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## **EANS-Adhoc: Bank Sarasin + Cie AG / Half year results 2011 of Bank Sarasin & Co. Ltd: Bank Sarasin on track despite the adverse climate**

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6-month report

28.07.2011

Group result up 13% to CHF 67.8 million - Operating income 10% higher at CHF 364.5 million - Net new money growth still strong at CHF 3.9 billion (+8% p.a.) - Total assets under management CHF 101.6 billion - Gross margin slightly improved in Private Banking

Net new money growth on target - Assets under management above the CHF 100 billion mark

The Sarasin Group once again produced a strong acquisition performance, with net new money growth of CHF 3.9 billion. Despite the negative effects of market performance, these new money inflows allowed the bank to keep its assets under management above the CHF 100 billion mark during the entire reporting period. Total assets under management stood at CHF 101.6 billion on 30 June 2011 (31.12.2010: CHF 103.4 billion). The geopolitical unrest and the tragic events in Japan, along with the accentuation of the euro crisis and the fall of the US dollar combined with concerns about America's budget deficit, impacted heavily on international stock markets, currency exchange rates and investor sentiment. Client assets managed by the Sarasin Group were therefore negatively affected not only by market performance (CHF -1.8 billion) but also by currency translation effects (CHF -3.9 billion).

Revenues increased despite the adverse climate

Sarasin Group increased its operating income by 10% to CHF 364.5 million compared to the same period last year (1H 2010: CHF 332.6 million). The performance of the individual revenue streams varied: net interest income was slightly up on the previous year (+1%) at CHF 75.0 million. Income from commission and service fee activities benefited from the higher asset base and was 6% higher than in 1H 2010 at CHF 232.0 million. The strong impact of equity markets and exchange rate movements during the reporting period explains the 3% decrease in income from commission and service fee activities when compared with the second half of 2010. Income from trading operations, which came under pressure this time last year as a result of hedging transactions, doubled to CHF 51.1 million (1H 2010: CHF 23.2 million), reverting to its normal level. Other ordinary income was lower than the first half of 2010 at CHF 6.4 million, due to lower returns on the bank's own investments (1H 2010: CHF 15.8 million).

Christoph Ammann, Chairman of the Board of Directors of Bank Sarasin & Co. Ltd  
"No matter what the macroeconomic conditions, our Group is intent on consistently following its highly focused business strategy. This concentrates on our core business of Private Banking, on selected international core markets and on bespoke investment solutions. The combination of our two strategic core values, Sustainability and Swiss Private Banking, differentiates our bank clearly from the competition."

Joachim H. Straehle, CEO of Bank Sarasin & Co. Ltd

"In an environment overshadowed by momentous events, we have nonetheless managed to produce a solid result: we are pleased with our consistently strong net new money growth, the higher level of income and the slight improvement in the gross margin of the core business. But we will strive to achieve an even greater improvement. Our focus is also on implementing farsighted initiatives for the future - particularly our strategy for avoiding non tax-compliant assets. By consistently applying this policy, we intend to achieve our goal of being rid of all non tax-compliant client assets by the end of 2012."

Investments in growth initiatives continue, with only moderate impact on costs. During the reporting period the Sarasin Group's operating expenses rose 8% to CHF 261.8 million (1H 2010: CHF 242.6 million). This rise was due to higher personnel expenses, which increased by 11% to CHF 194.2 million (1H 2010: CHF 175.6 million) in response to a 7% rise in the average headcount as well as regular salary adjustments and higher provisions for bonuses. A comparison to the second half of 2010 shows a much smaller increase (+1%).

Despite the expansion of existing locations and the opening of two new offices - one in Switzerland (Lucerne) and one in Germany (Cologne) - general administrative expenses were only 1% higher than the previous year, finishing at CHF 67.6 million (1H 2010: CHF 67.0 million). The defining elements of the bank's cost management are clear control and a focus on the essentials. General and administrative expenses were in fact 3% lower than in H2 2010. There was a rise of 16% in depreciation & amortisation due to investments in the Avaloq platform for Asia and additional IT investments in important bank projects.

Gross margin improved in Private Banking - repositioning of bank zweiplus initiated

Despite the challenging investment environment and significant exchange rate effects, the gross margin in the core business of Private Banking improved slightly. The gross margin at Group level was unchanged. The contribution to earnings made by bank zweiplus was much lower than in the same period last year. Apart from negative currency translation effects, there was also a steep decline in new business with distribution products in Germany. bank zweiplus is repositioning its business with direct clients as of 2012 under the "Cash" brand name, as part of a joint venture with Ringier. This should enable the direct client business to revert to a growth path.

Group result increases - capital base is still strong

The cost income ratio was slightly better than last year at 76.4% (1H 2010: 77.3%). The Sarasin Group's net profit rose to CHF 67.8 million, a 13% increase on the same period last year (1H 2010: CHF 60.1 million). This reflects a solid business performance in the first half of 2011. Shareholders' equity amounted to CHF 1.3 billion, unchanged from the level at the end of 2010. Due to the growth of the business and exchange rate movements, the bank's equity ratio at the end of June 2011 fell to 6.9% (31.12.2010: 7.3%). The BIS Tier 1 ratio, defined as core capital as a percentage of risk-weighted assets, eased slightly to 14.5% on 30 June 2011.

The Sarasin Group holds no Greek, Irish or Portuguese sovereign bonds on its books, and only minimal amounts of Italian and Spanish sovereign bonds. Furthermore, it has no loans outstanding to Greek, Portuguese or Spanish banks and only has a very small credit exposure to Italian and Irish banks.

Outlook for 2H 2011: Targets unchanged - focus on future-oriented initiatives

Despite the distinct and persistent uncertainty pervading the stock markets, the Sarasin Group remains cautiously optimistic for the second half of 2011. The targets set have not changed: the bank wants to continue to increase its revenues and improve cost efficiency. At the same time the Sarasin Group will concentrate on implementing various projects and initiatives to ensure its future direction. This includes first and foremost the implementation of the

