; studied economics at the University of Lausanne and has a law degree from the University of Basel, Switzerland.

Peter E. Merian has been with Bank Sarasin since 1988 and became a partner in 1989. Until he was appointed CEO in the spring of 1994, he headed the Private Clients unit in Basel. Peter E. Merian is, among other things, a director of the National Zeitung und Basler Nachrichten AG and of the Schweizerische Nationalversicherung. In addition, he is active in numerous public institutions, foundations, associations and commissions (for example, he chairs the listing committee of the SWX Swiss Exchange).

#### **Conrad P. Schwyzer, Vice-Chairman of the GEB and Head of the Private Banking Division**

Swiss citizen; lives in Küsnacht ZH, Switzerland; economics degree from the University of St. Gallen, Switzerland.

After being a member of the management of two Swiss firms for a number of years, Conrad P. Schwyzer joined A. Sarasin & Co., Bankers in 1986, becoming a partner in 1987 and a member of the executive management, with responsibility for the Private Clients Division, in July 1989. He retained that function following Bank Sarasin's transformation into a limited company. Conrad P. Schwyzer is the Chairman of the Board of Directors of Banque Jenni & Cie SA and of Weidmann Holding AG. He also holds various offices in public, philanthropic and cultural organisations.

#### **Rolf M. Wittendorfer, Vice-Chairman of the GEB and Head of the Investment Funds Division**

Swiss citizen; lives in Büren near Liestal, Switzerland; trained as a banker in Basel, Paris and New York.

Rolf M. Wittendorfer, who has been with Bank Sarasin for over 40 years, has been a member of the management since 1974. In 1975 he was entrusted with the reorganisation and management of the entire investment advice area and in 1985 he became Head of the Institutional Clients Division. In 1993 he was given the task of setting up and managing Sarasin's investment funds. Rolf M. Wittendorfer is Chairman of the Board of various Sarasin investment fund companies in Basel, Luxemburg, Paris and Guernsey as well as a director of the Swiss Fund Association.

#### **Guido M. P. M. van Berkel, Head of the International Private Banking Division**

Dutch citizen; lives in Basel, Switzerland and Bussum, the Netherlands; studied economics in Utrecht, the Netherlands and at INSEAD, France.

After occupying several different positions with a number of banks, Guido van Berkel joined the Robeco Group in 1990, where he held various senior management positions. In 2000 he became the Head of one of Rabobank's business units, International Private Banking & Trust. Guido van Berkel has been a member of Bank Sarasin's Group Executive Board since July 2002, with responsibility for its International Private Banking Division.

#### **Matthias Hassels, Chief Financial Officer**

German citizen; lives in Bad Krozingen, Germany; holds a degree in commerce from the Westfälische Wilhelms University in Münster, Germany.

After several years as the Managing Director of an international consulting firm specialising in financial services, Matthias Hassels joined Bank Sarasin in 1998 as the Head of Risk Management & Asset/Liability Management. He has been a member of the GEB since 1999 and the Chief Financial Officer, with responsibility for Controlling, Accounting, Risk Office and Corporate Development, since May 2000.



Matthias Hassels

Franz K. von Meyenburg

Andreas R. Sarasin

Eric G. Sarasin

Dr. Heinz D. Zimmer

**Franz K. von Meyenburg, Head of the Institutional Banking Division**

Swiss citizen; lives in Herrliberg, Switzerland; degree in economics from the University of St. Gallen, Switzerland.

After working for one of Switzerland's largest banks for twenty-five years, where he rose to the rank of General Manager and member of the Executive Board of its Investment Banking area, Franz K. von Meyenburg transferred to Bank Sarasin in May 1999. In January 2000 he became a partner and a member of the management. He is responsible for the Institutional Banking Division, which is made up of Asset Management Switzerland and the UK, Sustainable Investment, Institutional Clients, Research, Trading and Corporate Finance. In addition, Franz K. von Meyenburg is Chairman of the Board of Directors of New Energies Invest Ltd, Managing Director of Acorn Alternative Strategies Ltd, Vice-Chairman of the Board of the Wilhelm Schulthess Foundation and a member of the Advisory Board of Fuchs Petrolub AG Oel + Chemie.

**Andreas R. Sarasin, Head of the Logistics Division**

Swiss citizen; lives in Pfeffingen BL, Switzerland; degree in political science from the University of Basel, Switzerland.

Andreas R. Sarasin joined A. Sarasin & Co., Bankers in 1982. He became a partner and a member of the executive management in 1994. He heads the Logistics Division, which, since May 2000, includes IT, Operations and Services. Andreas R. Sarasin is a director of SDC AG.

**Dr. Heinz D. Zimmer, Head of the Private Banking Switzerland Business Unit**

Swiss citizen; lives in Oberwil BL, Switzerland; degree in law and politics from the University of Vienna, Austria; participant in the Program for Management Development offered by Harvard University, Boston, USA.

In 1995, after having worked for various banks in Switzerland and abroad and also as an independent consultant, Heinz D. Zimmer was appointed CEO of

Rabo Robeco Bank (Switzerland) Ltd. (RRBS) and a member of the executive management of the International Private Banking & Trust Division of Rabobank Nederland. Following our merger with RRBS, Heinz D. Zimmer became a member of our Group Executive Board in July 2002, with responsibility for Private Banking Switzerland.

A new member of the Group Executive Board was appointed as at January 1, 2004:

**Eric G. Sarasin, Head of the Private Banking International Business Unit**

Swiss citizen; lives in Choulex, Geneva, Switzerland; did his initial banking training in Basel. Took a business degree in finance and investments at Babson College, Boston, Mass., USA. Graduate of the Swiss Banking School.

From 1980, Eric G. Sarasin spent two years with Pictet & Co. in Geneva as a financial analyst. From 1985 to 1988, he was a senior account officer with Citibank N.A. in New York. After doing further training at Morgan Guarantee Trust and Kidder, Peabody in New York, he moved to Bank Sarasin in 1988, where he became a partner in 1994. Before being appointed Head of the Private Banking International business unit, he worked on the Swiss brokerage side, where he was responsible for foreign institutions and for developing the Group's institutional marketing. Eric G. Sarasin is Vice-Chairman of Bank Jenni & Cie, SA, president of the German-Swiss Chamber of Commerce and a member of the Swiss Advisory Board, as well as being active in numerous philanthropic foundations in Switzerland and abroad.

**4.2 Other activities and functions**

See 4.1.

## 4.3 Management contracts

No such contracts exist at Bank Sarasin & Co. Ltd.

## 5. Compensation, shareholdings and loans

### 5.1 Content of and method for determining compensation and shareholding programmes

As the body responsible for the ultimate direction of the company and the ultimate supervision and control of the way it is run, the Board of Directors is also responsible for the content of and method for determining compensation and shareholding programmes. It has, in particular, set up a Nomination and Compensation Committee for this purpose (see comments under section 3.5 a) above). The members of the Board of Directors receive a fixed fee which is paid in cash. The compensation of the members of the GEB consists of a fixed base salary plus a performance-related bonus. Part of their bonus may, if so desired, be paid not as money but in the form of shares or options on shares in Bank Sarasin & Co. Ltd (see also section 5.4 below). The level of performance-related bonus payments depends partly on the Sarasin Group's profit in the year in question and partly on individual performance appraisals, based on annually agreed targets and expectations. The determination of the compensation of members of the Board of Directors and the GEB or of individual elements thereof is within the competence of the Nomination and Compensation Committee and the Board of Directors.

### 5.2 Compensation of current members of the Board of Directors and the GEB

The following table shows all fixed compensation paid to members of the Board of Directors and the GEB as well as performance-related bonus payments to the members of the GEB (see also section 5.4 below). In accordance with the accrual principle stipulated by the SWX Swiss Exchange, the bonus payments relate to performance in 2003, although the amounts in question will not be disbursed until the second quarter of 2004.

#### Compensation of members of the Board of Directors and the GEB for 2003

	CHF
Members of the GEB (executive)	11 254 180.00
Directors (non-executive)	1 315 834.00
Total	12 570 014.00

No severance payments were made in 2003 to directors or members of the GEB.

### 5.3 Compensation of former members of the Board of Directors and the GEB

No compensation was paid in 2003 to former directors or members of the GEB.

### 5.4 Share allotment in the year under review

The participation scheme SaraPart is an instrument that has been created to bind top management, executives and other key individuals more closely to the bank and to motivate them to think entrepreneurially and to display exceptional dedication and commitment.

As a long-term bonus, individuals eligible to participate in the scheme have the right to receive one share in the Bank and at least one (and no more than six) option(s) as part of their bonus. There is a waiting period, which can be as long as four years, during which the shares or options cannot be obtained or exercised. The issue price payable for any shares and options that are allotted is deducted from the bonus payment to the individual concerned. Participation in SaraPart is optional.

Our directors do not receive performance-related bonuses and therefore cannot participate in SaraPart, whereas members of our GEB, within the context of their performance-related bonuses, may do so. However, the conditions applying to SaraPart had not been determined by the time this report went to press. It is therefore not possible to report on any shares or options allotted to members of our GEB within the context of SaraPart.

## 5.5 Share ownership

### Shares owned by directors and members of the GEB as at 31 December 2003

	Class B registered shares
Members of the GEB (executive)	1 510
Directors (non-executive)	16 753
Total	18 263

## 5.6 Options

### Options owned by directors and members of the GEB as at 31 December 2003

	Year	Number of options	Maturity date	Exercise price (in CHF)
Members of the GEB (executive)	2000	813	11.4.2005	5 900
	2001	930	29.3.2006	5 250
	2002	63	15.4.2007	3 400
	2003	75	2.4.2009	1 627
Directors (non-executive) <sup>3</sup>	2000	369	11.4.2005	5 900
	2001	336	29.3.2006	5 250
	2002	78	15.4.2007	3 400
	2003	0	–	–

*Note: The subscription ratio for all options is: 1 option for 1 share.*

<sup>3</sup> These are options granted to our former partners prior to July 1, 2002.

## 5.7 Additional fees and remuneration

In the year under review there were no instances in which a director or a member of the GEB received additional fees or remuneration that equalled or exceeded half their ordinary compensation.

## 5.8 Loans to directors or members of the GEB

### Loans to directors or members of the GEB as at 31 December 2003

	Number of beneficiaries	Loans (in CHF)	Interest rate (p. a.)	Term	Collateral
Members of the GEB (executive)	4	3 412 000	2.75% to 3.75%	At sight or redeemable within 3 months	Mortgage notes, cash, securities
Directors (non-executive)	3	562 000	2.75% to 3.75%	At sight or redeemable within 3 months	Mortgage notes, cash, securities

*Note: The same conditions apply to directors and members of the GEB as to staff.*

## 5.9 Highest total compensation

In 2003 the director with the highest total compensation received compensation amounting to CHF 700 000.

## 6. Shareholders' participation rights

### 6.1 Restriction and representation of voting rights

A share register is kept in which the names and addresses of the owners and beneficiaries of registered shares are entered as shareholders with or without voting rights. In order to exercise voting rights, shareholders and beneficiaries must be registered in the share register three days before invitations to the General Meeting are issued.

#### 6.1.1 Restrictions on voting rights

Under Article 5 of our Articles of Association, an application to be recognised and registered as a shareholder with voting rights may be rejected (see section 2.6.1 on page 57).

#### 6.1.2 Exceptions

In the year under review no exceptions were made to the rules regarding the restriction and representation of voting rights.

#### 6.1.3 Procedure for cancelling voting rights restrictions provided for under the Articles of Association

Any change in the provisions of our Articles of Association regarding voting rights restrictions requires at least two thirds of the votes represented at the General Meeting of shareholders and an absolute majority of the par value of the registered shares represented.

#### **6.1.4 Representation**

Registered shareholders may represent their shares themselves or have them represented by another registered shareholder to whom they have given a written proxy. Shareholders require an admission ticket to attend the General Meeting of shareholders.

#### **6.2 Quorums under the articles of association**

Each share carries one vote. Unless there are legal provisions to the contrary, the General Meeting of shareholders takes its decisions by an absolute majority of the votes represented. In the event of a tie, the Chairman has a casting vote for motions, while elections are determined by drawing lots. If no one is elected in the first round of an election, a second round is held, which is decided by a relative majority.

#### **6.3 Convocation of the General Meeting of shareholders**

The convocation of the General Meeting of shareholders is governed by the provisions laid down by law.

#### **6.4 Agenda**

One or more shareholders who represent shares with a par value of at least CHF 1 million may demand that a specific item be placed on the agenda. Their demand that an item be discussed must be received by the company no later than 45 days before the General Meeting of shareholders. In all other respects, the provisions laid down by law are applicable.

#### **6.5 Registrations in the share register**

Entry in the share register requires proof of the acquisition of a share or a certificate attesting to ownership/usufruct. In order to exercise voting rights, shareholders and beneficiaries must be registered in the share register three days before invitations to the General Meeting of shareholders are issued. The share register is closed for registrations from the third day preceding that on which invitations to a General Meeting of shareholders are issued until the day after the General Meeting of shareholders.

### **7. Changes of control and defence measures**

#### **7.1 Duty to make an offer**

Our Articles of Association do not include any opting-out or opting-up clauses.

Since June 30, 2002 IPB Holding B.V., Utrecht, Holland, a fully owned subsidiary of the Cooperatieve Centrale Raiffeisen-Boerenleenbank (Rabobank), has owned 171 553 Class B registered shares, corresponding to 16.3 % of the voting rights of Bank Sarasin & Co. Ltd and 28.0 % of its share capital, while Eichbaum Holding Ltd holds all 550 000 Class A registered shares as well as 150 Class B registered shares, corresponding to 52.3 % of the voting rights and 18.0 % of the share capital. The shares in Eichbaum Holding Ltd are exclusively owned by Dr. Philip Baumann, Matthias Hassels, Hans-Rudolf Hufschmid, Dr. Georg F. Kraye, Peter E. Merian, Franz K. von Meyenburg, J. Guy E. Monson, Andreas R. Sarasin, Dr. Beat A. Sarasin, Eric G. Sarasin, Conrad P. Schwyzer and Rolf M. Wittendorfer. The above-mentioned men have granted Rabobank a call option on all the shares in Eichbaum Holding Ltd. That option is valid for 7 years (until June 30, 2009) and gives Rabobank the right to acquire those shares – and consequently a voting majority in Bank Sarasin & Co. Ltd – within that period of time.

In accordance with a recommendation issued by the Swiss Takeover Board on March 26, 2002, which was confirmed on October 13, 2003 in connection with Matthias Hassels's and Rolf Wittendorfer's shareholding in Eichbaum Holding Ltd, Bank Sarasin's former partners, Eichbaum Holding Ltd and the Rabobank Group together constitute a group within the meaning of Article 27 of the Swiss Stock Exchange Ordinance (BEHV). Unless IPB Holding B.V. exercises its call option, the latter group is exempted until June 30, 2009 from the duty of making a public offer to the shareholders of Bank Sarasin & Co. Ltd.

### **7.2 Clauses on changes of control**

No agreements containing such clauses exist at Bank Sarasin & Co. Ltd.

## **8. Auditors**

### **8.1 Duration of the mandate and term of office of the in-charge auditor**

Ernst & Young AG has audited the Group financial statements since they were introduced in 1992. It audits our most important subsidiaries (except Bank Sarasin (CI) Ltd, Guernsey, Sarasin Funds Management (Guernsey) Ltd, Bank Sarasin Benelux S.A., Luxemburg and Sarasin (U.K.) Ltd and its subsidiaries), has acted as the Statutory Auditors of Bank Sarasin & Co. Ltd since its transformation into a limited company in June 2002 and acted as the Supervisory Committee for Bank Sarasin & Co. prior to that date. Since the 2002 financial year, Dr. Andreas Blumer has been the responsible partner and Lukas J. MacDonald has been in charge of the audit.

### **8.2 Audit fees**

The Sarasin Group (the figures for Bank Sarasin & Co. Ltd are shown in brackets) paid Ernst & Young fees totalling CHF 1 898 463 (CHF 1 441 039) for services connected with the auditing of the 2003 financial statements. In addition, subsidiaries within the scope of the Sarasin Group's consolidation paid other audit firms a total of CHF 255 939 for corresponding services.

### **8.3 Additional fees**

The Sarasin Group (the figures for Bank Sarasin & Co. Ltd are shown in brackets) paid Ernst & Young fees totalling CHF 121 623 (CHF 65 746) for services not connected with the auditing of the 2003 financial statements. In addition, other audit firms received fees totalling CHF 579 457 from subsidiaries within the scope of the Sarasin Group's consolidation.

### **8.4 Supervision and control of services provided by the auditors**

The Audit Committee evaluates the nature and value of all services provided by the external auditors that are not connected with their statutory audit functions. See also the remarks regarding the Audit Committee contained in Section 3.5 b) above.

## **9. Information policy**

Bank Sarasin & Co. Ltd briefs its shareholders, staff, clients and the public simultaneously, fully and at regular intervals, thereby ensuring that all the parties entitled to information are equally treated. Through the institutionalisation and cultivation of contacts, the creation and maintenance of a relationship of trust with the financial world, on the one hand, and with the media and all other parties interested in receiving information, on the other, it guarantees equal opportunity and transparency. Information is provided through the Annual Report, half-yearly reports, conferences for the press and financial analysts as well as at the General Meeting. All major projects and initiatives are reported on promptly in the Internet ([www.sarasin.ch](http://www.sarasin.ch)), letters to shareholders and media releases.

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## Group Balance Sheet as at December 31, 2003

ASSETS	Notes	31.12.2003 CHF	31.12.2002 CHF	CHF	Change %
Cash and other liquid assets		132 413 265	152 215 889	-19 802 624	-13.0
Money market investments		49 865 149	83 455 935	-33 590 786	-40.2
Due from banks		4 765 489 570	5 151 764 133	-386 274 563	-7.5
Due from customers	3.1	1 364 424 086	1 485 929 835	-121 505 749	-8.2
Mortgages	3.1	216 880 313	227 731 173	-10 850 860	-4.8
Securities and precious metals trading portfolios	3.3	193 737 231	96 533 906	97 203 325	100.7
Financial investments	3.41	479 113 857	521 316 632	-42 202 775	-8.1
Non-consolidated participations	3.42/3.6	1 189 152	1 205 699	-16 547	-1.4
Fixed assets	3.6	138 129 017	141 385 693	-3 256 676	-2.3
Intangible assets	3.6	52 206 492	57 557 851	-5 351 359	-9.3
Accrued income and prepaid expenses		44 169 794	47 824 420	-3 654 626	-7.6
Other assets <sup>1)</sup>	3.7	139 330 776	172 533 934	-33 203 158	-19.2
<b>TOTAL ASSETS</b>		<b>7 576 948 702</b>	<b>8 139 455 100</b>	<b>-562 506 398</b>	<b>-6.9</b>
Total subordinated claims		13 123 528	6 060 670	7 062 858	116.5
Total due from non-consolidated participations and significant shareholders		1 420 654 978	2 335 416 991	-914 762 013	-39.2
<sup>1)</sup> Including positive replacement values of	4.1	103 371 227	141 340 787	-37 969 560	-26.9

## Group Balance Sheet as at December 31, 2003

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31.12.2003 CHF	31.12.2002 CHF	CHF	Change %
Due to banks		885 675 588	747 185 863	138 489 725	18.5
Due to customers in savings and investment accounts		251 903 986	253 536 594	-1 632 608	-0.6
Other amounts due to customers		4 894 354 833	5 926 643 783	-1 032 288 950	-17.4
Medium term notes		0	31 000	-31 000	-100.0
Bonds and mortgage-backed bonds		321 900 135	94 376 397	227 523 738	241.1
Accrued expenses and deferred income		97 816 287	90 591 219	7 225 068	8.0
Other liabilities <sup>1)</sup>	3.7	276 658 006	212 047 362	64 610 644	30.5
Value adjustments and provisions	3.11	43 491 943	62 519 731	-19 027 788	-30.4
Reserves for general banking risks	3.11	41 500 000	41 500 000		
Share capital		61 155 300	61 155 300		
Treasury shares		-9 471 922	-11 570 374	-2 098 452	-18.1
Capital reserve		587 129 538	585 947 313	1 182 225	0.2
Retained earnings		53 793 762	390 186 779	-336 393 017	-86.2
Minority participations in shareholders' equity		917 610	867 502	50 108	5.8
Group profit/loss		70 123 636	-315 563 369	385 687 005	n/a
<i>of which minority participations</i>		-227 521	-42 809	184 712	431.5
<i>Total shareholders' equity</i>	3.12	805 147 921	752 523 151	52 624 770	7.0
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>7 576 948 702</b>	<b>8 139 455 100</b>	<b>-562 506 398</b>	<b>-6.9</b>
Total due to non-consolidated participations and significant shareholders		741 526 084	498 649 246	242 876 838	48.7
<sup>1)</sup> Including negative replacement values of	4.1	246 446 536	185 826 027	60 620 509	32.6

OFF-BALANCE SHEET TRANSACTIONS	1000 CHF	31.12.2003 CHF	31.12.2002 CHF	CHF	Change %
Contingent liabilities	3.1/4.3	171 704	197 490	-25 786	-13.1
Irrevocable commitments	3.1	36 112	39 465	-3 353	-8.5
Liabilities for calls on shares and other equities	3.1	2 165	3 140	-975	-31.1
Derivatives					
Contract volume	4.1	5 731 400	7 183 501	-1 452 101	-20.2
Positive replacement value	4.1	103 371	141 341	-37 970	-26.9
Negative replacement value	4.1	246 447	185 826	60 621	32.6
Fiduciary transactions	4.2	2 473 148	2 847 897	-374 749	-13.2

## Group Income Statement for 2003

	Notes	2003 CHF	2002 CHF	CHF	Change %
Interest income		152 278 970	222 035 865	-69 756 895	-31.4
Interest and dividend income from financial investments		11 138 236	18 109 870	-6 971 634	-38.5
Interest expenses		-105 240 423	-167 172 060	-61 931 637	-37.0
<b>NET INTEREST INCOME</b>		<b>58 176 783</b>	<b>72 973 675</b>	<b>-14 796 892</b>	<b>-20.3</b>
Commission income on lending activities		1 129 951	1 230 084	-100 133	-8.1
Commission income on securities and investment transactions		292 374 927	321 904 413	-29 529 486	-9.2
Commission income on other services		16 116 496	12 381 437	3 735 059	30.2
Commission expenses*		-23 049 151	-27 612 436	-4 563 285	-16.5
<b>NET INCOME FROM COMMISSION AND SERVICE FEE ACTIVITIES</b>	5.2	<b>286 572 223</b>	<b>307 903 498</b>	<b>-21 331 275</b>	<b>-6.9</b>
<b>NET INCOME FROM TRADING OPERATIONS</b>	5.3	<b>45 215 808</b>	<b>34 602 306</b>	<b>10 613 502</b>	<b>30.7</b>
Net income from the sale of financial investments		2 404 701	10 888 778	-8 484 077	-77.9
Ordinary income from other sources	5.4	-5 165	-25 103 630	-25 098 465	-100.0
<b>OTHER ORDINARY INCOME</b>		<b>2 399 536</b>	<b>-14 214 852</b>	<b>16 614 388</b>	<b>n/a</b>
<b>OPERATING INCOME</b>		<b>392 364 350</b>	<b>401 264 627</b>	<b>-8 900 277</b>	<b>-2.2</b>
Personnel expenses	5.5	214 918 773	224 248 026	-9 329 253	-4.2
General administrative expenses	5.5	83 944 213	92 984 131	-9 039 918	-9.7
<b>OPERATING EXPENSES</b>		<b>298 862 986</b>	<b>317 232 157</b>	<b>-18 369 171</b>	<b>-5.8</b>
<b>OPERATING PROFIT</b>		<b>93 501 364</b>	<b>84 032 470</b>	<b>9 468 894</b>	<b>11.3</b>
Depreciation and write-offs on fixed assets	3.6	-15 252 238	-22 336 439	-7 084 201	-31.7
Amortisation of other intangible assets		-4 327 014	0	4 327 014	n/a
Amortisation of goodwill	3.6	-9 042 936	-8 661 380	381 556	4.4
Value adjustments, provisions and losses		-575 785	-20 549 124	-19 973 339	-97.2
Impairment for Rabobank's IPB units		0	-289 061 610	-289 061 610	n/a
<b>PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS AND TAXES</b>		<b>64 303 391</b>	<b>-256 576 083</b>	<b>320 879 474</b>	<b>n/a</b>
Extraordinary income	5.6	37 052 677	8 671 258	28 381 419	327.3
Extraordinary expenses	5.7	-2 109 000	-5 943 454	-3 834 454	-64.5
Taxes	5.10	-14 136 476	-9 338 350	4 798 126	51.4
<b>GROUP PROFIT/LOSS BEFORE RESTRUCTURING COSTS</b>		<b>85 110 592</b>	<b>-263 186 629</b>	<b>348 297 221</b>	<b>n/a</b>
Restructuring costs	5.8	-14 986 956	-52 376 740	-37 389 784	-71.4
<b>GROUP PROFIT/LOSS</b>		<b>70 123 636</b>	<b>-315 563 369</b>	<b>385 687 005</b>	<b>n/a</b>
<i>of which minority participations</i>		<i>-227 521</i>	<i>-42 809</i>	<i>184 712</i>	<i>431.5</i>
* Including partners' commission of		0	1 975 966	-1 975 966	-100.0

## Statement of Source and Application of Funds

	2003		2002	
	1000 CHF	Source of funds	Application of funds	Application of funds
Group profit/loss		70 124		315 563
Depreciation and write-offs on fixed assets		15 252		36 207
Impairment for Rabobank's IPB units				289 062
Amortisation of goodwill and other intangible assets		13 370		8 661
Value adjustments, provisions and losses		5 840	24 868	73 999
Accrued income and prepaid expenses		3 655		11 796
Accrued expenses and deferred income		7 225		25 889
Currency translation differences			5 541	22 062
Previous year's dividend			15 289	33 000
Dividend paid to minority shareholders			40	122
<b>CASH FLOW FROM / USED IN OPERATING ACTIVITIES (SELF-FINANCING)</b>		<b>69 728</b>		<b>32 943</b>
Capital increase				17 155
Increase in agio				501 106
Minus purchase of intangible assets				<u>-328 759</u>
Changes in minority participation		90		1 811
Purchase of treasury shares			28 347	
Sale of treasury shares		30 446		
Profit realised on treasury shares		1 182		
<b>CASH FLOW FROM / USED IN TRANSACTIONS RELATING TO EQUITY CAPITAL</b>		<b>3 371</b>		<b>187 691</b>
Participations		32	15	855
Real estate			5 803	
Other fixed assets		1 359	7 552	347
Intangible assets		1 289	9 308	1 870
<b>CASH FLOW FROM / USED IN INVESTING ACTIVITIES</b>			<b>19 998</b>	<b>37 167</b>
<b>MEDIUM AND LONG-TERM BUSINESS (&gt;1 YEAR)</b>				
Due to banks			11 521	19 869
Due to customers		56 630		13 562
Due to customers in savings and investment accounts				82 405
Bonds and mortgage-backed bonds		100 241		
Other liabilities		64 611		56 307
Due from banks			61 814	26 210
Due from customers		21 635		22 679
Mortgages			88 446	13 213
Financial investments		20 708		102 446
Other claims		33 207		5 543
<b>SHORT-TERM BUSINESS</b>				
Money market liabilities				96 663
Due to banks		150 011		340 853
Due to customers			1 090 588	4 093 654
Bonds and mortgage-backed bonds		127 283		
Money market claims		33 591		19 563
Due from banks		448 088		3 657 970
Due from customers		99 871		952 751
Financial investments		21 495		97 517
Securities and precious metals trading portfolios			97 203	34 604
Mortgages		99 297		8 858
Medium term notes				31
Cash and other liquid assets		19 803		15 093
<b>CASH FLOW FROM / USED IN BANKING ACTIVITIES</b>			<b>53 101</b>	<b>183 467</b>

## Group Income Statement for 2003 (pro forma presentation)

	1000 CHF	2003 CHF	2002 CHF	CHF	Change %
<b>OPERATING INCOME</b>					
Interest income		163 417	240 146	-76 729	-32.0
Interest expenses		-105 240	-167 172	-61 932	-37.0
<b>NET INTEREST INCOME</b>		<b>58 177</b>	<b>72 974</b>	<b>-14 797</b>	<b>-20.3</b>
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
<b>OPERATING INCOME</b>		<b>392 364</b>	<b>401 265</b>	<b>-8 901</b>	<b>-2.2</b>
<b>OPERATING EXPENSES</b>					
Personnel expenses		214 919	224 248	-9 329	-4.2
General administrative expenses		83 944	92 984	-9 040	-9.7
<b>OPERATING PROFIT</b>		<b>93 501</b>	<b>84 033</b>	<b>9 468</b>	<b>11.3</b>
Depreciation and write-offs on real estate and other 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
<b>OPERATING RESULT BEFORE TAXES, EXTRAORDINARY RESULT AND SPECIAL FACTORS</b>		<b>64 303</b>	<b>32 487</b>	<b>31 816</b>	<b>97.9</b>
Taxes		-14 136	-9 338	4 798	51.4
Extraordinary result		34 944	2 728	32 216	1 180.9
Restructuring costs		-14 987	-52 377	-37 390	-71.4
Impairment for Rabobank's IPB units		0	-289 062	-289 062	n/a
<b>GROUP PROFIT/LOSS</b>		<b>70 124</b>	<b>-315 562</b>	<b>385 686</b>	<b>n/a</b>
<i>of which minority participation</i>		-228	-43	185	431.5

# Notes to the Group Financial Statements

## 1. Business Activities and Headcount

The services offered by our group are divided into the areas of *Private Banking*, *Investment Funds* and *Institutional Banking*. On the Private Banking side, our key services of investment advice and asset management for domestic and foreign clients are rounded off by complementary activities such as portfolio management, financial planning and lending as well as consulting services in the areas of taxation, estate planning, trusts and foundations. Our *Investment Funds Division* manages and designs investment funds and adapts our marketing channels and products to market demands. Our *Institutional Banking Division* assists and advises institutional clients, offering services in the areas of financial engineering (structured products), asset management, sustainable investment, research, brokerage, corporate finance and underwriting as well as securities and forex trading.

27 companies are consolidated in the Sarasin Group. The companies in the group are listed in section 3.5 in the notes.

At the end of 2003 the Sarasin Group had a headcount of 1108.5 (adjusted for part-time working), 172.5 people or 13.5 % less than a year earlier. 732 people (66 % of the total) worked at Bank Sarasin & Co. Ltd (our group's parent company), 83 (10.2 %) less than a year earlier.

## 2. Accounting Principles

**2.1 General Principles.** Bank Sarasin & Co. Ltd's group financial statements have been drawn up in accordance with Switzerland's Code of Obligations, its Banking Act and the related ordinance, the guidelines of the Swiss Federal Banking Commission and the accounting provisions of the listing rules of the SWX Swiss Exchange. Our financial statements for 2003 have been drawn up in accordance with the version dated December 18, 2002 of the revised accounting guidelines for banks adopted by the Swiss Federal Banking Commission (BAG-SFBC), which came into force as at December 31, 2003. The various innovations necessitated the adjustment of a number of general principles for the year under review. The impact of these changes on individual items is indicated in section 2.22 below. On the basis of the application of uniform accounting principles, our group financial statements give a true and fair view of the financial position, the results of operations and the cash flows of the Sarasin Group.

**2.2 Reporting and Presentation.** All business transactions have been entered in the books of the companies in our group as of the day they were concluded.

**2.3 Consolidation.** Our group financial statements cover all companies in our group operating in the financial sector in which Bank Sarasin & Co. Ltd has a direct or indirect parti-

cipation of more than 50 % or otherwise exerts a decisive influence. The most important companies in which a participation is held are listed in section 3.5 below. Third party shareholders' interests in subsidiaries' net assets and operating results are reported on the liabilities side under "*minority participations in shareholders' equity*" in our group balance sheet and as "*minority participations*" under "*group profit/loss*" in our group income statement.

The following insignificant participations in companies are not consolidated:

- Minority participations of up to 50 %
- Majority participations which are not substantial.

The consolidation period is the calendar year. All the companies included in the scope of consolidation have a financial year that ends on December 31.

**2.4 Consolidation Method.** Capital consolidation is treated according to the Anglo-Saxon purchase method, i.e. the cost price is offset against the fair value of the net assets at the time of their creation or acquisition. January 1, 1989 has been set as the acquisition date for participations acquired before 1989. Any surplus or shortfall (goodwill) resulting from this valuation has been posted to retained earnings. Where significant, goodwill for "newly" acquired companies is capitalised and written off over five years. The goodwill for the International Private Banking units taken over from Rabobank is being amortised over ten years. Intragroup claims and liabilities, expenditure and income within the group are offset against one another.

**2.5 Foreign Currencies.** The balance sheets of individual companies in our group that are drawn up in foreign currencies are translated into Swiss francs at year-end exchange rates. Items in income statements are converted at average rates for the year. The resulting translation differences are posted to retained earnings with no effect on income.

In the financial statements of individual companies in the group, assets, liabilities and off-balance sheet transactions in foreign currencies are converted into the respective currency of calculation at year-end exchange rates. Income and expenditure in foreign currencies are converted at applicable daily rates into the currency used for accounting purposes.

The most important year-end conversion rates used for drawing up our group balance sheet were:

USD	1.23	(2002: 1.39)
GBP	2.21	(2002: 2.235)
EUR	1.5575	(2002: 1.455)

The average rates used for preparing our group income statement were USD 1.31 (2002: USD 1.5350), GBP 2.2225 (2002: GBP 2.3325) and EUR 1.5063 (2002: EUR 1.4675).

## Notes to the Group Financial Statements

**2.6 Valuation of individual Items.** Individual balance sheet items are valued on the basis of uniform principles throughout the entire Sarasin Group, with that of materiality being the most important.

**2.7 Cash and other liquid Assets, Amounts due from and to Banks and Customers, Mortgage Claims, Liabilities, Money Market Investments and Liabilities.** These items are reported at their nominal value. Individual value adjustments based on the prudence principle are made for identifiable default risks.

**2.8 Reporting of Repurchase and Reverse Repurchase Transactions.** Under these kinds of transactions, we purchase and sell securities subject to an undertaking that we shall subsequently resell or repurchase the same kind of securities. Transactions of this type do not as a rule constitute sales or purchases but are treated as financing transactions backed by collateral. As long as we retain the capacity to dispose of the economic rights associated with them, securities sold in the context of such undertakings continue to be posted to the corresponding balance sheet item and the proceeds from their sale are therefore reported as liabilities. As long as we do not gain control of the associated economic rights, purchases of securities are reported as loans secured against securities.

**2.9 Lending and Borrowing with non-monetary Securities.** In the case of securities lending and borrowing where our bank acts as a principal, neither the borrowed/loaned securities nor the securities received/transferred as collateral are reported as securities inflows/outflows in the balance sheet as long as we retain control over the securities concerned. If we relinquish control over the loaned/borrowed securities, the transactions are posted to the balance sheet as changes in securities holdings and, depending on the counterparty, are reported under claims on or liabilities to banks or clients. Any cash amounts that change hands are always entered in the balance sheet. Fees that we pay or receive are reported as commission expenses or commission income. Securities lending and borrowing transactions involving securities executed at the risk and on the account of clients are reported as fiduciary transactions.

In our group financial statements, treasury shares are deducted from shareholders' equity on the basis of their average cost price. In the financial statements of Bank Sarasin & Co. Ltd, they continue to be reported at their market value in our trading portfolio.

**2.10 Securities and Precious Metals Trading Portfolios.** We assign a fair value to interest-bearing securities and equities as well as to precious metals held as part of our trading positions. Where an efficient, liquid market exists, that fair value is based on stock market prices. Where there is no such market, we rely on a valuation model. Realised and unrealised profits and losses on components of our securities positions are reported under "net income from trading operations", to which interest and

dividend income is also posted. Financing costs are charged to "net income from trading operations" and credited to "net interest income".

**2.11 Financial Investments.** Securities acquired as a long-term investment are reported under this item. Interest-bearing securities acquired with the intention that they shall be retained until final maturity are valued according to the accrual method. Premiums and discounts are apportioned over the residual period still remaining until final maturity. Interest-related profits or losses from early sale or redemption are apportioned over the residual period, i.e. the period remaining until the original maturity date, and are posted to interest income. All other financial investments are reported at the lower of cost and market. Profits resulting from the sale of securities for more than their cost price are reported under "income from the sale of financial investments". Market-related reductions or recoveries in value up to cost price are reported under "ordinary income from other sources".

**2.12 Participations.** This item shows participations in enterprises that are held as a long-term investment and that are not consolidated. They are valued at cost minus the necessary write-downs.

**2.13 Fixed Assets.** Land, buildings and equipment are valued at cost minus accumulated depreciation over their normal useful life. Minor investments are directly charged to the income statement. Renovation and maintenance costs are usually classified as general administrative expenses but may be capitalised if substantial amounts are involved. Fixed assets are written down as from January 1 of the year in which they are acquired. The normal useful life of assets is defined as follows:

• Bank premises and other property including land	60 years
• Equipment specific to banking	10 years
• Furniture and equipment	4–10 years
• EDP hardware	3–8 years
• Vehicles	4 years

Investments that do not exceed the threshold for capitalisation and/or are used during only one accounting period are directly charged to the income statement. Investments in existing fixed assets (e.g. renovation and maintenance costs) are capitalised if their market value or user value is thereby lastingly enhanced or if their useful life is thereby significantly increased. They are otherwise charged to our income statement.

We review our fixed assets annually to verify their valuation, whenever events or circumstances suggest that there has been any impairment, i.e. that their book value exceeds their market value. In the case of impairment, their book value is reduced to their market value through adjustments to "depreciation and write-offs on fixed assets" in our income statement. If the factors

## Notes to the Group Financial Statements

that influence market value have significantly improved, assets are written up. In that case, the new book value is the lower of the newly established market value, on the one hand, and the book value after normal depreciation (without taking account of impairment), on the other.

**2.14 Intangible Assets.** Intangible assets are valued at cost minus accumulated depreciation over their estimated useful life. They are written down as from the date on which they start being used. Their normal useful life is defined as follows:

- Goodwill on Rabobank's former IPB units 10 years
- Other goodwill 5 years
- EDP software 3–8 years
- Other intangible assets 5 years

Intangible assets are capitalised if they exceed the threshold for capitalisation and if they are of quantifiable benefit to our bank for a period of several years.

We review our intangible assets annually to verify their valuation, whenever events or circumstances suggest that their value has been impaired.

**2.15 Value Adjustments and Provisions.** We make value adjustments and set aside provisions on the basis of the prudence principle for all identifiable risks. Individual value adjustments on loans to clients are offset directly against assets. All other value adjustments and provisions are reported under liabilities. Our group financial statements no longer include any overall value adjustments.

### 2.16 Taxes

**2.16.1 Current payable Taxes.** Our payments in respect of income and capital taxes are calculated on the basis of the results for the reporting period concerned that are contained in the individual financial statements of the companies in our group. Our tax liability is calculated on the basis of current tax rates and is reported under "*accrued expenses and deferred income*".

**2.16.2 Deferred Taxes.** Deferred tax liabilities and credits to allow for the future fiscal impact of timing differences between the balance sheet values considered for tax purposes and those reported in our consolidated financial statements are calculated on the basis of the balance sheet method and are reported under "*value adjustments and provisions*". Deferred taxes are calculated separately for every financial year and for every taxable entity. Deferred tax credits on operating losses that are carried forward are capitalised only if their future realisation is sufficiently probable.

The tax rate used in our group financial statements is based on the tax rates actually foreseeable for the individual entities. The total for deferred taxes corresponds to the net change in deferred tax credits and liabilities during the year under review and is reported under "*taxes*".

**2.17 Derivatives.** We trade in derivatives on our own account as well as on behalf of clients. As far as proprietary trading is concerned, we use options, financial futures and swaps to hedge our trading and investment positions and to control our interest rate risk within the context of the issue and management of structured products.

Derivatives are valued at market except in the case of hedging transactions. We use prices for the residual life until maturity for forward positions. Trading positions in derivatives for which there is a representative market are valued at market prices, with valuation differences being entered in our income statement. Where no representative market exists, we follow recognised valuation rules and value positions at the lower of cost and market.

Hedging transactions are valued according to the same rules as the hedged position concerned. Where the value of hedging transactions exceeds that of the hedged positions, the excess is reported under "*net income from trading operations*".

Our balance sheet shows the gross replacement value of derivative instruments (proprietary and client trades). The positive and negative replacement value of contracts with a single counterparty are not netted out.

### 2.18 Risk Management

#### a) General considerations

Assessing and taking risks is in the nature of banking. No transaction can take place without a risk being incurred. For this reason, we adopt a clearly defined, transparent and integrated risk management policy for all our divisions and adapt it continuously to the latest knowledge. Substantial human and technological resources are made available for this purpose. Risk management has become a decisive factor in banks' competitiveness. Active risk management should make it possible to minimise undesirable risks and to make optimum use of our capital for the benefit of our shareholders and other stakeholders. Risk management is therefore an important link in the wealth-creation chain, in that it makes existing and potential risks obvious to decision-makers.

#### b) Risk culture

The standard of risk management achieved by a financial institution is not simply a question of compliance with formalised internal and external rules. Of equal, if not even greater, significance is the risk awareness of decision-makers. The quantitative criteria on which attention frequently centres are only one

## Notes to the Group Financial Statements

component of a comprehensive risk management system. The development of an appropriate risk culture as part of a financial institution's overall culture is just as important. A central element of such a risk culture is the discipline and thoroughness with which participants respond to their tasks in the risk management process. Integrity, risk awareness on the part of everyone concerned at all levels of our institution as well as clearly defined responsibilities and competencies are the pillars that support our risk culture.

### c) Organisation of our risk management

Our Board of Directors is responsible for the formulation and implementation of our group's risk policy. It lays down our risk strategy, the organisational framework for risk management such as limits and systems, our maximum risk tolerance and respective responsibilities. Our risk policy is reviewed annually to ensure its appropriateness.

Our Group Executive Board (GEB) is responsible for implementing the risk management and risk control principles laid down by our Board of Directors. The GEB has set up committees for two risk categories: a Credit Committee to manage counterparty risk and an Asset/Liability Committee (ALCO) to manage market risks in our banking book. These two committees are composed of members of the management and staff from the various areas concerned and they meet monthly in the case of the first one and quarterly in the case of the second. Both the Credit Committee and ALCO are chaired by our Chief Financial Officer (CFO).

Our Risk Office, which is independent of our trading activities, conducts a detailed assessment of our group's risks, evaluates the potential of different opportunities and risks and, where appropriate, takes steps to adjust our group's risk profile. It is responsible for ensuring compliance with our risk management process, which consists of risk identification, risk measurement, risk reporting and risk control. The Risk Office makes proposals to the Board of Directors regarding the risk models to be used. It also supplies the Board of Directors, the GEB and the responsible risk-bearers with individual reports.

### d) Market risk

Market risk means the risk that we might incur losses due to changes in market variables (equity prices, interest rates and exchange rates). The monitoring of positions subject to market risk is assigned either to trading or to ALCO, depending on their investment strategy, and they both manage the associated risks by means of instruments suited to the specific needs. These include a system of risk limits and the permanent monitoring of risk positions on the basis of quantitative approaches such as Value at Risk (VaR) and scenario analysis.

We use VaR limits, sensitivity and concentration limits (Delta, Gamma, Vega and nominal limits) and PVBP (present value of a basis point) limits to determine and limit market risk. The Value at Risk indicator measures the potential future loss on a

portfolio in the envisaged retention period that will not be exceeded with a certain probability under normal market conditions. This calculation method is standard for all portfolios at Bank Sarasin & Co. Ltd. Positions and the level of recourse to limits are monitored overnight as well as intraday (real time). There are clearly defined escalation procedures should limits be exceeded.

Our group's VaR in the trading area amounted to CHF 0.43 million as at December 31, 2003 (1 day retention period, 99% confidence level). The table shows that the total VaR for our trading positions averaged CHF 0.69 million, fluctuating in a narrow range between CHF 0.27 million and CHF 1.44 million.

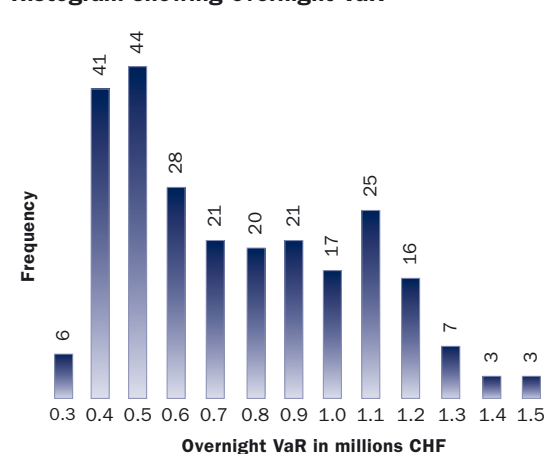
VALUE AT RISK\*) OF BANK SARASIN & CO. LTD'S TRADING POSITIONS BROKEN DOWN ACCORDING TO RISK FACTORS

Risk category	millions CHF			
	31.12.2003	$\sigma$	min.	max.
Equities risk	0.30	0.29	0.11	0.86
Interest rate risk	0.04	0.05	0.00	0.14
Foreign exchange risk	0.09	0.35	0.03	1.02
Precious metals risk	0.00	0.01	0.00	0.03
Total	0.43	0.69	0.27	1.44

\*) 99% confidence level; 1 day retention period; calculated on the basis of day-end holdings in 2003 with no allowance for correlation effects between the risk factors

The median level of our overnight VaR amounted to CHF 0.63 million in 2003, or around CHF 0.4 million less than in 2002. The frequency distribution of our overnight VaR shows a large number of observations clustered around that median. Our traders are careful to keep their overnight risk exposure as small as possible and to assume only very specific risks outside trading hours.

Histogram showing overnight VaR



The VaR method we use is based on the variance/covariance approach. Our methodology is continuously monitored and adjusted. Our input parameters, in particular, are constantly being extended and updated. The VaR method is useful for the daily risk quantification of positions with linear value changes under normal market conditions. We use scenario analysis as well as the VaR method to calculate the market risk of port-

folios with asymmetric payoff patterns (options). This technique assumes predefined extreme shifts in the relevant market parameters and calculates the theoretical loss through the revaluation of positions. The appropriateness of the predefined scenarios is regularly reviewed.

We use standard procedures to calculate the capital resources required to cover market risks relating to our trading book. Interest rate risks relating to our banking book are monitored in accordance with the Swiss Federal Banking Commission's circular regarding the measurement, management and monitoring of interest rate risks.

### *e) Credit risk*

Credit risk means the risk that we might sustain losses due to the insolvency of a counterparty. Such losses usually consist of the outstanding credit minus the proceeds from the sale of collateral and any bankruptcy or liquidation dividend that might be paid.

Our lending activities are mainly limited to loans to private clients that are secured against securities or mortgages. Our lending criteria are very prudently formulated and their appropriateness is continuously reviewed.

For the purpose of our dealings with other banks and brokers, we use a rating system to determine the selection of counterparties and the granting of limits for them. The criteria are such that only first-class counterparties are considered. New relationships with banks and brokers are discussed in our Credit Committee, which then defines and approves the necessary limits provided the rating conditions are satisfied.

### *f) Liquidity risk*

Our solvency is monitored and assured within the framework of the provisions laid down by Switzerland's Banking Act. Our own positions are regularly reviewed in respect of their negotiability.

### *g) Litigation risk*

In the course of their normal business, Bank Sarasin & Co. Ltd and individual companies in the group are involved in various types of litigation. The group makes provisions for such contingencies if the bank and its legal advisers consider that the group is likely to have to make payments and if the amount of those payments can be estimated. All provisions for risks connected with litigation are included in the group balance sheet under "other provisions".

As regards any further claims against the Sarasin Group of which management is aware (and for which, in accordance with the principles outlined above, no provision has been made), the GEB and its legal advisers consider that such claims are without merit, can be successfully defended or will not have a significant impact on the group's financial situation or operating results.

**2.19 Pension plan liabilities.** Our group maintains pension plans for its staff both in Switzerland and abroad.

We meet the cost of work-related pension coverage for all staff and their survivors in accordance with the law, the related foundations' articles of association and the applicable pension regulations.

Our pension plan liabilities are reported and valued in accordance with the Swiss accounting standard GAAP FER 16. For defined contribution plans, employer contributions continue to be reported as before as an expense relating to the company's pension plan.

All Swiss companies in the Sarasin Group have their own legally autonomous pension plan. These plans are funded through employer and employee contributions. As at the end of 2003, the group's Swiss pension plans covered a total of 725 insured members still in employment and 98 pensioners. Our Swiss pension plans can be classified as defined contribution plans within the meaning of the Swiss accounting standard GAAP FER 16.

The pension plan for the staff of our parent company, which was a defined benefit plan until December 31, 2003 and became a defined contribution plan as at January 1, 2004, has the legal form of a foundation. The bank's contributions are specified in the rules regarding the pension plan. As at December 31, 2002, the pension plan had a cover ratio of 98.3%. As at December 31, 2003, the employer's contributions reserve totalled CHF 12.3 million (2002: CHF 11.7 million).

Our foreign subsidiaries, particularly those in Luxemburg, Singapore, Hong Kong and the United Kingdom, operate pension plans that meet legal requirements in each of the countries concerned. Following the change as at January 1, 2004 in the pension plan operated by Bank Sarasin Benelux S.A., all our foreign subsidiaries' pension plans are defined contribution plans within the meaning of the Swiss accounting standard GAAP FER 16.

**2.20 Assets under Management.** These are calculated on the following basis:

### *a) Assets under management:*

Assets under management include all customer assets managed or held for investment purposes. Their definition and calculation are based on the following principles:

#### *1) Customers' deposits:*

Securities, precious metals and fiduciary investments have been valued at market. The total includes assets deposited with companies in the group as well as assets deposited with third parties in respect of which the companies in our group

## Notes to the Group Financial Statements

have a management mandate. Assets held exclusively for transactional or custodial purposes (custody business) are not included.

### 2) *Customers' funds:*

We report securitised and unsecuritised liabilities to customers (excluding securities lending and borrowing).

### 3) *Sarasin investment fund assets:*

This item includes the assets of publicly traded investment funds offered by the Sarasin Group.

### *b) Double-counting:*

Assets may be double-counted when the bank can earn the customary margin for investment transactions at several points along the wealth creation chain. Such double-counting essentially relates to the Sarasin Group's publicly traded investment funds, units in which are held among clients' deposits, as well as to shares in the Sarasin Investment Foundation and fiduciary funds invested with companies in the Sarasin Group.

Double-counting is reported separately.

**2.21 Remarks.** No events have occurred since the balance sheet date that call for a different presentation of our financial position, the results of our operations and our cash flows.

The reported minority participations in our shareholders' equity and group result principally relate to interests held by S.I.M. Partnership (London) Ltd, Saralux S.A. (Luxemburg) and Sarasin Expertise AM (Paris) (see section 3.5 entitled Scope of Consolidation).

**2.22 Differences in our Financial Statements as compared with 2002.** Our financial statements for 2003 have been drawn up in accordance with the revised accounting guidelines for banks adopted by the Swiss Federal Banking Commission (BAG-SFBC), which came into force as at December 31, 2003. The resulting changes entailed restatement of our 2002 balance sheet items. Our 2002 income statement has not been adapted. The various innovations required the adjustment of individual items in our balance sheet and income statement. The most significant changes are listed below:

## Notes to the Group Financial Statements

Item concerned	Change	Treatment in our Financial Statements for 2002	Treatment in our Financial Statements for 2003
Profit/loss on Purchase/sale of treasury shares	In our financial statements for 2003, the profit/loss on the purchase/sale of treasury shares has been directly allocated to our capital reserve.	Our CHF 2 611 493 loss on trading in treasury shares was included under net income from trading operations.	Our CHF 1 182 225 profit on trading in treasury shares and related derivatives has been allocated to our capital reserve.
Shareholders' equity/ treasury shares	Our treasury shares are directly deducted, at cost, from shareholders' equity.	Our holdings of treasury shares as at 31.12.2002 were valued at CHF 11.5 million and were allocated to our trading portfolio.	Our holdings of treasury shares as at 31.12.2003 have been valued at CHF 9.5 million (cost price) and deducted as a separate item from shareholders' equity. Our 2002 balance sheet has been restated, insofar as last year's holdings valued at CHF 11.5 million have been deducted from shareholders' equity.
Taxes	Provisions for current payable taxes may no longer be reported under " <i>value adjustments and provisions</i> ". Instead, they must be allocated to " <i>accrued expenses and deferred income</i> ".	Our provisions for 2002 included CHF 15.7 million for current payable taxes.	Our tax provisions as at 31.12.2003 consist solely of provisions for deferred taxes.
Software	Software is now reported under " <i>intangible assets</i> " rather than under " <i>fixed assets</i> ".	As at 31.12.2002, our fixed assets included software capitalised at CHF 11.2 million.	As at 31.12.2003, our intangible assets include software capitalised at CHF 11.6 million. Our balance sheet for 2002 has been restated to reflect the reallocation of our capitalised software from " <i>fixed assets</i> " to " <i>intangible assets</i> ".
Structured products	Structured products are now reported under " <i>bonds and mortgage-backed bonds</i> ".	Our holdings of structured products as at 31.12.2002 totalled CHF 94.4 million, of which CHF 2.4 million was allocated to short positions in our trading portfolio.	Our holdings of structured products as at 31.12.2003 totalled CHF 321.9 million. Our balance sheet for 2002 has been restated to reflect the reallocation of our holdings of structured products from the item " <i>due to customers</i> " and short positions in our trading portfolio to the item " <i>bonds and mortgage-backed bonds</i> ".
Value adjustments and provisions	In the case of one subsidiary, provisions totalling CHF 3.1 million that were no longer operationally required were restated as at 31.12.2002 and allocated to deferred taxes and to shareholders' equity.	In 2002, provisions that were not operationally required were reported under " <i>other provisions</i> ".	In our financial statements for 2003, the previous year's figures are restated and the unnecessary provisions are reported under shareholders' equity (CHF 2.3 million) and deferred taxes (CHF 0.8 million).
Provisions for the insurance of client funds	One of our subsidiaries makes provision for the insurance of client funds in the event of a loss-entailing occurrence at any of the institutions in the insurance pool.	In our financial statements for 2002, these provisions were reported under " <i>other provisions</i> ".	In our financial statements for 2003, the previous year's figures are restated and these provisions are reported under shareholders' equity (CHF 8.9 million) and deferred taxes (CHF 3.6 million).

In addition, the following Swiss GAAP FER accounting standards have been followed for the first time:

- Swiss GAAP FER 4 - Foreign currency translation
- Swiss GAAP FER 9 - Intangible assets
- Swiss GAAP FER 11 - Taxes in group financial statements
- Swiss GAAP FER 16 - Pension liabilities
- Swiss GAAP FER 20 - Impairment of assets

With the exception of the abovementioned changes, the introduction of these new standards did not have any significant impact on our financial statements for 2003.

## Notes to the Group Financial Statements

### 3. Information on the Balance Sheet

#### 3.1 Listing of Collateral

LOANS	1000 CHF	Type of collateral		Unsecured	Total
		Mortgage	Other		
Due from customers		25 686	1 310 890	27 848	1 364 424
Mortgages					
Residential real estate		211 352			211 352
Office and business premises		5 528			5 528
<b>TOTAL LOANS</b>	<b>31.12.2003</b>	<b>242 566</b>	<b>1 310 890</b>	<b>27 848</b>	<b>1 581 304</b>
	31.12.2002	252 144	1 421 587	39 931	1 713 662
<b>OFF-BALANCE SHEET TRANSACTIONS</b>					
Contingent liabilities		2 190	151 823	17 691	171 704
Irrevocable commitments			33 112	3 000	36 112
Liabilities for calls on shares and other equities				2 165	2 165
<b>TOTAL OFF-BALANCE SHEET TRANSACTIONS</b>	<b>31.12.2003</b>	<b>2 190</b>	<b>184 935</b>	<b>22 856</b>	<b>209 981</b>
	31.12.2002	2 228	186 696	51 171	240 095
<b>IMPAIRED LOANS</b>					
	1000 CHF	Gross outstanding claims	Estimated liquidation value of collateral	Net outstanding claims	Individual value adjustment
	31.12.2003	8 501	-3 747	4 754	4 754

#### 3.2 Hedge Fund / Private Equity

Acorn Alternative Strategies Ltd, which was launched in 1999 and which holds broadly diversified investments in hedge funds, has assets totalling CHF 463 million (2002: CHF 448 million). Acorn is quoted on the SWX Swiss Exchange (investment companies segment). The item "securities and precious metals trading portfolios" in our group balance sheet contains 54 928 of its shares (2002: 31 781) valued at CHF 13.7 million (2002: CHF 7.9 million).

New Energies Invest Ltd, a private equity company, achieved an investment ratio of around 75 % in 2003 (2002: 67.5 %) by increasing the level of its existing participations and by making loans. It currently has investments in a total of twelve different securities, four of which are publicly quoted.

The focus of its investments continues to lie on the financing of companies' expansion and on solar energy. It had a good year in 2003, benefiting both from the firmer euro and from the better performance of its quoted participations. Its largest private equity investments also did well. Our securities trading positions contain 18 788 of its shares (2002: 35 861) valued at CHF 3.081 million (2002: CHF 6.0 million).

## Notes to the Group Financial Statements

### 3.3 Securities and Precious Metals Trading Portfolios

	1000 CHF	31.12.2003	31.12.2002
Interest-bearing securities		17 895	4 897
<i>of which listed</i>		17 895	4 897
<i>of which unlisted</i>		0	0
Equities		170 817	85 847
<i>of which hedging portfolio for structured products</i>		146 340	49 800
Precious metals		5 025	5 790
<b>TOTAL SECURITIES AND PRECIOUS METALS TRADING PORTFOLIOS</b>		<b>193 737</b>	<b>96 534</b>
<i>of which securities rediscountable or pledgeable with the central bank</i>		4 053	1 369

### 3.4 Financial Investments

#### 3.41 Financial Investments

	1000 CHF	Book value		Fair value	
		31.12.2003	31.12.2002	31.12.2003	31.12.2002
Interest-bearing securities and rights		436 644	475 322	449 003	493 703
<i>of which valued according to the accrual method</i>		376 834	406 773	388 506	424 308
<i>of which valued at the lower of cost and market</i>		59 810	68 549	60 497	69 395
Equities		42 471	45 995	50 685	53 496
<b>TOTAL FINANCIAL INVESTMENTS</b>		<b>479 115</b>	<b>521 317</b>	<b>499 688</b>	<b>547 199</b>
<i>of which securities rediscountable or pledgeable with the central bank</i>		255 915	200 248		

#### 3.42 Non-consolidated Participations

	1000 CHF	31.12.2003	31.12.2002
with quoted value		0	0
without quoted value		1 189	1 206
<b>TOTAL NON-CONSOLIDATED PARTICIPATIONS</b>		<b>1 189</b>	<b>1 206</b>

## Notes to the Group Financial Statements

### 3.5 Scope of Consolidation

SWITZERLAND		Capital	
<b>BANK SARASIN &amp; CO. LTD, BASEL<sup>1)</sup></b>			
SARABET LTD, BASEL	CHF	3 250 000	
Banque Jenni & Cie SA, Basel	CHF	1 000 000	
Nerva Finanz Ltd, Basel	CHF	1 000 000	
(Affaires Financières SA, Cofindal Ltd, Euro Patent Company Ltd, Patobal Ltd, Sarasin Trust Co. Ltd) Total	CHF	700 000	
Sarasin Investmentfonds Ltd, Basel	CHF	4 000 000	
<b>SARASIN NON TRADITIONAL LTD, BASEL</b>			
ABRE AG, ZURICH	CHF	100 000	
<b>ABRE AG, ZURICH</b>			
<b>ABROAD</b>			
<b>SARASIN (U.K.) LTD, LONDON</b>			
Sarasin International Securities Ltd, London	GBP	1 500 000	
S.I.M. Partnership (London) Ltd, London <sup>2)</sup>	GBP	1 000 000	
Sarasin Investment Management Ltd, London	GBP	400 000	
Sarasin Investment Funds Ltd, London	GBP	300 000	
Sarasin Asset Management Ltd, London	GBP	50 000	
<b>BANK SARASIN (CI) LTD, ST. PETER PORT</b>			
<b>SARASIN FUNDS MANAGEMENT (GUERNSEY) LTD, ST. PETER PORT</b>			
<b>BANK SARASIN-RABO (ASIA) LTD, SINGAPORE</b>			
		USD	20 000 000
		SD	50 549 527
Sarasin Rabo Investment Management Ltd, Hong Kong	HKD	31 123 000	
<b>SARASIN DEUTSCHLAND GMBH, HAMBURG</b>			
<b>EICHENPARK KAPITAL VERWALTUNGS GMBH, FRANKFURT (NEW)</b>			
		EUR	750 000
		EUR	25 000
<b>SARALUX S.A., LUXEMBURG<sup>3)</sup></b>			
<b>BANK SARASIN BENELUX S.A., LUXEMBURG</b>			
		EUR	1 200 000
		EUR	16 300 000
<b>SARASIN EXPERTISE AM, PARIS<sup>3)</sup> (NEW)</b>			
		EUR	350 000

<sup>1)</sup> Listed on the SWX Swiss Exchange Zurich

Market capitalisation as at 31.12.2003: CHF 1 161 650 700.-

Security number: 226 773

ISIN No. CH 0002267737

<sup>2)</sup> Indirect participation of 95 %

<sup>3)</sup> 90 % participation

Except for those to which footnotes<sup>2)</sup> and <sup>3)</sup> relate, all the participations listed above are fully owned, either directly or indirectly, by Bank Sarasin & Co. Ltd. The participations listed above are fully consolidated.

GUPA Holding Ltd was wound up in the course of 2003 so is no longer included in the scope of consolidation.

## Notes to the Group Financial Statements

### 3.6 Breakdown of Assets

and Participations	1000 CHF	Purchase cost	Write-offs/ accumulated depreciation	Book value 31.12.2002	Acquisition	Current year		Write-offs/ depreciation	Book value 31.12.2003
						Investments	Disposals		
<b>PARTICIPATIONS</b>									
– valued according to the equity method				0					0
– other	2 164	–958	1 206			15	–32		1 189
<b>TOTAL PARTICIPATIONS</b>	<b>2 164</b>	<b>–958</b>	<b>1 206</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>–32</b>	<b>0</b>	<b>1 189</b>
<b>FIXED ASSETS</b>									
– bank premises	123 534	–19 374	104 160					–2 063	102 097
– other real estate	6 461	–811	5 650			5 803		–93	11 360
– goods acquired under financial leasing arrangements				42		1			43
– other fixed assets	133 718	–102 142	31 576	43	7 466	–1 359	–13 097		24 629
<b>TOTAL FIXED ASSETS</b>	<b>263 713</b>	<b>–122 327</b>	<b>141 386</b>	<b>85</b>	<b>13 270</b>	<b>–1 359</b>	<b>–15 253</b>		<b>138 129</b>
<b>INTANGIBLE ASSETS</b>									
– goodwill	355 658	–309 254	46 404	2 976	281	–41	–9 043		40 577
– other intangible assets	25 763	–14 610	11 153	5	6 045	–1 248	–4 327		11 628
<b>TOTAL INTANGIBLE ASSETS</b>	<b>381 421</b>	<b>–323 864</b>	<b>57 557</b>	<b>2 981</b>	<b>6 326</b>	<b>–1 289</b>	<b>–13 370</b>		<b>52 205</b>
Fire insurance value of real estate									158 152
Fire insurance value of other fixed assets									61 527
Liabilities: future leasing instalments under operating leases									2 271

### 3.7 Other Assets and Liabilities

1000 CHF	31.12.2003		31.12.2002	
	Other assets	Other liabilities	Other assets	Other liabilities
REPLACEMENT VALUE OF DERIVATIVES	103 371	246 446	141 341	185 826
EQUALISATION ACCOUNT	2 465		5 975	
INDIRECT TAXES	16 629	8 120	11 159	11 027
SETTLEMENT ACCOUNTS	3 697	10 500	747	2 274
UNREDEEMED COUPONS, MEDIUM TERM NOTES AND BONDS	5 309	33	5 987	36
OTHER ASSETS AND LIABILITIES	7 860	11 559	7 325	12 885
<b>TOTAL OTHER ASSETS AND LIABILITIES</b>	<b>139 331</b>	<b>276 658</b>	<b>172 534</b>	<b>212 048</b>

## Notes to the Group Financial Statements

### 3.8 Assets pledged or ceded to secure own Liabilities and Assets to which our Title is reserved

This relates exclusively to a deposit of securities valued at CHF 179.4 million (2002: CHF 166.9 million). CHF 10.6 million was advanced under that facility at the end of the year.

CHF 37.0 million relates to a credit line with the Swiss National Bank. At the end of the year, no funds were advanced under that facility.

	1000 CHF	31.12.2003	31.12.2002
<b>LOAN AND REPURCHASE TRANSACTIONS INVOLVING SECURITIES</b>			
Book value of claims resulting from cash deposits connected with securities borrowing and reverse purchase transactions		0	0
Book value of liabilities resulting from cash deposits connected with securities lending and repurchase transactions		0	0
Book value of own holdings of securities lent out in connection with securities lending, delivered as collateral in connection with securities borrowing or transferred in connection with repurchase transactions		0	0
– of which: securities for which the unrestricted right of resale or pledging has been granted		0	0
Fair value of securities delivered as collateral in connection with securities lending, borrowed in connection with securities borrowing or received under reverse repurchase transactions, for which the unrestricted right of resale or pledging has been granted		7 114	1 700
– Fair value of all such securities that have been resold or pledged		7 114	1 700

### 3.9 Liabilities to our own Pension Plans

Our liabilities to our own pension plans totalled CHF 20.7 million at the end of 2003 (2002: CHF 37.7 million).

### 3.10 Outstanding Bond Issues / Structured Products

ISSUER	PRODUCT	Weighted average interest rate as %	Maturities	Amount in 1000 CHF
Bank Sarasin (CI) Ltd, Guernsey	SaraFloor	1.68	2004-2008	42 486
Bank Sarasin & Co. Ltd, Basel	SaraFloor	1.68	2004-2008	5 320
Bank Sarasin (CI) Ltd, Guernsey	SaraSail units	1.93	2004-2006	219 626
Bank Sarasin & Co. Ltd, Basel	SaraSail units	1.93	2004-2006	22 974
Bank Sarasin & Co. Ltd, Basel	SaraSail warrants	1.50	2004	31 495
<b>TOTAL</b>				<b>321 901</b>

ISSUER	PRODUCT	1000 CHF	Maturities					Total
			up to one year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	
Bank Sarasin (CI) Ltd, Guernsey	SaraFloor	36 187	3 422				2 877	42 486
Bank Sarasin & Co. Ltd, Basel	SaraFloor	3 022					2 298	5 320
Bank Sarasin (CI) Ltd, Guernsey	SaraSail units	136 888	24 840	57 898				219 626
Bank Sarasin & Co. Ltd, Basel	SaraSail units	9 294	10 894	2 786				22 974
Bank Sarasin & Co. Ltd, Basel	SaraSail warrants	31 495						31 495
<b>TOTAL</b>		<b>216 886</b>	<b>39 156</b>	<b>60 684</b>	<b>0</b>	<b>5 175</b>		<b>321 901</b>

## Notes to the Group Financial Statements

### 3.11 Value Adjustments and Provisions / Reserves for General Banking Risks

	1000 CHF	Balance 31.12.2002	Designated uses	Recoveries, dubious interest, currency transla- tion differences	New amounts charged to income statement	Reversals credited to income statement	Balance 31.12.2003
Provisions for deferred taxes		5 312		327	4 145		9 784
Value adjustments and provisions							
– for default risks (credit and country risks)		28 451	–4 077	518	45	–20 183	4 754
– for other business risks		11 647	–750	–273	43		10 667
– other provisions <sup>1)</sup>		20 818	–8 275	143	605	–150	13 141
– provision for restructuring		23 837	–13 113	287		–1 157	9 854
<b>TOTAL VALUE ADJUSTMENTS AND PROVISIONS</b>		90 065	–26 215	1 002	4 838	–21 490	48 200
Value adjustments deducted directly from assets		–27 545					–4 708
<b>TOTAL VALUE ADJUSTMENTS AND PROVISIONS AS PER BALANCE SHEET</b>		62 520					43 492
<b>RESERVES FOR GENERAL BANKING RISKS</b>		41 500					41 500

<sup>1)</sup> When we acquired Rabobank's IPB units, we also took over litigation covered by a comprehensive indemnity issued by Rabobank and IPB Holding B.V, Utrecht in favour of Bank Sarasin & Co. Ltd. The litigation to which that indemnity relates is not covered by our provisions.

## Notes to the Group Financial Statements

### 3.12 Statement of Changes in Shareholders' Equity

SHAREHOLDERS' EQUITY AT BEGINNING OF YEAR 1000 CHF	2003 <sup>1)</sup>	2002	2001	2000	1999
Paid up share capital	61 155	44 000	44 000	44 000	44 000
Capital reserve	585 947	84 841	84 841	84 841	84 841
Retained earnings (including currency translation differences)	390 187	363 786	279 995	220 108	164 435
Reserves for general banking risks	41 500	41 500	45 500	41 500	37 500
Minority participation in shareholders' equity	868	2 821	3 642	3 533	2 921
Previous year's group loss/profit (including minority participations)	-315 563	70 132	131 128	99 667	80 138
Treasury shares	-11 570				
<b>TOTAL SHAREHOLDERS' EQUITY AT BEGINNING OF YEAR UNDER REVIEW</b>	<b>752 524</b>	<b>607 080</b>	<b>589 106</b>	<b>493 649</b>	<b>413 835</b>
+ Allocation to reserves for general banking risks				4 000	4 000
+ Capital increase		17 155			
+ Agio		501 106			
- Reversal from reserves for general banking risks			-4 000		
+/- Change in minority participation	80	-1 811	-1 956		
- Currency translation differences and other factors	-5 531	-22 062	-137	-4 421	3 175
- Dividends	-15 329	-33 122	-46 065	-35 251	-27 027
- Purchases of treasury shares	-28 348				
+ Sales of treasury shares	30 446				
+ Disposals of treasury shares	1 182				
+/- Group result	70 351	-315 520	69 506	127 995	95 712
-/+ Minority participation in group result	-227	-43	626	3 133	3 954
<b>TOTAL SHAREHOLDERS' EQUITY AT END OF YEAR UNDER REVIEW</b>	<b>805 148</b>	<b>752 783</b>	<b>607 080</b>	<b>589 105</b>	<b>493 649</b>
<i>of which</i>					
Paid up share capital	61 155	61 155	44 000	44 000	44 000
Capital reserve	587 129	585 947	84 841	84 841	84 841
Retained earnings (including currency translation differences)	53 794	378 876	363 786	279 995	220 108
Reserves for general banking risks	41 500	41 500	41 500	45 500	41 500
Minority participation in shareholders' equity	918	868	2 821	3 642	3 533
Group result (including minority participations)	70 124	-315 563	70 132	131 128	99 667
Treasury shares	-9 472				
<b>TREASURY SHARES (REGISTERED SHARES)</b>	<i>Number</i>				
Treasury shares on January 1, 2003	7 523				
+ Purchases	16 756				
- Sales	-18 927				
<b>HOLDING ON DECEMBER 31, 2003</b>	<b>5 352</b>				

<sup>1)</sup> Shareholders' equity and liabilities has been adjusted as at the beginning of the year (in line with the Swiss Federal Banking Commission's new accounting provisions)

## Notes to the Group Financial Statements

### 3.13 Maturity Structure of current Assets, financial Investments and borrowed Funds

	1000 CHF	At sight	Redeemable upon notice	Maturities			Over 5 years	Total
				Within 3 months	Within 3 to 12 months	Within 1 to 5 years		
<b>CURRENT ASSETS AND FINANCIAL INVESTMENTS</b>								
Cash and other liquid assets		132 413						132 413
Money market investments		952		36 904	12 009			49 865
Due from banks		1 682 701	40 863	2 647 265	306 637	88 023		4 765 489
Due from customers		8 722	119 352	916 643	309 004	9 925	779	1 364 425
Mortgages			78 995	5 000	13 007	117 929	1 950	216 881
Securities and precious metals trading portfolios		193 737						193 737
Financial investments		39 117	30 560	5 537	46 495	195 699	161 705	479 113
<b>TOTAL CURRENT ASSETS AND FINANCIAL INVESTMENTS</b>								
	<b>31.12.2003</b>	<b>2 057 642</b>	<b>269 770</b>	<b>3 611 349</b>	<b>687 152</b>	<b>411 576</b>	<b>164 434</b>	<b>7 201 923</b>
	31.12.2002	694 835	1 274 297	4 515 106	765 579	260 123	209 008	7 718 948
<b>BORROWED FUNDS</b>								
Due to banks		152 947	450 310	219 092	54 979	8 348		885 676
Due to customers in savings and investment accounts			251 904					251 904
Other amounts due to customers		1 047 565	1 620 286	1 840 084	301 228	85 192		4 894 355
Bonds and mortgage-backed bonds				23 600	198 059	100 241		321 900
<b>TOTAL BORROWED FUNDS</b>								
	<b>31.12.2003</b>	<b>1 200 512</b>	<b>2 322 500</b>	<b>2 082 776</b>	<b>554 266</b>	<b>193 781</b>	<b>0</b>	<b>6 353 835</b>
	31.12.2002	861 432	2 472 781	3 124 079	514 014	49 154	314	7 021 774

There are no unredeemable positions.

## Notes to the Group Financial Statements

### 3.14 Balance Sheet Breakdown by Domestic/Foreign

ASSETS	1000 CHF	31.12.2003		31.12.2002	
		Domestic	Foreign	Domestic	Foreign
Cash and other liquid assets	98 110	34 303	85 670	66 546	
Money market investments	44 974	4 891	79 904	3 552	
Due from banks	255 893	4 509 596	245 423	4 906 341	
Due from customers	221 530	1 142 894	191 088	1 294 842	
Mortgages	213 809	3 071	223 423	4 309	
Securities and precious metals trading portfolios	141 194	52 544	47 741	48 793	
Financial investments	253 849	225 265	239 475	281 842	
Participations	1 172	17	1 206		
Fixed assets	126 870	11 260	133 792	7 595	
Intangible assets	45 884	6 322	43 435	14 122	
Accrued income and prepaid expenses	15 215	28 955	16 151	31 673	
Positive replacement value	96 384	6 987	131 521	9 819	
Other assets	22 191	13 768	19 621	11 571	
<b>TOTAL ASSETS</b>	<b>1 537 075</b>	<b>6 039 873</b>	<b>1 458 450</b>	<b>6 681 005</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Due to banks	675 309	210 367	171 484	575 702	
Due to customers in savings and investment accounts	219 530	32 374	230 681	22 856	
Other amounts due to customers	1 137 958	3 756 397	1 681 129	4 245 515	
Medium term notes			31		
Bonds and mortgage-backed bonds	293 606	28 294	94 376		
Accrued expenses and deferred income	64 786	33 030	61 154	29 437	
Negative replacement value	236 683	9 763	176 099	9 727	
Other liabilities	21 534	8 677	13 389	12 832	
Value adjustments and provisions	33 018	10 474	49 029	13 491	
Total shareholders' equity (including treasury shares)	804 230	918	751 656	867	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3 486 654</b>	<b>4 090 294</b>	<b>3 229 028</b>	<b>4 910 427</b>	

### 3.15 Assets by Country / Groups of Countries

ASSETS	31.12.2003		31.12.2002	
	1000 CHF	%	1000 CHF	%
<b>EUROPE</b>				
<i>Switzerland</i>	1 537 075	20.3	1 458 451	17.9
Germany	426 718	5.6	370 719	4.6
France	219 769	2.9	212 623	2.6
United Kingdom	698 581	9.2	495 204	6.1
Ireland	61 813	0.8	307 657	3.8
Luxemburg	223 809	3.0	428 792	5.3
Netherlands	1 511 520	19.9	1 421 646	17.5
Various European countries	651 880	8.6	829 719	10.2
<b>TOTAL EUROPE</b>	<b>5 331 165</b>	<b>70.4</b>	<b>5 524 811</b>	<b>67.9</b>
<b>OVERSEAS</b>				
Singapore	1 261 836	16.7	1 830 453	22.5
South America	234 943	3.1	217 834	2.7
United States	139 273	1.8	226 178	2.8
Various overseas countries	609 732	8.0	340 179	4.2
<b>TOTAL OVERSEAS</b>	<b>2 245 784</b>	<b>29.6</b>	<b>2 614 644</b>	<b>32.1</b>
<b>TOTAL ASSETS</b>	<b>7 576 949</b>	<b>100.0</b>	<b>8 139 455</b>	<b>100.0</b>

## Notes to the Group Financial Statements

### 3.16 Balance Sheet Breakdown by Currency

ASSETS	1000 CHF	CHF	EUR	GBP	USD	Other	Total
Cash and other liquid assets		94 483	33 472	3 077	1 363	18	132 413
Money market investments		45 247	4 110		195	313	49 865
Due from banks		843 450	1 979 530	161 526	1 464 715	316 269	4 765 490
Due from customers		324 630	145 733	22 216	374 325	497 520	1 364 424
Mortgages		216 717				163	216 880
Securities and precious metals trading portfolios		140 566	43 146	129	4 226	5 670	193 737
Financial investments		410 247	20 493	12 685	33 538	2 151	479 114
Participations		1 175				14	1 189
Fixed assets		126 870	3 092	6 971	6	1 190	138 129
Intangible assets		45 884	831	2 988	2 234	270	52 207
Accrued income and prepaid expenses		30 562	4 340	3 838	1 022	4 408	44 170
Other assets		108 845	20 991	205	8 108	1 182	139 331
<b>TOTAL BALANCE SHEET ASSETS</b>		<b>2 388 676</b>	<b>2 255 738</b>	<b>213 635</b>	<b>1 889 732</b>	<b>829 168</b>	<b>7 576 949</b>
Claims deriving from spot and forward forex transactions		771 049	357 227	36 561	1 205 169	318 030	2 688 036
Claims deriving from forex options		50 400	16 483	1 695	185 075	168 374	422 027
<b>TOTAL ASSETS</b>	<b>31.12.2003</b>	<b>3 210 125</b>	<b>2 629 448</b>	<b>251 891</b>	<b>3 279 976</b>	<b>1 315 572</b>	<b>10 687 012</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
Due to banks		156 164	194 272	43 050	321 355	170 835	885 676
Due to customers in savings and investment accounts		251 904					251 904
Other amounts due to customers		780 752	1 872 210	141 602	1 749 364	350 427	4 894 355
Bonds and mortgage-backed bonds		304 503	14 211		3 186		321 900
Accrued expenses and deferred income		71 426	10 505	6 070	5 548	4 267	97 816
Other liabilities		203 044	59 235	1 324	11 112	1 943	276 658
Value adjustments and provisions		33 018	9 127		1 347		43 492
Reserves for general banking risks		41 500					41 500
Share capital		61 155					61 155
Treasury shares		-9 472					-9 472
Capital reserve		587 129					587 129
Retained earnings		53 794					53 794
Minority participations in shareholders' equity			43	875			918
Group result		70 124					70 124
<b>TOTAL BALANCE SHEET LIABILITIES</b>		<b>2 605 041</b>	<b>2 159 603</b>	<b>192 921</b>	<b>2 091 912</b>	<b>527 472</b>	<b>7 576 949</b>
Liabilities deriving from spot and forward forex transactions		783 206	352 654	37 092	899 083	618 274	2 690 309
Liabilities deriving from forex options		18 876	17 982	901	217 196	167 072	422 027
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>31.12.2003</b>	<b>3 407 123</b>	<b>2 530 239</b>	<b>230 914</b>	<b>3 208 191</b>	<b>1 312 818</b>	<b>10 689 285</b>
Net position per currency		-196 998	99 209	20 977	71 785	2 754	-2 273

## Notes to the Group Financial Statements

### 3.17 Claims on and Liabilities to affiliated Companies and Loans to Members of Management Bodies

	1000 CHF	31.12.2003	31.12.2002
Claims on affiliated companies		1 280 095	1 159 745
Liabilities to affiliated companies		29 634	11 786
Loans to members of management bodies		3 974	3 501

The loans to members of management bodies are secured according to established banking practice.

#### TRANSACTIONS WITH RELATED PARTIES

The term "related parties" means the Rabobank Group, our management bodies and Eichbaum Holding Ltd.

Claims on/liabilities to related parties correspond to total claims on/liabilities to affiliated companies and loans to members of management bodies.

We do quite a significant volume of lending and commission business with related parties and with companies in the Rabobank Group. Business including operations such as securities transactions, payments transactions, loans and payment of interest on deposits is conducted with related parties. It is governed by the conditions applied to third parties. Further details are to be found in point 3.9 of the notes to our parent company's financial statements.

Please also see point 3.9 of our parent company's financial statements for information regarding the option granted to Rabobank by Eichbaum Holding Ltd and regarding the transaction connected with the change in Eichbaum Holding's shareholders.

3.18 Risk-weighted Assets (BIS)	millions CHF	31.12.2003		31.12.2002	
		Balance sheet valuation or contract volume	Risk-weighted amount	Balance sheet valuation or contract volume	Risk-weighted amount
<b>BALANCE SHEET ASSETS</b>					
Due from banks		4 768	953	5 152	1 031
Due from customers net of value adjustments		1 581	931	1 663	942
Net securities positions <sup>1)</sup>		537	246	614	263
Real estate and other fixed assets		150	150	153	153
Accrued income and prepaid expenses		44	44		48
Other assets		139	58	173	66
<b>OFF-BALANCE SHEET POSITIONS</b>					
Contingent liabilities and irrevocable commitments		208	128	236	115
Liabilities for calls on shares and other equities		2	1	3	2
Forward contracts (gross)		3 391	25	3 698	10
Options and add-ons		1 030	15	259	15
<b>MARKET RISK POSITIONS</b>					
Securities net of long positions		189	189	100	100
Foreign exchange and precious metals		391	391	174	174
<b>TOTAL RISK-WEIGHTED POSITIONS</b>			<b>3 131</b>		<b>2 919</b>

<sup>1)</sup> Without securities trading positions but including treasury shares.

		31.12.2003	31.12.2002
CORE CAPITAL	millions CHF	734	691
BIS TIER 1 RATIO	%	23.4	23.7

## Notes to the Group Financial Statements

### 3.19 Capital Resources required as Security against Market Risks in Respect of our Securities, Forex, Gold and other Precious Metals Trading Positions pursuant to Switzerland's Banking Act

We use the standard procedure to calculate the shareholders' equity that is required as security against market risks in respect of our securities, forex, gold and other precious metals trading positions. In making our calculations, we take account of the following items:

- Trading positions in securities and rights
- Securities lending and borrowing
- Foreign exchange and precious metals forward transactions
- All options, futures and the like (derivatives), unless expressly concluded as hedging transactions for investments.

The corresponding claims on shareholders' equity amounted to:	millions CHF	31.12.2003	31.12.2002
for foreign exchange and precious metals		38.9	17.1
for the specific risk of interest rate instruments		5.1	0.7
for the general market risk of interest rate instruments		0.3	0.5
for the specific risk of equities		2.2	5.1
for the general market risk of equities		2.0	3.6
for the additional risk of options based on Delta Plus		0.5	1.0
		49.0	28.0

## 4. Information on Off-Balance Sheet Transactions

4.1 Outstanding Derivatives	1000 CHF	Trading Instruments			Hedging Instruments		
		Replacement value positive	negative	Contract volume	Replacement value positive	negative	Contract volume
<b>INTEREST RATE INSTRUMENTS</b>							
Swaps		2 377	2 209	246 167	299	880	229 420
Futures		615	633	85 927			
<b>FOREIGN EXCHANGE</b>							
Forward contracts		65 887	67 273	3 083 985			
Options (OTC)		5 835	6 175	516 451			
<b>PRECIOUS METALS</b>							
Forward contracts		79	75	8 515			
Futures		128	128	3 840			
Options (OTC)		261	261	20 086			
<b>EQUITIES / INDICES</b>							
Futures		3 168	3 143	216 837			
Options (OTC) <sup>1)</sup>		24 722	165 670	1 320 172			
<b>TOTAL</b>	<b>31.12.2003</b>	<b>103 072</b>	<b>245 567</b>	<b>5 501 980</b>	<b>299</b>	<b>880</b>	<b>229 420</b>
<b>Trading and hedging instruments</b>							
Total on 31.12.2003		103 371	246 447	5 731 400			
Total on 31.12.2002		141 341	185 826	7 183 501			

There are no netting-out agreements

<sup>1)</sup> Gross volume of purchases and sales (proprietary and client trades)

## Notes to the Group Financial Statements

### 4.2 Breakdown of fiduciary Transactions

	1000 CHF	31.12.2003	31.12.2002
Fiduciary deposits with other banks		782 575	2 778 252
Fiduciary deposits with companies in the Rabobank group		1 676 062	41 247
Fiduciary lending		8 388	24 850
Other fiduciary business		6 123	3 548
<b>TOTAL FIDUCIARY TRANSACTIONS</b>		<b>2 473 148</b>	<b>2 847 897</b>

### 4.3 Breakdown of contingent Liabilities

	1000 CHF	31.12.2003	31.12.2002
Credit guarantees		157 021	182 768
Performance guarantees		14 663	14 699
Other contingent liabilities		20	23
<b>TOTAL CONTINGENT LIABILITIES</b>		<b>171 704</b>	<b>197 490</b>

### 4.4 Assets under Management

	millions CHF	31.12.2003	31.12.2002
TYPE OF ASSET			
Assets invested with in-house funds		6 870.3	5 517.1
Assets invested under a management mandate		13 359.8	12 640.6
Other assets under management		28 419.7	28 276.4
<b>TOTAL ASSETS UNDER MANAGEMENT (INCLUDING DOUBLE-COUNTING)</b>		<b>48 649.8</b>	<b>46 434.1</b>
<i>of which double-counting</i>		<i>5 067.7</i>	<i>4 309.0</i>

## 5. Information on the Income Statement

### 5.1 Financing Costs for trading Positions

Trading income includes interest and dividend income on trading portfolios and financing costs for trading positions. For 2003 CHF 0.0 million (2002: CHF 0.7 million) has been credited to interest income in connection with financing.

### 5.2 Net Income from Commission and Service Fee Activities

	millions CHF	2003	2002
Transaction and brokerage fees		76.9	86.2
Investment fund transactions		89.1	94.0
Commission for investment advice, securities deposit fees		109.6	121.7
Underwriting		1.1	1.9
Other commission		32.9	31.7
Commission expenses <sup>1)</sup>		-23.1	-27.6
<b>TOTAL</b>		<b>286.5</b>	<b>307.9</b>
<sup>1)</sup> Including partners' commission in 2002.			2.0

### 5.3 Net Income from trading Operations

	millions CHF	2003	2002
Securities trading		19.4	6.0
Trading in foreign exchange, precious metals and banknotes		25.8	28.6
<b>TOTAL</b>		<b>45.2</b>	<b>34.6</b>

## Notes to the Group Financial Statements

### 5.4 Ordinary income from other sources

millions CHF

	2003	2002
Income from non-consolidated participations	0.3	3.3
Income from real estate	0.5	0.5
Other ordinary income	2.4	0.7
Other ordinary expenses	-3.2	-29.6
TOTAL	0.0	-25.1

### 5.5 Operating Expenses

millions CHF

	2003	2002
<b>PERSONNEL EXPENSES</b>		
Salaries and bonuses	171.4	180.0
Social charges	12.5	13.8
Pension contributions	16.8	16.6
Other personnel expenses	14.2	13.8
TOTAL	214.9	224.2
<b>GENERAL ADMINISTRATIVE EXPENSES</b>		
Bank premises	17.0	20.4
Expenditure on fixed assets	12.8	12.9
Telecommunication charges	18.3	24.0
Advertising and travel	16.3	19.4
Other business expenses	19.5	16.3
TOTAL	83.9	93.0

### 5.6 Extraordinary Income

millions CHF

	2003
Our extraordinary income totalling CHF 37.1 million is made up of:	
Writing-back of individual value adjustments that are no longer required	6.6
Writing-back of overall value adjustments	13.6
Writing-back of provisions for taxes that are no longer required	10.2
Writing-back of provisions for restructuring that are no longer required	1.2
Miscellaneous	5.5

In 2002 our extraordinary income totalled CHF 8.7 million, of which CHF 7.4 million derived from the IPB units taken over from Rabobank.

### 5.7 Extraordinary Expenses

This item totals CHF 2.1 million which is made up of various positions not related to the year under review. (2002: CHF 5.9 million, of which CHF 5.4 million related to the IPB units taken over from Rabobank).

### 5.8 Restructuring Costs

With the first phase of the IPB companies' integration having been successfully concluded in 2002, attention in the year under review focused on the second phase, namely their organisational integration into the Sarasin Group. In view of our group's significantly increased size, our IT platform needed to be fundamentally changed so that work processes in our parent company and the integration of our new international locations could be placed on an efficient foundation. Some of the associated investment, namely CHF 15 million, was reported as extraordinary restructuring costs. Given that our new IT platform was successfully introduced at the beginning of 2004, we can today assume that the IPB companies' integration and restructuring have been completed.

## Notes to the Group Financial Statements

### 5.9 Breakdown of Income and Expenditure from normal banking Operations by Domestic/Foreign

	1000 CHF	2003			2002		
		Domestic	Foreign	Total	Domestic	Foreign	Total
Interest income		29 154	123 125	152 279	48 390	173 645	222 035
Interest and dividend income from financial investments		10 144	993	11 137	16 001	2 109	18 110
Interest expenses		-9 914	-95 326	-105 240	-21 845	-145 327	-167 172
<b>NET INTEREST INCOME</b>		<b>29 384</b>	<b>28 792</b>	<b>58 176</b>	<b>42 546</b>	<b>30 427</b>	<b>72 973</b>
Commission income on lending activities		652	478	1 130	787	444	1 231
Commission income on securities and investment transactions		234 534	57 841	292 375	255 682	66 222	321 904
Commission income on other services		11 759	4 357	16 116	10 077	2 305	12 382
Commission expenses		-19 965	-3 084	-23 049	-24 942	-2 671	-27 613
<b>NET INCOME FROM COMMISSION AND SERVICE FEE ACTIVITIES</b>		<b>226 980</b>	<b>59 592</b>	<b>286 572</b>	<b>241 604</b>	<b>66 300</b>	<b>307 904</b>
<b>NET INCOME FROM TRADING OPERATIONS</b>		<b>39 800</b>	<b>5 416</b>	<b>45 216</b>	<b>25 213</b>	<b>9 389</b>	<b>34 602</b>
Net income from the sale of financial investments		2 390	14	2 404	10 427	462	10 889
Income from non-consolidated participations		292		292	3 288		3 288
Income from real estate		475		475	506		506
Ordinary income from other sources		1 691	751	2 442	89	644	733
Other ordinary expenses		-3 213		-3 213	-29 631		-29 631
<b>OTHER ORDINARY INCOME</b>		<b>1 635</b>	<b>765</b>	<b>2 400</b>	<b>-15 321</b>	<b>1 106</b>	<b>-14 215</b>
<b>OPERATING INCOME</b>		<b>297 799</b>	<b>94 565</b>	<b>392 364</b>	<b>294 042</b>	<b>107 222</b>	<b>401 264</b>
Personnel expenses		164 388	50 531	214 919	165 784	58 464	224 248
General administrative expenses		55 190	28 754	83 944	60 762	32 222	92 984
<b>OPERATING EXPENSES</b>		<b>219 578</b>	<b>79 285</b>	<b>298 863</b>	<b>226 546</b>	<b>90 686</b>	<b>317 232</b>
<b>OPERATING PROFIT</b>		<b>78 221</b>	<b>15 280</b>	<b>93 501</b>	<b>67 496</b>	<b>16 536</b>	<b>84 032</b>

### 5.10 Taxes

	1000 CHF	2003	2002
Transfer to provisions for deferred taxes		4 145	0
Writing-back of provisions for deferred taxes		0	-1 241
Expenses in respect of current payable income/capital taxes		9 991	10 579
<b>TOTAL TAXES</b>		<b>14 136</b>	<b>9 338</b>

For prudential reasons, we have not capitalised deferred tax credits that can be calculated from the losses we have carried forward.

	1000 CHF	2003	2002
Losses carried forward*		182 016	2 778

\* Before the offsetting of losses against the result for the corresponding year.

## Report of the Group Auditors

### to the General Meeting of Shareholders of Bank Sarasin & Co. Ltd, Basel

Mr. Chairman  
Ladies and Gentlemen

As auditors of the group, we have audited the consolidated financial statements (containing the balance sheet, income statement, source of application and funds as well as the notes/pages 74–100) of the Sarasin Group for the year ended December 31, 2003.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with standards promulgated by the auditing profession in Switzerland, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the group's financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the accounting rules for banks and comply with Swiss legislation.

We recommend that the group's financial statements submitted to you be approved.

Basel, March 8, 2004

Ernst & Young AG

Dr. Andreas Blumer

*Certified accountant*

Lukas J. MacDonald

*Certified accountant.  
(in charge of the audit)*





## Balance Sheet as at December 31, 2003

ASSETS	Notes	31.12.2003 CHF	31.12.2002 CHF	Change CHF	Change %
Cash and other liquid assets		96 749 859	83 608 327	13 141 532	15.7
Money market investments		48 912 721	83 455 935	-34 543 214	-41.4
Due from banks		1 125 358 648	984 502 384	140 856 264	14.3
Due from customers		520 846 931	612 694 170	-91 847 239	-15.0
Mortgages		216 717 163	227 514 102	-10 796 939	-4.7
Securities and precious metals portfolios	3.5	203 797 440	106 849 612	96 947 828	90.7
Financial investments	3.4	391 938 272	404 679 595	-12 741 323	-3.1
Participations		259 485 124	261 447 867	-1 962 743	-7.9
Intangible assets		40 020 375	43 435 400	-3 415 025	12.7
Fixed assets		125 624 625	132 546 100	-6 921 475	-5.2
Accrued income and prepaid expenses		26 269 516	25 326 865	942 651	3.7
Other assets <sup>1)</sup>		114 213 941	148 513 795	-34 299 854	-23.1
<b>TOTAL ASSETS</b>		<b>3 169 934 615</b>	<b>3 114 574 152</b>	<b>55 360 463</b>	<b>1.8</b>
Total subordinated claims		13 123 528	6 060 670	7 062 858	116.5
Total due from affiliated companies and significant shareholders		126 203 855	116 102 341	10 101 514	8.7
<sup>1)</sup> Including positive replacement values of		96 384 071	131 520 872	-35 136 801	-26.7

## Balance Sheet as at December 31, 2003

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31.12.2003 CHF	31.12.2002 CHF	Change CHF	Change %
Due to banks		261 078 002	375 872 257	-114 794 255	-30.5
Due to customers in savings and investment accounts		545 510 186	345 491 737	200 018 449	57.9
Other amounts due to customers		1 312 308 157	1 456 060 844	-143 752 687	-9.9
Medium term notes		0	31 000	-31 000	-100.0
Bonds and mortgage-backed bonds		28 293 935	2 421 254	25 872 681	1 068.6
Accrued expenses and deferred income		61 687 364	50 799 243	10 888 121	21.4
Other liabilities <sup>1)</sup>		253 750 994	186 949 409	66 801 585	35.7
Value adjustments and provisions	3.3/3.7	35 336 860	45 100 420	-9 763 560	-21.6
Reserves for general banking risks		36 000 000	36 000 000		
Share capital	3.9	61 155 300	61 155 300		
General legal reserve		539 403 862	606 096 313	-66 692 451	-11.0
Other reserves		0	172 500 000	-172 500 000	-100.0
Retained earnings brought forward		0	89 092 038	-89 092 038	-100.0
Profit/loss for the year		35 409 955	-312 995 663	348 405 618	n/a
<i>Total shareholders' equity</i>	3.10	<i>671 969 117</i>	<i>651 847 988</i>	<i>20 121 129</i>	<i>3.1</i>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3 169 934 615</b>	<b>3 114 574 152</b>	<b>55 360 463</b>	<b>1.8</b>
Total due to affiliated companies and significant shareholders		86 412 940	109 445 395	-23 032 455	-21.0
<sup>1)</sup> Including negative replacement values of		236 683 271	176 049 031	60 634 240	34.4

OFF-BALANCE SHEET TRANSACTIONS	1000 CHF	31.12.2003 CHF	31.12.2002 CHF	Change CHF	Change %
Contingent liabilities		83 287	69 162	14 125	20.4
Guarantee for Bank Sarasin-Rabo (Asia) Ltd		2 200 809	2 706 787	-505 978	-18.7
Irrevocable commitments		3 000	900	2 100	233.3
Liabilities for calls on shares and other equities		2 165	3 140	-975	-31.1
Derivatives					
Contract volume		4 492 624	6 432 062	-1 939 438	-30.2
Positive replacement value		96 384	131 521	-35 137	-26.7
Negative replacement value		236 683	176 049	60 634	34.4
Fiduciary transactions	4.1	2 882 290	3 161 031	-278 741	-8.8

## Income Statement for 2003

	Notes	2003 CHF	2002 CHF	CHF	Change %
Interest income		28 523 729	47 365 805	-18 842 076	-39.8
Interest and dividend income from financial investments		8 525 006	13 150 607	-4 625 601	-35.2
Interest expenses		-9 900 650	-21 801 916	-11 901 266	-54.6
<b>NET INTEREST INCOME</b>		<b>27 148 085</b>	<b>38 714 496</b>	<b>-11 566 411</b>	<b>-29.9</b>
Commission income on lending activities		648 018	702 385	-54 367	-7.7
Commission income on securities and investment transactions		204 870 532	226 663 595	-21 793 063	-9.6
Commission income on other services		11 645 243	9 798 291	1 846 952	18.8
Commission expenses*		-19 408 866	-21 867 307	-2 458 441	-11.2
<b>NET INCOME FROM COMMISSION AND SERVICE FEE ACTIVITIES</b>		<b>197 754 927</b>	<b>215 296 964</b>	<b>-17 542 037</b>	<b>-8.1</b>
<b>NET INCOME FROM TRADING OPERATIONS</b>	5.1	<b>39 713 894</b>	<b>23 975 321</b>	<b>15 738 573</b>	<b>65.6</b>
Net income from sale of financial investments		517 051	0	517 051	n/a
Income from participations		144 482	6 996 788	-6 852 306	-97.9
Income from real estate		415 730	446 431	-30 701	-6.9
Ordinary income from other sources		-2 120 049	-6 732 242	-4 612 193	-68.5
<b>OTHER ORDINARY INCOME</b>		<b>-1 042 786</b>	<b>710 977</b>	<b>-1 753 763</b>	<b>-246.7</b>
<b>OPERATING INCOME</b>		<b>263 574 120</b>	<b>278 697 758</b>	<b>-15 123 638</b>	<b>-5.4</b>
Personnel expenses		157 342 480	157 731 404	-388 924	-0.2
General administrative expenses		50 936 751	54 632 258	-3 695 507	-6.8
<b>OPERATING EXPENSES</b>		<b>208 279 231</b>	<b>212 363 662</b>	<b>-4 084 431</b>	<b>-1.9</b>
<b>OPERATING PROFIT</b>		<b>55 294 889</b>	<b>66 334 096</b>	<b>-11 039 207</b>	<b>-16.6</b>
Depreciation and write-offs on fixed assets		-12 174 033	-16 642 301	-4 468 268	-26.8
Amortisation of other intangible assets		-3 052 659	0	3 052 659	n/a
Amortisation of goodwill		-6 662 308	-6 723 783	-61 475	-0.9
Value adjustments, provisions and losses		-487 721	-16 621 733	-16 134 012	-97.1
Impairment for Rabobank's IPB units		0	-289 061 610	-289 061 610	n/a
<b>RESULT BEFORE EXTRAORDINARY ITEMS AND TAXES</b>		<b>32 918 168</b>	<b>-262 715 331</b>	<b>295 633 499</b>	<b>n/a</b>
Extraordinary income		21 592 856	3 143 977	18 448 879	586.8
Extraordinary expenses		-914 113	-2 329 363	-1 415 250	-60.8
Taxes		-3 200 000	-4 400 000	-1 200 000	-27.3
<b>PROFIT/LOSS BEFORE RESTRUCTURING COSTS</b>		<b>50 396 911</b>	<b>-266 300 717</b>	<b>316 697 628</b>	<b>n/a</b>
Restructuring costs		-14 986 956	-46 694 946	-31 707 990	-67.9
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>35 409 955</b>	<b>-312 995 663</b>	<b>348 405 618</b>	<b>n/a</b>
* Including partners' commission of		0	1 975 966	-1 975 966	-100.0

## Proposal of the Board of Directors to the General Meeting of Shareholders

The Board of Directors proposes to the General Meeting of Shareholders on April 26, 2004 that the profit for the 2003 financial year, consisting of:

	2003 CHF	2002 CHF
Profit/loss for the year	35 409 955	-312 995 663
Profit balance brought forward	0	89 092 039
<b>PROFIT/LOSS AS SHOWN ON THE BALANCE SHEET</b>	<b>35 409 955</b>	<b>-223 903 624</b>
be distributed as follows		
Dividend	30 577 650	
Transfer to general legal reserve	2 751 989	
Profit balance to be carried forward	2 080 316	
Dividend		15 288 825
Transfer to general legal reserve		1 223 106
Transfer from other reserves		-172 500 000
Transfer from the general legal reserve		-67 915 555
	<b>35 409 955</b>	<b>-223 903 624</b>

If this proposal is accepted, the following dividend, value dated April 30, 2004, will be paid for the 2003 financial year:

for Class A registered shares with a nominal value of CHF 20.–

Dividend CHF 10.– gross per share

for Class B registered shares with a nominal value of CHF 100.–

Dividend CHF 50.– gross per share

35 % Swiss Federal withholding tax will be deductible in each case.

## 1. Information on our Business Activities

Bank Sarasin & Co. Ltd (parent company) is a limited company that has its head office in Basel, a branch in Zurich and offices in Geneva and Lugano. Its Class B registered shares with a nominal value of CHF 100.– each are quoted on the SWX Swiss Exchange. Bank Sarasin & Co. Ltd principally focuses on investment advice and portfolio management. It is also very active in the investment funds area, operating through subsidiaries in Luxemburg, Guernsey, London, Germany and Switzerland. Bank Sarasin & Co. Ltd is a member of the SWX Swiss Exchange and a direct clearing member of EUREX.

Bank Sarasin & Co. Ltd's lending activities mainly involve loans against collateral and accessory loans.

Information about Bank Sarasin & Co. Ltd's headcount is to be found in section 1 of the notes to our group financial statements as well as in the table headed "Key Data".

## 2. Accounting Principles

**2.1 General principles.** Our financial statements comply with the provisions of Switzerland's Code of Obligations, its Banking Act and the related ordinance, the guidelines of the Swiss Federal Banking Commission and the accounting provisions of the listing rules of the SWX Swiss Exchange. Our financial statements for 2003 have been drawn up in accordance with the version dated December 18, 2002 of the revised accounting guidelines for banks adopted by the Swiss Federal Banking Commission (BAG-SFBC), which came into force as at December 31, 2003. The impact of these changes on individual items is described in section 2.22 of the notes to our group financial statements.

More generally, readers are referred to section 2 of the notes to our group financial statements. Only a few selected items will be commented on here.

**2.2 Participations.** This item includes all holdings in consolidated companies in the group, non-consolidated minority participations, collective infrastructure investments in the banking sector and a few unquoted companies with a large number of shareholders. Companies in which a participation is held are listed in section 3.5 of the notes to our group financial statements.

Participations are valued at cost after deduction of the necessary writedowns.

**2.3 Remarks.** No events have occurred since the balance sheet date that call for a different presentation of our financial position, the results of our operations and our cash flows.

As provided for in Article 25k of Switzerland's Banking Ordinance, we wish to refer readers to the detailed information contained in the various tables, notes and comments that accompany the group financial statements also published in this report. In particular, we refer readers to our comments regarding risk management and market, credit and interest rate risks in section 2.18 of the notes to our group financial statements, which also apply to Bank Sarasin & Co. Ltd's financial statements.

## 3. Information on the Balance Sheet

**3.1 Total Assets pledged or ceded to secure own Liabilities and Assets to which our Title is reserved.** This relates exclusively to collateral deposits of securities valued at CHF 179.4 million (end 2002: CHF 169.9 million). At the end of the year, CHF 10.6 million was advanced under that facility.

**3.2 Liabilities to our own Pension Plans.** Our liabilities to our own pension plans totalled CHF 19.2 million at the end of 2003 (end 2002: CHF 35.8 million).

**3.3 Provisions for other Business Risks.** This item totalled CHF 8 million, the same figure as at the end of 2002. It constitutes a specific provision for the risks associated with commission transactions.

For further details, please see our group financial statements.

## Notes to Bank Sarasin & Co. Ltd's Financial Statements

3.4 Financial Investments	1000 CHF	Book value		Fair value	
		31.12.2003	31.12.2002	31.12.2003	31.12.2002
INTEREST-BEARING SECURITIES AND RIGHTS		381 738	390 750	392 738	407 043
<i>of which valued according to the accrual method</i>		351 178	355 204	362 178	371 497
<i>of which valued at the lower of cost and market</i>		30 560	35 546	30 560	35 546
EQUITIES		10 200	13 930	13 476	15 721
TOTAL FINANCIAL INVESTMENTS		391 938	404 680	406 214	422 764
<i>of which securities rediscountable or pledgeable with the central bank</i>		240 883	185 695		

3.5 Securities and Precious Metals Trading Portfolios	1000 CHF	31.12.2003	31.12.2002
INTEREST-BEARING SECURITIES		17 883	4 897
<i>of which listed</i>		17 883	4 897
<i>of which unlisted</i>		0	0
EQUITIES		180 889	96 163
<i>of which treasury shares</i>		10 169	11 570
<i>of which hedging portfolio for structured products</i>		146 340	49 800
PRECIOUS METALS		5 025	5 790
TOTAL SECURITIES AND PRECIOUS METALS TRADING PORTFOLIOS		203 797	106 850
<i>of which securities rediscountable or pledgeable with the central bank</i>		4 053	1 369

3.6 Claims on and Liabilities to affiliated Companies and Loans to Members of Management Bodies	1000 CHF	31.12.2003	31.12.2002
Claims on affiliated companies		797	382
Liabilities to affiliated companies		6 586	2 353
Loans to members of management bodies		3 974	3 501

All loans to members of management bodies are secured according to established banking practice.

## Notes to Bank Sarasin & Co. Ltd's Financial Statements

### 3.7 Value Adjustments and Provisions / Reserves for general banking Risks

1000 CHF	Balance 31.12.2002	Designated uses	Change in designated use	Recoveries, dubious interest, currency translation differences	New amounts charged to income statement	Reversals credited to income statement	Balance 31.12.2003
Value adjustments and provisions							
– for default risks							
(credit and country risks)	24 070	–4 076	–8 400	362		–7 268	4 688
– for other business risks	8 000						8 000
Provision for restructuring	19 070	–8 734				–1 157	9 179
Other provisions	18 030	–8 235	8 400		113	–150	18 158
<b>TOTAL VALUE ADJUSTMENTS AND PROVISIONS</b>	<b>69 170</b>	<b>–21 045</b>	<b>0</b>	<b>362</b>	<b>113</b>	<b>–8 575</b>	<b>40 025</b>
Value adjustments deducted directly from assets	–24 070						–4 688
<b>TOTAL VALUE ADJUSTMENTS AND PROVISIONS AS PER BALANCE SHEET</b>	<b>45 100</b>						<b>35 337</b>
<b>RESERVES FOR GENERAL BANKING RISKS*</b>	<b>36 000</b>						<b>36 000</b>

\* Tax has been paid on the reserves for general banking risks.

### 3.8 Information about our treasury Shares

	31.12.2003 No. of units
Number traded on the SWX Swiss Exchange	101 935

Our trading position of Class B Sarasin shares was valued at CHF 10.2 million on December 31, 2003. Trading in treasury shares resulted in a profit of CHF 1.8 million in 2003, which has been reported under trading income. Our total holding of 5 352 shares includes 1352 shares held for hedging purposes in connection with structured products issued by us.

		Situation as at 31.12.2003		
		Total nominal value in CHF	Number of units	Dividend- bearing capital CHF
<b>3.9 Capital Structure</b>				
Share capital	Class A registered shares (with voting rights)	11 000 000	550 000	11 000 000
	Class B registered shares	50 155 300	501 553	50 155 300
<b>TOTAL SHARE CAPITAL AS AT 31.12.2003</b>		<b>61 155 300</b>	<b>1 051 553</b>	<b>61 155 300</b>
Authorised capital	Class A registered shares	1 000 000	50 000	0
<i>of which capital increase completed</i>		0		
Conditional capital	Class B registered shares	3 000 000	30 000	0
<i>of which capital increase completed</i>		0		

## Notes to Bank Sarasin & Co. Ltd's Financial Statements

### CONDITIONAL CAPITAL (ARTICLE 3A OF THE ARTICLES OF ASSOCIATION)

1. Through the exercise of conversion or option rights connected with bonds or similar liabilities of the company or one of its subsidiaries, the share capital of the company may be increased by a maximum of CHF 1.5 million by means of the issue of no more than 15 000 fully paid up Class B registered shares with a par value of CHF 100.- each. The subscription of these new Class B registered shares is open to the holders of conversion or option rights connected with such bonds.

These new Class B registered shares are subject to the transfer restrictions set out in Article 5 of the present Articles of Association.

2. The holders of Class B registered shares have advance subscription rights should such convertible and warrant bonds be issued. Shares that are newly issued in connection with the exercise of conversion or option rights are available solely to the holders of conversion or option rights, and not to the other shareholders.

3. Without entailing any subscription rights for existing shareholders, the share capital may be increased by a maximum of CHF 1.5 million by means of the issue of no more than 15 000 fully paid up Class B registered shares with a par value of CHF 100.- each in order to make it possible for executives to purchase shares. The executive share purchase scheme shall be governed by rules laid down by the Board of Directors. For the purpose of the scheme, shares may be issued at less than their current market value. The new Class B registered shares shall be subject to the transfer restrictions laid down in Article 5 of the present Articles of Association.

### AUTHORISED CAPITAL (ARTICLE 3B OF THE ARTICLES OF ASSOCIATION)

Should shares be issued in accordance with Article 3a above, the Board of Directors, in order to maintain the ratio of the total number of Class A registered shares to the total number of Class B registered shares, may, until May 15, 2004, increase the share capital by a maximum of CHF 1 million through the issue of no more than 50 000 Class A registered shares with a par value of CHF 20.- each, which must be fully paid up. The increase may take place in instalments. The issue price of the Class A registered shares, the method of payment, the conditions governing the exercise of subscription rights and the beginning of dividend entitlement shall be determined by the Board of Directors. The holders of Class B shares have no subscription rights in respect of such Class A registered shares.

### SIGNIFICANT SHAREHOLDERS AND SHAREHOLDER GROUPS WITH VOTING RIGHTS

	Situation as at 31.12.2003			Situation as at 31.12.2002		
	Nominal CHF	% of total capital	% of total voting rights	Nominal CHF	% of total capital	% of total voting rights
<b>EICHBAUM HOLDING LTD</b>						
Class A shares (with voting rights)	11 000 000	17.99	52.30	11 000 000	17.99	52.30
Class B shares	15 000	0.02	0.01	15 000	0.02	0.01
<b>TOTAL EICHBAUM HOLDING LTD.</b>	<b>11 015 000</b>	<b>18.01</b>	<b>52.31</b>	<b>11 015 000</b>	<b>18.01</b>	<b>52.31</b>
<b>IPB HOLDING B.V., UTRECHT</b>						
Class B shares	17 155 300	28.05	16.31	17 155 300	28.05	16.31

All the shares of Eichbaum Holding Ltd are owned by the former partners of Bank Sarasin & Co. They have given the Rabobank Group a call option on all the shares of Eichbaum Holding Ltd. The option expires on June 30, 2009.

Rolf M. Wittendorfer and Matthias Hassels became shareholders in Eichbaum Holding Ltd in the course of 2003. Part of the transaction was conducted via Bank Sarasin & Co. Ltd, but it had no impact on our results.

## Notes to Bank Sarasin & Co. Ltd's Financial Statements

### 3.10 Statement of Changes in Shareholders' Equity (before distribution of profit)

#### SHAREHOLDERS' EQUITY AT

BEGINNING OF YEAR	1000 CHF	2003	2002	2001	2000	1999
Paid up share capital		61 155	44 000	44 000	44 000	44 000
General legal reserve		606 096	101 910	97 730	94 650	92 230
Other reserves		172 500	155 500	138 500	121 500	104 500
Reserves for general banking risks		36 000	36 000	36 000	32 000	32 000
Loss/profit as shown on the balance sheet		-223 904	142 172	154 991	108 181	82 663
<b>TOTAL SHAREHOLDERS' EQUITY AT BEGINNING OF YEAR UNDER REVIEW</b>		<b>651 847</b>	<b>479 582</b>	<b>471 221</b>	<b>400 331</b>	<b>355 393</b>
+ Capital increase			17 155			
+ Agio			501 106			
+ Transfer to reserves for general banking risks					4 000	
- Previous year's dividend		-15 289	-33 000	-44 000	-33 000	-26 400
+ Loss/profit for the year		35 410	-312 996	52 361	99 889	71 339
<b>TOTAL SHAREHOLDERS' EQUITY AT END OF YEAR UNDER REVIEW</b>		<b>671 968</b>	<b>651 847</b>	<b>479 582</b>	<b>471 220</b>	<b>400 332</b>
<i>of which</i>						
Paid up share capital		61 155	61 155	44 000	44 000	44 000
General legal reserve		539 404	606 096	101 910	97 730	94 650
Other reserves		0	172 500	155 500	138 500	121 500
Reserves for general banking risks		36 000	36 000	36 000	36 000	32 000
Profit/loss as shown on the balance sheet		35 410	-223 904	142 172	154 991	108 181

## 4. Information on Off-Balance Sheet Transactions

### 4.1 Fiduciary Transactions

	1000 CHF	31.12.2003	31.12.2002
Fiduciary deposits with other banks		2 373 536	2 663 475
Fiduciary deposits with affiliated banks		502 141	473 238
Fiduciary lending		6 613	24 318
<b>TOTAL</b>		<b>2 882 290</b>	<b>3 161 031</b>

## 5. Information on the Income Statement

### 5.1 Net Income from Trading Operations

	1000 CHF	2003	2002
Securities trading		20 825	3 690
Trading in foreign exchange, precious metals and banknotes		18 889	20 285
<b>TOTAL</b>		<b>39 714</b>	<b>23 975</b>

For further details, please see the notes to our group financial statements.

## Report of the Statutory Auditors

### to the General Meeting of Shareholders of Bank Sarasin & Co. Ltd, Basel

Mr. Chairman  
Ladies and Gentlemen

In our capacity as its Statutory Auditors, we have audited the accounting records and the financial statements (containing the balance sheet, income statement and the notes/pages 104–112) of Bank Sarasin & Co. Ltd for the year ended December 31, 2003.

The financial statements are the responsibility of the Board of Directors, whereas our task is to express an opinion on the financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with the standards promulgated by the auditing profession in Switzerland, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposal regarding distribution of the profit comply with Swiss legislation and with Bank Sarasin & Co. Ltd's Articles of Association.

We recommend that the financial statements submitted to you be approved.

Basel, March 8, 2004

Ernst & Young AG

Dr. Andreas Blumer

*Certified accountant*

Lukas J. MacDonald

*Certified accountant  
(in charge of the audit)*

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