



Media Release

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Bank Sarasin's 1H 2008 results: Growth path maintained, profitability impaired by adverse market conditions

Strong acquisition performance reflected in net new money growth of CHF 7.2 billion

Net new money growth of CHF 7.2 billion builds on the acquisition success of last year (1H 2007: CHF 6.0 billion; 2H 2007: CHF 5.1 billion). Even excluding the additional client deposits of CHF 2.0 billion transferred by AIG Private Bank into Bank Zweiplus, Sarasin's net new money growth on the operational side still came in above target. Assets under management reduced by 2% overall to CHF 81.4 billion (31.12.2007: CHF 83.0 billion) due to a negative market performance and currency translation effects.

Expansion plans consistently pursued – Bank Sarasin maintains its growth path

Despite the tricky market conditions, Sarasin continues to invest in new branches and the expansion of existing locations, as well as the recruitment of high-calibre client relationship managers (CRMs). 92 new CRMs signed up to the Bank by the end of June 2008. Most of them will not start working until the final quarter of 2008, and will therefore only make an impact on revenue flows from 2009 onwards.

Despite investments in growth, expenses reduced to CHF 210.0 million (1H 2007: CHF 211.2 million)

Despite all the investments in expansion projects, the Bank's operating expenses eased 1% to CHF 210.0 million. General administrative expenses rose 14% due to intensified marketing initiatives and advance services rendered in the back-office domain for Bank Zweiplus. Despite a higher headcount, personnel costs fell 6% thanks to lower bonus accruals.

Net profit down to CHF 75.3 million (1H 2007 adjusted: CHF 97.3 million)

Total income dropped 12% to CHF 307.5 million because of the adverse market environment. Net profit for the Sarasin Group fell 23% to CHF 75.3 million, and the cost income ratio moved from 60.7% up to 68.3%.

Christoph Ammann, Chairman of the Board of Directors of Bank Sarasin & Co. Ltd

"Bank Sarasin is progressing well along its growth path. Our strategy, along with the associated investments, is geared to the long term. By pushing ahead with the expansion of our locations and client advisor teams, we are consistently pursuing our growth strategy and investing in the long-term future of the Sarasin Group, rather than simply trying to maximise our profits in the short term."

Joachim Straehle, CEO of Bank Sarasin & Co. Ltd

"For us, there are two facets to the results reported for the first half of 2008: first, our lower income and profit reflects the very challenging market environment. At the same time we were able to build on last year's acquisition success, improve our cost efficiency and push ahead with our growth initiatives – especially the launch of Bank Zweiplus. The expansion of our offices in Switzerland, as well as the obtaining of licenses in Germany, Bahrain, Qatar and Oman, show that we are making good progress at all our locations. We are well equipped for the future."

Challenging market conditions influence business performance and reduce earnings power

Market conditions remained volatile and inevitably affected the Bank's business performance. Clients' reluctance to invest their money resulted in lower transaction-based income and a further rise in the level of cash as a proportion of assets. Despite respectable net new money growth, total assets under management (AuM) finished lower than the end of 2007 as a result of negative performance and exchange rate movements, dropping CHF 1.6 billion to CHF 81.4 billion (31.12.2007: CHF 83.0 billion).

Operating income came to CHF 307.5 million during the reporting period, a fall of 12% (1H 2007 adjusted: CHF 348.0 million). Net interest income rose 31% to CHF 64.3 million, thanks to higher business volumes. The Bank's two other main sources of revenue experienced a decline: income from commission and service fee activities suffered from lower transaction volumes and decreased 11% to CHF 202.3 million. The 27% reduction in income from trading operations (CHF 41.6 million) was due to lower client trading volumes and reduced values in our own trading positions. The loss of CHF 0.8 million in ordinary income also stems mainly from losses realised on the Bank's own financial investments.

Net new money growth strengthens our market position

The strong net new money (NNM) growth of CHF 7.2 billion reflects the consistent performance of Sarasin's CRM teams. This figure includes client assets worth CHF 2.0 billion transferred by AIG Private Bank into the new Bank Zweiplus. "Even without this contribution," comments Joachim H. Straehle, "our acquisition performance of CHF 5.2 billion on the operating side is higher than our original expectations and the target we set ourselves. Thus, we are building on last year's success."

Excellent performance in terms of average NNM per client advisor

When averaged out across the entire Sarasin Group, each CRM in the private client segment is now responsible for managing client assets of around CHF 205.9 million. The average acquisition performance came to CHF 19.5 million in 1H 2008 (+9%). In the Institutional Clients business, the average NNM growth per CRM came to CHF 45.6 million (1H 2007: CHF 46.8 million). The average assets under management in the Institutional Clients business came to CHF 599.6 million.

Expansion of CRM teams: consistently pursuing our growth strategy

The recruitment of 92 new high-calibre client advisors is part of Sarasin's stated intention to intensify investment in its future growth. "Although these new advisors have already signed contracts with us," explains Joachim H. Straehle, "most of them will only start work in the final quarter of 2008 and will not therefore make a positive impact on revenues until 2009 onwards." The number of CRMs (incl. assistants) therefore only rose initially to 336 at the end of June. Recruitment levels were higher than last year, assisted by a favourable market environment for attracting highly qualified CRMs and by the competitive advantages enjoyed by Bank Sarasin as a highly focused private bank.

Costs well under control

Despite substantial investments in our growth initiatives, operating expenses were 1% lower than last year, at CHF 210.0 million (1H 2007 adjusted: CHF 211.2 million). Although the headcount (adjusted for part-time working) increased by 12% from 1 176 (1H 2007) to 1 312 (1H 2008), personnel expenses fell to CHF 148.7 million (1H 2007: CHF 157.5 million) thanks to lower bonus accruals as a result of the weaker business performance. The relationship between capacities in the front and back office also improved, providing the desired economies of scale. The 14% increase in general administrative expenses to CHF 61.3 million can be explained by the intensification of the Bank's marketing initiatives and expansion projects. Investments have also been made in a standard IT platform across the entire Sarasin Group and in the repositioning of the Sarasin brand in a bid to optimise our marketing activities. As the future service provider for Bank Zweiplus, Sarasin also incurred advance one-off general administrative expenses in the areas of IT and logistics. In the second half of the year, these will produce cost savings thanks to lower unit costs in the back office.



Sustainable Swiss Private Banking since 1841

Bank Sarasin has also redefined its market position in the light of its growth strategy. The slogan "Sustainable Swiss Private Banking since 1841" succinctly sums up what we stand for, what we do and how we act. For 167 years, Bank Sarasin has been the most highly regarded and exclusive address for top-quality professional investment and asset management. Sustainability is a key element of our corporate philosophy and management. We have also been pioneering sustainable investment and asset management concepts for the past 20 years. The total assets managed by the Bank in accordance with sustainable principles were 16% higher than last year, at CHF 7.8 billion (1H 2007: CHF 6.7 billion).

Outlook 2008: Consistent implementation of growth initiatives boosts future earnings power

As far as acquisition performance and the expansion of locations are concerned, Bank Sarasin stands by the targets it has set itself for 2008. It is confident that it will be able to achieve its full-year target of NNM growth of CHF 8.3 billion and adding 100 highly qualified advisors to its sales force. "At the same time we need to take action to improve our profitability", says Joachim H. Straehle. "On the one hand the investments in initiatives to assure our long-term success will start to bear fruit in the next few years and have a positive impact on our results. On the other hand, we have taken measures to further improve our cost efficiency, such as the launch of Bank Zweiplus or improving the ratio between front and back office capacities. We are well equipped for the future."

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Sarasin Group has its roots as a leading Swiss private bank. As an international financial service provider committed to sustainability, the Group is now represented at 17 locations in Europe, the Middle East, and Asia. By end of June 2008 it managed total client assets of CHF 81.4 billion and employed around 1,300 staff. Its majority shareholder is the triple-A credit rated Dutch Rabobank.

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Bank Sarasin is a leading Swiss private bank whose many years of banking experience has made it consciously opt for sustainability as a key component of its corporate philosophy. It provides a high level of service and expertise when acting as investment advisor and asset manager for private and institutional clients. Within Switzerland, Sarasin has offices in Basel (head office), Geneva, Lugano, and Zurich. Bank Sarasin & Co. Ltd is listed on the Swiss Stock Exchange SWX.

Key data

	1H 2008	1H 2007 adjusted	1H 2007	2H 2007 adjusted	2H 2007
Group income statement (1,000 CHF)					
Operating income	307,469	348,000	366,000	314,385	471,505
Operating profit	97,505	136,801	154,801	108,472	255,092
Group result including minority interests	75,330	97,320	111,162	76,224	193,435
Cash flow	33,586	110,977	128,977	98,363	244,713
Ratios (%)					
Return on equity (ROE)	12.2	18.4	20.9	13.7	33.0
Cost income ratio I	68.3	60.7	57.7	65.5	45.9
Cost income ratio II	71.4	63.4	60.3	68.7	48.0
Equity ratio	9.9		9.0		10.8
BIS Tier 1 ratio	15.1		14.2		17.0
Results by segments (1,000 CHF)					
Private & Institutional Clients Switzerland	54,330	66,104	66,104	66,393	66,393
International	22,771	27,982	27,982	13,357	13,357
Asset Management, Products & Sales	36,961	36,757	36,757	29,909	29,909
Corporate Center	-27,323	-4,594	13,406	-13,416	133,204
Total results by segments	86,739	126,249	144,249	96,243	242,863
Assets under management (million CHF)					
Total assets under management	81,370		84,425		83,002
Net new money	7,228		5,977		5,135
Stock market price (CHF)					
	30.06.2008	30.06.2007 adjusted	30.06.2007	31.12.2007 adjusted	31.12.2007
End of period date	45.95		52.10		53.50
Market capitalisation (million CHF)	2,810		3,186		3,272
Number of employees (adjusted for part-time working)					
Total	1,312.1		1,176.3		1,170.4
Of which client relationship managers	335.9		294.2		294.1

Consolidated balance sheet

Assets

	30.06.2008	30.06.2007	31.12.2007	Change to 31.12.2007	
1,000 CHF				CHF	%
Cash and cash equivalents	47,697	57,351	71,822	-24,125	-33.6
Money market papers	40,528	58,462	52,964	-12,436	-23.5
Due from banks	5,373,145	6,310,501	5,682,350	-309,205	-5.4
Due from customers	4,462,773	3,236,866	3,850,586	612,187	15.9
Trading portfolio assets	493,830	479,385	654,417	-160,587	-24.5
Derivative financial instruments	368,859	169,868	337,913	30,946	9.2
Financial investments	894,761	620,813	582,728	312,033	53.5
Investments in associated companies	105,376	47,806	51,255	54,121	105.6
Property and equipment	113,791	111,731	111,291	2,500	2.2
Goodwill and other intangible assets	96,695	109,728	101,068	-4,373	-4.3
Current tax assets	40	11	32	8	25.0
Deferred tax assets	2,681	4,322	1,742	939	53.9
Accrued income and prepaid expenses	201,836	127,181	160,092	41,744	26.1
Other assets	33,077	8,405	7,755	25,322	326.5
Assets classified as held for Sale	0	720,400	0	0	
Total assets	12,235,089	12,062,830	11,666,015	569,074	4.9

Liabilities and equity

	30.06.2008	30.06.2007	31.12.2007	Change to 31.12.2007	
1,000 CHF				CHF	%
Due to banks	1,545,743	1,222,177	1,067,365	478,378	44.8
Due to customers	7,269,105	6,879,584	6,681,706	587,399	8.8
Trading portfolios liabilities	76,126	69,933	121,636	-45,510	-37.4
Derivative financial instruments	317,099	124,708	275,359	41,740	15.2
Financial liabilities designated at fair value	1,535,357	1,483,338	1,925,715	-390,358	-20.3
Current tax liabilities	20,251	31,457	65,082	-44,831	-68.9
Deferred tax liabilities	8,661	9,003	8,724	-63	-0.7
Accrued expenses and deferred income	191,343	153,075	211,572	-20,229	-9.6
Other liabilities	55,099	42,879	39,119	15,980	40.8
Provisions	4,090	6,556	9,315	-5,225	-56.1
Total liabilities	11,022,874	10,022,710	10,405,593	617,281	5.9
Share capital	61,155	61,155	61,155	0	0.0
less treasury shares	-35,402	-27,936	-48,019	12,617	26.3
Capital reserve	606,309	599,294	608,871	-2,562	-0.4
Retained earnings	573,163	329,615	358,789	214,374	59.7
Reserves IAS 39 (net of tax)	-24,071	-473	-11,412	-12,659	-110.9
Translation differences	-67,650	-4,537	-35,184	-32,466	-92.3
Net profit (excluding minority interest)	68,636	106,686	293,630	-224,994	-76.6
Shareholders' equity of shareholders of Bank Sarasin & Co. Ltd	1,182,140	1,063,804	1,227,830	-45,690	-3.7
Minority interest in shareholders' equity (including share in profits)	30,075	22,678	32,592	-2,517	-7.7
Total shareholders' equity (including minority interest)	1,212,215	1,086,482	1,260,422	-48,207	-3.8
Liabilities classified as held for Sale	0	953,638	0	0	
Total liabilities and shareholders' equity	12,235,089	12,062,830	11,666,015	569,074	4.9

Consolidated income

	1H 2008	1H 2007 adjusted	1H 2007	2H 2007 adjusted	2H 2007
1,000 CHF					
Interest and discount income	192,285	182,201	182,201	203,316	203,316
Interest and dividend income from financial investments	12,873	10,510	10,510	6,056	6,056
Interest expenses	140,812	143,417	143,417	154,069	154,069
Net interest income	64,346	49,294	49,294	55,303	55,303
Commission income on lending activities	2,234	2,107	2,107	2,307	2,307
Commission income on securities and investment transactions	224,816	257,560	257,560	237,807	237,807
Commission income on other services	2,707	3,939	3,939	2,282	2,282
Commission expenses	27,469	36,466	36,466	30,914	30,914
Results from commission and service fee activities	202,288	227,140	227,140	211,482	211,482
Results from trading operations	41,602	57,044	57,044	38,861	38,861
Other ordinary results	-767	14,522	32,522	8,739	165,859
of which income from investments in associates	2,754	3,506	3,506	3,449	3,449
Operating income	307,469	348,000	366,000	314,385	471,505
Personnel expenses	148,686	157,477	157,477	149,801	157,801
General administrative expenses	61,278	53,722	53,722	56,112	58,612
Operating expenses	209,964	211,199	211,199	205,913	216,413
Operating profit	97,505	136,801	154,801	108,472	255,092
Depreciation and write-offs on property and equipment	5,892	5,543	5,543	6,279	6,279
Amortisation of intangible assets	3,662	3,806	3,806	3,661	3,661
Value adjustments, provisions and losses	1,212	1,203	1,203	2,289	2,289
Profit before taxes	86,739	126,249	144,249	96,243	242,863
Taxes	11,409	28,929	33,087	20,019	49,428
Net profit	75,330	97,320	111,162	76,224	193,435

Business segment reporting

Private & Institutional Clients Switzerland

	1H 2008	1H 2007 adjusted	1H 2007	2H 2007 adjusted	2H 2007
1,000 CHF					
Operating income	148,607	154,349	154,349	164,612	164,612
Operating expenses	91,288	86,021	86,021	95,989	95,989
Operating profit	57,319	68,328	68,328	68,623	68,623
Depreciation and amortisation	2,052	2,040	2,040	2,367	2,367
Value adjustments, provisions and losses	937	184	184	- 137	- 137
Net profit before taxes per segment	54,330	66,104	66,104	66,393	66,393
	30.06.2008	30.06.2007 adjusted	30.06.2007	31.12.2007 adjusted	31.12.2007
Assets under management (million CHF)	44,109	43,106	43,106	43,842	43,842
Number of employees (adjusted for part-time working)	299.2	224.9	224.9	255.0	255.0
Adjusted number of employees (incl. allocations)	595.3	464.7	464.7	556.9	556.9

International

	1H 2008	1H 2007 adjusted	1H 2007	2H 2007 adjusted	2H 2007
1,000 CHF					
Operating income	98,141	89,447	89,447	93,046	93,046
Operating expenses	72,663	59,054	59,054	76,463	76,463
Operating profit	25,478	30,393	30,393	16,583	16,583
Depreciation and amortisation	2,475	2,174	2,174	2,381	2,381
Value adjustments, provisions and losses	232	237	237	845	845
Net profit before taxes per segment	22,771	27,982	27,982	13,357	13,357
	30.06.2008	30.06.2007 adjusted	30.06.2007	31.12.2007 adjusted	31.12.2007
Assets under management (million CHF)	21,195	20,568	20,568	22,187	22,187
Number of employees (adjusted for part-time working)	415.5	329.0	329.0	362.7	362.7
Adjusted number of employees (incl. allocations)	437.8	345.4	345.4	383.6	383.6

Business segment reporting (continued)

Asset Management, Products & Sales

	1H 2008	1H 2007 adjusted	1H 2007	2H 2007 adjusted	2H 2007
1,000 CHF					
Operating income	65,514	67,585	67,585	65,542	65,542
Operating expenses	26,688	29,021	29,021	33,600	33,600
Operating profit	38,826	38,564	38,564	31,942	31,942
Depreciation and amortisation	1,848	1,807	1,807	2,033	2,033
Value adjustments, provisions and losses	17	0	0	0	0
Net profit before taxes per segment	36,961	36,757	36,757	29,909	29,909
	30.06.2008	30.06.2007 adjusted	30.06.2007	31.12.2007 adjusted	31.12.2007
Assets under management (million CHF)	16,061	16,740	16,740	16,956	16,956
Number of employees (adjusted for part-time working)	214.7	192.3	192.3	190.7	190.7
Adjusted number of employees (incl. allocations)	191.8	208.6	208.6	157.8	157.8

Corporate Center

	1H 2008	1H 2007 adjusted	1H 2007	2H 2007 adjusted	2H 2007
1,000 CHF					
Operating income	-4,793	36,619	54,619	-8,815	148,305
Operating expenses	19,325	37,103	37,103	-139	10,361
Operating profit	-24,118	-484	17,516	-8,676	137,944
Depreciation and amortisation	3,179	3,328	3,328	3,159	3,159
Value adjustments, provisions and losses	26	782	782	1,581	1,581
Net profit before taxes per segment	-27,323	-4,594	13,406	-13,416	133,204
	30.06.2008	30.06.2007 adjusted	30.06.2007	31.12.2007 adjusted	31.12.2007
Assets under management (million CHF)	5	4,011	4,011	17	17
Number of employees (adjusted for part-time working)	382.7	430.1	430.1	362.0	362.0
Adjusted number of employees (incl. allocations)	87.2	157.6	157.6	72.1	72.1