Our Results

Annual Report 2007

SARASIN

Our reporting for the 2007 financial year is based on a trilogy of publications:

Our Bank – Portrait
Available in German, English, French and Spanish

Our Results – Annual Report
Available in German and English

Our Future – Sustainability Report
Available in German and English

Copies of these documents can be ordered or downloaded from the Internet at www.sarasin.com:

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Contents

Key data

(on a consolidated basis)

Both the financial year 2007 and 2006 were heavily influenced by a number of special factors. In 2007, the key feature was one-off proceeds from the sale of the Bank's Luxembourg subsidiary and parts of the brokerage business in Switzerland.

In the financial year 2006, Bank Sarasin made various investments in connection with its growth strategy. To facilitate a comparison of operating performance, figures adjusted for these special factors are also presented here.

Group income statement

1,000 CHF	**2007 adjusted**	**2007**	2006 adjusted	2006	2005
Net interest income	**104,597**	**104,597**	76,890	76,890	65,837
Results from commission and service fee activities	**438,622**	**438,622**	388,974	388,974	344,617
Results from trading operations	**95,905**	**95,905**	90,539	90,539	63,124
Other ordinary results	**23,261**	**198,381**	9,278	9,278	29,739
Operating income	**662,385**	**837,505**	**565,681**	**565,681**	**503,317**
Personnel expenses	**307,278**	**315,278**	259,511	297,631	237,094
General administrative expenses	**109,834**	**112,334**	103,450	106,450	98,498
Operating expenses	**417,112**	**427,612**	**362,961**	**404,081**	**335,592**
Operating profit	**245,273**	**409,893**	**202,720**	**161,600**	**167,725**
Depreciation and amortisation	**19,289**	**19,289**	19,900	19,900	21,868
Value adjustments, provisions and losses	**3,492**	**3,492**	2,293	2,293	1,532
Provisions for restructuring	**0**	**0**	0	7,010	0
Profit before taxes	**222,492**	**387,112**	**180,527**	**132,397**	**114,325**
Taxes	**48,948**	**82,515**	39,716	31,389	28,488
Group result including minority interests	**173,544**	**304,597**	**140,811**	**101,008**	**115,837**
Group result excluding minority interests	**162,577**	**293,630**	135,707	95,904	111,778
Cash flow[1]	**209,340**	**373,690**	188,924	140,794	150,285

Results by segments (before taxes)

1,000 CHF	**2007 adjusted**	**2007**	2006 adjusted	2006	2005
Private & Institutional Clients Switzerland	**141,497**	**141,497**	125,279	125,279	95,667
International	**41,339**	**41,339**	31,150	31,150	25,827
Asset Management, Products & Sales	**57,666**	**57,666**	33,231	33,230	17,153
Corporate Center	**–18,010**	**146,610**	–9,133	–57,262	5,678
Total results by segments	**222,492**	**387,112**	**180,527**	**132,397**	**144,325**

[1] Our cash flow essentially consists of our net profit including minority interests, depreciation, value adjustments, provisions and losses, as well as non liquidity related tax expenses.

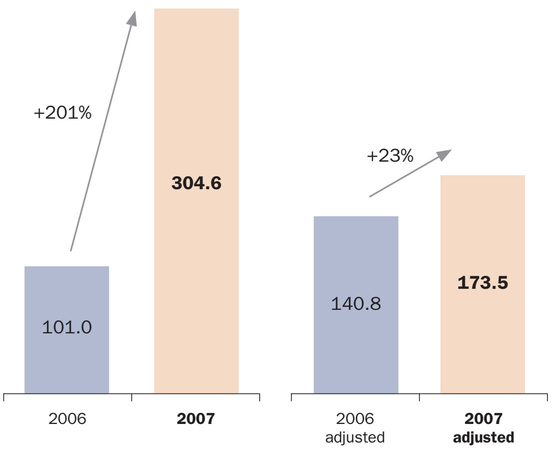
Group balance sheet

1,000 CHF	**31.12.2007**	31.12.2006	31.12.2005
Total assets	**11,685,355**	9,931,907	8,491,238
Due from customers	**3,850,586**	2,423,159	1,710,045
Due to customers	**6,681,706**	6,597,879	5,775,532
Shareholders' equity including minority interests	**1,265,563**	1,046,742	996,384
Shareholders' equity excluding minority interests	**1,232,971**	1,021,055	969,346

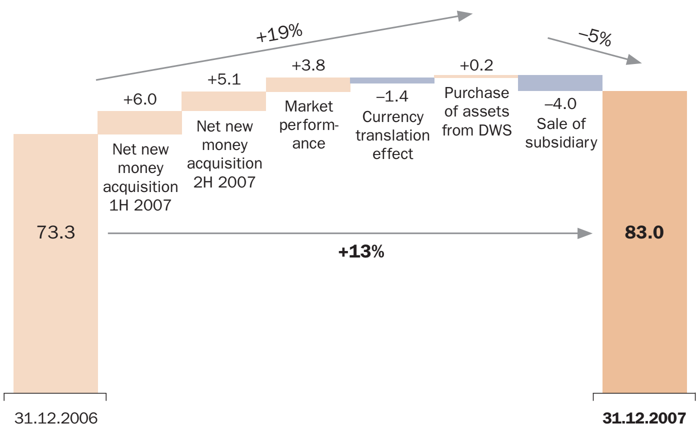
Assets under management[1]

million CHF	**31.12.2007**	31.12.2006	31.12.2005
Total assets under management	**83,002**	73,267	63,532
New money through acquisitions	**191**	0	0
Change through divestment	**–4,017**	0	0
Net new money	**11,112**	4,165	1,118
Performance	**2,449**	5,570	8,574
Year-on-year increase / decrease (%)	**13.3**	15.3	18.0

Group profit (million CHF)



AuM trends 2006 to 2007 (billion CHF)



1 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.

Ratios

%	2007 adjusted	2007	2006 adjusted	2006	2005
Gross margin on assets under management	**0.85**	**1.07**	0.83	0.83	0.86
Return on assets (ROA)					
– Operating income as a percentage of total assets[1]	**6.1**	**7.7**	6.2	6.2	6.3
– Group result as a percentage of total assets[1]	**1.6**	**2.7**	1.5	1.1	1.4
Cost income ratio I (operating expenses / operating income)	**63.0**	**51.1**	64.2	71.4	66.7
Cost income ratio II (operating expenses incl. depreciation and amortisation / operating income)	**65.9**	**53.4**	67.7	75.0	71.0
Return on equity (ROE)[2]	**14.2**	**26.3**	13.5	9.9	12.0

%		31.12.2007		31.12.2006	31.12.2005
Equity ratio[3]		**10.8**		10.5	11.7
BIS Tier 1 ratio		**17.0**		18.8	23.9

Selected key data per employee[4]

CHF	2007 adjusted	2007	2006 adjusted	2006	2005
Cash flow	**182,505**	**325,788**	167,345	124,712	131,904
Group result including minority interests	**151,298**	**265,552**	124,727	89,470	101,670
Operating income	**577,476**	**730,148**	501,067	501,067	441,758
Operating expenses[5]	**363,644**	**372,798**	321,503	375,553	313,741
Operating profit	**213,832**	**357,350**	179,565	143,141	147,211

Selected key data per class B registered share with a nominal value of CHF 100[6]

CHF	2007 adjusted	2007	2006 adjusted	2006	2005
Cash flow	**342.3**	**611.1**	308.9	230.2	245.7
Group result	**265.8**	**480.1**	221.9	156.8	182.8
Operating profit	**401.1**	**670.2**	331.5	264.2	274.3
Shareholders' equity	**1,801.8**	**2,016.1**	1,734.7	1,669.6	1,585.1
Dividend	**135.0**	**135.0**	90.0	90.0	90.0
Pay-out ratio (%)	**50.8**	**28.1**	41.3	57.4	49.2
Share price / Group profit[7]	**20.1**	**11.1**	17.3	24.5	14.8

1 Total assets: average of two period-end figures.
2 Shareholders' equity before distribution of profit: average of two period-end figures including minority interests.
3 Shareholders' equity including minority interests as a percentage of total assets.
4 Number of employees: Average of two year-end figures (adjusted for part-time working).
5 Operating expenses incl. depreciation on fixed assets.
6 The key data per registered share is calculated without minority interests.
7 Coefficient, at year-end.

Share price

CHF	31.12.2007	31.12.2006	31.12.2005
End of period date	**5,350**	3,844	2,700
High	**5,500**	3,950	2,950
Low	**3,750**	2,700	1,900
Market capitalisation (million CHF)	**3,272**	2,351	1,651
Registered shareholders	**1,879**	**2,113**	**2,223**

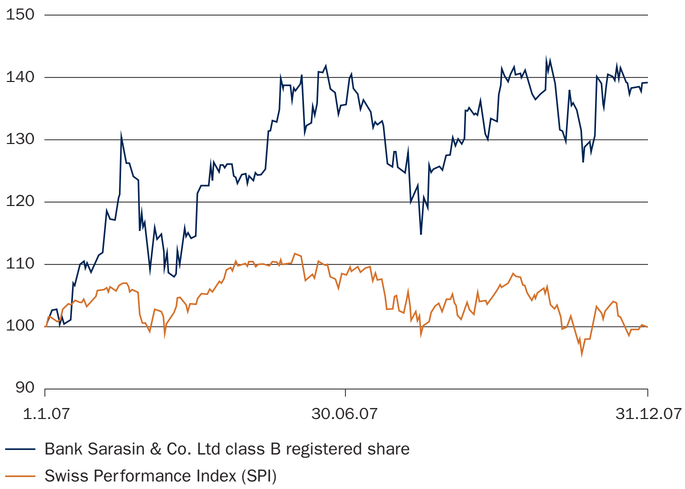
Number of employees (adjusted for part-time working)

	31.12.2007	31.12.2006[1]	31.12.2005
Group	**1,170.4**	1,123.7	1,134.2
Of which Switzerland	**803.6**	750.0	756.3
Of which abroad	**366.8**	373.7	377.9

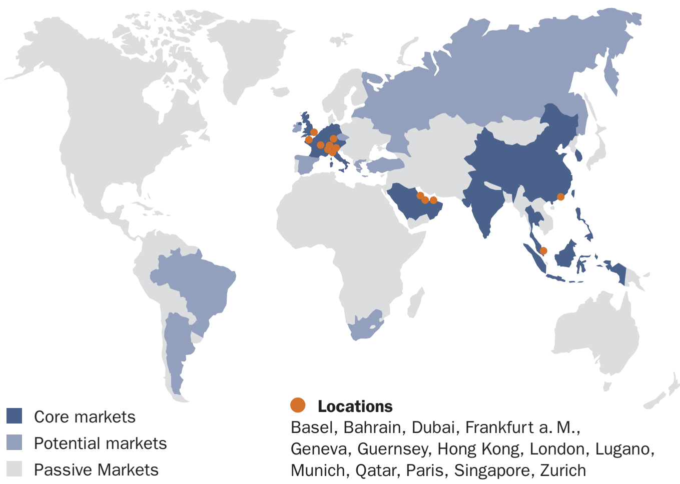
Client relationship managers (adjusted for part-time working)

Incl. assistants	31.12.2007	31.12.2006[2]	31.12.2005
Group	**294.1**	269.0	264.8

Development of share price (index 01.01.2007 = 100)



Bank Sarasin's locations and target markets



[1] The figures reported as of 31 December 2006 include 89.4 employees of the Luxembourg subsidiary sold in 2007.
[2] The figures reported as of 31 December 2006 include 26.0 CRMs (incl. assistants) of the Luxembourg subsidiary sold in 2007.

Foreword

Dear Shareholder

We are pleased to report an exceptionally good year. Our net profit in 2007 trebled to reach CHF 305 million, clearly demonstrating the success of our expansion programme and the strength of our operating performance. While maintaining capital reserves at a consistently high level, we improved our return on equity from 13.5% in 2006 to 14.2% on an adjusted basis, i.e. ignoring the proceeds from the sale of our Luxembourg subsidiary and parts of our brokerage business. Without this adjustment, the return on equity in 2007 would have been as high as 26.3%. On the strength of the marked improvement in the operating result and the excellent prospects for the business, the Board of Directors will be submitting a proposal to the Annual General Meeting of Shareholders on 23 April 2008 to increase the dividend payable on each class B registered share by 50% to CHF 135. The price of our class B registered share has risen to around CHF 5,000, making it one of the most expensive securities listed on the Swiss stock market. The Board of Directors would like to improve the tradability of the share and will therefore be asking the AGM to approve a 1:100 share split.


Georg F. Krayer

Despite the sale of our Luxembourg subsidiary, which caused an outflow of CHF 4.0 billion in client assets, the Bank's total assets under management increased by CHF 9.7 billion to CHF 83.0 billion. This increase confirms our acquisition prowess. We are well on track to achieve the goal we have set ourselves of increasing our assets under management to CHF 100 billion by 2010. Our new money inflow of CHF 11.1 billion in 2007 (2006: CHF 4.2 billion) was a big step forward. The high level of new money acquisition continued in the second half of 2007, despite the worsening conditions on financial markets. Having acquired net new money of CHF 6.0 billion in the first six months of the financial year, we managed to attract another CHF 5.1 billion in the second half. This consistently strong performance in the area of acquisitions shows how successful we have been in convincing not just our existing clients, but also many newcomers, about the quality of our brand and the strength of our performance. When analysing the origin of our new clients and their assets, it is also gratifying to see that these are based not just in Switzerland, but increasingly abroad. Our initiatives in the high-growth markets of Europe, the Middle East, Asia and Latin America are starting to bear fruit. The importance of our international locations is reflected in the contribution they made of CHF 6.5 billion to total new money, an increase of 240% on 2006. But the figures also highlight the pivotal role that Switzerland, the Bank's home market, plays for the Sarasin Group, not least because of the steady rise in cross-border clients keen to benefit from the advantages Switzerland has to offer as a financial centre. The bulk of our assets, roughly CHF 50.8 billion (61%), are still managed by customer relationship managers based in Switzerland.

Bank Sarasin improved its net profit by 23% to an adjusted figure of CHF 174 million (2006: CHF 141 million). The adjusted operating income rose 17% from CHF 566 million to CHF 662 million, while the adjusted operating expenses increased by CHF 54 million to CHF 417 million. This is mainly attributable to the increase in personnel costs due to a higher headcount, and higher performance-related bonuses. There was a further improvement in productivity, with the cost income ratio I easing from 64% (2006) to 63% (2007). We have therefore made further progress towards reaching our second goal of cutting this ratio to 60% by 2010.

We deliberately follow a low-risk business model. We do not engage in commercial lending. The Bank's risk profile remains low. We have a stable and fully functioning risk management system in place. Our intention is to grow, but not at any price. We see stability, quality and continuity as being far more important parameters that are key to our long-term prospects. In the current environment, this is particularly important for both our clients and shareholders.

The record result achieved in 2007 was down to our expansion and higher income growth. Rabobank has been the majority shareholder in our Bank since April 2007. Rabobank recognises our operational independence and the value of our brand. For Sarasin, Rabobank is a strong partner that is firmly established in the international marketplace and brings more vigour and momentum to our expansion plans. At the same time, its triple-A rating gives it the highest possible credit standing. This cooperation opens up attractive development opportunities that would otherwise not be available to us on our own.

One aspect of our strategy has been the decision to concentrate on our core business as a private bank in the future. We put this into practice in 2007: in January we sold parts of brokerage business to NZB Neue Zürcher Bank, and in May the Crédit Agricole Group acquired our Luxembourg subsidiary. The next step was the announcement in July 2007 of a new joint venture with AIG Private Bank to form a new bank. This new company is due to start trading on 1 July 2008 under the name BANK ZWEIPLUS LTD., subject to approval from the Swiss Federal Banking Commission. BANK ZWEIPLUS will position itself as the leading product and settlement platform for independent financial advisors and as a bank serving direct clients in the affluent segment. Bank Sarasin will own a 57.5% majority stake in BANK ZWEIPLUS, which will subsequently be fully consolidated within the Group. The agreement signed in October to acquire client agreements from DWS Investments Schweiz involving assets worth CHF 191 million underscores our commitment to this project. Bank Sarasin will channel these client assets into BANK ZWEIPLUS as well.


Joachim H. Straehle

Today our international growth strategy already builds on a strong global network which we intend to further develop in a systematic way. Recently we were able to announce two more steps in our ongoing expansion: first of all, we will be significantly expanding our presence in the Middle East by establishing new subsidiaries in Bahrain and Qatar. Secondly, we are stepping up our marketing drive in Germany, Europe's biggest private banking market. Having opened a new office in Frankfurt am Main, obtained a full banking licence and brought together a new and highly professional team of client advisors, we are extremely well placed to expand our position.

Long-term growth in private banking ultimately hinges on quality, especially when it comes to the quality of our workforce. The efforts of our highly skilled client advisors have therefore been particularly important for our success in 2007. Over the course of the past year we have continued to strengthen this foundation by recruiting new advisors and CRM teams. We are convinced that committed employees who are aware of their clients' needs and able to respond to them in a personalised way are the most effective means of ensuring that our clients remain satisfied and loyal to the Bank. In 2008, we will be pushing ahead with our drive to strengthen our position in our core markets. Quality does not depend purely on individual client advisors, however, but is also a key ingredient for our back office operations and our products. Our determination to deliver effective innovation built into client-driven solutions is demonstrated by our family of IIID funds, our new sustainable investment products and our customised structured products that we have launched in collaboration with Rabobank. The raft of industry accolades we have won for the quality of our services and products highlights the fact that our customers and the standard of service take top priority at Sarasin.

We would like to thank all our shareholders and clients for the trust they have once again placed in us over the course of the last year. We shall do everything in our power to ensure that we continue to deserve your trust in the future. Our special thanks also go to our staff for their committed and tireless work on behalf of the Bank. They play a vital role in allowing us to exploit the available opportunities and implement the necessary initiatives.

In 2007, we have shown that we are capable of growing successfully. Our goals for 2008 are quite clear: we want to sustain our growth momentum and keep net new money inflow at 10%, with net profit at around CHF 200 million. Our principal challenge will be to keep to the growth path we have embarked upon, while at the same time continuing to improve the quality of our customer service and our products. Top quality, combined with personalised, individual advisory services, is the best way to strengthen our market position and raise our profile in the long run. In doing so, we improve the satisfaction of our clients, shareholders and employees, and also tap into new and extremely promising business potential. We see an exciting future ahead of us.

Responsibly yours

Georg F. Krayer Chairman of the Board of Directors	Joachim H. Straehle Chief Executive Officer

Consolidated income statement (adjusted)

Both the financial year 2007 and 2006 were heavily influenced by a number of special factors. In 2007, the main feature was one-off proceeds from the sale of the Bank's Luxembourg subsidiary and parts of the brokerage business in Switzerland. In financial year 2006, Bank Sarasin made various investments in connection with its growth strategy. To facilitate a comparison of operating performance, figures adjusted for these special factors are presented here. The ordinary consolidated income statement can be found on page 64.

1,000 CHF	**2007 adjusted**	2006 adjusted	Change to 2006 CHF	Change to 2006 %
Interest and discount income	**385,517**	258,168	127,349	49.3
Interest and dividend income from financial investments	**16,566**	14,000	2,566	18.3
Interest expenses	**297,486**	195,278	102,208	52.3
Net interest income	**104,597**	76,890	27,707	36.0
Commission income on lending activities	**4,414**	4,128	286	6.9
Commission income on securities and investment transactions	**495,367**	438,142	57,225	13.1
Commission income on other services	**6,221**	6,021	200	3.3
Commission expenses	**67,380**	59,317	8,063	13.6
Results from commission and service fee activities	**438,622**	388,974	49,648	12.8
Results from trading operations	**95,905**	90,539	5,366	5.9
Other ordinary results	**23,261**	9,278	13,983	150.7
Operating income	**662,385**	**565,681**	**96,704**	**17.1**
Personnel expenses	**307,278**	259,511	47,767	18.4
General administrative expenses	**109,834**	103,450	6,384	6.2
Operating expenses	**417,112**	**362,961**	**54,151**	**14.9**
Operating profit	**245,273**	**202,720**	**42,553**	**21.0**
Depreciation and write-offs on property and equipment	**11,822**	13,160	–1,338	–10.2
Amortisation of intangible assets	**7,467**	6,740	727	10.8
Value adjustments, provisions and losses	**3,492**	2,293	1,199	52.3
Provisions for restructuring	**0**	0	0	
Profit before taxes	**222,492**	**180,527**	**41,965**	**23.2**
Taxes	**48,948**	39,716	9,232	23.2
Net profit	**173,544**	**140,811**	**32,733**	**23.2**
Attributable to:				
Shareholders of Bank Sarasin & Co. Ltd	**162,577**	135,707	26,870	19.8
Minority interests	**10,967**	5,104	5,863	114.9
Net profit	**173,544**	**140,811**	**32,733**	**23.2**

Review of business performance

Favourable economic environment in the first three quarters

From a macroeconomic viewpoint, 2007 was a strong year, with the global economy achieving growth of 4.8%. The US economy, which had been in the doldrums since the middle of 2006, started to improve in the summer of 2007 and grew by more than 4% into Q3 2007. Overall, Europe's growth was above its potential. Emerging economies – especially China – also saw their pace of growth accelerate again in 2007. Soaring demand from newly industrialised countries forced up commodity prices, especially crude oil. This inevitably affected global inflation, which rose significantly in 2007.

International equities produced double-digit returns for investors in the first half of 2007. In the summer, the US subprime crisis then triggered a rapid rise in credit spreads and severe turbulence in equity markets. The fourth quarter was dominated by concerns that the crisis could spill over onto the real economy and trigger a recession in the US. Worries about future growth were reflected in the sharp fall in bond yields across all maturities. Despite massive intervention from central banks up to December, the money and capital markets still showed no signs of stabilising as we moved into the new year.

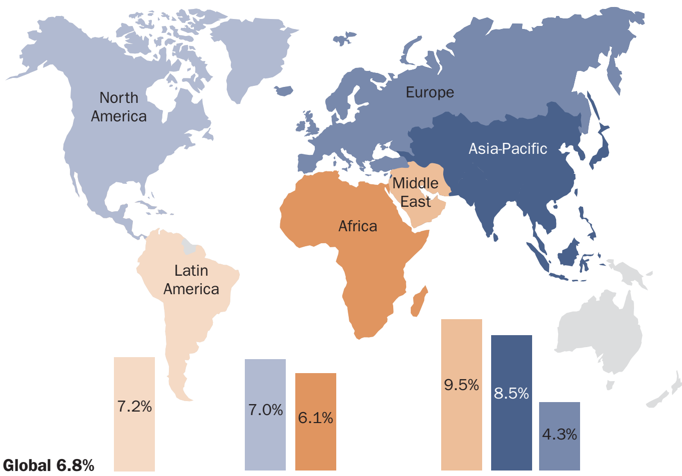
Emerging markets offer attractive growth opportunities

The collective wealth of private individuals has continued to grow, boosted by the dynamic performance of the global economy and international financial markets. The World Wealth Report 2007, published by Cap Gemini and Merrill Lynch, estimates that the financial wealth of high net worth individuals (HNWI), i.e. those with assets of USD 1 million or more, grew by 8.3% in 2006 alone. The consistently dynamic growth rates achieved by emerging economies in particular make them highly attractive markets for Bank Sarasin.

China and Russia are both in the world's top ten when it comes to the fastest HNWI growth. The highest growth rates in wealth were recorded in Singapore (+21.2%), closely followed by India (+20.5%). The authors of the report forecast average global growth of 6.8% up to 2011, highlighting the additional growth potential available to Bank Sarasin in its new international target markets. By contrast, Europe's growth will be below par, at around 4.3%. The cut-throat competition in this market is therefore likely to intensify even further in the coming years.

Wealthy private clients have repeatedly shown that they can change their investment patterns very quickly. After many investors switched their funds into real estate in 2006, other investment opportunities are now becoming more popular.

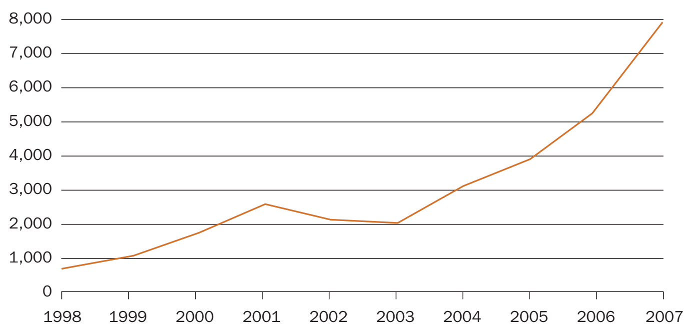
Outlook for global growth of HNWI wealth, by region



(Forecast average annual growth over the period 2006 to 2011)
Source: Cap Gemini/Merrill Lynch: World Wealth Report 2007.

In particular, Socially Responsible Investment (SRI) is set to gain prominence: HNWIs already invest 8% of their portfolio in instruments that meet these standards. Bank Sarasin first discovered this area of investment back in 1989 and over the years has steadily built up its expertise in this specialist field. The massive 52% rise in client assets managed in accordance with sustainable criteria in 2007, from CHF 5.2 billion to CHF 7.9 billion, clearly illustrates this trend and at the same time confirms our excellent positioning in this field of investment. By selectively expanding our know-how and offering an appealing product range, Sarasin will be able to continue to take advantage of soaring demand for sustainable investment opportunities.

Growth in sustainable investments managed by the Sarasin Group (million CHF)



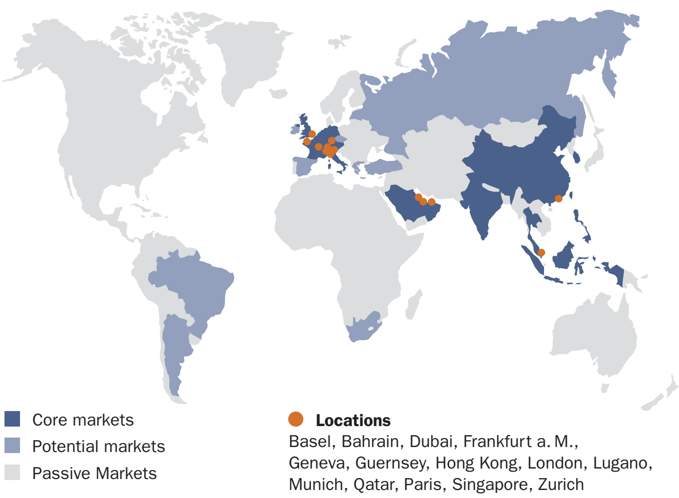
The three cornerstones of our highly focused growth strategy

The decision by Rabobank in January 2007 to exercise its option helped to stabilise the Bank's ownership structure and created the leeway for a change in the Bank's strategic direction. As part of its growth strategy, Bank Sarasin is exploiting the synergies offered by the collaboration with its new majority shareholder. Rabobank is active in 42 different countries and has the highest possible credit standing, with a Triple-A rating from the world's leading rating agencies.

Bank Sarasin's growth strategy is built on the following three cornerstones:

1. **Positioning as a private bank**
   At Sarasin, the client is at the centre of everything we do. As a private bank we offer each customer an investment strategy tailored specifically to their individual circumstances and requirements.
2. **Profiling as a provider focused on the client**
   As a private bank, Sarasin aims to be the top address in customised investment solutions and independent product consulting. The Bank is therefore deeply committed to consistently improving its client-focused and solution-based product offering.
3. **Clear geographic focus on target markets**
   Sarasin targets clients and international locations in selected growth markets. The Bank currently has 13 locations worldwide. By optimising its three booking centres in Singapore, Switzerland and London, it is able to provide market coverage that satisfies the needs of its customers.

Bank Sarasin's locations and target markets



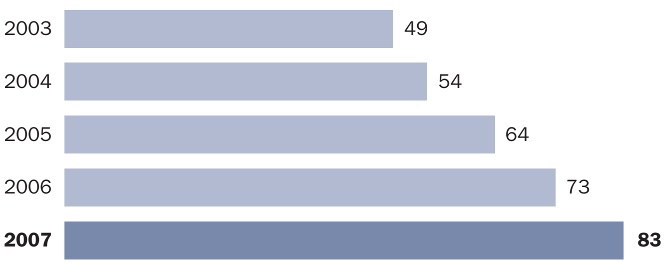
Bank Sarasin has set itself three targets for 2010.
> To increase assets under management to CHF 100 billion,
> To achieve a gross margin of 90 basis points and
> To gradually reduce the cost income ratio to around 60%.

With one eye firmly on these goals, Bank Sarasin has consistently pushed ahead with its growth strategy during the past financial year. Sarasin is seeking to boost the rate of organic growth in all its existing locations. During 2007, initiatives were focused mainly on Asia and the Middle East, as well as on London. The recruitment of CRM teams with different geographic focal points and banking skills allowed the Bank to significantly strengthen its position in these important target markets. We also selectively expanded our network of offices, with Frankfurt, Bahrain and Qatar as the most recent additions. At the same time, Bank Sarasin is concentrating on its core skills. The sale of part of our brokerage services to NZB Neue Zürcher Bank, the divestment of our Luxembourg subsidiary to the Crédit Agricole Group and the foundation of BANK ZWEIPLUS serving IFA customers and direct clients in the affluent segment are the logical consequence of this tighter focus.

New money inflow much higher than expected

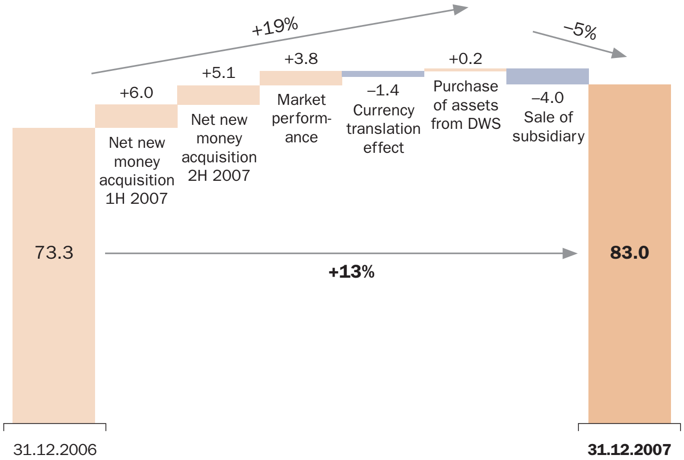
At the end of December 2007, the Bank's assets under management amounted to CHF 83.0 billion, an increase of CHF 9.7 billion or 13% on the previous year. The gross rate of growth was as high as CHF 13.7 billion or 19%, allowing for the fact that the sale of our Luxembourg subsidiary resulted in an outflow of CHF 4.0 billion in client assets. The Bank is therefore right on track to achieve its 2010 target of CHF 100 billion assets under management.

Assets under management (billion CHF)

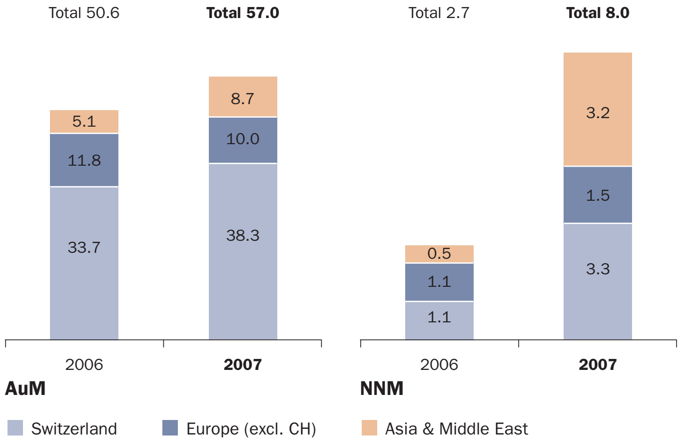


This impressive result was down to a number of key factors: over the past year Bank Sarasin has been particularly successful in attracting new client deposits. With net new money inflow of CHF 11.1 billion (2006: CHF 4.2 billion) the Bank exceeded its original yearly target of CHF 4.4 billion by more than double. Coming on top of an already strong first-half increase of CHF 6.0 billion in net new money, the second-half rise of CHF 5.1 billion is further evidence of the Bank's consistent track record in organic growth. It confirms the effectiveness of our business strategy, our ability to exploit available potential, and our solid reputation in the market as an attractive and trustworthy provider of private banking services.

AuM trends 2006 to 2007 (billion CHF)



Private clients business at the different Sarasin Group locations (billion CHF)



The better than expected acquisition performance is complemented by the effects of the financial market performance which, though not as strong as in 2006 (CHF 5.6 billion), was still positive overall, at CHF 3.8 billion. Currency translation effects shaved CHF 1.4 billion off the market performance in Swiss francs. Other aspects that have to be taken into account include an outflow of CHF 4.0 billion in assets following the sale of our Luxembourg subsidiary, and an inflow of CHF 0.2 billion resulting from the purchase of the client assets of DWS Investments Schweiz, a subsidiary of Deutsche Bank.

Internationalisation pays dividends

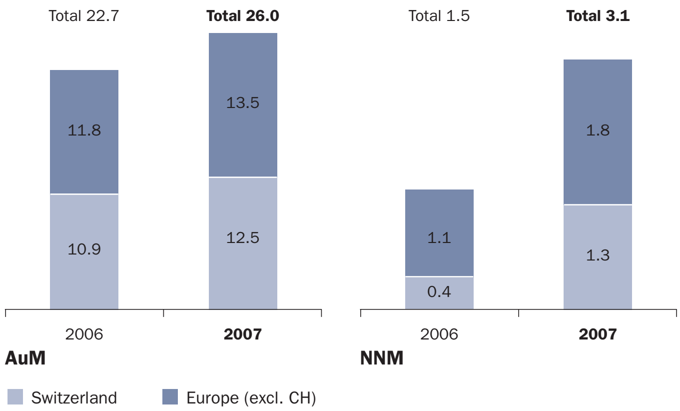
In absolute terms, the bulk of our assets, CHF 38.3 billion, in the private client business are managed by client advisors based at our Swiss locations. However, we are starting to see some changes in the regional breakdown of new money inflows and the acquisition performance of different locations.

In contrast to the previous year, when our locations in Europe and Switzerland posted the highest growth in net new money, our Swiss locations were only just ahead of Asia and the Middle East in the internal performance tables for 2007. In the past year, client advisors at our Swiss locations acquired three times as much new money as in 2006. Our other European subsidiaries also improved their acquisition performance – despite the sale of Luxembourg – and contributed CHF 1.5 billion to net new money growth in 2007.

The biggest year-on-year increases were recorded by our locations in Asia and the Middle East: while net new money (NNM) growth was only CHF 0.5 billion in 2006, the client advisors at these locations acquired CHF 3.2 billion (+650%) in new money in 2007. This excellent result is shining proof of the broad success of our international growth initiatives in the private clients segment.

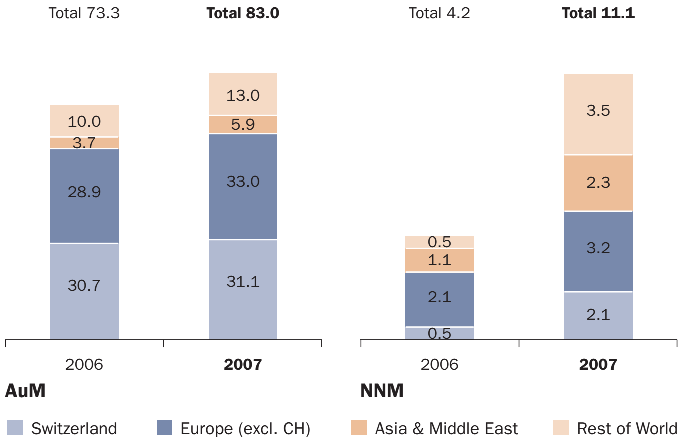
Our business with institutional clients is concentrated mainly in our locations in Switzerland and Germany, and also in London and Paris. With total assets under management (AuM) of CHF 26.0 billion, this segment accounts for around 31% of our Group's entire business. Acquisition growth doubled overall in the space of just one year. The contribution from CRMs in our Swiss locations trebled, from CHF 0.4 billion to CHF 1.3 billion, while the contribution from our international locations improved from CHF 1.1 billion to CHF 1.8 billion.

Institutional clients business at the different Sarasin Group locations (billion CHF)



A breakdown of assets by client domicile highlights the growing importance of our international business for the Sarasin Group: at the top of the table comes the Rest of the World with net new money growth of CHF 3.5 billion, followed by Europe (excl. CH) at CHF 3.2 billion, then Asia and the Middle East with CHF 2.3 billion. Switzerland brings up the rear in 2007, with CHF 2.1 billion. While most of the money acquired in 2006 still came from clients domiciled

Assets under management (AuM) and net new money (NNM) inflow by client domicile (billion CHF)



in Europe (including Switzerland), the bulk of the new money growth achieved in 2007 came from clients based outside Europe. This confirms the unbroken trend towards cross-border management of assets and shows that the Swiss financial services industry is still playing a dominant role here.

The development of the various client segments by asset size is also very encouraging. A comparison with the previous year shows that the strongest growth was achieved in the segment of clients with assets of more than CHF 10 million. Inflows in the middle segments (assets of CHF 1 to 5 million and CHF 5 to 10 million) also developed well. These figures confirm our success in focusing on business with private clients in the HNWI segment and large institutional investors.

Development of client segments by asset size (billion CHF)

AuM	2007	2006
< CHF 1 million	**8.8**	8.9
CHF 1 million to CHF 5 million	**12.5**	12.2
CHF 5 million to CHF 10 million	**7.3**	6.7
> CHF 10 million	**54.4**	45.5
Total	**83.0**	**73.3**

Portfolio composition reflects equities bias of our investment strategy

During the reporting period, there was once again some asset switching in client portfolios, which can partly be explained by the equities bias of Bank Sarasin's investment strategy. In 2006, we initiated a shift away from bonds (–6%) and investment funds (–8%) towards equities (+7%), and continued this strategy in 2007. The increase in cash & cash equivalents and fiduciary investments (+10%) is mainly attributable to the new client deposits acquired in the course of 2007. The percentage of client funds with an asset management mandate

Assets under management: breakdown by investment category (in percent)

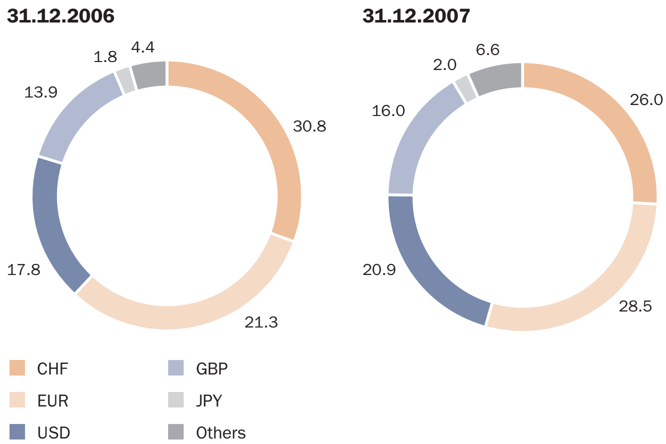
	31.12.2007	31.12.2006
Equities	**33.3**	31.1
Bonds	**16.3**	17.4
Investment funds (Sarasin & 3rd party)	**26.1**	28.5
Others	**5.3**	5.8
Cash & cash equivalents, fiduciary investments	**19.0**	17.3

(incl. in-house funds) came to 44% of total AuM, a slight drop on the previous year (45%), and also the result of acquisitions. This confirms the future earnings potential, which provides a solid foundation for more growth going forward.

On the currency front, there was a move away from the Swiss franc (–15%) and the euro (–9%). By contrast, weightings increased in the three major currencies: the Japanese yen (+15%), the British pound (+15%) and the US dollar (+17%).

The 48% increase in the quota of client assets held in other currencies reflects the intensity of our international business activity and shows that the acquisition of new money in this segment was particularly successful. Currency translation effects also play a role: for example, the weaker Swiss franc compared with 2006 and the strong appreciation of the euro against the yen, dollar and other currencies.

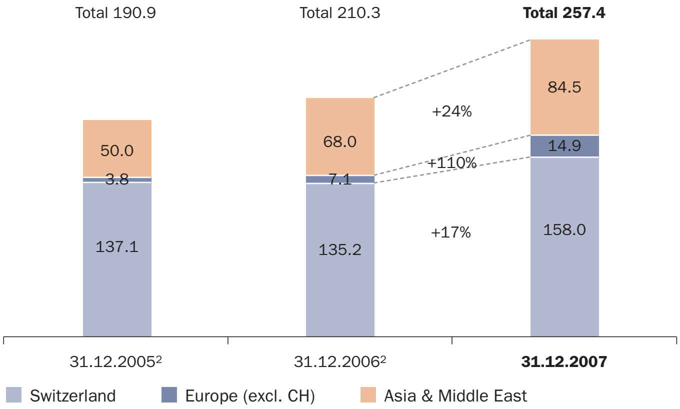
Assets under management: breakdown by currency (in percent)



Client advisors: a lucrative source of growth potential

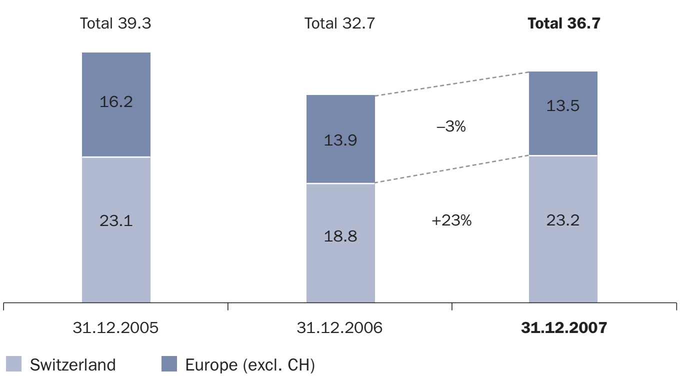
To be able to offer personalised investment advice to individuals that meets the high standards expected of a leading Swiss private bank, Sarasin relies on highly experienced client relationship managers (CRMs). Our CRMs are familiar with our increasingly international clientele and develop personalised solutions for them. Our success on the acquisition front in

Private clients business: number of CRMs[1] at Sarasin Group locations (adjusted for part-time working)



2007 is not least down to the Bank's efficient and highly skilled CRM pool, which was strengthened during the course of the year by the appointment of additional experienced CRMs and CRM teams. After adjustment for the sale of our Luxembourg subsidiary, the number of CRMs (including assistants) in the private clients segment of the Sarasin Group rose by 22% over the last financial year to a total of 257 CRMs. This expansion, which was more pronounced than in 2006, occurred at all Sarasin Group locations. Growth was strongest at our locations in Switzerland, as well as in the Middle East and Asia. When averaged out across the entire Sarasin Group, each CRM in the private clients segment was responsible for managing client assets of around CHF 240 million. The acquisition performance of each CRM improved from CHF 13 million in 2006 to CHF 34 million in 2007. In 2008, we intend to continue to grow our business by recruiting more CRMs and CRM teams.

Institutional clients business: number of CRMs[1] at Sarasin Group locations (adjusted for part-time working)



[1] Incl. assistants.
[2] 2005 and 2006 figures adjusted to allow for the sale of our Luxembourg subsidiary.

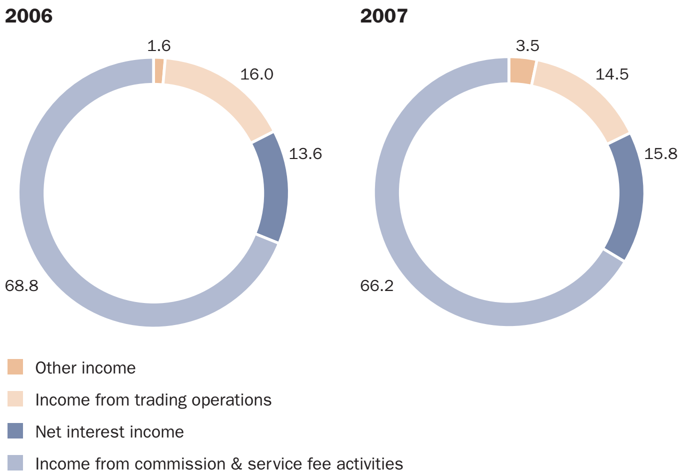
Our business with institutional clients is mainly concentrated in our Swiss and German locations, and also in London and Paris. This segment also experienced growth over the last year. In 2007, the number of CRMs once again rose to 37. The CRMs serving the institutional clients at all our locations each manage around CHF 750 million on average. The average acquisition performance improved from CHF 41 million in 2006 to CHF 90 million. Since the average size of an institutional investor is considerably bigger, these figures are – not surprisingly – higher than those for the private clients business.

Record operating result

When analysing operating performance for 2007, it must be remembered that the result was affected by one-off special factors, especially the sale of our Luxembourg subsidiary and parts of the brokerage business. Without this adjustment, operating income would have risen by almost 50% from CHF 565.7 million in 2006 to CHF 837.5 million in 2007. But even after allowing for these special factors, the adjusted operating income of CHF 662.4 million is still very encouraging and equates to a respectable growth rate of 17%. This means that last year's growth in operating income of just 12% was comfortably exceeded again in 2007 – even allowing for one-off effects.

The Bank's three main sources of revenue – net interest income, income from commission & service fee activities, and income from trading operations – all contributed to this record operating result. The main revenue drivers were net interest income and commissions from securities and investment transactions: net interest income amounted to CHF 104.6 million (+36%), income from commissions CHF 438.6 million (+13%) and income from trading operations CHF 95.9 million (+6%). The consistently strong performance in our main sources of income reflects the broad and solid foundations of the Bank's success.

Percentage breakdown of operating income

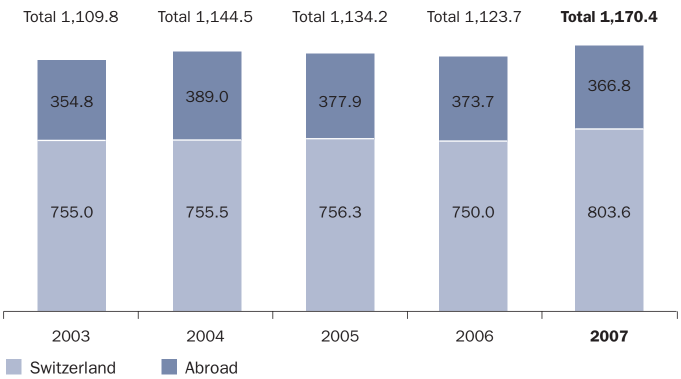


The sharp increase of 151% to CHF 23.3 million (adjusted figure) in other income is attributable to the income from financial investments (CHF 13.3 million) and income from participations (CHF 7.0 million). Without adjustments, the figure for other income actually comes to CHF 198.4 million. The difference of CHF 175.1 million between the adjusted and unadjusted figure can be explained by the sale of parts of the brokerage business and the sale of our Luxembourg subsidiary.

Costs develop in line with expectations

In 2007, operating expenses, after adjustments for the sale of parts of the brokerage business and the sale of our Luxembourg subsidiary, came to CHF 417.1 million, 15% higher than in 2006 (CHF 363.0 million[1]). This rise is mainly down to higher personnel costs. These were in turn the result of a net increase in headcount by 4% to 1,170 (adjusted for part-time working), or a gross increase of 13% (allowing for the sale of our Luxembourg subsidiary), as well as individual performance-based bonus increases. Total personnel expenses rose 18% in 2007 to CHF 307.3 million.

Headcount (adjusted for part-time working)

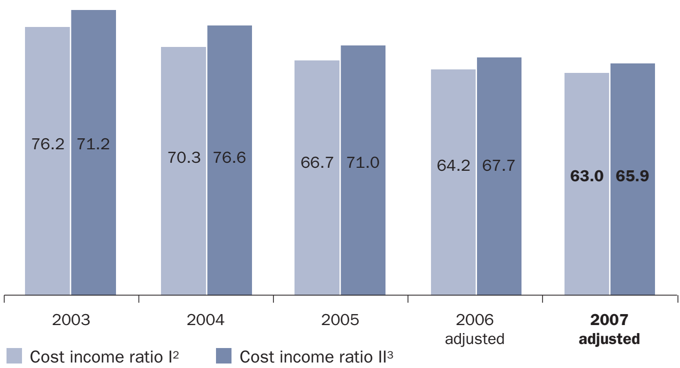


The 6% increase in general administrative expenses to CHF 109.8 million was fairly modest and can mainly be explained by the higher consultancy and auditing costs (plus CHF 3.8 million) and extra costs incurred in the area of IT and telecommunications (plus CHF 1.4 million). The completion of the SaraChange project, the launch of the SaraFIT project (FIT = Future Information Technology) and the replacement of the old E-Commerce platform were all significant cost factors here.

As in previous years, the adjusted cost income ratio improved again, easing from 64% (2006) to 63% (2007).

[1] Adjusted figure. Additional one-off expenses of CHF 41 million were incurred in 2006 in connection with the Bank's expansion strategy.
[2] Operating expenses / operating profit.
[3] Operating expenses incl. depreciation and amortisation / operating profit.

Cost income ratio (in percent)



This performance means we are on course to meet our goal of gradually cutting the cost income ratio to 60% by 2010.

Depreciation and write-offs on property and equipment were 10% lower last year and came to CHF 11.8 million. By contrast, amortisation of intangible assets increased by 11% to CHF 7.5 million, which is attributable to write-downs on new, activated IT software, such as the new E-Banking system. After adjustment for the restructuring costs incurred in our Luxembourg business in 2006, value adjustments, provisions and losses rose by CHF 1.2 million to CHF 3.5 million. This increase is due to a slight rise in operational risks. On the other hand, there was no significant increase in the credit risk. The current level, which is still very low in absolute terms, highlights the success of the Bank's active risk management system.

In the 2007 financial year, the Bank therefore achieved an adjusted net profit after tax of CHF 173.5 million (2006: CHF 140.8 million), corresponding to a 23% improvement in operating performance. Without any adjustment, the proceeds from the sale of our Luxembourg subsidiary and parts of the brokerage business pushed up net profit after tax to as much as CHF 304.6 million, three times higher than last year's unadjusted profit figure.

Dynamic growth continues in all core segments

An analysis of the figures for 2007 based on the Bank's organisational structure (see segment reporting on p. 21 ff.) shows that all three of our core segments managed to significantly improve on last year's operating performance: Private & Institutional Clients Switzerland (+13%), International (+33%) and Asset Management, Products & Sales (+74%). The business generated by our segment Private & Institutional Clients Switzerland continues to be Sarasin's powerhouse in absolute terms, reporting a net profit before tax of CHF 141.5 million.

Net profit before tax per segment (million CHF)

	2007	2006
Private & Institutional Clients Switzerland	141.5	125.3
International	41.3	31.2
Asset Management, Products & Sales	57.7	33.2
Corporate Center	–18.0	–9.1
Sarasin Group	**222.5**	**180.5**

Note: A major restructuring was completed during the 2007 financial year and a subsidiary was sold. The Asset Management, Products & Sales segment now also includes the internal business unit "Trading", which was taken over from the Corporate Center on 1 October 2007. The Luxembourg subsidiary sold on 1 July 2007 is shown as a discontinued business in the Corporate Center segment. Segment reporting (segment profit before tax) was adjusted accordingly as at 31.12.06.

Total assets still growing

Total assets held on the balance sheet at the end of 2007 rose by CHF 1.8 billion (+18%), from CHF 9.9 billion to CHF 11.7 billion, mainly because of greater demand for loans against collateral from clients in the Middle East and Asia especially. The increase in the amount due from clients came to CHF 1.4 billion or 59%, comfortably exceeding the already high growth rate of 42% recorded in 2006. The strong demand for structured products had an impact on the trading portfolio, which increased by CHF 94 million to CHF 654 million.

On the liabilities side, the level of refinancing with other banks increased and pushed up the amount due to banks from CHF 455 million to CHF 1.1 billion. The amounts due to customers only rose slightly, by CHF 84 million to CHF 6.7 billion. Growing demand for structured products led to a sharp jump of CHF 843 million in the balance sheet item "Financial liabilities at fair value", which amounted to CHF 1.9 billion. Shareholders' equity rose by CHF 219 million to CHF 1.3 billion. At the end of December 2007, Bank Sarasin held in treasury 2.0% of the total Sarasin class B registered shares issued, compared with 1.4% in 2006.

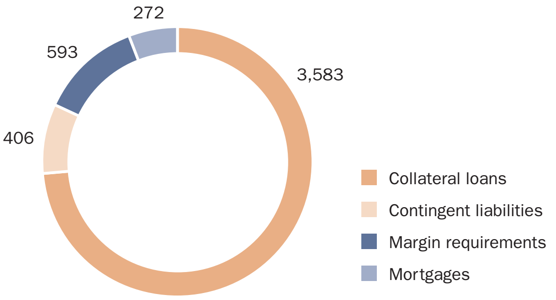
Solid capital base and low-risk exposure

On an adjusted basis, the return on equity increased from 13.5% (2006) to 14.2%. Without the adjustment, the return on equity in 2007 would have been as high as 26.3%. The equity ratio rose slightly and is now 10.8%. The BIS Tier 1 ratio, defined as core capital as a percentage of risk weighted assets, came to 17.0% at year-end 2007 on an adjusted basis (2006: 18.8%). The decline can be explained by the growth strategy in the client segment and is due to an increase in risk-weighted assets of CHF 1.5 billion. The current BIS Tier 1 ratio is still well above the target corridor of 12% to 14% and confirms the Bank's solid capital base.

No losses from the subprime crisis

As a Swiss private bank, Sarasin attaches great importance to risk management (see Risk Management report, p. 37 ff). This system is built on the integrity and risk-aware conduct of individual employees at all levels of the company, as well as on clearly defined responsibilities and competencies. Bank Sarasin's basic focus on a low-risk business model is a reflection of its commitment towards its customers and shareholders. The main focus of Sarasin's business activities is in private banking and asset management. Most of its loans are thus limited to securities lending against collateral for private clients worldwide and mortgage lending to private clients, mainly in Switzerland. The criteria applied to lending against collateral are not only carefully selected, but are continuously monitored.

Composition of loan portfolio
Credit exposure as at 31.12.2007 (million CHF)



Bank Sarasin has been unaffected by the subprime crisis, whose exact extent and repercussions for the economy as a whole are not yet fully known, without incurring any direct losses. Sarasin does not have at present, and has never had in the past:

- any direct exposure to the US housing market.
- any exposure, either in our trading book or in financial investments, to products such as collateralised debt obligations (CDOs) or other structured products that are in turn directly invested in the US mortgage market.
- any defaults in the interbank lending business.

Overall the Bank's risk profile is still very low, despite its rapid pace of expansion. This is best illustrated by a number of key figures: the Group's Value at Risk (VaR) in the Trading segment fluctuated between CHF 132,000 and CHF 731,000 over the course of the year, and averaged CHF 261,000.

Full disclosure of rights and risks

The speed of regulatory changes in the financial services industry is still very high, which places enormous demands on the design of internal procedures, staff training and the development and launch of new products. In particular, the provision of cross-border services is becoming more and more complex both from a legal and regulatory perspective, as due consideration must also be given to international legislation, such as the EU directive “Markets in Financial Instruments” (MiFID).

Bank Sarasin believes it is extremely important for all its customers to receive clear and thorough explanations about the risks associated with certain financial instruments during the advisory process. The Bank also has to meet the expectations that many clients have of greater transparency regarding the fees charged for the provision of banking services. The aim of all our initiatives in this area is to act in the best possible interest of the clients and to advise them accordingly on an individual basis.

Ethically guided and committed to sustainability

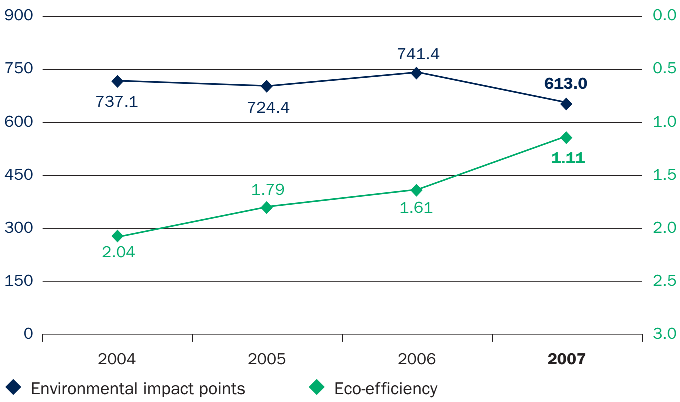
Bank Sarasin is committed to sustainability not simply as a trendsetter and leading player in socially responsible investment (SRI). More importantly, sustainability is a key component of its business philosophy which shapes both its internal processes and decisions. Sustainability means upholding sustainable and enduring values.[1]

For many years now Bank Sarasin has been steadily reducing the amount of CO_2 emissions per employee. Since 1 January 2007, our offices in Basel, Geneva, Zurich and London, as well as all staff business travel by plane, train and car, have been carbon-neutral. This has been achieved by cutting CO_2 emissions and offsetting any unavoidable greenhouse gas emissions. At our Swiss locations, roughly 85% of the electricity consumed comes from renewable sources; this figure is as high as 100% for our Geneva and Zurich offices. The Bank’s own solar system installed on the roof of its head office in Basel produced as much electricity in 2007 as six households with a family of four use over the course of a year.

All anthropogenic activities have some sort of environmental impact. One way of quantifying this impact is to measure it in terms of environmental impact points. The sale of our Luxembourg subsidiary, amongst others, resulted in a reduction in the number of environmental impact points from 741 million to 630 million in 2007. If we also take into account productivity gains, measured by the creation of gross value-added, the overall environmental performance in terms of eco-efficiency showed a significant improvement of 31% over the financial year. In recent years Bank Sarasin has managed to consistently improve its eco-efficiency.

[1] In a separately published Sustainability Report, Bank Sarasin provides a full description of its activities in this field and the targets achieved during the 2007 financial year.

Trends in environmental impact points (in million) and eco-efficiency over the period 2004 to 2007



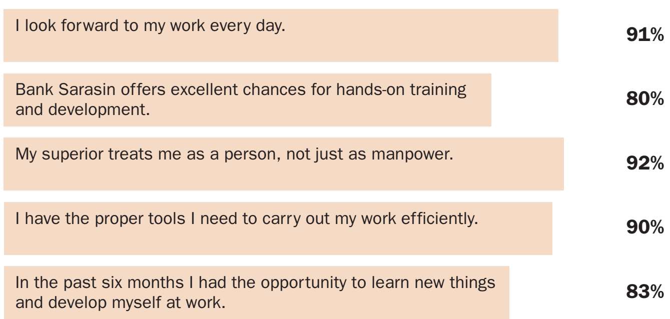
Environmental impact points: This ratio is based on a calculation method for weighting the different environmental impacts using “eco-factors”, thereby providing a comparative rating. This approach is based on the “environmental scarcity” method and on the goals of Swiss environmental policy.
Eco-efficiency: Environmental impact in relation to gross value-added, i.e. environmental impact points per Swiss franc of gross value-added.
System boundary: The Sarasin Group’s internal environmental management system covers the locations Basel, Geneva, London, Luxembourg and Zurich. Our Luxembourg business was sold in the course of 2007. The gross value-added was adjusted to allow for the proceeds of the sale. At year-end 2007, 78% of the Group’s total workforce were covered by the Bank’s environmental management system.

Employees: a key factor in our success

Bank Sarasin is aware of the enormous potential embodied in its workforce. In the field of human resources, sustainability means encouraging staff to perform their tasks to the best of their ability and giving them the necessary incentives and promotions. In the course of 2007, the Bank conducted a comprehensive staff survey to find out more about employees’ needs and wishes. The response rate was very good, with 72% of the Group’s workforce participating. The results of the survey show on the one hand that employees have a strong sense of loyalty to Bank Sarasin as an employer.

Survey reveals good job satisfaction (in percent)

No. of employees who agreed with the following statements:



Explanation: Percentage of all employees which gave a score of at least 4 to the statements, on a scale of 1 to 6. 72% of the entire workforce took part in the survey in May 2007.

On the other hand, however, there is still room for improvement, and this will be discussed and acted upon in a series of workshops during the course of 2008.

To identify concrete customer needs and provide better profiling, Bank Sarasin also conducted a client survey in 2007. This was conducted by the "Chief Client Officer", a newly created position. His task is to understand and identify customers' needs, and to instigate measures to improve the quality of our service. The findings of this survey help our teams to tailor their advisory services even more closely to individual needs and to increase their quality even further. The survey revealed that the Sarasin brand is very well established. But the focus on international expansion especially has important implications regarding more intensive management of the brand going forward. Our goal over the next few years will therefore be to anchor and expand the Sarasin brand even more firmly in the international marketplace.

Bank Sarasin is active in numerous social institutions in the areas of the arts, medicine, sport, traditional culture, religion and social work. In addition to the personal involvement of staff, Members of the Executive Committee and the Board of Directors, the Bank also provides regular financial support and occasional donations to various initiatives. As part of its involvement in the Davidoff Swiss Indoors 2007 tennis tournament, for example, Bank Sarasin helped to fund Switzerland's up-and-coming sports players. On the finals day of the leading tennis tournament, Bank Sarasin presented a cheque worth CHF 85,000 to Sporthilfe, the Swiss sports foundation. Sarasin-Alpen and Alpen Capital in Dubai have also been involved in a number of social initiatives. They provided funding of AED 1 million in 2007 to the "Dubai Cares" campaign, whose purpose is to secure better living conditions for future generations. As main sponsor of the touring exhibition "Forests of the World", staged by the charitable foundation "Wald-Klima-Umwelt", Bank Sarasin underlines its traditional commitment to enduring, environmentally aware and sustainable values.

Outlook

We are still committed to achieving the long-term goals set for the end of 2010 by our Board of Directors. Maintaining the strategy already embarked upon, the Sarasin Group will continue to expand its existing presence in the growth regions of Europe, the Middle East and Asia, as well as in our other target markets such as Latin America and Eastern Europe. At the same time, we shall continue to push ahead with the expansion of our product range in our drive to become the top address in customised vestment solutions and independent product consulting.

Additional CRMs will be recruited to the Sarasin team, to facilitate the acquisition of new money. If we are to achieve our goals for 2010, we must maintain the same rate of growth in 2008, or if possible step it up another gear. Our 2008 target for net new money growth is 10%. We also aim to achieve an adjusted operating profit of around CHF 200 million and earnings growth of 15%.

Segment reporting

The Sarasin Group is currently enjoying growth on a broad basis. All segments contributed to the impressive net new money inflow of CHF 11.1 billion, a significant and broadly supported improvement on last year's figure. The Sarasin Group is therefore well on course to meet its target for assets under management of CHF 100 billion by 2010. The Group's operating performance was also very impressive. All three core segments – Private & Institutional Clients Switzerland (+13%), Private & Institutional Clients International (+33%) and Asset Management, Products & Sales (+74%) – managed to significantly improve on last year's performance. The Private & Institutional Clients Switzerland segment comprises the business units Private Banking, Intermediary & Personal Banking and Institutional Clients, and takes in our four Swiss locations in Basel, Geneva, Lugano and Zurich. Our German and Bahrain subsidiaries also belong to this segment for organisational purposes. The business of our international locations in Dubai, Guernsey, Hong Kong, London, Paris and Singapore is incorporated in the International segment. The Asset Management, Products & Sales segment incorporates our investment and research teams, product development and support for our distribution partners and for trading. Internal operating and support functions in the areas of Logistics, and staff functions at the level of the Board of Directors and Executive Committee come under the auspices of the Corporate Center.

2007 adjusted

1,000 CHF	Private & Institutional Clients Switzerland	International	Asset Management, Products & Sales	Corporate Center	**Sarasin Group**
Operating income	327,961	182,493	124,127	27,804	662,385
Operating expenses	182,010	135,517	62,621	36,964	417,112
Operating profit	**145,951**	**46,976**	**61,506**	**–9,160**	**245,273**
Depreciation and amortisation	4,407	4,555	3,840	6,487	19,289
Value adjustments, provisions and losses	47	1,082	0	2,363	3,492
Net profit before tax per segment	**141,497**	**41,339**	**57,666**	**–18,010**	**222,492**
Cost income ratio II	56.8%	76.8%	53.5%	156.3%	65.9%
Net new money (million CHF)	4,875	4,300	1,989	–52	11,112
New money through acquisitions (million CHF)	191	0	0	0	191
Change through divestment (million CHF)	0	0	0	–4,017	–4,017
Performance (million CHF)	1,436	454	327	232	2,449
Transfers (million CHF)	–400	–232	803	–171	0
Gross margin on assets under management	0.77%	0.92%	0.91%	1.38%	0.85%
Proportion transaction related revenues	28.7%	31.3%	56.4%	68.1%	36.2%

31.12.2007 adjusted

Assets under management (million CHF)	45,655	22,187	15,143	17	83,002
Assets under management mandate (million CHF)	13,405	7,506	1,094	0	22,005
Impaired and non-performing loans (1,000 CHF)	1,835	1,081	0	3,332	6,248
Number of employees (adjusted for part-time working)	255.0	362.7	190.7	362.0	1,170.4
Adjusted number of employees (incl. allocations)	556.9	383.6	157.8	72.1	1,170.4
Whereof client relationship manager (adjusted for part-time working)	165.9	107.9	20.3	0.0	294.1

2006 adjusted

1,000 CHF	Private & Institutional Clients Switzerland	International	Asset Management, Products & Sales	Corporate Center	**Sarasin Group**
Operating income	276,734	115,679	95,817	77,451	565,681
Operating expenses	147,066	80,907	57,700	77,288	362,961
Operating profit	**129,668**	**34,772**	**38,117**	**163**	**202,720**
Depreciation and amortisation	4,290	3,622	4,059	7,929	19,900
Value adjustments, provisions and losses	99	0	827	1,367	2,293
Net profit before tax per segment	**125,279**	**31,150**	**33,231**	**–9,133**	**180,527**
Cost income ratio II	54.7%	73.1%	64.5%	110.0%	67.7%
Net new money (million CHF)	1,748	2,034	449	–66	4,165
New money through acquisitions (million CHF)	0	0	0	0	0
Change through divestment (million CHF)	0	0	0	0	0
Performance (million CHF)	3,319	971	952	328	5,570
Transfers (million CHF)	–1,067	372	708	–13	0
Gross margin on assets under management	0.74%	0.72%	0.87%	1.99%	0.83%
Proportion transaction related revenues	29.0%	13.0%	66.7%	24.4%	31.5%

31.12.2006 adjusted

Assets under management (million CHF)	39,552	17,665	12,025	4,025	73,267
Assets under management mandate (million CHF)	12,456	6,876	954	545	20,831
Impaired and non-performing loans (1,000 CHF)	73	1,022	0	3,908	5,003
Number of employees (adjusted for part-time working)	208.4	276.3	191.1	447.9	1,123.7
Adjusted number of employees (incl. allocations)	476.8	280.9	174.1	191.9	1,123.7
Whereof client relationship manager (adjusted for part-time working)	136.3	89.0	17.7	26.0	269.0

Private & Institutional Clients Switzerland

The **"Private & Institutional Clients Switzerland" (PIC)** segment incorporates both Swiss and foreign investors who are serviced from our Swiss locations of Geneva, Zurich, Basel and Lugano. Our German and Bahrain subsidiaries also fall within this segment for organisational purposes. The PIC segment is headed by Eric G. Sarasin (CEO PIC) and Marco Weber (COO PIC). At the end of December 2007, this segment had a headcount of 255 (adjusted for part-time working).

Home market of Switzerland is vitally important

The "Private & Institutional Clients Switzerland" (PIC) segment improved its net profit before tax by 13% on an adjusted basis, to CHF 141.5 million (2006: CHF 125.3 million). This result underlines the undiminished importance of the Bank's home market, Switzerland, while at the same time emphasising the key role that the Swiss financial services industry plays in cross-border business.

Operating income came to CHF 328.0 million, an increase of CHF 276.7 million (+19%) on 2006. In absolute terms this strong increase more than compensated for the higher operating expenses caused by higher bonus accruals and internal cost allocations. Operating expenses rose 24% to CHF 182.0 million, mainly because of investments in future growth through the recruitment of more CRMs, higher personnel costs (bonus payments) and higher general administrative expenses. The gross margin, i.e. operating income in relation to average assets under management, came to 77 basis points (2006: 74 basis points) for the entire segment. The cost income ratio II rose from 54.7% in 2006 to 56.8% in 2007, which was partly due to the investments in future growth mentioned above.

Strong acquisition performance leads to quadrupling of net new money, driven by cross-border business

The PIC segment is the mainstay of the entire Bank's acquisition success, attracting net new money inflows of CHF 4.9 billion (2006: CHF 1.7 million). At the end of December 2007, the PIC segment managed client assets of CHF 45.7 billion, of which CHF 32.2 billion (+13%) come from business with private HNWIs and CHF 13.5 billion (+22%) from business with institutional clients. The strong growth experienced in the institutional clients business was supported by net new money inflow of CHF 1.7 billion. This acquisition performance equates to a quadrupling of net new money since 2006, when the figure was just CHF 0.4 billion. The private clients business contributed net new money of CHF 3.2 billion compared with CHF 1.3 billion in 2006, an increase of 145%.

Mixed performance of individual business units

Earnings growth in the private clients business was relatively modest when measured against the overall segment result. Net profit before tax rose 9% to CHF 119.3 million. While the operating profit in Private Clients Switzerland – boosted by new money inflow and the improvement of 3 basis points in the gross margin to 91 bp – rose an impressive 17% to CHF 276.5 million, the overall result was ultimately disappointing due to the sharp 23% rise in operating expenses to CHF 152.5 million. At the same time, however, the recruitment of 25 new CRMs (+21%) represented an important investment in the Bank's future growth.

By contrast, the Institutional Clients Switzerland business unit posted a very strong performance: the operating profit improved 30% to CHF 51.5 million, driven by a strong acquisition performance and a 4 bp rise in the gross margin to 42 basis points. Operating expenses rose slightly less, increasing 27% to CHF 29.5 million. Taken overall, the Institutional Clients Switzerland therefore saw its segment result improve by 39% to CHF 22.2 million. At the same time, the Bank also invested in future growth in the Institutional Clients business, by recruiting additional CRMs.

Award-winning advisory services

Bank Sarasin's core business is asset management and investment consulting for private and institutional clients. Personalised holistic investment advice of the very highest standard is crucial for the success of our private banking business. The Elite Report – 2007, published with the support of the German business newspaper *Handelsblatt*, singled out Bank Sarasin for the quality of its investment advisory service, giving it the highest possible distinction, *"summa cum laude"*, for the fifth year in succession, as well as the special accolade of a "Golden Pyramid" studded with diamonds, for the consistency of its performance. Of all the private banks surveyed in German-speaking countries, Sarasin won the top accolade thanks to "the excellent personal and specialist skills of its experienced advisors".

In a move to enhance the quality of its service even further, Sarasin created a new post of Chief Client Officer and also introduced a new standardised client advisory process (CAP) during the course of 2007. The CAP was first rolled out to managers and CRMs in Switzerland in March 2007. In June 2007, we also conducted a survey of our private clients both in Switzerland and abroad. The purpose of this survey was to identify the concrete requirements of clients and establish potential profiling factors for Bank Sarasin, as well as to review our position in relation to other direct competitors. The findings of the survey confirmed the importance of customer satisfaction as a key driver for growth and revenue. Every third customer who is completely happy with us wants to expand his relationship with our Bank. The most important factor for this level of satisfaction is excellent service and advice. Two thirds of clients participating in the survey said they were happy with the Bank's customer support and services. With 27% of the questionnaires sent out actually returned by clients, the results of the survey are meaningful.

Expansion of private banking in Switzerland

The new people appointed to head up Private Banking Geneva and Lugano further enhanced the quality of our management team in Switzerland in the last financial year. In addition, the signing in spring 2007 of the agreement to purchase Sarasin Colombo Gestioni Patrimoniali SA provides an excellent platform at our Lugano location from which to expand our activities in the Italian market. The total number of CRMs in the PIC segment rose from 136 to 166, an increase of 22%. In relative terms, the rise is down to the expansion of teams in both the Private Clients and Institutional Clients business. In absolute terms, however, the expansion of the private clients business was far more dynamic, with the recruitment of 25 new CRMs. The growth strategy in our home market achieved an additional boost from the move in November to focus more intently on our business with Swiss private clients, with the acquisition of a new CRM team at our Zurich location.

Institutional clients business has international success

To cater more effectively for the rapidly expanding business from foundations, Bank Sarasin is expanding its market position, and as of 1 January 2008, all the services it provides for foundations in German-speaking countries are to be concentrated in one dedicated department, the Institutional Clients Foundation Service (ICFS). ICFS now looks after all foundations established under private, public or church law in Germany, Austria and Switzerland, including industrial and private foundations. ICFS is involved not only in servicing customers and acquiring new money, but also offering advice to private clients with substantial wealth. It also acts as an interface to private banking. A good example of our growing international success with institutional clients as a result of our expertise in managing assets in accordance with sustainable principles is the award of a large mandate by the Evangelical-Lutheran church in Finland.

Private & Institutional Clients Switzerland (total)

1,000 CHF	**2007 adjusted**	2006 adjusted	Change to 2006 CHF	Change to 2006 %
Operating income	**327,961**	276,734	51,227	18.5
Operating expenses	**182,010**	147,066	34,944	23.8
Operating profit	**145,951**	**129,668**	**16,283**	**12.6**
Depreciation and amortisation	**4,407**	4,290	117	2.7
Value adjustments, provisions and losses	**47**	99	–52	–52.3
Net profit before tax per segment	**141,497**	**125,279**	**16,218**	**12.9**
Cost income ratio II	**56.8%**	54.7%		
Net new money (million CHF)	**4,875**	1,748		
New money through acquisitions (million CHF)	**191**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**1,436**	3,319		
Transfers (million CHF)	**–400**	–1,067		
Gross margin on assets under management	**0.77%**	0.74%		
Proportion transaction related revenues	**28.7%**	29.0%		

	31.12.2007 adjusted	31.12.2006 adjusted	Change to 31.12.2006	Change to 31.12.2006 %
Assets under management (million CHF)	**45,655**	39,552	6,103	15.4
Assets under management mandate (million CHF)	**13,405**	12,456	949	7.6
Impaired and non-performing loans (1,000 CHF)	**1,835**	73	1,762	>1,000
Number of employees (adjusted for part-time working)	**255.0**	208.4	46.6	22.4
Adjusted number of employees (incl. allocations)	**556.9**	476.8	80.1	16.8
Whereof client relationship manager (adjusted for part-time working)	**165.9**	136.3	29.6	21.7

Whereof Private Clients Switzerland business unit

1,000 CHF	**2007 adjusted**	2006 adjusted	Change to 2006 CHF	Change to 2006 %
Operating income	**276,485**	237,092	39,393	16.6
Operating expenses	**152,539**	123,784	28,755	23.2
Operating profit	**123,946**	**113,308**	**10,638**	**9.4**
Depreciation and amortisation	**4,033**	3,883	150	3.9
Value adjustments, provisions and losses	**598**	99	499	504.3
Net profit before tax per segment	**119,315**	**109,326**	**9,989**	**9.1**
Cost income ratio II	**56.6%**	53.8%		
Net new money (million CHF)	**3,210**	1,313		
New money through acquisitions (million CHF)	**191**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**806**	2,431		
Transfers (million CHF)	**–545**	–770		
Gross margin on assets under management	**0.91%**	0.88%		
Proportion transaction related revenues	**31.2%**	31.6%		

	31.12.2007 adjusted	31.12.2006 adjusted	Change to 31.12.2006	Change to 31.12.2006 %
Assets under management (million CHF)	**32,172**	28,509	3,663	12.8
Assets under management mandate (million CHF)	**6,615**	6,735	–120	–1.8
Impaired and non-performing loans (1,000 CHF)	**1,835**	73	1,762	>1,000
Number of employees (adjusted for part-time working)	**229.8**	187.7	42.1	22.4
Adjusted number of employees (incl. allocations)	**475.8**	409.8	66.0	16.1
Whereof client relationship manager (adjusted for part-time working)	**142.7**	117.5	25.2	21.4

Whereof Institutional Clients Switzerland business unit

1,000 CHF	2007 adjusted	2006 adjusted	Change to 2006 CHF	Change to 2006 %
Operating income	**51,476**	39,643	11,833	29.9
Operating expenses	**29,471**	23,282	6,189	26.6
Operating profit	**22,005**	**16,361**	**5,644**	**34.5**
Depreciation and amortisation	**374**	407	–33	–8.1
Value adjustments, provisions and losses	**–551**	0	–551	
Net profit before tax per segment	**22,182**	**15,954**	**6,228**	**39.0**
Cost income ratio II	**58.0%**	59.8%		
Net new money (million CHF)	**1,665**	436		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**630**	888		
Transfers (million CHF)	**145**	–297		
Gross margin on assets under management	**0.42%**	0.38%		
Proportion transaction related revenues	**14.9%**	13.5%		

	31.12.2007 adjusted	31.12.2006 adjusted	Change to 31.12.2006	Change to 31.12.2006 %
Assets under management (million CHF)	**13,483**	11,043	2,440	22.1
Assets under management mandate (million CHF)	**6,790**	5,722	1,068	18.7
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	0
Number of employees (adjusted for part-time working)	**25.2**	20.7	4.5	21.7
Adjusted number of employees (incl. allocations)	**81.1**	67.0	14.1	21.0
Whereof client relationship manager (adjusted for part-time working)	**23.2**	18.8	4.4	23.4

International

The **"International"** segment groups together the business activities of our foreign subsidiaries in Dubai, Guernsey, Hong Kong, London, Paris and Singapore. Fidelis M. Goetz is head of this segment. At the end of December 2007, our International segment had a total headcount of 363 (adjusted for part-time working).

International expansion has desired effect on growth rates

The performance of our "International" segment during the 2007 financial year is emblematic of the Bank's international growth strategy. Investments in additional CRMs already paid off in the 2007 financial year: despite the higher costs incurred in expanding the team, the segment result improved thanks to higher income, accompanied by a sharp rise in net new money inflows. With an adjusted segment result of CHF 41.3 million (2006: CHF 31.2 million), this division posted an impressive profit growth of 33% driven by higher revenues. Operating profit improved at all locations, rising overall from CHF 115.7 million in 2006 to CHF 182.5 million in 2007. This big improvement is based both on the strong growth of assets under management and on the sharp rise in the gross margin from 20 basis points in 2006 to 92 basis points in 2007. The 68% jump in operating expenses to CHF 135.5 million can be explained by the significant hike in personnel costs (including bonuses). This was partly down to the increase in headcount in the drive to accelerate our pace of growth, with the appointment of new CRM teams primarily in Hong Kong, London and Dubai. A total of 19 new CRMs joined the International segment in 2007. Overall, net new money inflow amounted to CHF 4.3 billion, double the level of 2006 (CHF 2.0 billion). The cost income ratio II rose from 73.1% in 2006 to 76.8% in 2007 as a result of investments in future growth.

Private Clients business flourishing at our international locations

The Private Clients business contributed more than half, or CHF 21.5 million, of the result achieved in the International segment. In regional terms, the main drivers of this dynamic growth are the higher income and the acquisition successes in Asia and Dubai. By contrast, the result of the Institutional Clients business unit fell 9% to CHF 19.8 million during the past financial year due to higher costs. The CHF 118.6 million contribution to operating profit from Private Clients, an increase of 90% on the previous year, compares with a share of CHF 63.9 million (+20%) for Institutional Clients. The same pattern emerges in new money acquisition: while the Private Clients business achieved impressive growth of CHF 3.8 billion – four times last year's figure – the acquisition performance of the Institutional Clients business unit fell 59% to CHF 0.5 billion. Costs rose sharply in both business units: operating expenses in Institutional Clients jumped 42% to CHF 41.4 million, and the figure for Private Clients jumped by as much as 82% to CHF 94.1 million. Most of the rise is down to higher personnel costs. These include higher bonuses paid to key personnel on the basis of the improved operating result and success in acquisitions, and the recruitment of additional staff (+74.7) and relationship managers (+15.3) chiefly in Asia and London. For example, another Private Banking team joined the Hong Kong subsidiary in the course of the year in order to provide coverage of the Chinese market, one of the most promising in the region.

"What's Next?": Sarasin sponsors contemporary art

Sarasin was sole sponsor of an exhibition of contemporary Chinese art, "What's Next?", which opened in Hong Kong on 6 June 2007. This support was more than just a gesture to honour the art and artists of China, but reflects the Bank's ongoing efforts to become part of the community in Hong Kong and China. In this context, the partnership with the Shanghai Biennale, announced at the start of 2008, is a more long-term initiative. The Bank will be sponsoring the next five exhibitions in this series (2008–2016). This is the most generous funding ever provided in support of contemporary art in China. It not only underscores the Sarasin Group's strong and long-term commitment to Asia, of which China is a very important part, but also its support of contemporary art.

Best private bank in the Middle East

In May 2007, Bank Sarasin-Alpen in Dubai received one of the most prestigious private banking awards in the region: it was voted the best private bank in the Middle East by the magazine "Banker Middle East". 2007 was an extremely successful financial year for our Dubai subsidiary. During the reporting period, our Dubai office, along with the rest of the Asian business, significantly stepped up its cooperation with Rabobank on the products side. The highpoint of its marketing activities in the Middle East was the third Global Fusion Event. The donation by Sarasin-Alpen and Alpen Capital of one million Dirham to the "Dubai Cares" campaign, a charitable initiative launched by the Ruler of Dubai to provide a more secure future for the next generations by educating one million children, is a further expression of the Bank's commitment to this region.

Awards for Sarasin in London

The volume of assets managed by our London subsidiary enjoyed exceptional growth. The recruitment of a new team of six advisors strengthened Sarasin's increasingly international asset management business with private clients at our London office. The fact that this highly qualified and extremely experienced team decided to join Sarasin confirms the excellent reputation that Sarasin has established for itself in London's financial circles. During 2007, Sarasin received the "Quality and Clarity of Reporting Award" for the fifth year in succession, and for the first time won the "Image and Reputation High Net Worth Category Award" from PAM (Private Asset Management). Sarasin fought off tough competition from rivals such as JO Hambro, Merrill Lynch, Taylor Young and UBS to win the award.

New offshore booking centre in Switzerland

In a move to consolidate our position as a private bank focused on client needs and quality, Sarasin expanded the capabilities of the Swiss booking platform in the middle of 2007, so that it can be used for our international clientele. A new team in Zurich and Geneva is dedicated to servicing clients mainly from Asia, the Middle East and the UK whose assets are managed in Switzerland, but who receive advice from their own banker in their home country. Thanks to the close collaboration between the CRMs in the various offshore centres and the teams based in Switzerland, clients benefit from a centralised and highly professional service.

International (total)

1,000 CHF	**2007 adjusted**	2006 adjusted	Change to 2006 CHF	Change to 2006 %
Operating income	**182,493**	115,679	66,814	57.8
Operating expenses	**135,517**	80,907	54,610	67.5
Operating profit	**46,976**	**34,772**	**12,204**	**35.1**
Depreciation and amortisation	**4,555**	3,622	933	25.8
Value adjustments, provisions and losses	**1,082**	0	1,082	>1,000
Net profit before tax per segment	**41,339**	**31,150**	**10,189**	**32.7**
Cost income ratio II	**76.8%**	73.1%		
Net new money (million CHF)	**4,300**	2,034		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**454**	971		
Transfers (million CHF)	**–232**	372		
Gross margin on assets under management	**0.92%**	0.72%		
Proportion transaction related revenues	**31.3%**	13.0%		

	31.12.2007 adjusted	31.12.2006 adjusted	Change to 31.12.2006	Change to 31.12.2006 %
Assets under management (million CHF)	**22,187**	17,665	4,522	25.6
Assets under management mandate (million CHF)	**7,506**	6,876	630	9.2
Impaired and non-performing loans (1,000 CHF)	**1,081**	1,022	59	5.8
Number of employees (adjusted for part-time working)	**362.7**	276.3	86.4	31.3
Adjusted number of employees (incl. allocations)	**383.6**	280.9	102.7	36.6
Whereof client relationship manager (adjusted for part-time working)	**107.9**	89.0	18.9	21.2

Whereof Private Clients International business unit

1,000 CHF	**2007 adjusted**	2006 adjusted	Change to 2006 CHF	Change to 2006 %
Operating income	**118,622**	62,610	56,012	89.5
Operating expenses	**94,071**	51,710	42,361	81.9
Operating profit	**24,551**	**10,900**	**13,651**	**125.2**
Depreciation and amortisation	**1,943**	1,508	435	28.8
Value adjustments, provisions and losses	**1,082**	0	1,082	>1,000
Net profit before tax per segment	**21,526**	**9,392**	**12,134**	**129.2**
Cost income ratio II	**80.9%**	85.0%		
Net new money (million CHF)	**3,827**	893		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**337**	351		
Transfers (million CHF)	**168**	150		
Gross margin on assets under management	**1.09%**	0.78%		
Proportion transaction related revenues	**46.8%**	21.8%		

	31.12.2007 adjusted	31.12.2006 adjusted	Change to 31.12.2006	Change to 31.12.2006 %
Assets under management (million CHF)	**13,055**	8,723	4,332	49.7
Assets under management mandate (million CHF)	**2,109**	1,646	463	28.1
Impaired and non-performing loans (1,000 CHF)	**1,081**	1,022	59	5.8
Number of employees (adjusted for part-time working)	**254.9**	180.2	74.7	41.5
Adjusted number of employees (incl. allocations)	**268.5**	183.9	84.6	46.0
Whereof client relationship manager (adjusted for part-time working)	**90.4**	75.1	15.3	20.5

Whereof Institutional Clients International business unit

1,000 CHF	**2007 adjusted**	2006 adjusted	Change to 2006 CHF	Change to 2006 %
Operating income	**63,871**	53,069	10,802	20.4
Operating expenses	**41,447**	29,197	12,250	42.0
Operating profit	**22,424**	**23,872**	**–1,448**	**–6.1**
Depreciation and amortisation	**2,612**	2,113	499	23.6
Value adjustments, provisions and losses	**0**	0	0	–100.0
Net profit before tax per segment	**19,812**	**21,759**	**–1,947**	**–8.9**
Cost income ratio II	**69.0%**	59.0%		
Net new money (million CHF)	**473**	1,142		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**117**	619		
Transfers (million CHF)	**–400**	222		
Gross margin on assets under management	**0.71%**	0.67%		
Proportion transaction related revenues	**2.4%**	2.8%		

	31.12.2007 adjusted	31.12.2006 adjusted	Change to 31.12.2006	Change to 31.12.2006 %
Assets under management (million CHF)	**9,133**	8,943	190	2.1
Assets under management mandate (million CHF)	**5,398**	5,230	168	3.2
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	0
Number of employees (adjusted for part-time working)	**107.8**	96.1	11.7	12.2
Adjusted number of employees (incl. allocations)	**115.1**	97.0	18.1	18.7
Whereof client relationship manager (adjusted for part-time working)	**17.5**	13.9	3.6	25.5

Asset Management, Products & Sales

The **"Asset Management, Products & Sales"** segment brings together investment and research expertise, as well as product development and services to distribution partners in the area of Wholesale and External Asset Managers. Since 1 October 2007, the APS segment has also included the "Trading" business unit. This unit carries out orders for trading in securities and derivatives for clients from all the Bank's divisions. Trading also monitors and controls the Bank's liquidity on a daily basis and is responsible for own-account trading for the account of and at the risk of the Bank. Since 1 September 2007, the APS segment has been headed by the Chief Investment Officer, Burkhard P. Varnholt. He replaced CEO Joachim H. Straehle, who had been managing the segment on an interim basis. At the end of December 2007, the headcount of the APS segment was 191 (adjusted for part-time working).

Significantly improved segment result
In the 2007 financial year, the "Asset Management, Products & Sales" (APS) segment achieved an adjusted profit before tax of CHF 57.7 million, an increase of 74% on 2006.
The sharp increase is partly down to the fact that operating expenses came to CHF 62.6 million, a moderate increase of just 9% on the previous year. Secondly, the segment's operating profit jumped by 30% to CHF 124.1 million. This rise is mainly down to the higher volume of assets under management, swollen by new money inflows, and the corresponding rise in service fee income. The solid result was attributable to the wholesale business in Sarasin products, our business with external asset managers, as well as income from the trading of structured products. The gross margin improved from 87 basis points (2006) to 91 basis points (2007). The cost income ratio II improved from 64.5% to 53.5%. Net new money inflow came to CHF 2.0 billion, well over four times the growth rate achieved in 2006 (CHF 0.4 billion).

Succeeding with innovative products ...
In the coming years, Bank Sarasin aims to be the top address in customised investment solutions and independent product consulting. The appointment of Burkhard P. Varnholt as Chief Investment Officer has significantly strengthened the innovation powers of our in-house production team.

In 2007, Sarasin launched a number of different products that open up new opportunities and perspectives for clients: Sarasin Real Estate IIID and Sarasin EquiSar IIID, for example, are two new additions to our family of funds which offer an innovative investment concept and clearly defined target returns. The key feature of the Sarasin Structured Return Fund (EUR) is tax optimisation. The objective of this bond fund is to optimise returns after tax, which makes it particularly attractive for investors whose domicile for tax purposes is in countries where capital gains are taxed less heavily than interest income, i.e. interest and dividend payments. The new Sarasin Currency Opportunities Fund (EUR) provides a wider circle of investors with convenient access to an alternative asset class that not only has a low correlation with traditional investments, but was previously the preserve of hedge fund investors. With the first Swiss IPO Index, calculated by SWX Swiss Exchange, private clients have a simple and efficient vehicle for investing in the share price performance of companies floating on the Swiss stock market. At the same time, a new certificate was launched on this innovative index: the SaraZert Open End "IPOCH".

... with a strong sustainable flavour
Our Sustainability team has launched a number of new products over the course of the last financial year: Sarasin New Power Fund is a new sustainable investment fund dedicated entirely to the theme of renewable energy. As a sustainable thematic fund, Sarasin New Power Fund invests in innovative companies in the energy sector which are active in the supply, manufacture or distribution parts of the value chain. The "Sarasin European Solar Power Index" gives investors access to the attractive solar energy market. Another Sarasin product invests in sustainable building technologies: the newly issued SaraZert Tracker on the Dynamic Green Building Basket invests in a universe of technology and service companies in the construction industry. Here the emphasis is on the shares of companies seeking to optimise the sustainability of buildings through innovation in the areas of energy-efficient heating/cooling technology, heat insulation and integrated planning and construction methods. Sarasin has also won an important mandate in Germany for the ethical investment fund KCD-Union Nachhaltig RENTEN, a church-based foundation.

Deutsche Börse and Bank Sarasin also launched two sustainability indexes in 2007. The DAXglobal Sarasin Sustainability Germany Index replicates the performance of sustainably managed companies domiciled in Germany, while the DAXglobal Sarasin Sustainability Switzerland Index does the same for Swiss companies. The index for Germany currently comprises 34 stocks, and the index for Switzerland 27.

Nuanced investing launched as a new, fourth type of investment style
The recruitment of a new team of six asset management specialists has allowed the Bank to extend its asset management expertise to include a new style of investment known as "nuanced investing". Based on a sophisticated risk

management system with quantitative support, this investment philosophy facilitates the creation of versatile products that can be tailored to individual client needs. With this move, the Bank has added a fourth specialism to its existing three areas of competence: the thematic approach, the sustainable approach and the classic/quantitative approach.

Winner of numerous product awards

Sarasin once again received a variety of awards in different countries over the course of the year. In particular, these accolades affirm the excellent standing of Sarasin investment funds. Both Standard & Poor's and Lipper singled out a number of our funds, including Sarasin EmergingSar and Sarasin GlobalSar. Our range of sustainable funds in France also received an AAA rating from Novethic, the French market researcher of SRI.

Asset Management, Product & Sales

1,000 CHF	**2007 adjusted**	2006 adjusted	Change to 2006 CHF	Change to 2006 %
Operating income	**124,127**	95,817	28,310	29.5
Operating expenses	**62,621**	57,700	4,921	8.5
Operating profit	**61,506**	**38,117**	**23,389**	**61.4**
Depreciation and amortisation	**3,840**	4,059	–219	–5.4
Value adjustments, provisions and losses	**0**	827	–827	–100.0
Net profit before tax per segment	**57,666**	**33,231**	**24,435**	**73.5**
Cost income ratio II	**53.5%**	64.5%		
Net new money (million CHF)	**1,989**	449		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**327**	952		
Transfers (million CHF)	**803**	708		
Gross margin on assets under management	**0.91%**	0.87%		
Proportion transaction related revenues	**56.4%**	66.7%		

	31.12.2007 adjusted	31.12.2006 adjusted	Change to 31.12.2006	Change to 31.12.2006 %
Assets under management (million CHF)	**15,143**	12,025	3,118	25.9
Assets under management mandate (million CHF)	**1,094**	954	140	14.7
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (adjusted for part-time working)	**190.7**	191.1	–0.4	–0.2
Adjusted number of employees (incl. allocations)	**157.8**	174.1	–16.3	–9.3
Whereof client relationship manager (adjusted for part-time working)	**20.3**	17.7	2.6	14.7

Corporate Center

The **"Corporate Center"** segment includes internal support functions in the areas of Logistics (IT, Operations and Services) on the one hand, and the staff functions at the level of the Board of Directors and Executive Committee (Group Internal Audit, Corporate Communications, Legal & Compliance, Human Resources, Group Finance, Controlling, Risk Office, Loans, Taxes and Corporate Finance) on the other. Up to the end of September 2007, the Logistics division was headed by Joachim H. Straehle, CEO of Bank Sarasin. Matthias Hassels is the Bank's Chief Financial Officer (CFO). At the end of December 2007, the headcount of the Corporate Center was 362 (adjusted for part-time working).

Segment result dominated by special factors

The "Corporate Center" segment posted a much lower result than last year, with an adjusted loss of CHF 18.0 million (2006: CHF –9.1 million). This loss arises from the adjustment required for the proceeds from the sale of parts of the brokerage business and the sale of our Luxembourg subsidiary, which were both allocated to this segment, in order to improve the comparability of figures in the three core operating segments. Operating income subsequently fell 64% to CHF 27.8 million, as the ordinary income of the two discontinued businesses was still included for the full year in the Corporate Center's operating income during FY 2006, but in 2007 this income was only incorporated for the first six months of the year, up to the point of sale. The Corporate Center segment result is also affected by a number of IFRS-related revaluations and entries in the Group financial statements. For similar reasons, operating expenses were also lower at CHF 37.0 million, a decline of 52% on last year.

High level of job satisfaction

Participation in the staff survey conducted during the course of the year was very high, with a response rate of 72%. The results show that many employees feel a strong sense of loyalty towards the company. They are happy going to work, they are proud of the Bank and are willing to recommend it to other people as a good employer. The overall score for the emotional attachment to the Bank, 74 points, reflects this positive sentiment, but still leaves room for further improvement.

Groupwide Code of Compliance introduced

As an internationally active private bank, Sarasin is required under Swiss Banking Law and the SFBC Money Laundering Ordinance to continuously monitor its global exposure to legal and reputational risks. The Bank has introduced a Code of Compliance (CoC) as a measure to support uniform risk management. This Code of Conduct takes precedence over all other banking directives and sets down universal rules of conduct for employees within the Sarasin Group. The scope of the CoC therefore extends to all the Bank's official bodies and to all employees at all levels, both in Switzerland and abroad.

The Bank also has to comply with all the applicable regulatory requirements and adapt to the consequences of changes. During the last financial year, a project was set up to perform an impact and gap analysis specifically in order to assess the impacts of MiFID (Markets in Financial Instruments Directive) on Bank Sarasin and on its EU subsidiaries. As part of the general drive to establish good corporate governance, the Bank has also decided to introduce strict functional separation for the central aspects of its operational risk management, as it does for market and credit risks. The IBIS department has therefore been transferred to the APS segment and integrated in the Risk Office.

From SaraChange to SaraFIT

The SaraChange project, which was designed to achieve a structural improvement in profitability and operational efficiency of the Sarasin Group, was concluded during the first half of the 2007 financial year. In the future, additional measures will be agreed and implemented directly by the responsible business divisions. In spring 2007, we also successfully completed the project initiated back in 2006 to replace our old E-Commerce platform. The Bank now has a standardised and modern platform in place for its E-Banking, Internet and Intranet.

The SaraFIT project (FIT = Future Information Technology) was launched last summer. Its purpose is to analyse the direction of IT in relation to the Bank's business strategy and future computing needs, and to adapt it accordingly in the forthcoming implementation phase. The project not only covers Switzerland, but our international locations in Hong Kong, Singapore and London. Once the decisions have been implemented, the cost efficiency of our back-office processes will be significantly improved. The Logistics division will therefore make a vital contribution towards us achieving the overriding Group goals we have set ourselves for 2010.

Corporate Center

1,000 CHF	**2007 adjusted**	2006 adjusted	Change to 2006 CHF	Change to 2006 %
Operating income	**27,804**	77,451	–49,647	–64.1
Operating expenses	**36,964**	77,288	–40,324	–52.2
Operating profit	**–9,160**	**163**	**–9,323**	**<–1,000**
Depreciation and amortisation	**6,487**	7,929	–1,442	–18.2
Value adjustments, provisions and losses	**2,363**	1,367	996	72.8
Net profit before tax per segment	**–18,010**	**–9,133**	**–8,877**	**–97.2**
Cost income ratio II	**156.3%**	110.0%		
Net new money (million CHF)	**–52**	–66		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**–4,017**	0		
Performance (million CHF)	**232**	328		
Transfers (million CHF)	**–171**	–13		
Gross margin on assets under management	**1.38%**	1.99%		
Proportion transaction related revenues	**68.1%**	24.4%		

	31.12.2007 adjusted	31.12.2006 adjusted	Change to 31.12.2006	Change to 31.12.2006 %
Assets under management (million CHF)	**17**	4,025	–4,008	–99.6
Assets under management mandate (million CHF)	**0**	545	–545	–100.0
Impaired and non-performing loans (1,000 CHF)	**3,332**	3,908	–576	–14.7
Number of employees (adjusted for part-time working)	**362.0**	447.9	–85.9	–19.2
Adjusted number of employees (incl. allocations)	**72.1**	191.9	–119.8	–62.4
Whereof client relationship manager (adjusted for part-time working)	**0.0**	26.0	–26.0	–100.0

Risk management

No losses as a result of the subprime crisis

Within a very short space of time, the term "subprime" has become synonymous with credit market risks on an unprecedented scale. In fact, the term is relatively new, even for the USA. Up to 10 years ago, loans made to borrowers with poor credit histories were referred to as "below prime". If you belonged to this group, it was virtually impossible to obtain a loan from a regular bank. Financial analysts discovered that the default risk of subprime mortgages – similar to junk bonds in the eighties – was, if suitably packaged and combined, statistically lower than assumed by the banks and previously priced into credit products. Bundling together a large number of subprime mortgages effectively distributes the default risk to produce a statistical parameter which can be demanded from borrowers in the form of a higher risk-adjusted interest rate. By chopping these loans into tranches and mixing them with mortgages with superior credit ratings, the risk can supposedly be reduced (portfolio strategy), thereby offering banks a means of controlling and assimilating these risks. As a result of this, borrowers with poor credit histories suddenly found they could actually realise their dream of owning a home. The banks' financial engineers went a step further and bundled these liabilities of varying creditworthiness into structured products known as collateralised debt obligations (CDOs) with several tranches of mixed quality, and securitised them so they could be traded on financial markets. A new asset class had been created for investors with an appetite for risk.

These new tranches, often given AAA and AA credit ratings, were popular sellers, as many institutional investors such as insurance companies and pension funds are only allowed to invest in financial instruments with a low default risk, so as to protect their own investors. Another attraction of CDOs was the higher rates of interest they offered compared with traditional triple-A rated bonds. At the same time, people frequently overlooked the fact that structured products can, because of specific risk factors, exhibit quite different price trends from traditional corporate bonds: in some cases their credit ratings may be slashed more quickly or they may even become illiquid, for example. Apart from institutional and private investors, many banks also invested in the US mortgage market either directly as lenders, or via CDOs with mixed credit ratings. The subprime crisis first broke on 8 February 2007, when Europe's biggest bank, HSBC, had to issue the first profit warning in its 142-year history due to unexpectedly high risk provisions for its US mortgage lending business. In July, more bad news followed about the plight of the two German banks IKB and Sachsen LB, both of whom had got into difficulties due to their exposure to the US mortgage market. This marked the significant escalation of the US credit crunch into a global crisis. One piece of bad news was followed by another, and since then virtually every major international bank has been forced to make write-downs on the value of its various financial vehicles, in some cases on a massive scale.

Clearly the risk management systems of these banks have failed. This prompted a huge loss of confidence not just in the banks in question, but in the entire banking system. It will be extremely hard to restore this trust. It is important to remember, however, that it is not the risk management system itself that has been called into question, but the way it was implemented in the day-to-day business. Bank Sarasin makes enormous efforts to ensure that its risk management is implemented consistently and systematically at all levels of the organisation with the help of effective systems and competent personnel, and that it is constantly adapted to changing business conditions. Particularly when introducing new transactions or products, we take great care to ensure all front and back office personnel are fully engaged in order to guarantee a comprehensive risk assessment process that covers every possible aspect. We are glad to report that Bank Sarasin has survived this crisis, whose exact extent and repercussions for the economy as a whole are not yet fully known, without incurring any direct losses:

> We do not have at present, and have never had in the past, any direct exposure to the US housing market. Our mortgage lending business is focused on our wealthy private clients and mainly concerns real estate in the Swiss market and a small number of other properties in other target markets. All mortgage liabilities are in each case closely linked to the asset management business for our private clients.

> We have no current or prior exposure, either in our trading book or in financial investments, to products such as collateralised debt obligations (CDOs) or other structured products that are in turn directly invested in the US mortgage market. When it comes to trading, we concentrate on market-making in our own products and trading in the traditional spot and forward markets for foreign currencies, equities and bonds. Our holdings in financial instruments are concentrated in top-quality government and corporate bonds which can also be used in the repo market.

> At no time have we ever experienced any defaults in the interbank lending business. When selecting our counterparties, we always give priority to investments with top credit ratings and maintain broad diversification. In response to the recent crisis, we have also significantly extended our monitoring of counterparties and our early warning system.

Despite all these precautionary measures and arrangements, risk is still an inherent part of the banking business. We are well aware of this, and in fact we have no desire to eradicate risks altogether, as they go hand in hand with opportunities, which we intend to systematically exploit. To do this, we need a fully functioning risk management system capable of withstanding pressure and even extreme market scenarios. Highly volatile financial markets and increasingly complex new investment products are something we have to learn to live with. Overall market conditions will therefore remain challenging, which means an efficient management system will be of even greater necessity and importance in the future.

1. Risk management principles

Assessing and assuming risks are an integral part of the banking business. Because the achievement of a reasonable return on investment inevitably entails a degree of risk tolerance in the long run, it is particularly important to have a full overview of total risk exposure at all times. The Sarasin Group therefore employs a clearly defined, transparent and integrated system of risk management covering all its business segments, which it continuously updates to accommodate new developments. This obviously requires considerable human and technological resources. Given the volatility of financial markets, the quality of risk management has become a crucial competitive factor. Active risk management minimises undesirable risks and allows the Bank's capital to be employed more efficiently to the benefit of shareholders and all other stakeholders. Risk management is therefore a vital link in the value creation chain, as it flags up real and potential risks for the Bank's decision-makers.

Risk culture

The quality of risk management achieved in a business is not simply a question of adhering to formalised internal and external regulations. The risk awareness of the decision-makers is equally important. Quantitative techniques, which often tend to be the focal point of analysis, are just one part of a comprehensive risk management system. It is equally important to develop an appropriate risk culture, as part of the overall business culture. One of the central elements of a sound risk culture is the discipline and diligence of those responsible in performing their duties in the risk management process. Here Bank Sarasin demands integrity and risk-aware conduct from individual employees at every level, and stresses the importance of clearly defined responsibilities and powers.

2. Risk management organisation

Risk management responsibilities

The **Board of Directors** carries ultimate responsibility in Bank Sarasin's multi-level risk management organisation. It is responsible for formulating and implementing the Bank's risk policy. It also defines the risk strategy, the basic risk management parameters (e.g. limits and systems), the maximum risk tolerance and the responsibilities for risk monitoring.

The **CEO and the Senior Management (Executive Committee)** are responsible for implementing the risk management and risk controlling principles approved by the Board of Directors. To ensure holistic risk management, the Executive Committee has appointed two committees to deal with risks, which on the one hand act as decision-making bodies for key issues and

risks, subject to their allocated areas of responsibility. On the other hand, their task is to promote risk awareness and ensure compliance with the approved risk standards.

The **Central Credit Committee (CCC)** is responsible for managing the credit risks. The **Asset and Liability Committee (ALCO)** is in charge of managing market risks in the banking book and monitoring liquidity risks. Both committees are made up of equal numbers of members and comprise representatives from the divisions, as well as staff from the relevant specialist units (Legal & Compliance, Credit, Risk Office). The CCC meets at least once a month while the ALCO sits at least once a quarter. The two committees are chaired by the Chief Financial Officer (CFO) and the Head of Corporate Center respectively.

Risk controlling is the responsibility of the Legal & Compliance, Credit and Risk Office departments, which fall under the Corporate Center and are therefore independent, from an organisational perspective, of the business entities that actively manage risk. This separation of functions ensures that the business units which reach decisions about the level and extent of risk exposure act totally independently of the departments that analyse the risks assumed and monitor adherence to limits and other competencies. This is intended to avoid potential conflicts of interest and incompatible objectives as early and as effectively as possible.

The **Legal & Compliance** business unit advises Bank Sarasin's senior management, as well as its divisions and subsidiaries, in meeting its regulatory responsibility and ensure that the Bank's business activities in Switzerland and abroad comply with the applicable legal and regulatory framework, together with the generally accepted market standards and codes of conduct. *Compliance* puts in place the appropriate operational measures and precautions, and in particular ensures that an appropriate system of directives exists. It also makes arrangements for the involvement of all staff in the maintenance of compliance at the appropriate level. The *Legal* function ensures that the Group structure and business processes adhere to a legally acceptable format, especially in the areas of provision of services to clients and product marketing. As far as compliance and legal risks are concerned, there is also regular and comprehensive risk reporting to the Executive Committee and the Board of Directors.

The **Credit department** analyses, grants, records and monitors client credits, and if necessary initiates measures to prevent credit losses for the Bank. Client credits include cash loans, contingent liabilities and transactions with margin requirements from currency and/or option contracts. The Credit department defines the parameters relevant to credit, such as levels of lending against collateral and also margin requirements, and continues to actively develop the systems in question.

The **Risk Office** performs in-depth analysis of the Group's market, credit and operational risks, assesses the opportunities and risk potential, and takes any measures needed to adjust the Group's risk profile. It is responsible for ensuring compliance with the risk management process. The Risk Office submits requests to the Board of Directors on the risk models to be employed. It also submits individual reports to the Board of Directors, the Executive Committee and those responsible for risk.

Risk categories

The business activities in which the Sarasin Group is involved are basically exposed to the following banking risks:

> Market risks (see point 3)
> Liquidity risks (see point 3)
> Credit risks (see point 4)
> Operational risks (see point 5)

Risk management process

A clearly structured and transparent risk management process ensures that the principal risks are identified in good time and fully documented, and that they can be visualised, limited and monitored in a suitable fashion. The process is applied to all risk categories, both individually and collectively. Especially when introducing new business transactions and new procedures, the risk management process is the basis for comprehensive assessment and rating of the risks associated with a new activity or new process. Bank Sarasin has established a clear process for analysing and checking actual or potential risks before entering into any new business. This process involves all divisions, including Logistics (IT, Operations, etc.), Legal & Compliance, Accounting and the Risk Office. The involvement of all these divisions at an early stage ensures a comprehensive, cross-discipline assessment of every new business transaction or process and its associated risks.

3. Market and liquidity risks

Market risks

Depending on their investment strategy, the management of positions carrying a market risk is delegated either to the Asset Management, Products & Sales (APS) division or to the ALCO. The APS division incorporates the business unit Trading, which is responsible for settling customer transactions, market-making in the Bank's own products, and own-account trading in the spot and derivatives markets for fixed-income securities, equities, interest-rate products and foreign currency. The ALCO is responsible for the management of financial investments and other market risks in the banking book.

Market risks assumed by subsidiaries are only marginally important, as our subsidiaries are not engaged in market-making nor in own-account trading, but simply enter into

Risk management process

The purpose of **risk identification** is to detect the emergence of new risks or any change to existing risks, and to analyse their action.

Risk measurement makes it possible to quantify and limit identified risks with the help of suitable methods and models, on the basis of systematically recorded and continuously updated data.

The purpose is to check whether a new business transaction is consistent with the **risk policy** and with Bank Sarasin's risk and legal & compliance principles.

Risk reporting covers the comprehensive, continuous and timely reporting of risk to management (Board of Directors, Executive Committee, heads of division) and the various stakeholders down the line.

Risk controlling ensures that the risks entered into comply with the approved limits and guidelines. In terms of organisation, risk controlling must be strictly separated from the units managing risks, down to divisional level.

smaller positions in order to support and ensure efficient processing of client transactions. Even so, these risks are still subject to limits whose observance is checked on a daily basis by a controlling body that is independent of the front office.

The **market risk** refers to the risk of a loss due to changes in the market prices of interest-rate products, currencies, foreign notes & coin, precious metals, shares and other securities.

Both APS and the ALCO manage their market risks with instruments tailored to the particular requirements. These include an optimised, reliable and flexible IT platform, a limits system commensurate with the risks, and permanent independent monitoring and assessment of risk positions.

Various types of limits are used to model and limit market risks:

> **Value at Risk (VaR) limits:** The risk measure VaR quantifies the potential future loss of a portfolio over the holding period in question which is most probably not exceeded under normal market conditions. This is the standard calculation method used by the Sarasin Group for portfolio management. The VaR method applied is based on the variance/covariance approach and assumes a 99% confidence interval with a holding period of one day. This method is permanently reviewed and adapted. In particular, the input parameters are constantly being expanded and updated. The VaR method is helpful for the daily quantification of the risk exposure of positions with linear value developments under normal market conditions.
As of 2008, VaR will be determined by historical simulation. Full revaluation of all the financial instruments on the basis of changes in historical risk factors (prices, volatility, interest rates, etc.) gives greater consideration in particular to the risk quality of derivatives.

> **Scenario analyses and limits:** In order to be able to assess the market risk under abnormal market conditions and for positions with asymmetric payout profiles (options), a scenario analysis is performed in addition to the VaR method. This technique is based on predefined normal and extreme, but perfectly plausible changes in the relevant market parameters (market prices and volatility) and calculates the theoretical loss incurred by revaluing the positions. We use these analyses and limits in derivatives trading especially, in order to estimate and contain the loss potential following abnormal and combined changes in the market parameters (e.g. price fall of 25% with simultaneous increase in volatility of 10%). The scenarios are continuously reviewed to make sure they are up to date, and are adjusted or extended as necessary.

> **Sensitivity and concentration limits:** To avoid excessive exposure to the different market parameters (e.g. price, interest rates, volatility) we use sensitivity and concentration limits as well. On the one hand these limits are used in options trading (delta, gamma, rho and vega limits). The limits are determined not just on the basis of individual books, but also stretching across all options books.
We also apply sensitivity limits in the form of "Present Value of a Basis Point" to limit interest rate risks in the banking book. Once again, limits are applied across maturity bands both individually and overall.

The positions and the extent to which limits are utilised are monitored both on an intraday (real time) and overnight basis. The Risk Office is responsible for independent risk monitoring and risk reporting to the various decision-makers. The monitoring and reporting of limits in subsidiaries is performed by local control bodies independent of the front office and reported at regular intervals to the Risk Office for the purpose of consolidation. Where limits are overrun, clear escalation and reporting procedures are defined to ensure that the limits are restored immediately.

Development of market risks in the trading book during the reporting period

In the Trading domain, the Group's VaR as at 31 December 2007 came to CHF 325,000 (1 day holding period, 99% confidence level, one-sided). The table shows that the total VaR of the trading book averaged CHF 319,000 and over the course of the year fluctuated between CHF 176,000 and CHF 763,000. The overall VaR for trading is limited to CHF 5.6 million. The actual utilisation of limits was therefore well below the maximum permitted risk exposure throughout the year.

Value-at-Risk[1] of the Sarasin Group's trading book, divided into risk factors (1,000 CHF)

	31.12.2007	ø	min.	max.
Equities risk	39	41	16	333
Interest rate risk	39	33	1	101
Currency risk[2]	128	130	18	576
Structured products	119	116	81	290
Total	**325**	**319**	**176**	**763**

The VaR is a good measure for estimating risk under normal market conditions or for linear positions. In the area of structured products especially, however, many nonlinear risks arise under stress conditions (so-called hedging errors).

1 Calculated in each instance on the positions at the end of the day; no allowance made for correlation effects between risk factors.
2 Incl. precious metals.

Potential loss if the scenario materialises (million CHF)

In this area, therefore, limits are placed not only on the VaR but also on the effects on the income statement under different stress scenarios.

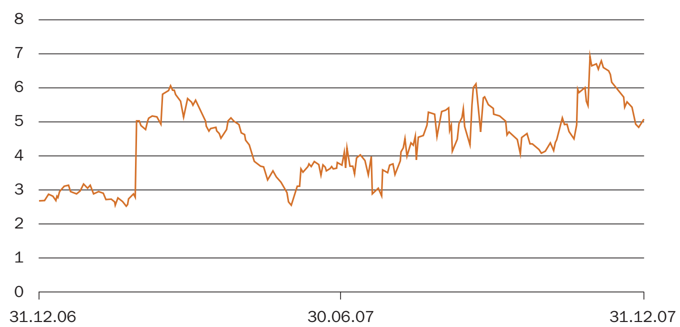
The above chart shows the potential loss in the area of structured products when volatility suddenly increases by 10 percentage points while at the same time the prices of the underlyings vary between +20% and –25%. This potential loss is limited to CHF 12 million and must never be exceeded throughout the day. A rising trend over the course of 2007 can be observed, which is attributable to the steep increase in the volume of structured products issued by Bank Sarasin.

Development of the market risks associated with investments during the reporting period

Bank Sarasin holds virtually all of its investments in liquid assets frequently traded on the market. These mainly comprise bonds (approx. 70%) and equity positions (approx. 20%). Alternative investments can be held as well. Since the bulk of positions in this portfolio are linear in nature, the VaR is a good method of measuring risk.

The asset allocation of the investments is actively managed, which means, for example, that the equities quota can vary significantly over the course of the year. The VaR of the entire portfolio can therefore fluctuate heavily in response to shifts in asset allocation and changes in the variance/covariance matrix.

VaR of investments during the course of 2007 (million CHF)



The VaR tends to spike (increased volatility) in response to strong market movements. In the chart above, this can be seen from the end of February to the end of November.

Liquidity risks

Bank Sarasin's Treasury Committee is responsible for monitoring liquidity. It is composed of the CFO, the Head of Trading Money Market and a representative of the Risk Office. The prime objective is to guarantee the Bank's ability to pay at all times and to make sure legal requirements for liquidity are complied with. The Treasury Committee usually meets every week and is briefed on the one hand about cash flow developments in our major currencies, and on the other on the level of open financing sources. As far as financing opportunities are concerned, we make a distinction between unsecured borrowing from third-party banks and secured borrowing from the Swiss National Bank or on the repo market. Especially in times of crisis, unsecured borrowing from third-party banks may turn out to be extremely difficult. In our financial investments we therefore keep significant holdings of liquid securities that are eligible for repo transactions and which can be used at any time to generate liquidity.

> The **liquidity risk** includes the possibility that the fulfilment of the obligations entered into is not guaranteed at all times.

Operational liquidity management in the day-to-day running of the business is handled by the Trading Money Market department, part of the Asset Management, Products & Sales division. Its tasks include controlling payments, planning the anticipated cash flows and securing liquidity in the day-to-day business.

4. Credit risks

Lending business with clients

Lending policy

As a key part of its strategy, Bank Sarasin has decided to develop and expand asset-management-linked lending business with private clients, with particular emphasis on collateral loans and mortgages. Other types of loan also include guarantees and credit limits for monitoring forward and derivative transactions. Bank Sarasin engages in this lending business in order to offer its clients competitive products and services, thereby enhancing customer satisfaction and loyalty. Bank Sarasin offers collateral loans, i.e. loans where marketable securities are pledged as collateral, on an international basis, while its mortgage lending business is focused mainly on Switzerland.

Responsibilities

The granting of loans and monitoring of credit risks is performed by an independent Credit Officer (CO) and Credit Monitoring Officer (CMO). They report to the Chief Credit Officer (CCO), who in turn reports to the Chief Financial Officer (CFO). The CO and CMO are responsible for assessing the credit risks and continuously monitoring lending exposure.
Credit risks lie within the competence of the Board of Directors. The Board delegates these powers to the Central Credit Committee (CCC), which is Bank Sarasin's highest credit body. The CCC in turn allocates credit authority ad personam to the CCO and to the CO and CMO respectively. The extent of the powers delegated to individual persons depends on their knowledge, ability and experience.

Reducing risks

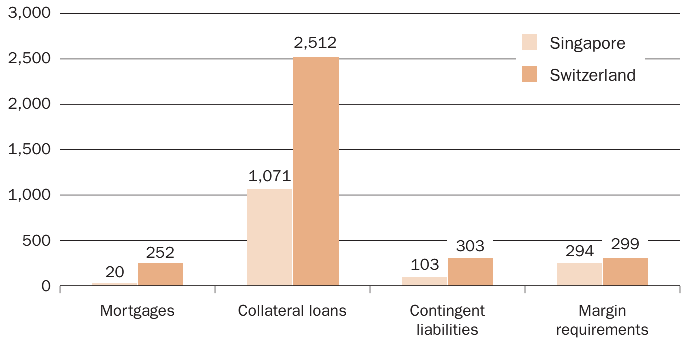
Bank Sarasin's credit business is based upon a "no loss" policy. Loans are generally granted almost exclusively against readily marketable collateral. The Bank's lending policy does not extend to the granting of loans with a higher default risk in return for a higher rate of interest.

In the secured loan business, we accept financial collateral in the form of marketable securities. We determine their collateral value by applying haircuts, the size of which depends on the quality as measured by a number of different factors. Credit utilisation and collateral value are monitored on a daily basis. If the amount of credit utilised exceeds the collateral value, clients receive a margin call to increase the securities deposited as collateral or sell them.

Bank Sarasin conducts its mortgage lending business mainly in Switzerland, and as a rule only with private banking clients. Most of the lending is therefore low-risk mortgages on owner occupied property, but increasingly also on buy-to-let apartment buildings which our clients hold as an investment. In all cases conservative loan-to-value ratios are applied.
Collateral loans, with a volume of around CHF 3.6 billion, are Bank Sarasin's most important form of lending, followed by margin requirements and contingent liabilities, and also mortgages.

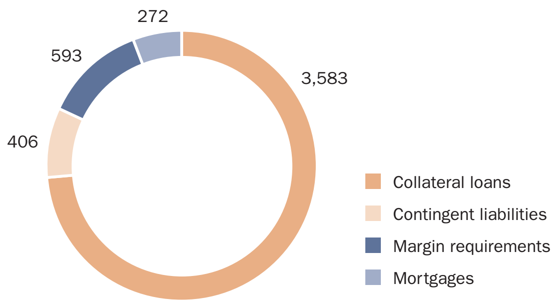
The **credit risk** includes the risk of a counterparty failing to honour its obligations. This risk also exists in the case of customer transactions performed in relation to third parties on behalf of and for the account of the Bank and for which no fiduciary agreement and risk transfer agreement exist.

Lending volumes by booking centre as at 31 December 2007 (million CHF)

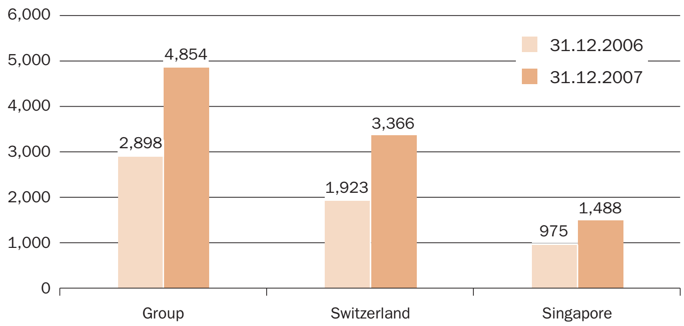


In regional terms, i.e. broken down by booking center, 70% of the credit exposure is concentrated in the Swiss booking center, while Singapore accounts for 30% of loans booked. A breakdown of the different types of credit clearly shows that the mortgage business is limited almost exclusively to Switzerland, while Singapore also has a significant exposure to collateral loans. The margin requirements are virtually identical, which is mainly attributable to the fact that certain

Composition of loan portfolio
Credit exposure as at 31.12.2007 (million CHF)



Lending growth by booking centre (million CHF)



products for which margins are compulsory are exceptionally popular in Asia.

The credit exposure of the Sarasin Group has risen by around 65% in the space of a year. During the course of 2007, the loan portfolio in the Swiss booking centre increased 80%, from just under CHF 2.0 billion to almost CHF 3.4 billion. The volume in the Singapore booking centre rose 50% over the same period, from nearly CHF 1.0 billion to around CHF 1.5 billion.

Lending business with banks

The Sarasin Group engages in business relationships on the Interbank market, as part of the transformation of maturities in the interest-differential business, which could potentially result directly or indirectly in default risks. These default risks are handled by the Risk Office, which is independent of the front office units, in a comprehensive risk management process whose core elements are identification, analysis, monitoring, taking remedial measures, and reporting.

Identification of credit risks occurs ex ante through involvement in the development of new products or in the opening of new business relationships, and ex post via automated IT processes.

Subsequent analysis essentially involves the characterisation of the counterparty risk and a quantification of the amount, probability of default, and term. Another key aspect of our analysis is the initial credit assessment for new counterparties and the regular reassessment of the credit rating of existing counterparties. When assessing credit standing, Bank Sarasin relies on ratings from external rating agencies wherever possible. In addition, we may, if necessary, perform our own analysis of data published by counterparties. Given the strict selection criteria, our portfolio only contains counterparties with good to very good credit ratings, except a number of Swiss private banks who by their nature do not hold a credit rating from an external rating agency.

Credit risk exposure to banks in 2007 (million CHF)

Rating class	No. of banks as at 31.12.2007	31.12. 2006	31.03. 2007	30.06. 2007	30.09. 2007	31.12. 2007	Ø 2007
AAA	9	609	566	627	733	206	548
AA	69	2,950	3,395	3,352	3,668	3,440	3,361
A	41	1,331	1,439	1,541	1,311	1,263	1,377
BBB	4	0	0	6	44	44	19
BB	0	0	0	0	0	0	0
B	0	0	0	0	0	0	0
Lower	0	0	0	0	0	0	0
N/A	44	87	47	117	69	136	91
Total	**167**	**4,977**	**5,447**	**5,643**	**5,825**	**5,089**	**5,396**

Comment:
- Credit risks from other banks are displayed from the risk perspective and therefore differ from the "Amounts due from banks" reported in the financial statements. For example, amounts due from banks carried on the balance sheet which are covered by collateral are treated separately from a risk perspective where the repo market is concerned.
- Preventive measures in connection with the subprime crisis reduced credit risk exposure to banks by 13% in the fourth quarter.

The analysis ends with a standardised approval procedure where a suitable limit is agreed for each exposure to each counterparty. Bank Sarasin maintains a comprehensive limits system under the auspices of the Risk Office to appraise and evaluate these risks.

At the parent bank level, all limits are monitored on a daily basis by the front-office units and by the Risk Office. The latter provides standardised reporting to the front-office units and also to the Chief Risk Officer. At the Group level, limits are monitored daily within the local units, which provide the Risk Office with a report (for consolidation purposes) on the current situation once a month, or immediately if a problem arises.

Sarasin dealt swiftly and proactively with the uncertainties in the interbank market created by the subprime crisis in the summer of 2007. With a rapidly implemented package of measures, the counterparty risks were diversified as broadly as possible and focused more sharply on counterparties with excellent credit ratings. In addition, the bulk of time deposits in the parent bank is now only concluded in the secured repo market, thereby minimising unsecured commitments.

At the heart of this package of measures lies a multi-step internal process which defines a current risk assessment for all counterparties in the light of a potential threat from the subprime crisis. This process ties in with appropriate arrangements made by Rabobank and includes the following five steps:
- Normal attentiveness
- Limits reduction
- Avoidance of new business
- Ban on new business
- Closing of positions if possible

The risk rating of each counterparty is performed by the Risk Office in close collaboration with a number of different bodies. The most important support is provided by Rabobank's Bank Analysis Department. Supported by substantial human and technological resources, virtually all of Bank Sarasin's existing counterparties are regularly analysed, and a rating arrived at on a well-informed basis. Following these assessments, the Bank Analysis Department orders suitable short-term measures which are applicable across the entire Rabobank Group. These are then taken over by Sarasin, where relevant. The appropriate communication channels are well established and function in a smooth and timely fashion.

Another important source of information is the internal market players in the front office, who are usually the first to hear news or rumours about specific counterparties. Potentially interesting information is forwarded via short and reliable communication channels to the Risk Office, where they are incorporated into our risk assessment. In addition, Sarasin Research may, if required, perform analyses of individual counterparties, which are also taken into account in risk assessment along with analyses published by external rating agencies.

The measures taken from the middle of 2007 onwards have already had a positive impact even within a short space of time. The existing commitments are within acceptable limits, are still broadly diversified and have been reduced for potentially affected counterparties in accordance with our conservative guidelines. Bank Sarasin has successfully weathered the storm of the subprime crisis in 2007 and is well equipped to do so again in 2008.

Countries

Bank Sarasin's country risks are automatically identified by various IT systems and analysed and monitored by the Risk Office, which reports them to senior management every month. Here the "ultimate risk" approach is used: The geographic assessment of the credit risk is essentially based not on the debtor's domicile, but on the domicile of the party issuing the collateral security. A loan granted to a foreign customer and covered by Swiss government bonds would therefore be classed in the country category "Switzerland".

In view of the excellent quality of the debtors and the associated collateral, almost 100% of the country risks belonged to the top rating category, triple A, as at 31 December 2007.

5. Operational risks

Dealing with operational risks is nothing new in the world of banking – they have always been an integral part of the banking business, irrespective of the type of business activity pursued. To this extent, that type of risk has for many years been part of Bank Sarasin's internal risk analysis. Certain operational risks, for example as part of compliance activity, complaints management or IT contingency planning, have been addressed and subjected to the relevant analysis processes.

Operational risks (OR) are defined as the risk of losses that arise through the inadequacy or failure of internal procedures, people or systems, or as a consequence of external events. This definition includes all legal risks, as well as fines levied by supervisory authorities and settlements. However, it does not include strategic risks and risks to the Bank's reputation.

The increasing complexity of the banking business, the Bank's expansion into new markets, the use of innovative products, alternative distribution channels and the associated changes prompted the Bank to step up their activities in Operational Risk Management during 2007 and to bundle them into a separate department.

To date, the financial services industry still lacks common standards or generally valid management solutions and concepts for operational risks. This is chiefly attributable to the enormous complexity of these risks, which present significant difficulties even when it comes to searching for an accurate definition and a clear distinction from other types of risk.

When developing management and controlling elements in the area of operational risks at Bank Sarasin, special emphasis was laid on giving due consideration to central aspects, such as the identification, analysis, controlling and management of operational risks in the form of the following instruments.

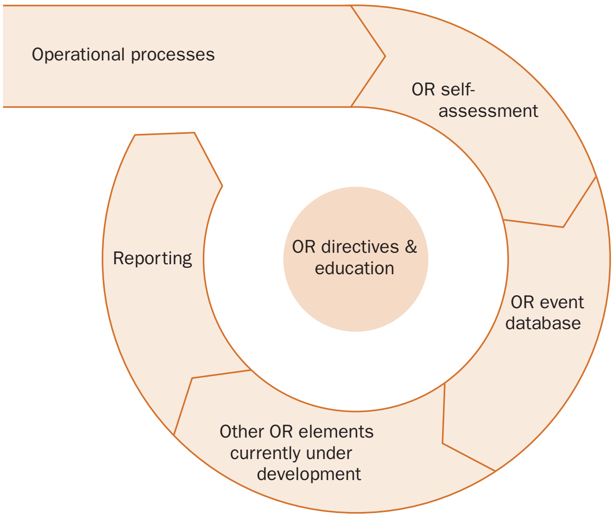
Management of operational risks

> Directives

The directives in the field of operational risk set down the main goals for the management and controlling of operational risks, and the use of these instruments. At the same time, they serve as a guide for identifying and measuring operational risks and meeting the relevant reporting obligations. One aspect particular to operational risk is the combination of central and decentralised responsibilities. Under Bank Sarasin's organisational model, one organisational entity in the Risk Office domain is given responsibility for recording and assessing operational risks. This department has the final say on the methodology, makes the relevant instruments available and is responsible for reporting.

> Education

In view of the diverse nature of operational risks and the way they affect the entire organisation, all employees are obliged to deal effectively with the risks arising in the course of their everyday work. The line manager is supported in his personal and management responsibility by regularly updated information on Sarasin's Intranet and background information provided to all new staff.



> Reporting

Evaluations and analyses relating to Bank Sarasin's operational risks take place in the context of regular risk reporting to the Executive Committee and the Board of Directors. Other reports destined for the relevant recipients are currently in the process of being compiled.

Risk identification, analysis and management

> Loss event database

The loss event database for operational risks is a central anchor point for the management and controlling of operational risks. It is used to record and categorise Bank Sarasin's losses. The systematic recording of loss events is the cornerstone of reactive risk management. By "learning from mistakes", the data help to answer the question of how this matter should be dealt with in the future. One of the benefits of recording loss events is therefore the possibility of improving processes and internal controls.

> Self-assessment

Self-assessment is performed once a year. The main fields of activity and processes identified in consultation with the organisational units are discussed in interviews with the staff holding functional responsibility and assessed for their inherent or temporary sensitivity. Complemented by generic questions about aspects such as internal deputisation arrangements, current projects or the efficiency of the available systems, a risk profile can be drawn up for each functional unit which provides a transparent picture of existing shortcomings and risks for comparison purposes. The standardised methodology allows us to put all these components together and create a map of the risk landscape for the entire Bank. An inventory is produced of all the identified risks and sensitivities, and this is permanently monitored.

> Other elements currently under development

To provide a more forward-looking view of existing risks, we are planning to develop "key risk indicators" which will enable us to track the changing risk profile of a specific process by regularly monitoring predefined threshold values.

A smoothly functioning and efficient risk management system for operational risks and a risk and controlling culture that employees are fully engaged with constitute a vital success factor for a modern bank. Bank Sarasin therefore directs its efforts at rigorously applying the elements of this risk management process in the area of operational risks, as well as continuously improving it.

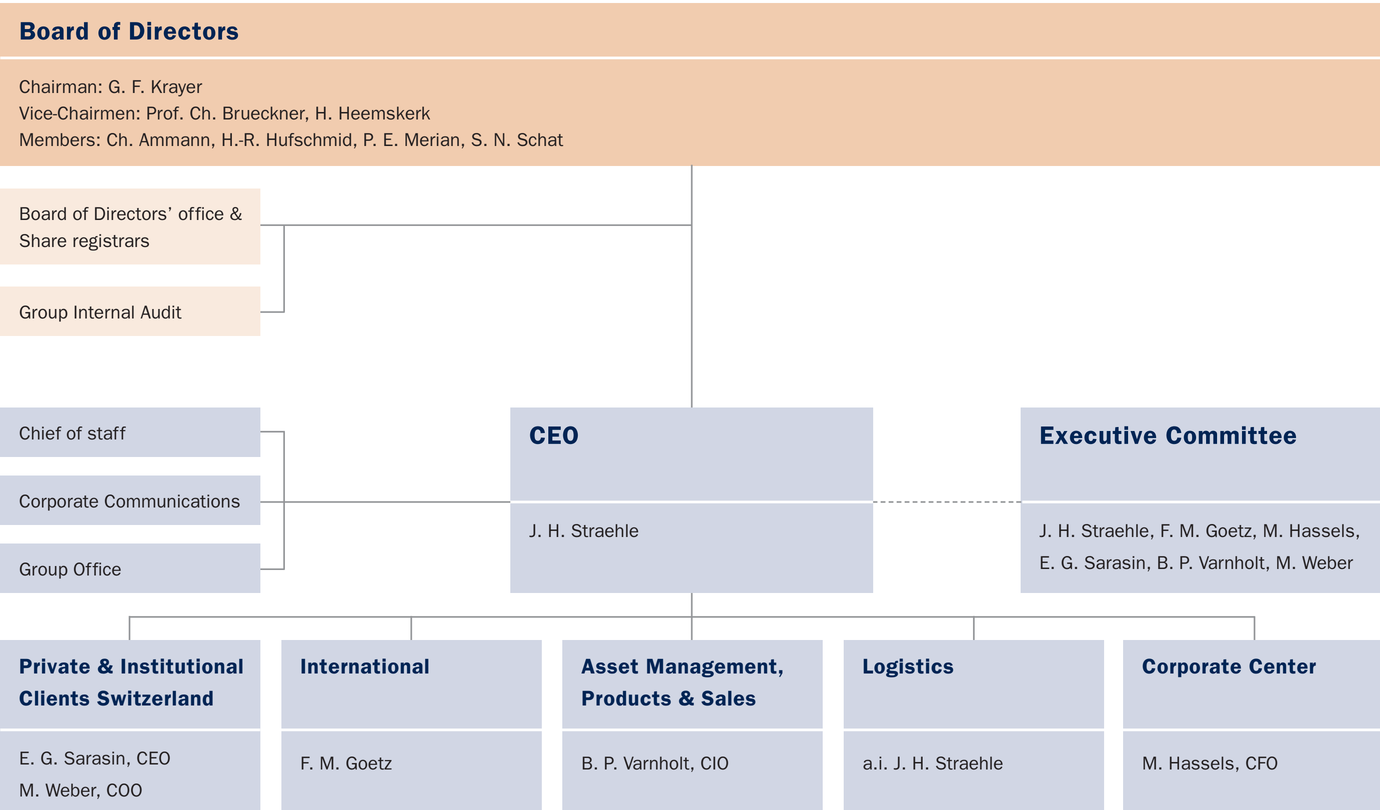
Corporate governance

The corporate governance principles and rules followed by Bank Sarasin & Co. Ltd are laid down by our articles of association[1], our Internal Regulations for Organisational Structures and Business Management[2] and the regulations of the Board's committees. They are regularly reviewed in accordance with applicable rules and are submitted to the Board of Directors or to 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 Internal Regulations for Organisational Structures and Business Management to the Swiss Federal Banking Commission for approval.
In accordance with the SWX Swiss Exchange's Directive on Information Relating to Corporate Governance, the present Corporate Governance Report describes the corporate governance principles followed by Bank Sarasin & Co. Ltd.

1. Group structure and shareholders

1.1 Group structure

Operational presentation of our Group's structure (as at 31 December 2007)



Please note: An explanation of which business units belong to which segments can be found in the Notes to the consolidated financial statements, in segment reporting on page 112.

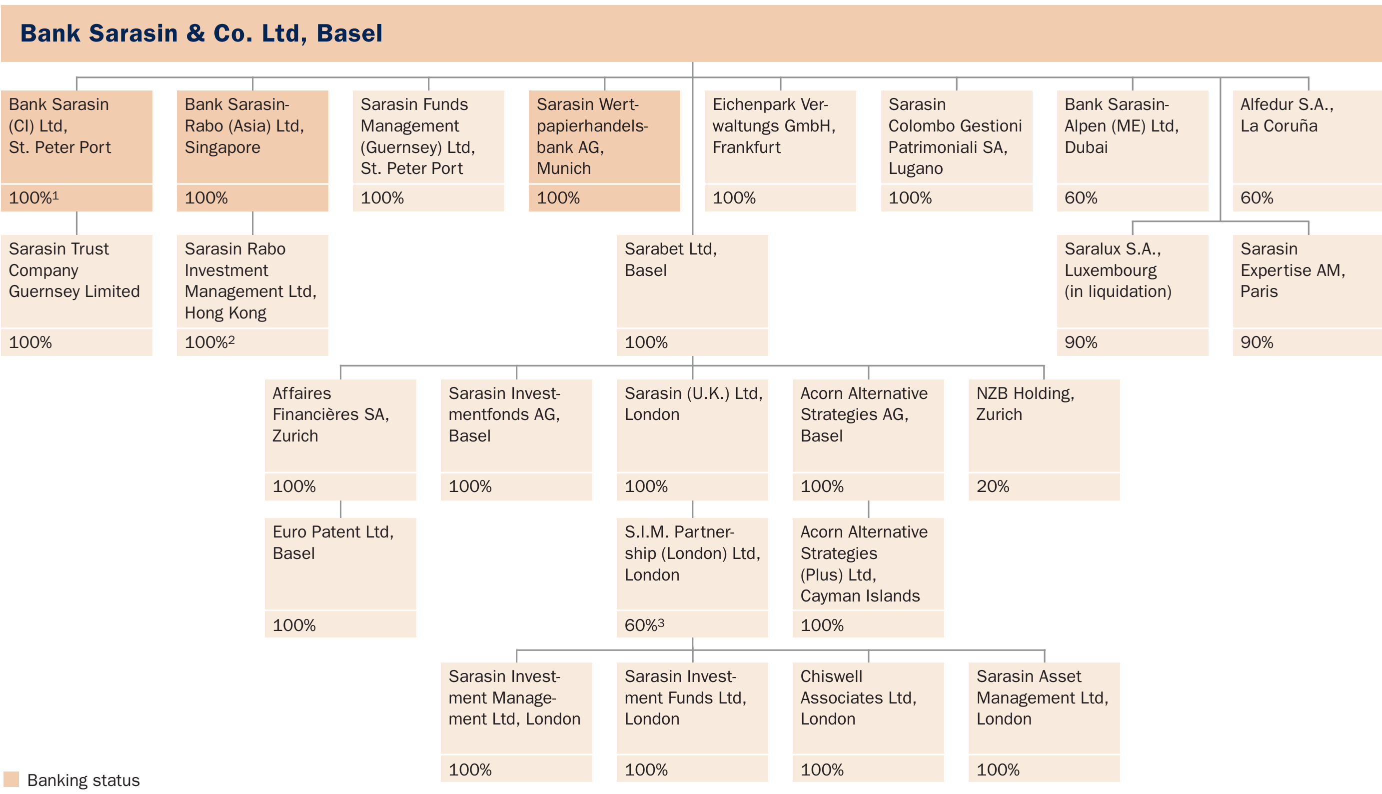
At the Annual General Meeting held on 23 April 2007, Philip Baumann, Thomas van Rijckevorsel and Diederik J. M. G. Baron van Slingelandt stood down from the Board of Directors. At the same time, Hubertus Heemskerk, Chairman of the Executive Board of Rabobank Nederland, and Sipko N. Schat, Vice-Chairman of the Managing Board of Rabobank International, were elected to the Board.

[1] Bank Sarasin & Co. Ltd's articles of association are published on the Internet (www.sarasin.ch under "About us > Company profile > Organisation").
[2] Bank Sarasin & Co. Ltd's Internal Regulations for Organisational Structures and Business Management are published on the Internet (www.sarasin.ch under "About us > Company profile > Organisation").

The Board of Directors appointed Fidelis M. Goetz as Head of the International division with effect from 1 January 2007. On 30 April 2007, Franz K. von Meyenburg stood down from the Executive Committee and took early retirement. Furthermore, the Board of Directors appointed Burkhard P. Varnholt as the new Head of the Asset Management, Products & Sales division and Member of the Executive Committee, effective 1 September 2007. Andreas R. Sarasin stepped down from the Executive Committee and left the Bank on 21 September 2007. The Board of Directors has appointed Peter Sami as new Head of the Logistics division and Member of the Executive Committee, effective 1 May 2008. He takes over from Joachim Straehle, CEO of Bank Sarasin, who has been in charge of this division on an interim basis since September 2007.

At this year's Annual General Meeting of shareholders on 23 April 2008, the Bank's long-standing Chairman of the Board of Directors, Georg F. Krayer, reaches the end of his term of office. After 39 years of service with the Bank, he will not be standing for re-election. The Board of Directors plans to appoint Christoph Ammann, who has been a Member of Bank Sarasin's Board of Directors since 2002, as his successor. A motion will be submitted to the AGM to make Georg F. Krayer Honorary Chairman of Bank Sarasin. The Board of Directors will also be asking shareholders at the AGM to elect Peter Derendinger as a new board member.

Legal structure of the subsidiaries (as at 31 December 2007)



Other details, for example share capital, shareholdings, etc. relating to Bank Sarasin & Co. Ltd and all subsidiaries that are included within the scope of consolidation, can be found on page 119 in the Notes to the consolidated financial statements (Note 7.4).

On 30 January 2008, Sarasin Wertpapierhandelsbank AG, Munich, obtained a full banking licence from BAFIN, Germany's financial services regulator. To coincide with the expansion of our business activities in the German market, a second office was opened in Frankfurt and the company was renamed Bank Sarasin AG. Frankfurt will now be the Bank's new head office for Germany. The Munich office will continue to operate as a branch of our German subsidiary.

1 For legal reasons, Sarabet Ltd holds 1 share of each to these companies.
2 For legal reasons, Bank Sarasin & Co. Ltd holds 1 share of this company.
3 60% owned by Sarasin (U.K.) Ltd directly, 40% of shares held by management.

1.2 Significant shareholders

As of 31 December 2007, the following shareholders held over 3 per cent of Bank Sarasin & Co. Ltd's total share capital:

Rabobank Holland

On 29 December 2006, Rabobank exercised its option to acquire all outstanding Sarasin class A registered shares held by Eichbaum Holding Ltd. Having successfully exercised the option, Rabobank now owns as of 11 April 2007 through IPB Holding B.V. all 550,000 class A registered shares previously owned by Eichbaum Holding AG and 171,703 class B registered shares. This gives it 68.6% of the voting rights and 46.1% of the equity capital in Bank Sarasin.

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 131 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 131 in the Notes to its financial statements.

Distribution of Sarasin class B registered shares

on 31.12.2007	Number	Shareholders %	Number	Shares %
Number of class B registered shares				
1–100	1,696	90.3	26,859	5.4
101–1,000	145	7.7	49,490	9.9
1,001–5,016 (1%)	25	1.3	53,418	10.6
5,017–10,032 (2%)	6	0.3	44,228	8.8
10,033–15,047 (3%)	2	0.1	26,213	5.2
15,048–20,063 (4%)	2	0.1	34,520	6.9
20,064–25,078 (5%)	0	0.0	0	0.0
> 25,078	2	0.1	199,102	39.7
Total registered shares	1,878	100.0	433,830[1]	86.5
Total unregistered shares[2]			67,723	13.5
Total issued shares			**501,553**	**100.0**

Registered shareholders: categories and distribution (Sarasin class B shares)

on 31.12.2007	Number	Shareholders %	Number	Shares %
Natural persons	1,666	88.7	121,424	24.2
Legal persons	212	11.3	312,406	62.3
Unregistered shares			67,723	13.5
Total	**1,878**	**100.0**	**501,553**	**100.0**
Nationality				
Swiss	1,774	94.5	171,235	34.1
Other	104	5.5	262,595	52.4
Unregistered shares			67,723	13.5
Total	**1,878**	**100.0**	**501,553**	**100.0**

[1] 74,231 registered shares do not have voting rights.
[2] Shares that were not entered in the share register on 31 December 2007.

2.3 Changes in capital

Changes in Bank Sarasin & Co. Ltd's share capital during the last five financial years are presented on page 132.

2.4 Shares and participation certificates

Details regarding the number, type and par value of shares in our company are given on page 131 in the Notes to Bank Sarasin & Co. Ltd's financial statements.

2.5 Profit-sharing certificates

Bank Sarasin & Co. Ltd has not issued any profit-sharing certificates.

2.6 Limitations on transferability and nominee registrations

2.6.1 Limitations on transferability and rules for granting 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[1], recognition and registration in the share register as shareholders of class B registered shares may be refused in cases where:

> 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.

> 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.

> Approval of the acquisition might prevent the company from providing the proof about the composition of its shareholders that is required under Federal legislation in Switzerland.

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 granting exceptions in the year under review

No exceptions were made in the year under review and no corresponding applications were submitted.

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.

2.6.4 Procedure for changing the rules on 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 senior management can be found in the Notes to the consolidated financial statements on page 97. There are no outstanding options granted to staff which, if exercised, would be issued from conditional capital.

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 31 December 2007. 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 firms outside the Sarasin Group for which a Member of Bank Sarasin's Board of Directors carries out a mandate.

At the Annual General Meeting held on 23 April 2007, Philip Baumann, Thomas van Rijckevorsel and Diederik J. M. G. Baron van Slingelandt stood down from the Board of Directors. At the same time, Hubertus Heemskerk, Chairman of the Executive Board of Rabobank Nederland, and Sipko N. Schat, Vice-Chairman of the Managing Board of Rabobank International, were elected to the Board.

At this year's Annual General Meeting of shareholders on 23 April 2008, the Bank's long-standing Chairman of the Board of Directors, Georg F. Krayer, reaches the end of his term of office. After 39 years of service with the Bank, he will not be standing for re-election. The Board of Directors plans

[1] Bank Sarasin & Co. Ltd's articles of association are published on the Internet (www.sarasin.ch under "About us > Company profile > Organisation").

to appoint Christoph Ammann, who has been a Member of Bank Sarasin's Board of Directors since 2002, as his successor. A motion will be submitted to the AGM to make Georg F. Krayer Honorary Chairman of Bank Sarasin. The Board of Directors will also be asking shareholders at the AGM to elect Peter Derendinger as a new board member.

Georg F. Krayer, Chairman
Born in 1943; Swiss citizen; lives in Basel, Switzerland; doctorate in law and honorary doctorate in economics from the University of Basel.
Georg F. Krayer joined A. Sarasin & Co. Bankers in 1970. From 1978 to June 2002, he was a partner and since 1997 he has been Chairman of the Board of Directors. He is Vice-Chairman of the Board of Bâloise Holding AG.

Christian Brueckner, Vice-Chairman

Born in 1942; Swiss citizen; lives in Basel, Switzerland; has a doctorate in law from the University of Basel, Switzerland; LL.M. from Harvard Law School, USA.
Christian Brueckner is a barrister, solicitor and a partner in the law firm of Vischer in Basel. In addition, he is on the board of several companies (including Basler Verkehrsbetriebe, Jungbunzlauer Holding AG and Christoph Burckhardt AG) and a member of various authorities.

Hubertus Heemskerk
Born in 1943; Dutch citizen; lives in Noordwijk, the Netherlands; studies in philosophy at the Université Catholique in Paris (BSc), in theology at the Philosophisch-Theologische Hochschule in Frankfurt a.M. and at the Karl Eberhard University Tuebingen (Master), and in economics at the Nederlandse Economische Hogeschool in Rotterdam.
Hubertus Heemskerk started his career with AMRO Bank/ABN Amro, where he worked for more than twenty years, in Tokyo, Dubai and London, among other places. He rose to become Director General for the domestic market, where he was responsible for the Bank's retail activities. From 1991 to 2002, Hubertus Heemskerk was CEO of F. van Lanschot Bankiers NV. Since 2003, he has been CEO of Rabobank Group. In addition, he is a member of the Supervisory Board of the Stock Exchange Foundation, the Supervisory Board of VADO Beheer BV, the Supervisory Board of Koninklijke Boskalis Westminster NV and the Board of Management of the European Association for Banking and Financial History e.V. (EABH).

Christoph Ammann

Born in 1950; 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 was a member of the Swiss Federal Banking Commission from mid-2001 to mid-2007. He is also a member of the board of the VIA MAT group of companies and ifb International AG in Pfaeffikon.

Hans-Rudolf Hufschmid
Born in 1951; Swiss citizen; lives in Therwil, Switzerland; has a degree in economics 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 (e.g. Chairman of the Board of Glanzmann AG and of BioMed Credit AG, Vice-Chairman of the Board of Fritz Blaser & Cie AG, Blaser Bauglas AG and Markant Finanz AG), as well as being active in foundations and commissions.

Peter E. Merian
Born in 1950; Swiss citizen; lives in Buergenstock, NW, Switzerland; studied economics at the University of Lausanne and has a law degree from the University of Basel, Switzerland. After training with a major Swiss bank for three years, Peter E. Merian headed the Basel Stock Exchange and the Boersen-

Informations AG from 1981 to 1987. In that capacity, he was a member of various nationwide associations and commissions in the field of stock exchange operations. Peter E. Merian has been with Bank Sarasin since 1988 and became a partner in 1989. He headed the Private Clients unit in Basel and was CEO from 1994 until September 2006. Peter E. Merian is, among other things, a member of the board of the National Zeitung und Basler Nachrichten AG and of the Schweizerische National-Versicherungs-Gesellschaft. In addition, he is active in numerous public institutions, foundations, associations and commissions (for example, since 1996 he has chaired the listing committee of the SWX Swiss Exchange).

Sipko N. Schat

Born in 1960; Dutch citizen; lives in Bilthoven, the Netherlands; studied law at the University of Groningen.

Sipko N. Schat joined Rabobank in 1985 as a corporate lawyer. Over the past two decades he has held positions at Structured Finance in the Netherlands and at Corporate Finance in Ireland. He was appointed head of Structured Finance Europe in 1995 and head of Corporate Finance Worldwide in 1999. In 2002, he was appointed to the Management Board of Rabobank International with responsibility for North and South America and a number of international Rabo supervisory directorships. During this period, he was responsible for Corporate Finance, Trade Finance, Private Equity (Rabo Participations) and Corporate Advisory (Mergers & Acquisitions and Equity Capital Markets). He was appointed to the Executive Board of Rabobank Netherlands on 1 July 2006. In his position as a Member of the Executive Board, Sipko N. Schat is responsible for Corporate Clients Netherlands, Global Financial Markets, Corporate Finance, Trade Finance, Private Equity, Mergers & Acquisitions, Equity Capital Markets and Wholesale Support.

3.2 Other activities and vested interests

See 3.1.

3.3 Cross-involvement

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

3.4 Election and terms of office

The election and term of office of our directors are governed by our articles of association (Article 15), which are published on the Internet (www.sarasin.ch under “About us > Company profile > Organisation”).

The Annual General Meeting of Shareholders elects individual Board members for a three-year term of office. Board members finish their period of office on the day of the AGM at the end of their three years of service, unless they resign or are dismissed beforehand. New members serve the remaining term of office of the Board member they replace. Members may stand for re-election. The Members of the Board of Directors are proposed to the AGM for election individually.

Term of office of current directors

Name	Director since	Term of office ends
Georg F. Krayer	2002	2008
Prof. Christian Brueckner	2002	2008
Hubertus Heemskerk	2007	2010
Christoph Ammann	2002	2010
Hans-Rudolf Hufschmid	2002	2008
Peter E. Merian	2006	2009
Sipko N. Schat	2007	2010

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 Annual General Meeting of Shareholders.

Meetings of the Board of Directors are convened by its Chairman or, should he be impeded, by the 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. Our Board of Directors met eight times in 2007 (2006: eight times). Its meetings generally last a whole day.

As representative of the Executive Committee, the Bank's CEO Joachim Straehle attended all the meetings of the Board of Directors. At one Board meeting, the entire Executive Committee was present to discuss one particular agenda item. CFO Matthias Hassels reported on the Group's business performance at seven Board meetings. Other division heads and business unit managers briefed the Board on various themes during the meetings over the course of the year.
In 2007, no external consultants attended any Board meetings. No Members of the Board of Directors attended any Executive Committee meetings during FY 2007.

Assisted by the CEO, the Chairman formulates proposals for the Board which concern the long-term goals, strategic direction and future development of the company and the Group. The Chairman liaises with the CEO and the division heads to ensure that the Board of Directors and its committees receive information in good time about any aspects of the company and Group that are important for the formulation of objectives or monitoring of developments. If exceptional circumstances arise, he must inform the Board of Directors immediately.

The Board of Directors has set up the following committees:

3.5 a) Nomination and Compensation Committee
3.5 b) 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 perform other functions.

a) Nomination and Compensation Committee
Christian Brueckner chairs this committee, of which Peter E. Merian and Hubertus Heemskerk are members. 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 Chief Executive Officer (CEO). It also examines proposals by the CEO for appointments to the Executive Committee (EC). All appointments are, however, decided on by the full Board of Directors. The Nomination and Compensation 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 Executive Committee. Finally, it evaluates the content of and the method for determining salaries, bonuses and shareholding programmes. The Nomination and Compensation Committee met five times in 2007 (2006: six times) for an average of 1.3 hours per meeting. In 2007, the Nomination and Compensation Committee did not engage the services of any external consultants. Matthias Hassels, Head of Corporate Center and Chief Financial Officer, attended the September meeting to present a new bonus model for Bank Sarasin & Co. Ltd.

b) Audit Committee
Hans-Rudolf Hufschmid chairs this committee, of which Christoph Ammann and Sipko N. Schat are members. The members of this Committee fulfil the necessary 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 implementation 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. The Audit Committee met five times in 2007 (2006: five times) for an average of 4.3 hours per meeting. The external auditors attended all five meetings to discuss certain agenda items. The CFO and the Head of Financial Accounting attended three meetings to discuss various topics.

3.6 Definition of areas of responsibility
Pursuant to Article 16 paragraph 5 of our articles of association, the Board of Directors delegates the running of the company to the Chief Executive Officer (CEO) in accordance with the applicable Internal Regulations for Organisational Structures and Business Management and is briefed by the CEO and the Executive Committee (EC). The division of responsibilities between the Board of Directors, the CEO, the EC and the Heads of Division is laid down in the allocation of competencies.

For the attention of the Board of Directors, the CEO and the Heads of Division establish the strategic orientation and development of the company and the Group, as well as the long-term objectives, including the necessary financial, human and organisational resources. The CEO assures the implementation of the Board of Directors' decisions and of plans and projects approved by the latter.

The CEO is responsible for the operational management of the company and the Group. In agreement with the Chairman of the Board of Directors, whom he immediately informs of any extraordinary events, the CEO is responsible for promptly informing the Board of Directors and 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.

More information on the allocation of competencies between the Board of Directors, CEO and Executive Committee can be found in the Bank's Internal Regulations for Organisational Structures and Business Management published on our website[1].

3.7 Information and control instruments vis-à-vis the senior management

The CEO or, in certain cases, the competent Head of Division informs the Board of Directors:

1. regularly about the general course of business, developments on key markets and the Bank's financial performance;
2. regularly about measures taken to achieve business objectives;
3. about the Bank's monthly financial statements and the Group's quarterly consolidated results;
4. about the interim and annual financial statements of subsidiaries and participations;
5. regularly about the financial performance of the individual divisions;
6. about their 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;
7. periodically about the existence of bulk risks pursuant to Article 21 of the Banking Ordinance (parent company and on a consolidated basis);
8. through quarterly reports, about the implementation of the agreed risk policy (identification, management and limitation of risk positions), which in particular include market risks in the trading book and banking book, balance sheet structure risks, default risks, liquidity and refinancing risks, operational risks, as well as reputational and legal risks).

In a general way, the CEO 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 Heads of Division, the Chief Financial Officer, the Risk Office and Group Compliance. The Board of Directors may invite the Heads of Division or business unit managers along to Board meetings to discuss division-specific matters and requests (see also section 3.5).

Group Internal Audit (GIA) is responsible for the internal auditing of the Group. The Group incorporates all of Bank Sarasin's equity holdings within the scope of consolidation, i.e. all participations of 51% or more. The Board of Directors has issued regulations applying to the GIA that set out its tasks, duties and powers. The GIA prepares its reports without instruction from any other party. It reports directly to the Board of Directors. The Chairman of the Board of Directors ensures that the audit reports are presented to the Audit Committee and that, in cooperation with the Executive Committee, 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 Executive Committee for examination and discussion.

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 directives and guidelines. Pursuant to objectives approved annually by the Board of Directors, it carries out audits within the meaning of the regulations.

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 Chairman of the Executive Committee 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, the GIA immediately informs the Chairman of the Board of Directors, the Chairman of the Executive Committee and, in important cases, the Statutory Auditors.

4. Senior management (Executive Committee)

4.1 Members of senior management

The Board of Directors appointed Fidelis M. Goetz as Head of the International division with effect from 1 January 2007. On 30 April 2007, Franz K. von Meyenburg stood down from the Executive Committee and took early retirement.

[1] www.sarasin.ch under "About us > Company profile > Organisation".

Furthermore the Board of Directors appointed Burkhard P. Varnholt as the new Head of the Asset Management, Products & Sales division and Member of the Executive Committee, effective 1 September 2007. Andreas R. Sarasin stepped down from the Executive Committee and left the Bank on 21 September 2007.

The Board of Directors has appointed Peter Sami as new Head of the Logistics division and Member of the Executive Committee, effective 1 May 2008. He takes over from Joachim Straehle, CEO of Bank Sarasin, who has been in charge of this division on an interim basis since September 2007.

Joachim H. Straehle, Chief Executive Officer (CEO) and interim Head of the Logistics Division

Born in 1958; Swiss citizen; lives in Huenenberg; he completed his initial banking training in Zurich; graduate of the School of Management in Zurich and of the Executive Program for Overseas Bankers, Wharton School, University of Pennsylvania, Philadelphia, USA.
After completing his education, Joachim H. Straehle worked among others for Bank Julius Baer in New York, where he held various management positions. From 1999 to August 2006, Joachim H. Straehle has held various executive positions at Credit Suisse Group in Switzerland and abroad. Initially employed in Zurich as Head of Family Office and Member of the Operating Committee of Credit Suisse Trust, he was later appointed CEO of the Credit Suisse Trust Group. He then became Head of Private Banking International and a Member of the Executive Board of Credit Suisse. Finally, he was appointed Regional Head of Asia-Pacific, Middle East and Russia and a Member of the Private Banking Management Committee. Joachim H. Straehle has been CEO of Bank Sarasin & Co. Ltd since 1 September 2006.

Fidelis M. Goetz, Head of the International Division

Born in 1966; citizen of Liechtenstein and the Netherlands; residing in Basel; degree in political sciences from the University of St. Gall.
Following professional experience of organising leadership seminars for the Catholic church in Asia, Fidelis M. Goetz joined the Credit Suisse Group in 1993 in Japan as a trainee. He then performed various functions for the CS group in Zurich and the Far East. Among other roles, he served as Chief Representative in Osaka, Head of Investment Consulting in Singapore, Market Head Japan and Chief Representative / Market Head in Taiwan. In 2004, he was appointed Regional Head of Private Banking North Asia based in Hong Kong and joined the Private Banking Management Committee. On 1 December 2006, Fidelis M. Goetz joined Bank Sarasin as a Member of the Executive Committee and has been Head of the International division since 1 January 2007.

Matthias Hassels, Head of the Corporate Center Division, Chief Financial Officer

Born in 1963; German citizen; lives in Bad Krozingen, Germany; holds a degree in commerce from the Westfaelische Wilhelms University in Muenster, 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 our senior management since 1999 and Chief Financial Officer since May 2000. He was given responsibility for the Corporate Center Division on 1 July 2005, where he oversees not only Investor Relations, Corporate Development and Corporate Finance but also Legal & Compliance, Human Resources, Group Finance, Controlling, Risk Office, Loans and Taxes.

Eric G. Sarasin, CEO of the Private & Institutional Clients Division Switzerland

Born in 1958; Swiss citizen; lives in Basel, Switzerland; did his initial banking training in Basel. Has a business degree in finance and investments from Babson College, Boston, Mass., USA, and is a graduate of the Swiss Banking School.
Starting in 1980, Eric G. Sarasin spent two years with Pictet & Co. in Geneva as a financial analyst. He then did further training at Morgan Guarantee Trust and Kidder, Peabody in New York. From 1985 to 1988, he was a senior account officer with Citibank N.A. in New York. He moved to Bank Sarasin in 1988, where he became a partner in 1994. Before being appointed Head of Private Banking Basel, Geneva and Lugano in April 2004, he was responsible for Swiss brokerage services for foreign institutions, the development of institutional marketing and the Group's Private Banking International business unit. Since 1 January 2006, Eric G. Sarasin (CEO PIC) and Marco Weber (COO PIC) have joint responsibility

for the Private and Institutional Clients Switzerland (PIC) Division. Eric G. Sarasin is President of the German-Swiss Chamber of Commerce, Honorary Treasurer of WWF International and a member of the Swiss Advisory Board of the Swiss-American Association, as well as being active in numerous philanthropic foundations in Switzerland and abroad.

Burkhard P. Varnholt, Head of the Asset Management, Products & Sales Division, Chief Investment Officer
Born 1968; German citizen, residing in Zurich; PhD in Economics from the University of St. Gall (HSG). From 1998 until his switch to Bank Sarasin & Co. Ltd, Burkhard P. Varnholt worked for Credit Suisse Private Banking in Zurich. After joining the Bank as Head of the Services and subsequently also the Investment Analysis divisions, he became Global Head of Financial Products & Investment Advisory in 2002. He was a member of the Global Executive Council from September 2005 onwards. Prior to that, from 1996 to 1998, Burkhard P. Varnholt worked for Morgan Stanley Investment Banking in London. He is also an experienced lecturer, having taught not only at the University of St. Gall (HSG), but also at the Massachusetts Institute of Technology (MIT) and the Stern School of Business, New York University. Burkhard Varnholt has already published over 100 articles and four books. As a keen art lover and collector, Burkhard Varnholt sat on the Acquisitions Committee of the Tate Modern in London. In 2004, he set up the charity Kids of Africa – The Swiss African Orphanage (www.kids-of-africa.com). To date, this charity has built and now maintains a village for up to 100 orphaned homeless children in Kampala (Uganda).

Marco Weber, COO of the Private & Institutional Clients Division Switzerland
Born in 1962; Swiss citizen; lives in Oberlunkhofen/AG, Switzerland; has a Swiss Federal diploma in business management from the Kantonsschule Luzern, where he specialised in business administration and accounting.
Marco Weber spent 15 years with Swiss Re in Switzerland and abroad before transferring to the financial services industry in 1994. In 1999, he joined Bank Sarasin as Head of Products and Services in the Investment Funds Division.
He was appointed Head of Personal Banking in the middle of 2002 and Head of the Investment Funds Division at the beginning of 2005. With the streamlining of our management structure with effect from 1 July 2005, Marco Weber became the Chief Operating Officer (COO) of our new Private and Institutional Clients Switzerland Division.

4.2 Other activities and vested interests

See 4.1.

4.3 Management contracts

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

5. Compensation, shareholdings and loans

5.1 Content and method of determining the compensation and share-ownership 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).
The Members of the Board of Directors receive a fixed fee which is paid in cash.

The compensation of the Members of the Executive Committee consists of a fixed basic salary (in cash) plus a performance-related bonus. Half of this bonus is paid not as money but in the form of locked-up shares, and the other half in the form of a non-binding entitlement to a future allocation of shares, which is dependent on certain conditions (see also the information that follows on the new participation scheme). There is no fixed relationship between the basic salary and the performance-related bonus. In 2007, this relationship was 1:6.

The Board of Directors determines the total bonus amount payable by the Bank, depending on the achievement of the Bank's growth and earnings targets. The Board of Directors also determines the bonus payable to Members of the Executive Committee, following a proposal from the Nomination and Compensation Committee. The size of the individual bonus paid to the Members of the Executive Committee also depends on the achievement of certain targets agreed in the MbO, personal performance and a comparison with market peers in the financial services industry.

5.2 Details of compensation, shareholdings and loans

The information provided on pages 96 and 97 in the Notes to the consolidated financial statements of Bank Sarasin & Co. Ltd shows all fixed compensation paid to Members of the Board of Directors and the Executive Committee, as well as performance-related bonus payments, in accordance with the participation scheme, to the Members of the Executive Committee. In accordance with the accrual principle stipulated by the SWX Swiss Exchange, the bonus payments relate to performance in 2007, although the amounts in question will not be disbursed until the first quarter of 2008. The amounts indicated include ordinary employer contributions for social insurance and pension funds.

New participation scheme

With the introduction of a new participation scheme effective 1 January 2008, 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 over the long term.

Employees of Bank Sarasin & Co. Ltd may be offered not just the contractually agreed basic salary, but an annual bonus. This bonus can either be paid in cash or as an allocation of shares. Where employees are awarded an annual bonus, depending on their function level and the amount of the bonus award, a part may be provided or promised in the form of shares and the remainder paid in cash by direct funds transfer. The share allocation is calculated according to the trade-weighted average of the stock market price of the shares on the Swiss stock market over the last ten days before the allocation date.

Access restriction (lock-up period) / eligibility: of the 50% of the shares allocated to an employee, half are subject to a one-year lock-up and half to a two-year lock-up period from the date of allocation. Employees shall not have access to the shares during the lock-up period, in particular they cannot trade or sell them. However, during this period the employee enjoys the voting, dividend and subscription rights of a shareholder.

Regarding the other 50% of the shares promised to an employee, initially the employee has only a legally non-binding entitlement to a future allocation of shares. The definitive allocation is made three years after the original allocation date and is conditional firstly on the employee attaining the separately defined three-year targets, and secondly on the employee being continuously employed by the Bank for three years after the original allocation date and remaining in regular employment with the Bank until the three-year period has ended.

Our directors do not receive performance-related bonuses.

6. Shareholders' participation

6.1 Voting-rights and representation restrictions

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 (see 6.5).

6.1.1 Voting-rights restrictions

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 53).

6.1.2 Granting of exceptions

In the year under review, no exceptions were made to the rules regarding voting-rights restrictions and representation; no corresponding applications were submitted either.

6.1.3 Procedure for abolishing voting-rights restrictions under our 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 Statutory quorums

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 representing 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 Inscriptions 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. Since Article 20 of our articles of association stipulates that invitations to a General Meeting must be sent out 20 calendar days in advance, the share register is closed 23 calendar days before the General Meeting.

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.

7.2 Clauses on changes of control

The employment contract for one Member of the Executive Committee contains a change of control clause stipulating that if a third party other than Rabobank Group acquires a majority of the voting rights in Bank Sarasin, the member shall be due a redundancy payment equivalent to three years' basic annual salary.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

Ernst & Young AG audits our most important subsidiaries and has acted as the Statutory Auditors of Bank Sarasin & Co. Ltd since its transformation into a limited company in June 2002. Prior to that date, Ernst & Young AG acted as the Controlling Body for Bank Sarasin & Co. Thomas Schneider has been the responsible partner since the 2005 financial year and Patrick Schwaller has been the lead auditor since 2006.

8.2 Auditing fees

The Sarasin Group (the figures for Bank Sarasin & Co. Ltd are shown in brackets) paid Ernst & Young fees totalling CHF 2,665,990 (CHF 1,925,638) for services connected with the auditing of the 2007 financial statements. In addition, subsidiaries within the scope of the Sarasin Group's consolidation paid other audit firms a total of CHF 18,447 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 562,145 (CHF 408,317) for services not connected with the auditing of the 2007 financial statements. Subsidiaries within the scope of the Sarasin Group's consolidation did not pay additional fees to any other audit firms.

8.4 Information tools pertaining to the external audit

The Audit Committee of our Board of Directors holds regular discussions with the representatives of our external auditors regarding the planning of the audit, the results of the audit activity in relation to supervisory controls and the preparation of the financial statements, as well as the adequacy of our internal control systems, in the light of the Group's risk profile.

During the 2007 financial year, the external auditors attended five (previous year: five) Audit Committee meetings in total.

The Audit Committee monitors the scope and organisation of the audit activity, the quality of the work done and the external auditors' independence. An annual appraisal meeting is held between the Bank's Audit Committee and the external auditors' responsible partner. In particular, the Audit Committee also supervises the provision of relevant services that the external auditors perform over and above their ordinary audit functions. Our external auditors have direct access to the Audit Committee at all times (see also the comments about the Audit Committee under 3.5 b).

Finally, the Audit Committee makes proposals to the Board of Directors regarding the appointment or replacement of the auditors, subject to approval by the General Meeting of Shareholders. When selecting the external auditors, it is important to choose a candidate that is authorised by the Swiss Federal Banking Commission to audit a Swiss bank and also has an international presence, in order to ensure the company has the necessary internal resources to handle the audit work for the entire Sarasin Group. The rules for the rotation of the lead auditor are set down in the guidelines of the Swiss auditors' association (Schweizerische Treuhand- und Revisionskammer).

The external auditors and their affiliated companies must be independent from Bank Sarasin and its Group companies, i.e. there must be no material financial, corporate or other relationships that could call into question the auditors' independence.

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 stakeholders are treated equally. 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 media and financial analysts, as well as at the General Meeting of Shareholders. All major projects and initiatives are reported on promptly on our website (www.sarasin.com) as well as in letters to shareholders, media releases, video recordings of media and financial analysts' conferences, and notices in the Swiss Commerce Gazette (SHAB).

Subscription service for media releases

Shareholders can sign up to automatically receive copies of the Bank's official media releases by visiting our website (www.sarasin.ch/newspush_en). Users can select the topics they are most interested in. Alternatively, investors can download our media releases at any time from our website (www.sarasin.ch/news_en).

Information on Bank Sarasin & Co. Ltd registered B share

ISIN number	CH000 226 773 7
Security number	226 773
Par value	CHF 100

Ticker symbols

Listing	SWX (Swiss Exchange)
Bloomberg	BSAN SW
Reuters	BSAN.S
Telekurs	BSAN

Important dates

Annual General Meeting 2008	23 April 2008
Interim results 2008	19 August 2008
Annual results 2008	26 February 2009
Annual General Meeting 2009	22 April 2009
Interim results 2009	30 July 2009

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Sarasin Group: financial statements

Consolidated income statement

1,000 CHF	Note	2007	2006	Change to 2006 CHF	Change to 2006 %
Interest and discount income		**385,517**	258,168	127,349	49.3
Interest and dividend income from financial investments		**16,566**	14,000	2,566	18.3
Interest expenses		**297,486**	195,278	102,208	52.3
Net interest income	2.1	**104,597**	76,890	27,707	36.0
Commission income on lending activities		**4,414**	4,128	286	6.9
Commission income on securities and investment transactions		**495,367**	438,142	57,225	13.1
Commission income on other services		**6,221**	6,021	200	3.3
Commission expenses		**67,380**	59,317	8,063	13.6
Results from commission and service fee activities	2.2	**438,622**	388,974	49,648	12.8
Results from trading operations	2.3	**95,905**	90,539	5,366	5.9
Other ordinary results	2.4	**198,381**	9,278	189,103	>1 000
Of which income from investments in associates	2.21	6,955	0	6,955	
Operating income		**837,505**	**565,681**	**271,824**	**48.1**
Personnel expenses	2.5 / 2.12	**315,278**	297,631	17,647	5.9
General administrative expenses	2.6	**112,334**	106,450	5,884	5.5
Operating expenses		**427,612**	**404,081**	**23,531**	**5.8**
Operating profit		**409,893**	**161,600**	**248,293**	**153.6**
Depreciation and write-offs on property and equipment	2.7	**11,822**	13,160	–1,338	–10.2
Amortisation of intangible assets	2.7	**7,467**	6,740	727	10.8
Value adjustments, provisions and losses	2.8	**3,492**	2,293	1,199	52.3
Provisions for restructuring	2.8	**0**	7,010	–7,010	–100.0
Profit before taxes		**387,112**	**132,397**	**254,715**	**192.4**
Taxes	2.9 / 2.10	**82,515**	31,389	51,126	162.9
Net profit	2.11	**304,597**	**101,008**	**203,589**	**201.6**
Attributable to					
Shareholders of Bank Sarasin & Co. Ltd		**293,630**	95,904	197,726	206.2
Minority interests		**10,967**	5,104	5,863	114.9
Net profit		**304,597**	**101,008**	**203,589**	**201.6**
Share information					
Net profit per class A registered share (with voting rights)[1]		**97.1**	31.7	65.4	206.3
Net profit per class B registered share[1]		**485.6**	158.6	327.0	206.2
Diluted net profit per class A registered share[1]		**96.9**	31.7	65.2	205.7
Diluted net profit per class B registered share[1]		**484.6**	158.4	326.2	205.9
Dividend per class A registered share (with voting rights)[2]		**27.00**	18.00	9.00	50.0
Dividend per class B registered share[2]		**135.00**	90.00	45.00	50.0

1 Calculation based on the weighted shares according to IFRS.
2 Subject to approval of the annual general meeting.

Consolidated balance sheet

Assets

1,000 CHF	Note	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Cash and cash equivalents	2.13	**71,822**	88,303	–16,481	–18.7
Money market papers	2.14	**52,964**	157,100	–104,136	–66.3
Due from banks	2.15	**5,682,350**	5,511,437	170,913	3.1
Due from customers	2.15	**3,850,586**	2,423,159	1,427,427	58.9
Trading portfolio assets	2.17	**654,417**	559,794	94,623	16.9
Derivative financial instruments	2.19	**337,913**	141,183	196,730	139.3
Financial investments	2.20	**582,728**	679,416	–96,688	–14.2
Investments in associated companies	2.21	**51,255**	0	51,255	
Property and equipment	2.22	**111,291**	114,929	–3,638	–3.2
Goodwill and other intangible assets	2.23	**101,068**	107,885	–6,817	–6.3
Current tax assets		**32**	253	–221	–87.4
Deferred tax assets	2.10	**375**	2,925	–2,550	–87.2
Accrued income and prepaid expenses		**160,092**	109,091	51,001	46.8
Other assets	2.24	**28,462**	36,432	–7,970	–21.9
Total assets		**11,685,355**	**9,931,907**	**1,753,448**	**17.7**
Total subordinated assets		**6 426**	7,049	–623	–8.8
Total due from significant shareholders		**41,635**	168,009	–126,374	–75.2

Liabilities and equity

1,000 CHF	Note	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Due to banks		**1,067,365**	612,368	454,997	74.3
Due to customers	2.27	**6,681,706**	6,597,879	83,827	1.3
Trading portfolio liabilities	2.18	**121,636**	209,920	–88,284	–42.1
Derivative financial instruments	2.19	**275,359**	117,283	158,076	134.8
Financial liabilities designated at fair value	2.28	**1,925,715**	1,082,270	843,445	77.9
Current tax liabilities		**65,082**	24,823	40,259	162.2
Deferred tax liabilities	2.10	**8,724**	16,830	–8,106	–48.2
Accrued expenses and deferred income		**211,572**	148,874	62,698	42.1
Other liabilities	2.29	**53,318**	61,429	–8,111	–13.2
Provisions	2.30	**9,315**	13,489	–4,174	–30.9
Total liabilities		**10,419,792**	**8,885,165**	**1,534,627**	**17.3**
Share capital	2.31	**61,155**	61,155	0	0.0
less treasury shares	2.31	**–48,019**	–23,980	–24,039	–100.2
Capital reserve		**608,871**	598,883	9,988	1.7
Retained earnings		**363,930**	293,069	70,861	24.2
Reserves IAS 39 (net of tax)		**–11,412**	7,696	–19,108	–248.3
Currency translation differences		**–35,184**	–11,672	–23,512	–201.4
Net profit (excluding minority interests)		**293,630**	95,904	197,726	206.2
Shareholders' equity of shareholders of Bank Sarasin & Co. Ltd		**1,232,971**	**1,021,055**	**211,916**	**20.8**
Minority interests in shareholders' equity (including share in profits)		**32,592**	25,687	6,905	26.9
Total shareholders' equity (including minority interests)		**1,265,563**	**1,046,742**	**218,821**	**20.9**
Total liabilities and shareholders' equity		**11,685,355**	**9,931,907**	**1,753,448**	**17.7**
Total subordinated liabilities		**0**	0	0	
Total due to significant shareholders		**208,098**	71,020	137,078	193.0

Statement of changes in equity

1,000 CHF	Share capital	Treasury shares	Capital reserve	Retained earnings
Total shareholders' equity as of 01.01.2006	**61,155**	**–22,796**	**593,002**	**348,097**
Unrealised gains and losses "available-for-sale" financial investments:				
– Realised gains reclassified to income statement				
– Change in unrealised gains and losses (net of tax)				
Currency translation differences				
Consolidated profit				95,904
Comprehensive income for 2006	**0**	**0**	**0**	**95,904**
Dividends paid				–54,535
Change in treasury shares		–1,184		
Result on treasury shares incl. derivatives			5,881	
Change in scope of consolidation				
Transactions with minority shareholders				–492
Total shareholders' equity as of 31.12.2006	**61,155**	**–23,980**	**598,883**	**388,973**
Total shareholders' equity as of 01.01.2007	**61,155**	**–23,980**	**598,883**	**388,973**
Unrealised gains and losses "available-for-sale" financial investments:				
– Realised gains reclassified to income statement				
– Change in unrealised gains and losses (net of tax)				
Currency translation differences				
Consolidated profit				293,630
Comprehensive income for 2007	**0**	**0**	**0**	**293,630**
Dividends paid				–54,454
Change in treasury shares		–24,039		
Result on treasury shares incl. derivatives			9,988	
Change in scope of consolidation				
Transactions with minority shareholders				29,411
Total shareholders' equity as of 31.12.2007	**61,155**	**–48,019**	**608,871**	**657,560**

Reserves available for sale investments (net of tax)	Currency translation differences	**Total (excl. minority interests)**	Minority interests	Currency translation differences	**Total (minority interests)**	**Total**
5,985	**–16,097**	**969,346**	**26,525**	**513**	**27,038**	**996,384**
–122		**–122**			**0**	**–122**
1,833		**1,833**			**0**	**1,833**
	4,425	**4,425**		927	**927**	**5,352**
		95,904	5,104		**5,104**	**101,007**
1,711	**4,425**	**102,040**	**5,104**	**927**	**6,031**	**108,071**
		–54,535	–3,402		**–3,402**	**–57,937**
		–1,184			**0**	**–1,184**
		5,881			**0**	**5,881**
		0			**0**	**0**
		–492	–3,981		**–3,981**	**–4,473**
7,696	**–11,672**	**1,021,055**	**24,247**	**1,440**	**25,687**	**1,046,742**
7,696	**–11,672**	**1,021,055**	**24,247**	**1,440**	**25,687**	**1,046,742**
–337		**–337**			**0**	**–337**
–18,771		**–18,771**			**0**	**–18,771**
	–23,512	**–23,512**		–1,588	**–1,588**	**–25,099**
		293,630	10,967		**10,967**	**304,597**
–19,108	**–23,512**	**251,011**	**10,967**	**–1,588**	**9,379**	**260,390**
		–54,454	–7,276		**–7,276**	**–61,729**
		–24,039			**0**	**–24,039**
		9,988			**0**	**9,988**
		0			**0**	**0**
		29,411	4,801		**4,801**	**34,212**
–11,412	**–35,184**	**1,232,971**	**32,740**	**–148**	**32,592**	**1,265,563**

Consolidated off-balance sheet information

1,000 CHF	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Contingent liabilities				
Credit guarantees	**326,799**	256,130	70,669	27.6
Performance guarantees	**41,996**	58,979	–16,983	–28.8
Other contingent liabilities	**26,456**	65,847	–39,391	–59.8
Total contingent liabilities	**395,251**	**380,956**	**14,295**	**3.8**
Irrevocable commitments				
Unused irrevocable commitments	**11,102**	10,205	897	8.8
Confirmed credit				
Other confirmed credits	**0**	37,758	–37,758	–100.0
Liabilities for calls on shares and other equities	**126**	318	–192	–60.4
Derivative financial instruments				
Positive replacement values	**337,913**	141,183	196,730	139.3
Negative replacement values	**275,359**	117,283	158,076	134.8
Contract volume	**11,292,811**	7,386,438	3,906,373	52.9
Fiduciary transactions				
Fiduciary deposits with other banks	**2,223,617**	1,472,520	751,097	51.0
Fiduciary deposits with companies in the Rabobank Group	**3,092,657**	1,314,737	1,777,920	135.2
Fiduciary lending	**4,887**	7 439	–2,552	–34.3

A listing by maturities is provided in Note 5.13.

Consolidated statement of cash flows

1,000 CHF	2007	2006
Cash flow from operating activities		
Profit before income taxes (incl. minority interests)	**387,112**	132,397
Non cash position in group result		
Depreciation and amortisation	**19,289**	19,900
Value adjustments for credit risks	**1,187**	–494
Change in provisions	**10**	2,416
Change in deferred taxes	**–4,077**	–280
Net income from investing activities	**–163,534**	53
Net (increase) / decrease in assets and liabilities relating to banking activities		
Due from / to banks net	**–719,809**	–532,000
Net trading positions and replacement values, financial investments designated at fair value	**683,085**	230,849
Due from / to customers net	**–442,593**	144,146
Accrued income, prepaid expenses and other assets	**–100,439**	–10,934
Accrued expenses, deferred income and other liabilities	**91,002**	25,232
Due from / to money market papers	**104,008**	–46,325
Paid and withheld income taxes	**–29,562**	–13,145
Cash flow from operating activities	**–174,321**	**–48,185**
Cash flow from investing activities		
Investments in subsidiaries and associated companies	**–43,955**	–158,366
Disposal of subsidiaries and associated companies	**–112,629**	0
Purchase of property, equipment and intangible assets	**–19,727**	–18,335
Disposal of property, equipment and intangible assets	**143**	107
Net (investment) / divestment of financial investments	**344**	38,976
Cash flow from investing activities	**–175,824**	**–137,618**
Cash flow from financing activities		
Purchase of treasury shares and derivatives on treasury shares	**–80,618**	–74,747
Issue and sale of treasury shares and derivatives on treasury shares	**68,575**	80,653
Dividends paid	**–61,729**	–57,937
Change in minority interests	**31,479**	–3,981
Cash flow from financing activities	**–42,293**	**–56,012**
Effects of currency translation differences	**149**	17,159
Net (increase) / decrease in cash and cash equivalents	**–392,289**	**–224,656**

1,000 CHF	31.12.2007	31.12.2006
Cash and cash equivalents, beginning of period	**1,056,935**	1,281,591
Cash and cash equivalents, end of period	**664,646**	1,056,935
Net (increase) / decrease in cash and cash equivalents	**–392,289**	**–224,656**
Cash and cash equivalents comprise:		
Cash and cash equivalents	**71,822**	88,303
Due from banks at sight	**592,824**	968,632
Total cash and cash equivalents	**664,646**	**1,056,935**
Paid interest	**270,080**	184,523
Received interest	**368,574**	250,675

Notes to the consolidated financial statements

1. Accounting principles

1.1 Basis of presentation

Founded in 1841, Bank Sarasin & Co. Ltd based in Basel is one of Switzerland's leading private banking institutions. Bank Sarasin's core activities include investment advisory and asset management services for private and institutional clients, as well as an investment funds business. The central values behind its long-term success are trust, discretion, competence and commitment. In addition to its headquarters in Basel, the Bank has Swiss offices in Zurich, Geneva and Lugano. The Sarasin Group has international branches in Europe, Asia and the Middle East.
At the end of 2007, the Sarasin Group had a headcount of 1,170 (adjusted for part-time working), 46 people or 4% more than a year earlier. 782 people worked at Bank Sarasin & Co. Ltd (our Group's parent company).
Our consolidated financial statements are denominated in thousands of Swiss francs. Our 2007 statements were drawn up in compliance with International Financial Reporting Standards (IFRS).

Events since the balance sheet date

In the course of the first quarter of 2008, Bank Sarasin & Co. Ltd will decide whether to exercise its option to purchase an additional 20% of the share capital of NZB Holding AG, Zurich.

No further events affecting the balance sheet or income statement are to be reported for the financial year 2007. The Board of Directors discussed and approved the present consolidated financial statements at its meeting on 21 January 2008.

1.2 Principles of consolidation

Fully consolidated companies

Our consolidated financial statements comprise the accounts of Bank Sarasin & Co. Ltd, Basel, and its subsidiaries. All subsidiaries over which Bank Sarasin & Co. Ltd, Basel, exerts direct or indirect control are included in the scope of consolidation. Newly acquired subsidiaries are consolidated as from the time control is transferred, and deconsolidated once control is relinquished. The most important subsidiaries are listed in Note 7.4.

Method of consolidation

Capital consolidation is treated according to the Anglo-Saxon purchase method. This means that the equity capital of a consolidated company at the time of its acquisition or creation is offset against the carrying value assigned to the participation in the parent company's accounts. Following the initial consolidation, changes resulting from business operations that are included in the Group's consolidated financial statements for the period concerned are shown under retained earnings. The effects of intra-group transactions are eliminated when the consolidated financial statements are drawn up.

Equity and net profit attributable to minority interests are shown separately in the consolidated balance sheet and income statement.

Investments in associated companies

Companies over which the Sarasin Group exerts a significant influence and/or in which it holds 20% to 50% of the voting rights are consolidated according to the equity method. This means that these companies' financial results and net asset value are recorded in the consolidated financial statements proportionately to the participation held by the Bank Sarasin Group.

Changes in the scope of consolidation

On 1 July 2007, the subsidiary Bank Sarasin Europe S.A. was sold to the Crédit Agricole Group. During the current financial year, Bank Sarasin & Co. Ltd absorbed its wholly owned subsidiary Sarasin Non Traditional AG, backdated to 1 January.

The newly founded company Alfedur S.A. was consolidated for the first time.

Discontinued lines of business and assets held for sale

If long-term assets or groups of potential disposals are held for sale, they must be given a special classification if their book value is realised principally through a sale transaction and not through continued use.

1.3 General principles

Assumptions and estimates

IFRS include guidelines that require the Sarasin Group to make assumptions and estimates when drawing up its consolidated financial statements. They relate to, for example, the annual valuation of goodwill, the rating of impaired loans, the evaluation of the possible impairment of financial investments held for sale, and the estimation of provisions. Those assumptions and estimates are continuously reviewed and are based on past experience and other factors, including expectations regarding likely future developments. It is in the nature of things that actual results may deviate from these estimates.

Recording of transactions

Purchases and sales of financial assets and liabilities are recorded in our balance sheet on the day they occur. This means that transactions are recorded on the trading date, not the date of settlement.

Accrual of earnings

Service-related fees are recorded when the services concerned are rendered. Asset management fees, custodian fees and other fees calculated on the basis of time spent are recorded on a pro rata basis throughout the time the corresponding service is rendered. Interest is accrued and recorded as it is earned. Dividends are recorded on the day payment is received.

Foreign currency translation

Our Group financial statements are denominated in Swiss francs. Foreign currency translation takes place at year-end exchange rates.

		2007	2006
Euro (EUR)	Year-end	**1.6553**	1.6097
	Average	**1.6325**	1.5822
US Dollar (USD)	Year-end	**1.1322**	1.2207
	Average	**1.1765**	1.2694
UK pound (GBP)	Year-end	**2.2536**	2.3891
	Average	**2.3214**	2.3259
Hong Kong Dollar (HKD)	Year-end	**0.1452**	0.1570
	Average	**0.1511**	0.1635

Foreign currency transactions are recorded at the exchange rate on the date of the transaction concerned. Exchange rate differences arising between the date of a transaction and its settlement are reported in the income statement. At the balance sheet date, monetary assets and liabilities in foreign currencies are translated using the end-year exchange rates, and unrealised exchange rate differences are reported in the income statement. Non-monetary items in a foreign currency that are stated at fair value in the balance sheet are translated at the exchange rate at the year-end. Assets and liabilities of foreign companies in the Bank Sarasin Group that are denominated in foreign currencies are translated at the exchange rates applying on the balance sheet date. Individual items in our income statement and our cash flows are translated at average exchange rates for the period. Differences resulting from the use of these different exchange rates are reported as currency translation adjustments under shareholders' capital.

Segments

The Sarasin Group consists of four business segments – "Private & Institutional Clients Switzerland", "International", "Asset Management, Products & Sales" and our "Corporate Center". That structure provides the basis for our primary segment reporting. Our secondary segment reporting is based on locations, with operating income, segment assets and investments being presented separately for Switzerland, Europe (excl. Switzerland), Asia and other. Direct income and expenditure are allocated to the segments. Transfers between business or geographical segments are quoted at market prices, which correspond to the amounts third parties would be charged for similar services. Income and expenditure connected with head office functions that are not directly attributable to segments are allocated to our Corporate Center, as are consolidation positions and netting-out associated with consolidation.

1.4 Principles regarding financial instruments

General

The classification of financial instruments occurs when they are first reported, and follows the criteria laid down in IAS 39. Financial instruments include not only trading portfolios and financial investments but also traditional financial assets and liabilities, as well as instruments relating to our shareholders' capital.
Financial instruments can be classified as follows:

> financial instruments that must be recorded in the income statement (fair value through profit or loss) – financial investments designated at fair value and financial liabilities at fair value
> financial instruments that are held for trading as a subcategory of fair value through profit or loss – trading portfolios, liabilities arising from trading portfolios and all derivative financial instruments
> financial assets that are available for sale
> investments held to maturity
> loans and receivables originated by the enterprise that are not held for trading purposes and that do not constitute financial assets available for sale. This category includes in particular amounts that are due from and to banks and customers.

Instruments held for trading

Financial assets or liabilities held for trading purposes are reported at fair value under the headings "trading portfolio assets" and "trading portfolio liabilities". Fair value is based on quoted market prices wherever an active market exists. Where no such market exists, we rely on prices noted by dealers or on price models. Realised and unrealised gains and losses are reported under "net income from trading operations". Interest and dividend income deriving from trading positions is reported under "net income from trading operations".

Financial assets designated at fair value

Based on the management and performance measurement according to a documented risk management and investment strategy, the Sarasin Group applies the Fair Value Option

defined in IAS 39 for some of its financial assets. These items are recorded in the balance sheet at fair value, and the realised and unrealised gains and losses relating to these items are always reported in our income statement under "other ordinary income".
Interest and dividend income relating to financial investments recorded at fair value and interest expenses relating to financial liabilities recorded at fair value are calculated for the year under review and reported under "net interest income".

Financial liabilities designated at fair value
In the context of the issuance business, Sarasin Group reports the structured products it issues, which comprise an underlying debt instrument and an embedded derivative in each case, under the balance sheet item "financial liabilities designated at fair value". Under the Fair Value Option defined in IAS 39, there is therefore no requirement to break down the structured products into the underlying contract and the embedded derivative and to record them separately on the balance sheet. All changes in the fair value are reported in our income statement. The valuation of structured products is based on an internal valuation model whose parameters do not take into consideration the credit rating of the Sarasin Group.

Financial assets that are available for sale
Financial assets available for sale are stated at fair value. Changes in fair value minus related deferred taxes are reported under shareholders' equity until the financial assets are sold or deemed to be impaired. A financial asset is deemed to be impaired if a fall in its fair value below its acquisition cost becomes so great that the recovery of its acquisition cost cannot reasonably be expected within a foreseeable period of time. In the event of lasting impairment, the cumulative unrealised loss previously reported under shareholders' equity is transferred to the income statement. On the disposal of a financial investment that is available for sale, the unrealised gain or loss previously reported under shareholders' equity is reported in our income statement under "other ordinary results". Interest and dividend income are accrued for the year under review using the effective interest method and are reported under "net interest income".

Financial assets held to maturity
Investments that are held to maturity are stated at amortised cost using the effective interest rate method. A financial investment that is being held to maturity is deemed to be impaired if the recovery of the full amount owed under the contract seems unlikely. Where impairment occurs, the investment's book value in the income statement is reduced to the amount that can potentially be recovered.
Sarasin Group does not use this type of financial instrument.

"Day 1 Profit"
If the transaction price in an inactive market differs from the fair value of another transaction observable on the market or from the fair value of a valuation model based on observable market factors, the difference between the transaction price and the fair value, known as "Day 1 Profit", is reported in the income statement under "Net income from trading operations". In those cases where no observable market factors are used to determine the fair value, the "Day 1 Profit" is only reported in the income statement if the fair value can subsequently be determined on the basis of observable market data, or on settlement. The appropriate method for reporting the "Day 1 Profit" is determined separately for each transaction.

Loans granted
Loans granted by the Bank Sarasin Group are reported in the balance sheet at amortised cost using the effective interest method minus any impairment for credit risks. A loan is deemed to be impaired if the recovery of the full amount owed under the contract seems unlikely. The reasons for impairment are specific to an individual borrower or country.

Impaired loans
If a borrower's total indebtedness exceeds the amount that can foreseeably be realised, bearing in mind the counterparty risk and the net proceeds from the liquidation of any collateral that has been lodged, a corresponding value adjustment is made in our income statement. Here the amount that can foreseeably be realised corresponds to the cash value of the borrower's expected payments. Reversals of earlier write-downs are recorded in our income statement. Interest income on impaired loans is accrued for the year under review.

Non-performing loans
A loan is classified as non-performing as soon as the contractually agreed capital and/or interest payments are 90 days overdue or more. Overdue interest is not shown as income but is recorded directly under value adjustments. Being overdue can indicate that a loan is impaired. Since the criteria partially (yet not entirely) coincide with the indicators for impaired loans, non-performing loans are generally included under impaired loans.

Derivatives and hedging transactions
We trade in derivatives on our own behalf, as well as on behalf of clients. The options, financial futures and swaps we trade on our own account relate to structured products issued by us in order to hedge our trading and investment positions and to control our interest rate and foreign exchange risk. Derivatives are assessed at fair value as positive and negative replacement values and are reported in the balance

sheet. Fair value is established from stock exchange quotations or option price models.

From an economic point of view and in accordance with Sarasin Group's risk management principles, certain derivatives constitute hedging transactions. However, they do not comply with the rigorous IFRS criteria for classification as hedging transactions in our financial statements (hedge accounting pursuant to IAS 39). Realised and unrealised gains and losses arising from derivative financial instruments are therefore always reported in our income statement.

Repurchase and reverse repurchase transactions
Under these kinds of transactions, the Bank Sarasin Group purchases and sells securities on the undertaking that it will 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 the Bank Sarasin Group remains economically entitled to dispose of the associated rights and ultimately bears the economic chances and risks, 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 the Bank Sarasin Group does not gain control of the associated economic rights and does not ultimately bear the economic chances and risks, purchases of securities are reported as loans secured against securities.

Securities lending and borrowing
In the case of securities lending and borrowing, transfers of securities have no effect on the balance sheet as long as the party that transfers them remains economically entitled to dispose of the associated rights and ultimately bears the economic chances and risks. If control over the loaned/borrowed securities is relinquished, the transactions are recorded in the balance sheet as changes in securities holdings and, depending on the counterparty, are reported under claims or liabilities to banks or customers. Any cash amounts that change hands are always entered in the balance sheet. Fees that are paid or received are reported as commission expenses or commission income. Securities lending and borrowing at the risk and on the account of clients is reported on the same basis as fiduciary transactions.

Cash and cash equivalents
This item consists of cash holdings and sight deposits with central banks and post offices. Our cash flow also includes sight deposits with other banks.

Money market papers
Amounts due from money market papers are stated at amortised cost using the effective interest rate method.

Impairment of financial instruments
On every balance sheet date Sarasin checks for objective signs of potential impairment of a financial instrument or a group of financial instruments. These are classed as impaired if there are objective signs of depreciation in value following one or more events after this asset was reported for the first time and if this loss event has an impact on the future flow of payments from the instrument, where this can be reliably estimated.

1.5 Other principles

Treasury shares and derivatives on treasury shares
Shares in Bank Sarasin & Co. Ltd, Basel, that are held by the Sarasin Group are reported at weighted average cost and deducted from shareholders' equity as "treasury shares". The difference between the proceeds from the sale of treasury shares and their corresponding cost is reported under "capital reserve". Derivatives that require physical settlement in the form of shares in Bank Sarasin & Co. Ltd are reported in shareholders' equity under "capital reserve".

Derivatives on treasury shares that have to be settled in cash or must allow for this possibility, are recorded as derivative financial instruments, and changes to the fair value are reported in the income statement.

Provisions
Provisions are only made in the balance sheet when the Sarasin Group has a current liability towards a third party connected with a past event, when it seems probable that economically useful resources will have to be used to meet that liability and when the latter liability can be reliably estimated.

Provisions relating to restructuring measures are not reported in the balance sheet if, in addition to the general reporting criteria, there is a detailed formal plan and a liability is assumed in practice through the elimination of a business division, the closure or relocation of a branch, a change in the management structure or fundamental reorganisation. In addition, the start of the implementation or the announcement of concrete measures to those affected must have taken place before the balance sheet date.

Property and equipment
This item includes bank premises, other real property, equipment specific to banking, furniture, machines and EDP systems. These items are capitalised if their acquisition or

production costs can be reliably determined, if they will bring future economic benefit and if their expected period of use exceeds one year. Minor purchases and renovation/maintenance costs that do not generate added value are, on the other hand, charged directly to general administrative expenses.

Property and equipment are valued at cost minus normal accumulated depreciation. Depreciation occurs on a straight-line basis over the assets' estimated useful life:

Bank premises and other buildings	60 years
Equipment specific to banking	10–20 years
Furniture and machines	3–10 years
EDP hardware	3–8 years
Vehicles	3 years

Sarasin Group annually reviews its depreciation method and the residual useful life of its property and equipment. Land is not depreciated.

"Bank premises" are buildings that are owned and used by the Sarasin Group to provide services or for administrative purposes, while "other buildings" yield a rental income and/or are expected to appreciate in value. If a building is used partly as bank premises and partly for other purposes, it is classified according to the criterion of whether both parts can be sold separately. If such a sale is feasible, each individual part is recorded separately. If the individual parts cannot be sold separately, the whole building is classified as bank premises, unless only an insignificant part is used by the Bank.

Intangible assets

Intangible assets include purchased software, in-house software, patents and licenses, as well as other intangible assets. The latter include client-related intangible assets, particularly client lists and contracts, that are identified and capitalised in the context of corporate acquisitions.
Intangible assets are capitalised if their acquisition or production costs can be reliably determined, if they will bring future economic benefit and if their expected period of use exceeds one year.

Intangible assets are valued at cost, minus normal accumulated depreciation. Depreciation occurs on a straight-line basis over the assets' estimated useful life:

Purchased software	3–8 years
In-house software	3–8 years
Other intangible assets	3–10 years

Impairment of property and equipment

Property and equipment are reviewed for impairment if events or changed circumstances suggest that their book value is too high. Intangible assets with an undefined useful life are reviewed at least once a year to see whether a value adjustment is necessary.

Goodwill

If the cost of an acquisition exceeds the value of the net assets acquired and valued according to the uniform guidelines adopted within our Group (i.e. newly valued assets, liabilities and contingent liabilities from newly acquired Group companies, including in particular all identifiable intangible assets that can be capitalised), the residual amount constitutes the acquired goodwill. Goodwill is recorded in the balance sheet in the original currency and is converted at the exchange rate applying on the balance sheet date.

The value of goodwill items is reviewed every year at the level of the smallest cash generating unit.

Leasing

Expenditure connected with operating leases (ownership rights and duties relating to the object of the leasing contract remain vested in the lessor) is charged to "general administrative expenses".

Taxes and deferred taxes

Current income taxes are calculated on the basis of the applicable tax laws in individual countries and recorded as an expense in the period in which the related profits are made. They are entered in the balance sheet as tax liabilities. Tax effects arising from timing differences between the carrying value of assets and liabilities in the consolidated balance sheet and their corresponding tax values are recorded as deferred tax assets and deferred tax liabilities respectively.

Deferred tax assets arising from timing differences and from loss carry-forwards eligible for offset are capitalised only if it seems likely that sufficient taxable profits will be available against which those loss carry-forwards can be offset.
Deferred tax assets and liabilities are calculated at the tax rates expected to apply in the period in which they are either realised or settled. Tax liabilities and assets are offset against each other when they refer to the same taxable entity and the same tax authority and where there is an enforceable right to offset. Deferred taxes are credited or charged directly to shareholders' equity if they relate to items that are directly credited or charged to shareholders' equity in the same period or a different one.

Pension plans

Sarasin Group operates a number of pension plans for its employees in Switzerland and abroad. They include both defined benefit and defined contribution plans.
In the case of defined benefit plans, the costs for the year under review are determined through appraisals prepared by outside actuaries. The benefits provided under these plans are generally based on the number of years that contributions have been paid, age and insured salary.

For separately funded defined benefit plans, the degree of coverage of the cash value of claims compared with the plan's assets, valued at market prices, is reported in the balance sheet as a liability or an asset, bearing in mind unrecorded actuarial profits or losses and claims that still have to be offset (projected unit credit method). A pension plan surplus is reported only if it is economically beneficial to Sarasin Group.

Sarasin Group reports part of the actuarial gains and losses as income or expenditure if total cumulative unreported actuarial gains and losses at the end of the previous reporting period exceed the predetermined limit of 10% of the cash value of either the pension plan liabilities or the pension plan assets, whichever is higher.

Results per share

Our undiluted results per share are calculated by dividing share-holders' net profit or net loss for the reporting period by the weighted average number of outstanding shares in this period (minus treasury shares).

Our diluted results per share are calculated using the same method, but the determining amounts are adjusted in order to reflect the potential dilution that would result from the conversion or exercise of options, warrants, convertible debt securities or other contracts relating to our shares.

Assets under management

This item includes all client assets managed or held for investment purposes by all fully consolidated companies. Their definition and calculation are based on the following principles:

1. Customers' deposits
Securities, precious metals and fiduciary investments are 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 have a management mandate. Assets held exclusively for transactional or custodial purposes (custody business) are not included.

2. Customers' funds
Securitised and unsecuritised liabilities to clients are reported.

3. Sarasin investment fund assets
These items include the assets of publicly traded investment funds offered by the Sarasin Group.

Assets are double-counted when we 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.

Inflow of new funds

This item consists of the funds invested by clients who have been newly acquired (directly or as a result of corporate takeovers), withdrawn by clients who have left us and invested or withdrawn by existing clients. The net inflow of new funds does not include market changes in the value of securities and currencies, interest and dividend payments or fees that have been paid. The volume of net inflows of new funds refers to the total assets under management and also contains double-counted assets.

New International Financial Reporting Standards that have to be introduced by 2008 or later

New standards that have already been published or interpretations that will later become compulsory are not voluntarily applied by the Bank Sarasin Group ahead of time.

On the basis of initial analyses, the Bank Sarasin considers that – with the exception of the following comments – these new or adapted standards will not significantly affect our balance sheet and the assessment of our operations or the presentation of our consolidated financial statements.

IFRS 8: Operating Segments
IFRS 8 was published as part of the joint IASB/FASB convergence project. This new standard replaces IAS 14 segment reporting and advocates a "management approach" for segment reporting. The reporting is based on the information that the management uses internally for assessing the performance of operating segments and allocating resources to them. This information may be different from that reported in the balance sheet and income statement, and companies must provide explanations and reconciliations for the accounting differences. IFRS 8 Operating Segments is obligatory for reporting periods beginning on or after 1 January 2009.

IFRIC 11 / IFRS 2: Group and Treasury Share Transactions
The objective of this interpretation is to specify the financial reporting of share-based payments to employees in individual cases that were not previously dealt with in IFRS 2. Specifically it covers situations where subsidiaries offer shares in the parent company to staff, or where the parent company offers its own shares directly to employees working for its subsidiaries. Sarasin will apply this new interpretation from FY 2008 onwards.

IFRIC 14 / IAS 19: The Limit on a Defined Benefit Asset
IFRIC 14 provides general guidance on how to assess the limit on the amount of the surplus that can be recognised as an asset under IAS 19. This interpretation also explains how the assets or liabilities of a defined-benefits plan may be affected when there is a statutory or contractual minimum funding requirement. This new IFRIC 14 interpretation applies to reporting periods beginning on or after 1 January 2008.

2. Details of positions in the consolidated balance sheet and consolidated income statement

2.1 Net interest income

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Interest and similar income				
Due from banks	**251,237**	185,723	65,514	35.3
Loans and advances to customers	**134,266**	72,422	61,844	85.4
Interest income accrued on impaired financial assets	**14**	23	–9	–39.1
Interest and dividend income from financial investments available for sale	**13,766**	10,678	3,088	28.9
Subtotal	**399,283**	**268,846**	**130,437**	**48.5**
Interest and dividend income from financial investments designated at fair value	**2,800**	3,322	–522	–15.7
Total interest and discount income	**402,083**	**272,168**	**129,915**	**47.7**
Interest and similar expenses				
Interest expenses on amounts due to banks	**25,290**	11,388	13,902	122.1
Interest expenses on amounts due to customers	**235,818**	168,919	66,899	39.6
Other interest expenses	**4,615**	4,290	325	7.6
Subtotal	**265,723**	**184,597**	**81,126**	**43.9**
Interest expenses from financial liabilities designated at fair value	**31,763**	10,681	21,082	197.4
Total interest expenses	**297,486**	**195,278**	**102,208**	**52.3**
Total net interest income	**104,597**	**76,890**	**27,707**	**36.0**

2.2 Results from commission and service fee activities

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Commission income on lending activities	**4,414**	4,128	286	6.9
Transaction and brokerage fees	**130,041**	100,592	29,449	29.3
Securities deposit fees	**11,093**	10,972	121	1.1
Advisory and management fees	**160,693**	154,451	6,242	4.0
Underwriting	**3,471**	2,487	984	39.6
Investment fund transactions	**178,137**	157,461	20,676	13.1
Fiduciary fees	**11,932**	12,179	–247	–2.0
Other commission income	**6,221**	6,021	200	3.3
Total commission income and service fee activities	**506,002**	**448,291**	**57,711**	**12.9**
Brokerage fees paid	**18,121**	26,932	–8,811	–32.7
Other commission expenses	**49,259**	32,385	16,874	52.1
Total commission expenses and service fee activities	**67,380**	**59,317**	**8,063**	**13.6**
Total results from commission and service fee activities	**438,622**	**388,974**	**49,648**	**12.8**

2.3 Results from trading operations

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Securities	**47,751**	52,943	–5,192	–9.8
Foreign exchange and precious metals	**48,154**	37,596	10,558	28.1
Total results from trading operations	**95,905**	**90,539**	**5,366**	**5.9**

2.4 Other ordinary results

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Results from sale of financial investments designated at fair value	**–1,202**	–285	–917	–321.1
Results from sale of financial investments available for sale	**14,501**	2,238	12,263	547.9
Gain from the sale of group companies	**157,335**	0	157,335	
Proportion of earnings of associated companies	**6,955**	0	6,955	
Real estate income	**367**	357	10	2.8
Other ordinary income[1]	**21,427**	7,107	14,320	201.5
Other ordinary expenses	**1,002**	139	863	620.9
Total other ordinary results	**198,381**	**9,278**	**189,103**	**>1,000**
Result financial investments available for sale				
Bonds and debt instruments	**–877**	104	–981	–943.6
Equities and the like	**15,378**	2,134	13,244	620.6
Other	**0**	0	0	
Total	**14,501**	**2,238**	**12,263**	**547.9**
Impairment losses on financial investments available for sale	**575**	0	575	

2.5 Personnel expenses

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Salaries and bonuses	**258,579**	241,869	16,710	6.9
Social benefits	**13,402**	15,603	–2,201	–14.1
Contribution to retirement plans / defined benefit	**11,551**	11,795	–244	–2.1
Contribution to retirement plans / defined contribution	**6,241**	5,905	336	5.7
Other personnel expenses	**25,505**	22,459	3,046	13.6
Total personnel expenses	**315,278**	**297,631**	**17,647**	**5.9**

2.6 General administrative expenses

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Occupancy expenses	**18,367**	18,934	–567	–3.0
IT and telecommunication expenses	**33,679**	32,262	1,417	4.4
Expenses for machinery, furniture, vehicles and other equipment	**2,200**	2,641	–441	–16.7
Travel, entertainment, marketing and public relations expenses	**25,737**	24,900	837	3.4
Audit and consulting expenses	**19,317**	15,505	3,812	24.6
Capital tax	**4,211**	4,248	–37	–0.9
Other general expenses	**8,823**	7,960	863	10.8
Total general administrative expenses	**112,334**	**106,450**	**5,884**	**5.5**

[1] This figure includes the proceeds from the sale of the brokerage business.

2.7 Depreciation and amortisation

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Depreciation of property and equipment	**11,822**	13,160	–1,338	–10.2
Amortisation of intangible assets	**7,467**	6,740	727	10.8
Total depreciation and amortisation	**19,289**	**19,900**	**–611**	**–3.1**

2.8 Value adjustments, provisions and losses

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Value adjustments for default risk	**1,066**	0	1,066	
Provisions for litigation risk	**654**	79	575	727.8
Losses, operational risk	**590**	2,115	–1,525	–72.1
Provisions for restructuring	**0**	7,010	–7,010	–100.0
Other	**1,182**	99	1,083	>1,000
Total value adjustments, provisions and losses	**3,492**	**9,303**	**–5,811**	**–62.5**

2.9 Income taxes

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Statement of income taxes				
Current taxes	**74,782**	27,775	47,007	169.2
Deferred taxes	**7,733**	3 614	4,119	114.0
Total income taxes	**82,515**	**31,389**	**51,126**	**162.9**
Profit before taxes	**387,112**	132,397	254,715	192.4
Expected income taxes using an assumed average rate of 22.2%[1] (22.1%)	**86,074**	29,288	56,786	193.9
Reasons for differences:				
Not recognised expenses	**445**	1,610	–1,165	–72.4
Not recognised income	**7,490**	361	7,129	>1,000
Tax adjustment related to previous year	**–152**	–161	9	5.6
Tax reduced dividends	**–9,059**	–323	–8,736	<–1,000
Other effects	**–2,283**	614	–2,897	–471.8
Total effective income taxes (2007: 21.3%; 2006: 23.7%)	**82,515**	**31,389**	**51,126**	**162.9**

The Sarasin Group made tax payments (domestic and foreign) for the business year 2007 of CHF 29.6 million. (Previous year: CHF 13.1 million).

[1] The expected income tax rate derives from the weighted tax rates on a pre-tax basis of each individual Group company. The change compared with the previous year can be explained by shifts in the relative contribution made by individual Group companies.

2.10 Deferred taxes

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Deferred tax assets				
Tax loss carry-forwards	**0**	773	–773	–100.0
Net pension liability	**375**	2,152	–1,777	–82.6
Total deferred tax assets	**375**	**2,925**	**–2,550**	**–87.2**
Deferred tax liabilities				
Property, equipment and intangible assets	**–122**	1,108	–1,230	–111.0
Financial instruments[1]	**1,095**	3,597	–2,502	–69.6
Provisions and other	**7,751**	12,125	–4,374	–36.1
Total deferred tax liabilities	**8,724**	**16,830**	**–8,106**	**–48.2**
Change in deferred tax assets				
Balance at beginning of the year	**2,925**	5,155	–2,230	–43.3
Charges and releases recognised in income statement	**–2,522**	–2,199	–323	–14.7
Charges and releases not recognised in income statement	**0**	0	0	
Impact of change in deferred tax rates and currency translation differences	**–28**	–31	3	9.7
Total deferred tax assets end of the year	**375**	**2,925**	**–2,550**	**–87.2**
Change in deferred tax liabilities				
Balance at beginning of the year	**16,830**	15,336	1,494	9.7
Charges and releases recognised in income statement	**5,211**	1,805	3,406	188.7
Charges and releases not recognised in income statement	**–13,371**	–671	–12,700	<–1,000
Impact of change in deferred tax rates and currency translation differences	**54**	360	–306	–85.0
Total deferred tax liabilities end of the year	**8,724**	**16,830**	**–8,106**	**–48.2**
Loss carry-forwards not reflected in balance sheet expire as follows:				
Within 1 year	**0**	0	0	
From 1 to 5 years	**0**	0	0	
After 5 years	**7,231**	6,856	375	5.5
Total	**7,231**	**6,856**	**375**	**5.5**

[1] Deferred taxes of CHF 4.2 million (2006: CHF 0.7 million) are booked directly under shareholders' equity.

2.11 Earnings per share

	2007	2006	Change to 2006 CHF	Change to 2006 %
Undiluted consolidated earnings per share				
Net profit (excl. minority interests) 1,000 CHF	**293,630**	95,904	197,726	206.2
Weighted average number of shares	**611,553**	611,553	0	0.0
Of which class A registered shares (with voting rights)	**110,000**	110,000	0	0.0
Of which class B registered shares	**501,553**	501,553	0	0.0
Net profit per class A registered share (with voting rights) CHF	**97.1**	**31.7**	**65.4**	**206.3**
Weighted average number of shares (class B registered shares)	**6,910**	6,873	37	0.5
Net profit per class B registered share CHF	**485.6**	**158.6**	**327.0**	**206.2**
Diluted consolidated earnings per share				
Net profit (excl. minority interests) 1,000 CHF	**293,630**	95,904	197,726	206.2
Number of shares used to compute the diluted net profit	**605,949**	605,614	335	0.1
Of which class A registered shares (with voting rights)	**110,000**	110,000	0	0.0
Of which class B registered shares	**495,949**	495,614	335	0.1
Diluted net profit per class A registered share (with voting rights) CHF	**96.9**	**31.7**	**65.2**	**205.7**
Diluted net profit per class B registered share CHF	**484.6**	**158.4**	**326.2**	**205.9**

2.12 Pension plans

There are pension plans for most of the Sarasin Group's employees. These can be either defined contribution or defined benefit plans. The actuarial calculations for defined benefit plans are carried out by independent experts.

Benefit arrangements in Switzerland

All members of the Bank's staff in Switzerland are covered by pension arrangements provided through a pension fund and a Welfare Foundation. The pension fund is a defined benefit pension plan within the meaning of IAS 19. The Welfare Foundation mainly comprises the employer's contribution reserves, which are also included in the defined benefit calculation in accordance with IAS 19. Assets earmarked for a specific purpose, on the other hand, are treated as a defined contribution plan.
Benefit-related assets and liabilities are recorded separately in the consolidated balance sheet.

Benefit arrangements outside Switzerland

Our staff members in the UK, Luxembourg, Germany, Singapore and Hong Kong are covered by pension plans. They are all classified and treated as defined contribution plans.

Defined benefit pension plans

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Fair value of plan assets	**423,579**	376,486	47,093	12.5
Defined benefit obligations	**418,361**	386,053	32,308	8.4
Funded / unfunded status	**5,218**	**–9,567**	**14,785**	**154.5**
Unrecognised actuarial gains / (losses)	**–6,719**	–682	–6,037	–885.2
Net accrued / (prepaid) pension cost	**–1,501**	**–10,249**	**8,748**	**85.4**

Pension expenses

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Service expenses current period	**–26,740**	–26,288	–452	–1.7
Interest for pension liabilities	**–11,582**	–10,287	–1,295	–12.6
Expected net return on plan assets[1]	**15,841**	13,747	2,094	15.2
Amortisation of actuarial gains (losses) (IAS 19 §58 A)	**1,625**	2,224	–599	–26.9
Employee contributions	**9,305**	8,809	496	5.6
Pension expenses for defined benefit pension plans according to actuarial computation	**–11,551**	**–11,795**	**244**	**2.1**
Contribution to defined contribution pension plans	**–6,241**	–5,905	–336	–5.7
Total pension expenses	**–17,792**	**–17,700**	**–92**	**–0.5**
[1] Actual income (loss) on assets	**3,943**	15,152	–11,209	–74.0

Change in the present value of pension liabilities

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Benefit-related liabilities as at 01.01.	**386,053**	342,900	43,153	12.6
Interest expenses	**11,582**	10,287	1,295	12.6
Service expenses, current period	**26,740**	26,288	452	1.7
Benefits paid	**–5,552**	–2,016	–3,536	–175.4
Actuarial gains (losses)	**–462**	8,594	–9,056	–105.4
Translation differences from foreign pension plans	**0**	0	0	
Liabilities for defined benefit pension plans as at 31.12.	**418,361**	**386,053**	**32,308**	**8.4**

Change in pension plan assets at fair value

1,000 CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Fair value of pension plan assets as at 01.01.	**376,486**	341,725	34,761	10.2
Expected return on assets	**15,841**	13,747	2,094	15.2
Employer contributions	**29,604**	22,156	7,448	33.6
Benefits paid	**–5,552**	–2,016	–3,536	–175.4
Actuarial gains (losses)	**7,200**	874	6,326	723.8
Translation differences from foreign pension plans	**0**	0	0	
Fair value of pension plan assets as at 31.12.	**423,579**	**376,486**	**47,093**	**12.5**

Asset allocation

%	2007 Pension fund	2006 Pension fund	2007 Welfare Foundation	2006 Welfare Foundation
Equity instruments[2]	**34.4**	31.8	**49.8**	50.7
Debt instruments	**52.2**	55.7	**34.6**	32.5
Real estate	**6.7**	7.3	**0.0**	0.0
Other	**6.7**	5.2	**15.6**	16.8

The expected return on the plan assets is based on the expected inflation rates, interest rates, risk premiums and the target allocation of the plan assets. These estimates also take into consideration the historical yields of the individual asset classes.

[2] The planned assets include treasury shares amounting to CHF 4.0 million (2006 CHF 2.7 million).

Actuarial assumptions (Switzerland)

%	2007	2006
Technical interest rate	3.25	3.0
Anticipated yield on assets	4.5	4.5
Development of salaries	2.5	2.0
Development of pensions	0.25	0.25

%	BVG 2005	BVG 2005
Probability of departure		
at age of 20	22.5	22.5
at age of 30	12.7	12.7
at age of 40	6.9	6.9
at age of 50	4.1	4.1
at age of 60	1.6	1.6

Amounts in current and previous four reporting periods

1,000 CHF	2007	2006	2005	2004	2003
Fair value of plan assets of employee benefit funds	417,380	376,486	341,725	304,991	268,808
Cash value of pension liabilities	418,361	386,053	342,900	318,191	283,112
Funded / unfunded status	**–981**	**–9,567**	**–1,175**	**–13,200**	**–14,304**
Adjustments to plan obligations based on experience	3,655	8,594	–3,599	0	0
Adjustments to plan assets based on experience	7,201	874	6,212	0	0
Estimated contributions for the following year					
Employer's contribution	14,413				
Employee's contribution	9,674				

2.13 Cash and cash equivalents

1,000 CHF	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Cash on hand	5,613	7,512	–1,899	–25.3
Sight balances with central banks	64,940	74,906	–9,966	–13.3
Sight balances on postal accounts	1,269	5,885	–4,616	–78.4
Total cash and cash equivalent	**71,822**	**88,303**	**–16,481**	**–18.7**

2.14 Money market papers

1,000 CHF	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Money market papers discountable at central banks	48,570	148,252	–99,682	–67.2
Other money market papers	4,394	8,848	–4,454	–50.3
Total money market papers	**52,964**	**157,100**	**–104,136**	**–66.3**

2.15 Due from banks and customers

1,000 CHF	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Due from banks at sight	**592,824**	968,632	–375,808	–38.8
Due from banks at time	**5,089,526**	4,542,805	546,721	12.0
Due from banks	**5,682,350**	**5,511,437**	**170,913**	**3.1**
Due from customers – mortgage collateral	**272,175**	269,552	2,623	1.0
Due from customers – other collateral	**3,538,906**	2,106,359	1,432,547	68.0
Due from customers – without collateral	**44,672**	52,251	–7,579	–14.5
Subtotal	**3,855,753**	**2,428,162**	**1,427,591**	**58.8**
Valuation allowances for credit risk (Note 2.16)	**–5,167**	–5,003	–164	–3.3
Due from customers	**3,850,586**	**2,423,159**	**1,427,427**	**58.9**

2.16 Valuation allowances for credit risk

1,000 CHF	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Balance at beginning of year	**5,003**	5,297	–294	–5.6
Specific allowances	**–12**	–20	8	40.0
New charges of valuation allowances for credit risk	**1,200**	167	1,033	618.6
Release of valuation allowances for credit risk	**0**	–476	476	100.0
Currency translation differences and other adjustments[1]	**–1,024**	35	–1,059	<–1,000
Balance at end of year	**5,167**	**5,003**	**164**	**3.3**
Of which valuation allowances for due from banks	**0**	0	0	
Of which valuation allowances for due from customers	**5,167**	5,003	164	3.3
Total valuation allowances for credit risk	**5,167**	**5,003**	**164**	**3.3**
Impaired loans[2]				
Impaired loans (gross)	**5,167**	5,003	164	3.3
Estimated liquidation proceeds of collateral	**0**	0	0	
Impaired loans (net)	**5,167**	5,003	164	3.3
Specific allowances for impaired loans	**5,167**	5,003	164	3.3
Average amount of impaired loans	**5,085**	5,150	–65	–1.3
Non-performing loans[3]				
Non-performing loans	**4,642**	3,404	1,238	36.4
Specific allowances for non-performing loans	**4,642**	3,368	1,274	37.8
Net amounts due	**0**	36	–36	–100.0
Average amount of non-performing loans	**4,023**	3,541	482	13.6

1 Of which, an outflow of CHF 1.0 million following the sale of Sarasin Europe S.A.
2 Impaired loans are amounts outstanding from clients and banks where it is improbable that the debtor can meet its obligations.
3 A loan is classified as non-performing as soon as the capital and/or interest payments stipulated by contract are outstanding for more than 90 days. Non-performing loans are generally component parts of the value of impaired loans.

2.17 Trading portfolio assets

1,000 CHF	**31.12.2007**	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Debt instruments				
Listed	**16,782**	23,691	–6,909	–29.2
Unlisted	**0**	0	0	
Total	**16,782**	**23,691**	**–6,909**	**–29.2**
Equities and the like				
Listed	**625,469**	509,508	115,961	22.8
Unlisted	**0**	0	0	
Total	**625,469**	**509,508**	**115,961**	**22.8**
Mutual funds				
Listed	**0**	0	0	
Unlisted	**1,969**	16,603	–14,634	–88.1
Total	**1,969**	**16,603**	**–14,634**	**–88.1**
Precious metals	**10,197**	9,992	205	2.1
Total trading portfolio	**654,417**	**559,794**	**94,623**	**16.9**
Of which securities lent out	**415**	15,497	–15,082	–97.3
Of which repo-eligible securities	**11,901**	16,172	–4,271	–26.4

2.18 Trading portfolio liabilities

1,000 CHF	**31.12.2007**	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Debt instruments	**0**	1	–1	–100.0
Equities and the like	**121,358**	208,561	–87,203	–41.8
Precious metals	**278**	1,358	–1,080	–79.5
Total trading portfolio liabilities	**121,636**	**209,920**	**–88,284**	**–42.1**

2.19 Derivative financial instruments

1,000 CHF	Positive replacement value	Negative replacement value	Contract volume
Interest rate instruments			
Forward contracts	0	0	0
Swaps	7,110	4,118	445,937
Futures	0	0	0
Options (OTC)	0	0	0
Options (exchange traded)	0	0	0
Total interest rate instruments 31.12.2007	**7,110**	**4,118**	**445,937**
Total interest rate instruments 31.12.2006	3,952	4,099	365,085
Foreign exchange			
Forward contracts	32,416	31,808	3,347,313
Combined interest / currency swaps	797	1,407	192,152
Futures	0	0	0
Options (OTC)	41,665	41,665	3,660,411
Options (exchange traded)	0	0	0
Total foreign exchange 31.12.2007	**74,878**	**74,880**	**7,199,876**
Total foreign exchange 31.12.2006	51,309	50,083	6,376,231
Equities / indices			
Forward contracts	0	0	0
Futures	0	90	14,172
Options (OTC)	250,581	189,286	3,280,277
Options (exchange traded)	3,807	2,534	165,436
Total equities / indices 31.12.2007	**254,388**	**191,910**	**3,459,885**
Total equities / indices 31.12.2006	84,977	62,242	633,471
Precious metals			
Forward contracts	1,177	1,103	86,158
Futures	0	0	0
Options (OTC)	0	0	16,195
Options (exchange traded)	0	0	0
Total precious metals 31.12.2007	**1,177**	**1,103**	**102,353**
Total precious metals 31.12.2006	945	859	11,651
Commodities			
Forward contracts	0	0	0
Futures	0	0	0
Options (OTC)	360	3,348	84,760
Options (exchange traded)	0	0	0
Total commodities 31.12.2007	**360**	**3,348**	**84,760**
Total commodities 31.12.2006	0	0	0
Other			
Forward contracts	0	0	0
Futures	0	0	0
Options (OTC)	0	0	0
Options (exchange traded)	0	0	0
Total other 31.12.2007	**0**	**0**	**0**
Total other 31.12.2006	0	0	0
Total derivative financial instruments 31.12.2007	**337,913**	**275,359**	**11,292,811**
Total derivative financial instruments 31.12.2006	141,183	117,283	7,386,438

2.20 Financial investments

Financial investments designated at fair value

1,000 CHF	**31.12.2007**	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Debt instruments				
Listed	**13,254**	95,127	–81,873	–86.1
Unlisted	**0**	6,065	–6,065	–100.0
Total	**13,254**	**101,192**	**–87,938**	**–86.9**
Equities and the like				
Listed	**4,417**	6,908	–2,491	–36.1
Unlisted	**0**	0	0	
Total	**4,417**	**6,908**	**–2,491**	**–36.1**
Total financial investments designated at fair value	**17,671**	**108,100**	**–90,429**	**–83.7**
Of which securities lent out	**0**	0	0	
Of which repo-eligible financial investments	**0**	0	0	

Financial investments available for sale

1,000 CHF	**31.12.2007**	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Debt instruments				
Listed	**385,983**	357,793	28,190	7.9
Unlisted	**0**	0	0	
Total	**385,983**	**357,793**	**28,190**	**7.9**
Equities and the like				
Listed	**71,662**	82,990	–11,328	–13.6
Unlisted[1]	**8,654**	8,467	187	2.2
Total	**80,316**	**91,457**	**–11,141**	**–12.2**
Mutual funds				
Listed	**109**	97	12	12.4
Unlisted	**98,649**	121,969	–23,320	–19.1
Total	**98,758**	**122,066**	**–23,308**	**–19.1**
Total financial investments available for sale	**565,057**	**571,316**	**–6,259**	**–1.1**
Of which securities lent out	**0**	0	0	
Of which repo-eligible financial investments	**189,088**	310,446	–121,358	–39.1
Total financial investments	**582,728**	**679,416**	**–96,688**	**–14.2**

[1] The unlisted holdings “available for sale” are carried on the balance sheet at their acquisition cost.

2.21 Investment in associates

1,000 CHF	**31.12.2007 Share 100%**	**31.12.2007 Share 20%**	31.12.2006 Share 100%	31.12.2006 Share 20%
Balance sheet of associated companies				
Assets	**277,844**	**55,569**	0	0
Liabilities	**168,366**	**33,673**	0	0
Net assets	**109,478**	**21,896**	**0**	**0**
Revenue and result of associated companies				
Income	**78,999**	**15,800**	0	0
Result after tax	**34,775**	**6,955**	0	0

On 22 January 2007, Bank Sarasin & Co. Ltd decided to spin off its brokerage business (i.e. its sell-side research and sales with institutional investors) and sell it to NZB Neue Zürcher Bank. Bank Sarasin has held on to its business with third-party banks, along with its macroeconomic and buy-side research departments. At the same time, Bank Sarasin purchased a 20% stake, with an option for another 20%, in the existing share capital of NZB Holding AG domiciled in Zurich. The company is active in the sales and brokerage business, as well as in private banking. The business will be consolidated in Sarasin's consolidated financial statements using the equity method.
Information on the exercising of the option to purchase an additional 20% in the existing share capital of NZB can be found under "Events since the balance sheet date" on page 70.

2.22 Property and equipment

1,000 CHF	Bank buildings	Other real estate	Furniture and machines	IT systems	**2007**
Historical cost					
Balance on 01.01.	76,546	4,987	95,468	45,016	**222,017**
Additions	0	0	5,500	4,741	**10,241**
Disposals / retirements	0	0	–1,889	–241	**–2,130**
Change in scope of consolidation	0	0	–10,843	–5,563	**–16,406**
Currency translation differences	0	0	–568	–206	**–774**
Reclassifications	0	0	0	0	**0**
Balance on 31.12.	76,546	4,987	87,668	43,747	**212,948**
Accumulated depreciation and amortisation					
Balance on 01.01.	–6,474	–800	–62,056	–37,758	**–107,888**
Planned depreciation and amortisation	–1,281	–45	–6,299	–4,197	**–11,822**
Extraordinary depreciation and amortisation (impairment)	0	0	0	0	**0**
Disposals / retirements	0	0	1,194	142	**1,336**
Change in scope of consolidation	0	0	10,382	5,269	**15,651**
Currency translation differences	0	0	161	105	**266**
Reclassifications	0	0	0	0	**0**
Balance on 31.12.	–7,755	–845	–56,618	–36,439	**–101,657**
Net book value on 31.12.	**68,791**	**4,142**	**31,050**	**7,308**	**111,291**

1,000 CHF	Bank buildings	Other real estate	Furniture and machines	IT systems	2006
Historical cost					
Balance on 01.01.	76,546	4,987	111,895	40,817	234,245
Additions	0	0	4,094	4,465	8,559
Disposals / retirements	0	0	–20,862	–481	–21,343
Change in scope of consolidation	0	0	0	0	0
Currency translation differences	0	0	341	215	556
Reclassifications	0	0	0	0	0
Balance on 31.12.	76,546	4,987	95,468	45,016	222,017
Accumulated depreciation and amortisation					
Balance on 01.01.	–3,959	–755	–76,219	–33,769	–114,702
Planned depreciation and amortisation	–1,315	–45	–6,410	–4,189	–11,959
Extraordinary depreciation and amortisation (impairment)[1]	–1,200	0	0	0	–1,200
Disposals / retirements	0	0	20,804	380	21,184
Change in scope of consolidation	0	0	0	0	0
Currency translation differences	0	0	–231	–180	–411
Reclassifications	0	0	0	0	0
Balance on 31.12.	–6,474	–800	–62,056	–37,758	–107,088
Net book value on 31.12.	**70,072**	**4,187**	**33,412**	**7,258**	**114,929**

Additional information regarding property and equipment

1,000 CHF	31.12.2007	31.12.2006
Fire insurance value of real estate	**162,784**	160,177
Fire insurance value of other property and equipment	**60,000**	60,000

The Sarasin Group has no property and equipment arising from finance leases.

Operating Leasing

As per 31.12.2007, there existed several non-cancellable operating lease contracts for real estate and other property and equipment, which principally are used for the conduct of business activities of the Bank. The material leasing contracts contain renewal options, as well as escape clauses.

Future commitments from operating leases

1,000 CHF	2007	2006
Remaining duration up to 1 year	**10,188**	13,964
Remaining duration of 1 to 5 years	**22,522**	44,727
Remaining duration of over 5 years	**6,564**	31,095
Total minimum commitments from operating leasing	**39,274**	**89,786**

Operating expenses per 31.12.2007 include CHF 10.8 million and per 31.12.2006 CHF 13.5 million from operating leases. The minimum commitments mainly result from subleasing arrangements. The Sarasin Group has no property and equipment arising from finance leases.

Future claims from operating leases

1,000 CHF	2007	2006
Remaining duration up to 1 year	**879**	1,012
Remaining duration of 1 to 5 years	**1,516**	1,475
Remaining duration of over 5 years	**0**	0
Total minimum claims from operating leasing	**2,395**	**2,487**

Operating income per 31.12.2007 includes CHF 0.5 million and per 31.12.2006 CHF 1.4 million from operating leases. This concerns income from subleasing arrangements.

[1] Early replacements of leasehold improvements amounted in a write-off of the remaining book balance.

2.23 Intangible assets

1,000 CHF	Software	Other intangible assets	Goodwill	**2007**
Historical cost				
Balance on 01.01.	59,964	14,873	393,739	**468,576**
Additions	3,153	2,005	4,327	**9,485**
Disposals / retirements	–7	0	0	**–7**
Change in scope of consolidation	–10,633	–161	–114,694	**–125,488**
Currency translation differences	–289	–479	–2,358	**–3,126**
Reclassifications	0	0	0	**0**
Balance on 31.12.	52,188	16,238	281,014	**349,440**
Accumulated depreciation and amortisation				
Balance on 01.01.	–41,716	–5,155	–313,820	**–360,691**
Planned depreciation and amortisation	–6,142	–1,325	0	**–7,467**
Extraordinary depreciation and amortisation (impairment)	0	0	0	**0**
Disposals / retirements	7	0	0	**7**
Change in scope of consolidation	9,504	161	109,536	**119,201**
Currency translation differences	181	195	202	**578**
Reclassifications	0	0	0	**0**
Balance on 31.12.	–38,166	–6,124	–204,082	**–248,372**
Net book value on 31.12.	**14,022**	**10,114**	**76,931**	**101,068**

1,000 CHF	Software	Other intangible assets	Goodwill	2006
Historical cost				
Balance on 01.01.	53,093	14,419	388,542	456,054
Additions	6,783	0	2,993	9,776
Disposals / retirements	–108	0	0	–108
Change in scope of consolidation	0	0	0	0
Currency translation differences	196	454	2,204	2,854
Reclassifications	0	0	0	0
Balance on 31.12.	59,964	14,873	393,739	468,576
Accumulated depreciation and amortisation				
Balance on 01.01.	–36,211	–3,677	–313,633	–353,521
Planned depreciation and amortisation	–5,414	–1,326	0	–6,740
Extraordinary depreciation and amortisation (impairment)	0	0	0	0
Disposals / retirements	107	0	0	107
Change in scope of consolidation	0	0	0	0
Currency translation differences	–198	–152	–187	–537
Reclassifications	0	0	0	0
Balance on 31.12.	–41,716	–5,155	–313,820	–360,691
Net book value on 31.12.	**18,248**	**9,718**	**79,919**	**107,885**

Intangible assets

1,000 CHF	**31.12.2007**	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Bank Sarasin & Co. Ltd (Private & Institutional Clients Switzerland)	**31,820**	31,820	0	0.0
Bank Sarasin Europe S.A. (International)	**0**	5,090	–5,090	–100.0
S.I.M. Partnership (London) Ltd (International)	**35,851**	38,077	–2,226	–5.8
Sarasin Colombo Gestioni Patrimoniali SA (Private & Institutional Clients Switzerland)	**9,260**	4,932	4,328	87.8
Total	**76,931**	**79,919**	**–2,988**	**–3.7**

The goodwill for our parent company is essentially connected with the acquisition of Rabobank's former Swiss companies. Sarasin Group has no other intangible assets with an undefined useful life.

The value of our goodwill positions is reviewed annually at the level of the smallest cash generating unit to establish whether impairment has occurred. The carrying value is compared with the value that could be realised, which is essentially based on fair value minus purchase costs. Our review showed no permanent impairment of any of our goodwill positions.

2.24 Other assets

1,000 CHF	**31.12.2007**	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Value added tax and other tax claims	**2,897**	6,722	–3,825	–56.9
Pension plan assets	**20,707**	19,314	1,393	7.2
Miscellaneous other assets	**4,858**	10,396	–5,538	–53.3
Total other assets	**28,462**	**36,432**	**–7,970**	**–21.9**

2.25 Assets pledged or ceded to secure own commitments and assets subject to retention of title

1,000 CHF	**31.12.2007** Market value	**31.12.2007** Effective commitment	31.12.2006 Market value	31.12.2006 Effective commitment
Money market papers	**0**	0	0	0
Financial instruments	**108,145**	25,578	141,173	17,003
Other assets	**0**	0	0	0
Total pledged assets	**108,145**	**25,578**	**141,173**	**17,003**

The assets are pledged for commitments from securities borrowing, for lombard limits at national and central banks and for stock exchange security.

2.26 Securities lending and borrowing operations and securities repurchase and reverse repurchase transactions

1,000 CHF	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Book value of claims resulting from cash deposits connected with securities borrowing and reverse repurchase transactions	**0**	0	0	
Book value of liabilities resulting from cash deposits connected with securities lending and repurchase transactions	**0**	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	**3,726**	108,476	–104,750	–96.6
Of which securities for which the unrestricted right of resale or pledging has been granted	**3,726**	108,476	–104,750	–96.6
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	**6,103**	142,284	–136,181	–95.7
Fair value of all such securities that have been resold or pledged	**6,103**	142,284	–136,181	–95.7

2.27 Due to customers

1,000 CHF	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Due to customers in savings and investment accounts	**214,617**	266,011	–51,394	–19.3
Due to customers other	**6,467,089**	6,331,868	135,221	2.1
Total due to customers	**6,681,706**	**6,597,879**	**83,827**	**1.3**

2.28 Financial liabilities designated at fair value

1,000 CHF		Up to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Issuer						
Bank Sarasin (CI) Ltd, Guernsey	Sara Floor	99,062	63,954	436,156	0	599,172
Bank Sarasin (CI) Ltd, Guernsey	SaraSail Units	848,684	39,196	0	0	887,880
Bank Sarasin (CI) Ltd, Guernsey	SaraSail Warrants	7,465	0	0	0	7,465
Bank Sarasin & Cie AG, Basel	SaraZert	26,179	143,731	59,775	201,513	431,198
Total 31.12.2007		**981,390**	**246,881**	**495,931**	**201,513**	**1,925,715**
Total 31.12.2006		637,670	40,362	152,572	251,666	1,082,270

The above table shows the publicly placed structured products of the Bank with fixed interest rates between 0 and 27.6%.
The Banks' own positions of the debts in the amount of CHF 75.3 million (previous year CHF 28.1 million) were netted with the issued debts.

2.29 Other liabilities

1,000 CHF	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Value added tax and other tax liabilities	**21,430**	21,890	–460	–2.1
Pension plan liabilities	**22,208**	29,563	–7,355	–24.9
Miscellaneous other liabilities	**9,680**	9,976	–296	–3.0
Total other liabilities	**53,318**	**61,429**	**–8,111**	**–13.2**

2.30 Provisions

1,000 CHF	Restructuring provision	Other business risks	Other provisions	2007
Balance on 01.01.	7,147	2,039	4,303	**13,489**
Utilisation in conformity with purpose	–1,601	0	–172	**–1,773**
New provisions charged to income statement	0	1,182	654	**1,836**
Provisions released to income statement	0	0	–52	**–52**
Recoveries	0	0	0	**0**
Reclassifications	0	0	0	**0**
Change in scope of consolidation	–2,669	0	–1,454	**–4,123**
Currency translation differences	54	–138	21	**–63**
Balance on 31.12.	**2,931**	**3,084**	**3,300**	**9,315**
Maturity of provisions				
Within 1 year	245	0	0	**245**
Over 1 year	2,686	3,084	3,300	**9,070**

1,000 CHF	Restructuring provision	Other business risks	Other provisions	2006
Balance on 01.01.	3,414	2,297	5,343	11,054
Utilisation in conformity with purpose	–3,345	0	–269	–3,614
New provisions charged to income statement	7,009	99	79	7,187
Provisions released to income statement	0	–250	–907	–1,157
Recoveries	0	0	0	0
Reclassifications	0	0	0	0
Change in scope of consolidation	0	0	0	0
Currency translation differences	69	–107	57	19
Balance on 31.12.	**7,147**	**2,039**	**4,303**	**13,489**
Maturity of provisions				
Within 1 year	4,417	0	0	4,417
Over 1 year	2,730	2,039	4,303	9,072

The restructuring provisions were created when we took over Rabobank's Swiss companies in 2002. They essentially relate to liabilities connected with long-term leases that are no longer used and reconversion costs (CHF 2.4 million) as well as redundancy plans for staff (CHF 0.5 million). The restructuring provision will disappear at the end of 2011.

Litigation

In the course of its normal business, the Sarasin Group is involved in various types of litigation. We make provisions for such contingencies if the Bank and its legal advisors 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 reported in the Group balance sheet under "other provisions".

2.31 Share capital and treasury shares

	Number of shares	Nominal CHF	**2007** 1,000 CHF	2006 1,000 CHF
Share capital, class A registered shares (with voting rights)	550,000	20	**11,000**	11,000
Share capital, class B registered shares	501,553	100	**50,155**	50,155
Total share capital			**61,155**	**61,155**
Authorised capital class A registered shares			**1,000,000**	1,000,000
Conditional capital class B registered shares			**3,000,000**	3,000,000

Treasury shares

	2007 Number of shares	**2007** 1,000 CHF	2006 Number of shares	2006 1,000 CHF
Balance at beginning of year				
Class A registered shares (with voting rights)	**0**	**0**	0	0
Class B registered shares	**6,883**	**23,980**	8,914	22,796
Purchases of class A registered shares (with voting rights)	**0**	**0**	0	0
Sales of class A registered shares (with voting rights)	**0**	**0**	0	0
Purchases of class B registered shares	**16,669**	**80,617**	22,592	74,747
Sales of class B registered shares	**–13,617**	**–56,578**	–24,623	–73,563
Balance at end of year				
Class A registered shares (with voting rights)	**0**	**0**	0	0
Class B registered shares	**9,935**	**48,019**	6,883	23,980

3. Related parties

Related persons and companies include significant shareholders, Members of the Group's Board of Directors and executive management, as well as their close relatives and companies over which they exert an influence, either through a majority shareholding or through a significant role on the Board of Directors and/or the executive management.

The term "related parties" applies in particular to the Rabobank Group, the members of the Group's management bodies and their close relatives, as well as Eichbaum Holding Ltd, New Energies Invest Ltd and the Sarasin Group's benefit plans. Associated companies are not fully consolidated. Those companies also qualify as "related parties".

The next table takes into account all the fixed compensation payments to members of the Board of Directors and the Executive Committee on the one hand, and the performance-related bonuses paid to members of senior management (Executive Committee) on the other. In accordance with the "Accrual Principle" specified by the SWX stock exchange, the retained bonus payment is based on performance in the financial year 2007, although it is not physically paid out until the start of 2008. The figure also includes the standard social security and pension contributions payable by the employer.

Compensation paid to governing bodies, loans to governing bodies and other receivables and liabilities to related parties

1,000 CHF	2007	2006
Compensation to Members of the Board of Directors of Bank Sarasin & Co. Ltd, Basel	**3,918**	1,998
Compensation to Members of the Executive Committee	**28,539**	31,094
Total compensation paid	**32,457**	**33,092**
Of which regular compensation (salaries, bonuses, etc.)[1]	**32,404**	33,061
Of which pension contributions	**0**	0
Of which termination benefits	**0**	0
Of which share-based payments	**0**	0
Of other long-term benefits	**53**	30
Total compensation paid	**32,457**	**33,092**
Loans to Members of the Board of Directors		
Outstanding loans on 01.01.	**195**	200
New loans and increases in existing loans	**110**	0
Repayment of loans	**–5**	–5
Outstanding loans to Members of the Board of Directors on 31.12.	**300**	**195**
Loans to Members of the Executive Committee		
Outstanding loans on 01.01.	**4,321**	1,574
New loans and increases in existing loans	**178**	2,919
Repayment of loans	**–413**	–172
Outstanding loans to Members of the Executive Committee on 31.12.	**4,086**	**4,321**
Total loans to governing bodies (Board of Directors and Executive Committee)	**4,386**	**4,516**
Total receivables with related parties and companies	**133,936**	900,257
Total liabilities to related parties and companies	**513,753**	134,927

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 other related parties. It is governed by the conditions applied to third parties. Normal market conditions apply to our benefit plans. As at 31.12.2007, our liabilities towards our benefit plans totalled CHF 36.7 million (CHF 16.3 million).

Private Equity

The item "trading portfolio assets" contains 14,811 (9,339) shares in New Energies Invest Ltd with a countervalue of CHF 6.8 million (CHF 3.6 million). Bank Sarasin is the company's investment advisor. Commission income amounted to CHF 0.6 million (CHF 0.5 million).

[1] Employer's contributions to the pension fund amount to CHF 0.5 million (CHF 0.5 million).

Management remuneration in accordance with the Swiss Code of Obligations

	Compensation CHF	Social security and contribution to retirement plans (employer) CHF	Total compensation CHF
Members of the Board of Directors (incl. closely related persons)			
Krayer, Georg F. (Chairman of the Board of Directors)	1,500,527	85,361	1,585,888
Brueckner, Christian	200,000	12,502	212,502
Heemskerk, Hubertus, since 24.04.2007	85,000	0	85,000
Ammann, Christoph	170,000	0	170,000
Hufschmid, Hans-Rudolf	200,000	12,279	212,279
Merian, Peter E.	1,212,527	156,960	1,369,487
Schat, Sipko N., since 24.04.2007	85,000	0	85,000
Total	**3,453,054**	**267,102**	**3,720,156**
Former Members of the Board of Directors 2007			
Baron van Slingelandt, Diederik J. M. G., until 23.04.2007	60,000	0	60,000
Baumann, Philip, until 23.04.2007	77,500	5,517	83,017
Van Rijckevorsel, Thomas, until 23.04.2007	55,000	0	55,000
Total	**192,500**	**5,517**	**198,017**
Compensation to the Executive Committee (incl. closely related persons)			
Maximum amount paid to a Member of the Executive Committee (Straehle, Joachim H., Chief Executive Officer)	6,855,609	237,622	7,093,231
Total	**25,779,561**	**1,127,710**	**26,907,271**
Former Members of the Executive Committee 2007			
Total (Sarasin, Andreas R., until 30.09.2007; Von Meyenburg, Franz K., until 30.04.2007)	**1,322,970**	**308,594**	**1,631,564**

Loans, options and shares as at 31 December 2007

	Loans and advances (excl. related parties) CHF	Number of shares (incl. related parties)	Related parties Compensation CHF	Related parties Loans CHF
Members of the Board of Directors (incl. closely related persons)				
Krayer, Georg F. (Chairman of the Board of Directors)	110,000	15,800	0	0
Brueckner, Christian	0	0	0	0
Heemskerk, Hubertus, since 24.04.2007	0	0	0	0
Ammann, Christoph	0	150	0	0
Hufschmid, Hans-Rudolf	190,000	78	0	0
Merian, Peter E.	0	523	0	0
Schat, Sipko N., since 24.04.2007	0	0	0	0
Total	**300,000**	**16,551**	**0**	**0**
Members of the Executive Committee (incl. closely related persons)				
Straehle, Joachim H. (Chief Executive Officer)	0	1,294	0	0
Goetz, Fidelis M.		192		
Hassels, Matthias		313		
Sarasin, Eric G.		285		
Varnholt, Burkhard P., since 01.09.2007		0		
Weber, Marco		0		
Total	**4,086,000**	**2,084**	**0**	**0**

No outstanding options.

4. Management and staff participation schemes (share-based payment plan)

The SaraPart programmes were closed in 2007 and replaced by new programmes in 2008

All share and option programmes existing on 31 December 2006 were closed prematurely at the start of 2007.
The amount that should have been booked over the remaining vesting period will be automatically charged to personnel costs in view of the premature termination of the existing programmes (CHF 2.1 million).

As of 2008, employees of Bank Sarasin may be offered not just the contractually agreed basic salary, but an annual bonus. This bonus can either be paid in cash or as an allocation of shares (with vesting periods and subject to certain conditions).[1] Share allocations, which are subject to a lock-up period and certain conditions, are charged to personnel expenses over the term of the lock-up period on the basis of the value of the share, in accordance with the allocation.

Employees who leave Bank Sarasin before the end of the lock-up period usually forfeit their entitlement to shares.
If, under exceptional circumstances, the departing employee is still granted entitlement to shares, any personnel expenses not yet booked are to be immediately recognised in the income statement. The definitive allocation of these shares generally occurs three years after the original allocation date and is conditional upon the employee meeting the agreed 3-year targets, with the amount of entitlement varying in proportion to the degree of target attainment. If the target attainment falls below a specific minimum rate, the employee is only entitled to half of the share allocation for which he is eligible.

UK compensation scheme

To assure the long-term loyalty of local management, Sarasin (U.K.) Ltd, London, also has a corresponding participation scheme. Unlike SaraPart, the scheme operated by Sarasin (U.K.) Ltd is based on shares in S.I.M. Partnership (London) Limited. Local managers receive options with an average vesting period of seven years. The vesting period is generally two years. The options are worthless if the person entitled to them leaves the company before the vesting period is over. The total expenditure reported in our consolidated financial statements in connection with this scheme is insignificant. As at the balance sheet date, 21,053 options were outstanding (2006: 14,597) with an average value of GBP 120.21 (2006: GBP 75.21).

[1] A more detailed description of the new programmes can be found on pages 59 and 60.

5. Risk management

Structure of risk management

General considerations

Assessing and taking risks is in the nature of banking. 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. 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 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 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 Bank Sarasin, as well as clearly defined responsibilities and competencies are the pillars that support our risk culture.

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.

The CEO and the Executive Committee are responsible for implementing the risk management and risk controlling principles approved by the Board of Directors. They are supported by two committees: the Central Credit Committee (CCC), which is responsible for controlling the counterparty risk, and the Asset & Liability Committee (ALCO), which is in charge of managing the market risks in the banking book.

These two committees are composed of top divisional management and staff from the various areas concerned, and 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 market and credit 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 CEO and the responsible risk-bearers with individual reports.

The Legal & Compliance department monitors compliance with legal and regulatory requirements, and also ensures that generally accepted market standards and codes of conduct are adhered to.

Risk categories

The Bank is exposed to the following risks through its business activities and services:

> Market risk
> Credit risk including concentration of risks
> Liquidity risk
> Operational risks

Market risk

Market risk means the risk that we might incur losses due to changes in market variables (share 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 in the Sarasin Group. 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 0.325 million as at 31 December 2007 (1 day retention period, 99% confidence level). The table shows that the total VaR for our trading positions averaged CHF 0.319 million, fluctuating

between CHF 0.176 million and CHF 0.763 million in the course of the year. The overall VaR (value at risk) for trading is limited to CHF 5.6 million. The actual utilisation of limits was therefore well below the maximum permitted risk exposure throughout the year.

Value-at-Risk[1] of Sarasin Group's trading positions broken down according to risk factors

million CHF	31.12.2007	ø	min.	max.
Equities risk	39	41	16	333
Interest rate risk	39	33	1	101
Foreign exchange risk[2]	128	130	18	576
Structured products	119	116	81	290
Total	**325**	**319**	**176**	**763**

The VaR is a good measure for estimating risk under normal market conditions or for linear positions. In the area of structured products especially, however, many nonlinear risks arise under stress conditions (so-called hedging errors). In this area, therefore, limits are placed not only on the VaR but also on the effects on the income statement under different stress scenarios.

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.

Credit risk

Lending business with clients

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.

The granting of loans and monitoring of credit risks is performed by an independent Credit Officer (CO) and Credit Monitoring Officer (CMO). They report to the Chief Credit Officer (CCO), who in turn answers to the Chief Financial Officer (CFO).

[1] Calculated in each instance on the positions at the end of the day; no allowance made for correlation effects between risk factors.

[2] Including precious metals.

The CO and the CMO are responsible for assessing the credit risks and for continuously monitoring lending exposure.

Lending business with banks

For the purpose of our dealings with other banks and brokers, we use a rating system to determine the selection of counterparties and the 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. If necessary, more in-depth analyses are carried out based on publicly available information.

Concentrated risks

As a rule loans are only granted on a covered basis. Amounts due from clients are generally covered by marketable and diversified securities. Mortgages are also granted, but on a much smaller scale and mainly to employees. The concentration of risks for each counterparty is monitored in accordance with the requirements of Swiss banking law. A group of affiliated counterparties is treated as a single counterparty. The measurement of concentrated risks is performed on a risk-weighted basis. The upper limit for each counterparty is 25% of the qualifying own funds as calculated according to legal requirements.

Liquidity risk

The liquidity risk includes the possibility that the fulfilment of the obligations entered into is not guaranteed at all times.

Bank Sarasin's Treasury Committee is responsible for monitoring liquidity. It is composed of the CFO, the Head of Trading Money Market and a representative of the Risk Office. The prime objective is to guarantee the Bank's ability to pay at all times and to make sure legal requirements for liquidity are complied with. The Treasury Committee usually meets every week and is briefed on the one hand about cash flow developments in our major currencies, and on the other on the level of open financing sources.
As far as financing opportunities are concerned, we make a distinction between unsecured borrowing from third-party banks and secured borrowing from the Swiss National Bank or on the repo market. Especially in times of crisis, unsecured borrowing from third-party banks may prove to be extremely difficult, and in our financial investments we therefore keep significant holdings of liquid securities that are eligible for repo transactions, which can be used at any time to generate liquidity. Operational liquidity management in the day-to-day running of the business is handled by the Trading Money Market department, part of the Asset Management, Product & Sales division. Its tasks include controlling payments,

planning anticipated cash flows and securing liquidity in the day-to-day business.

Operational risks

Operational risks (OR) are defined as the risk of losses that arise through the inappropriateness or failure of internal procedures, people or systems, or as a consequence of external events. This definition includes all legal risks, as well as fines levied by supervisory authorities and settlements.
The underlying processes for monitoring operational risks are based on internal directives, specialist staff training and reporting tailored to the appropriate level.
On a quantitative level, risk identification, analysis and management are performed with the help of a loss event database, and on the qualitative level by the self-assessment of staff, who receive systematic support in this area from the Risk Office.

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 advisors 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 the competent bodies within the Bank are aware (and for which, in accordance with the principles outlined above, no provision has been made), the executive management and its legal advisors 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.

5.1 Market risks: balance sheet per currency

1,000 CHF	CHF	EUR	GBP	USD	Other	**Total**
Assets						
Cash and cash equivalents	68,212	3,092	237	236	45	71,822
Money market papers	48,570	3,766	0	628	0	52,964
Due from banks	1,553,720	1,187,504	256,919	2,320,622	363,585	5,682,350
Due from customers	1,235,121	391,684	190,123	1,314,417	719,241	3,850,586
Trading portfolio assets	421,329	58,297	3,586	94,347	76,858	654,417
Derivative financial instruments	146,611	95,000	1,629	92,321	2,352	337,913
Financial investments	506,886	31,564	3,761	40,516	1	582,728
Investments in associated companies	51,255	0	0	0	0	51,255
Property and equipment	102,933	197	4,887	1,398	1,876	111,291
Goodwill and other intangible assets	58,551	5	42,153	293	66	101,068
Current tax assets	32	0	0	0	0	32
Deferred tax assets	375	0	0	0	0	375
Accrued income and prepaid expenses	56,813	29,708	18,327	49,611	5,633	160,092
Other assets	24,990	970	–95	705	1,892	28,462
Total balance sheet assets per 31.12.2007	**4,275,398**	**1,801,787**	**521,527**	**3,915,094**	**1,171,549**	**11,685,355**
Claims deriving from spot and forward forex transactions	53,425	28,221	30,755	578,181	553,430	1,244,012
Claims deriving from forex options	77,653	303,384	119,018	1,251,832	1,275,137	3,027,024
Total assets per 31.12.2007	**4,406,476**	**2,133,392**	**671,300**	**5,745,107**	**3,000,116**	**15,956,391**
Total assets per 31.12.2006	5,028,049	3,197,808	842,597	4,736,186	1,547,779	15,352,419
Liabilities						
Due to banks	392,728	79,895	76,792	334,902	183,048	1,067,365
Due to customers	1,729,501	1,053,620	221,088	2,730,788	946,709	6,681,706
Trading portfolio liabilities	68,657	8,469	0	1	44,509	121,636
Derivative financial instruments	135,316	88,692	2,404	47,743	1,204	275,359
Financial liabilities designated at fair value	799,531	520,693	5,520	573,636	26,335	1,925,715
Current tax liabilities	58,680	0	3,762	2,285	355	65,082
Deferred tax liabilities	7,654	0	1,070	0	0	8,724
Accrued expenses and deferred income	133,447	15,320	19,053	30,499	13,253	211,572
Other liabilities	50,103	1,785	–44	151	1,323	53,318
Provisions	7,034	0	0	2,281	0	9,315
Total liabilities	**3,382,651**	**1,768,474**	**329,645**	**3,722,286**	**1,216,736**	**10,419,792**
Total shareholders' equity (incl. minority interests)	**1,232,971**	**417**	**29,903**	**2,272**	**0**	**1,265,563**
Total balance sheet liabilities and shareholders' equity per 31.12.2007	**4,615,622**	**1,768,891**	**359,548**	**3,724,558**	**1,216,736**	**11,685,355**
Liabilities deriving from spot and forward forex transactions	96,863	35,106	36,966	588,824	486,271	1,244,030
Liabilities deriving from forex options	77,653	303,346	119,024	1,251,886	1,275,113	3,027,022
Total liabilities per 31.12.2007	**4,790,138**	**2,107,343**	**515,538**	**5,565,268**	**2,978,120**	**15,956,407**
Total liabilities per 31.12.2006	5,446,406	3,036,922	731,073	4,583,313	1,546,309	15,344,023
Net position per currency per 31.12.2007	**–383,662**	**26,049**	**155,762**	**179,839**	**21,996**	**–16**
Net position per currency per 31.12.2006	–418,357	160,886	111,524	152,873	1,470	8,396

5.2 Market risks: currency risk – effect on profit and on equity

Currency	Change in currency rate % 31.12.2007	Effect on profit 1,000 CHF 31.12.2007	Effect on equity 1,000 CHF 31.12.2007	Change in currency rate % 31.12.2006	Effect on profit 1,000 CHF 31.12.2006	Effect on equity 1,000 CHF 31.12.2006
EUR	**+5**	**–2,558**	**1,463**	+5	2,973	2,503
USD	**+5**	**824**	**2,026**	+5	–4,109	2,130
GBP	**+5**	**7,115**	**188**	+5	4,461	0

The analysis includes the most important foreign currencies for the Sarasin Group. If foreign currencies are assumed to fluctuate 5% versus the Swiss franc and net positions in each currency were unchanged, it would produce the illustrated effects on the income statement and shareholders' equity.
A negative value has a negative impact on the income statement or shareholders' equity, while a positive value results in a higher profit or an increase in shareholders' equity.

5.3 Market risks: interest rate risk – interest sensitivity

Currency 1,000 CHF	Increase in basis points 31.12.2007	Sensitivity income statement 31.12.2007	Sensitivity of equity 31.12.2007	Increase in basis points 31.12.2006	Sensitivity income statement 31.12.2006	Sensitivity of equity 31.12.2006
CHF	**+100**	**877**	**–19,924**	+100	–1,003	–16,658
EUR	**+100**	**1,651**	**–171**	+100	1,399	–148
USD	**+100**	**613**	**–1,113**	+100	–609	–1,350
GBP	**+100**	**678**	**0**	+100	547	0
JPY	**+100**	**404**	**0**	+100	491	0
Others	**+100**	**–295**	**0**	+100	303	0
Total		**3,928**	**–21,208**		**1,128**	**–18,156**

Currency 1,000 CHF	Increase in basis points 31.12.2007	Sensitivity income statement 31.12.2007	Sensitivity of equity 31.12.2007	Increase in basis points 31.12.2006	Sensitivity income statement 31.12.2006	Sensitivity of equity 31.12.2006
CHF	**–100**	**–877**	**21,793**	–100	1,003	18,093
EUR	**–100**	**–1,651**	**175**	–100	–1,399	150
USD	**–100**	**–613**	**1,171**	–100	609	1,433
GBP	**–100**	**–678**	**0**	–100	–547	0
JPY	**–100**	**–404**	**0**	–100	–491	0
Others	**–100**	**295**	**0**	–100	–303	0
Total		**–3,928**	**23,139**		**–1,128**	**19,676**

Interest sensitivity illustrates the impact of a parallel shift in the yield curve of ±100 basis points (bp). Other factors are not changed. The column "Interest sensitivity of the income statement" shows, for each currency, how net interest income would change if interest rates were to rise by 100 bp. In FY 2007, net interest income would have increased by CHF 3.9 million (2006: CHF 1.1 million). If interest rates fall 100 bp, there is a proportionate reduction in net interest income. If interest rates increase by 100 bp, the change in shareholders' equity comes to CHF –21.2 million (2006: CHF –18.1 million).

5.4 Market risks: equity price risk

Market indices	31.12.2007 Change in equity price %	31.12.2007 Effect on equity 1,000 CHF	31.12.2006 Change in equity price %	31.12.2006 Effect on equity 1,000 CHF
SPI	**+10**	**6,108**	+10	5,721
FTSE 100	**+10**	**376**	+10	0
Euronext 100	**+10**	**673**	+10	2,552
S&P 500	**+10**	**0**	+10	0
Nikkei	**+10**	**0**	+10	0
Others	**+10**	**0**	+10	2,847

The share price risk is the risk that the fair value of the "Financial investments available for sale" can assume if stock market indexes fluctuate.

5.5 Credit risks: classification of assets and liabilities by domestic / foreign

1,000 CHF	31.12.2007 Domestic	31.12.2007 Foreign	31.12.2006 Domestic	31.12.2006 Foreign
Assets				
Cash and cash equivalents	**71,799**	**23**	67,624	20,679
Money market papers	**52,964**	**0**	152,577	4,523
Due from banks	**662,430**	**5,019,920**	243,039	5,268,398
Due from customers	**579,937**	**3,270,649**	493,394	1,929,765
Trading portfolio assets	**402,809**	**251,608**	406,956	152,838
Derivative financial instruments	**68,113**	**269,800**	53,129	88,054
Financial investments	**309,591**	**273,137**	307,212	372,204
Investments in associated companies	**51,255**	**0**	0	0
Property and equipment	**102,933**	**8,358**	105,895	9,034
Goodwill and other intangible assets	**58,551**	**42,517**	56,341	51,544
Current tax assets	**32**	**0**	2	251
Deferred tax assets	**375**	**0**	2,152	773
Accrued income and prepaid expenses	**38,001**	**122,091**	22,770	86,321
Other assets	**25,242**	**3,220**	26,595	9,837
Total assets	**2,424,032**	**9,261,323**	**1,937,686**	**7,994,221**
Liabilities				
Due to banks	**286,930**	**780,435**	222,208	390,160
Due to customers	**3,078,614**	**3,603,092**	3,237,647	3,360,232
Trading portfolio liabilities	**121,636**	**0**	209,919	1
Derivative financial instruments	**96,493**	**178,866**	67,194	50,089
Financial liabilities designated at fair value	**1,925,715**	**0**	1,082,270	0
Current tax liabilities	**58,680**	**6,402**	17,880	6,943
Deferred tax liabilities	**7,654**	**1,070**	6,849	9,981
Accrued expenses and deferred income	**149,689**	**61,883**	99,839	49,035
Other liabilities	**49,143**	**4,175**	52,791	8,638
Provisions	**7,034**	**2,281**	6,745	6,744
Total liabilities	**5,781,588**	**4,638,204**	**5,003,342**	**3,881,823**
Total shareholders' equity (incl. minority interests)	**1,232,971**	**32,592**	**1,026,148**	**20,594**
Total liabilities and shareholders' equity	**7,014,559**	**4,670,796**	**6,029,490**	**3,902,417**

5.6 Credit risks: classification of assets by country or group of countries

	31.12.2007 1,000 CHF	31.12.2007 %	31.12.2006 1,000 CHF	31.12.2006 %
Europe				
Switzerland	**2,423,945**	**20.7**	1,937,686	19.5
Netherlands	**187,067**	**1.6**	695,737	7.0
Great Britain	**2,148,467**	**18.4**	2,306,411	23.2
Germany	**545,392**	**4.7**	460,233	4.6
France	**104,334**	**0.9**	254,586	2.6
Luxembourg	**289,882**	**2.5**	196,484	2.0
Ireland	**622,974**	**5.3**	527,211	5.3
Rest of Europe	**247,073**	**2.1**	317,881	3.2
Total Europe	**6,569,134**	**56.2**	**6,696,229**	**67.4**
Overseas				
Singapore	**2,110,550**	**18.1**	1,507,972	15.2
South America	**5,384**	**0.0**	91,608	0.9
United States of America	**239,931**	**2.1**	182,012	1.8
Various overseas countries	**2,760,356**	**23.6**	1,454,086	14.7
Total Overseas	**5,116,221**	**43.8**	**3,235,678**	**32.6**
Total Assets	**11,685,355**	**100.0**	**9,931,907**	**100.0**

The classification is made according to the principle of the counterparties' domicile.

5.7 Credit risks: analysis of collateral

	Type of collateral			
1,000 CHF	Mortgage	Other	Unsecured	**Total**
Loans				
Due from customers, net of value adjustments	272,175	3,538,906	39,505	3,850,586
Of which mortgage loans				
– Residential property	266,230	0	0	266,230
– Office and business premises	5,945	0	0	5,945
Total loans per 31.12.2007	**272,175**	**3,538,906**	**39,505**	**3,850,586**
Total loans per 31.12.2006	269,552	2,106,359	47,248	2,423,159
Off-balance sheet				
Contingent liabilities	0	324,832	70,419	395,251
Irrevocable commitments	0	11,102	0	11,102
Other confirmed credits	0	0	0	0
Liabilities for calls on shares and other equities	0	0	126	126
Total off-balance sheet per 31.12.2007	**0**	**335,934**	**70,545**	**406,479**
Total off-balance sheet per 31.12.2006	0	344,943	84,294	429,237

5.8 Credit risks: maximum exposure to credit risk

1,000 CHF	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Cash and cash equivalents	**71,822**	88,303	–16,481	–18.7
Money market papers	**52,964**	157,100	–104,136	–66.3
Due from banks	**5,682,350**	5,511,437	170,913	3.1
Due from customers	**3,850,586**	2,423,159	1,427,427	58.9
Trading portfolio assets	**654,417**	559,794	94,623	16.9
Derivative financial instruments	**337,913**	141,183	196,730	139.3
Financial investments designated at fair value	**17,671**	108,100	–90,429	–83.7
Financial investments available for sale	**565,057**	571,316	–6,259	–1.1
Accrued income and prepaid expenses	**160,092**	109,091	51,001	46.8
Other assets	**28,462**	36,432	–7,970	–21.9
Total	**11,421,334**	**9,705,915**	**1,715,419**	**17.7**
Contingent liabilities	**395,251**	380,956	14,295	3.8
Irrevocable commitments	**11,102**	10,205	897	8.8
Liabilities for calls on shares and other equities	**126**	318	–192	–60.4
Confirmed credit	**0**	37,758	–37,758	–100.0
Total credit risk exposure	**11,827,813**	**10,135,152**	**1,692,661**	**16.7**

The maximum possible credit risk is CHF 11.8 billion (2006: CHF 10.1 billion). These are gross values and do not take collateral into account. The table provides a breakdown of the balance sheet and off-balance-sheet positions.

5.9 Credit risks: risk concentrations of the maximum exposure to credit risk analysed by geographical regions

				31.12.2007				31.12.2006
1,000 CHF	Banking activities	Trading activities	Other activities	Total	Banking activities	Trading activities	Other activities	Total
Europe								
Switzerland	**1,517,055**	**774,449**	**59,228**	**2,350,732**	1,671,516	272,943	28,817	1,973,276
Netherlands	**151,991**	**42,461**	**2,172**	**196,624**	686,129	59,549	5,840	751,518
Great Britain	**1,915,639**	**159,697**	**36,895**	**2,112,231**	1,962,294	337,092	35,732	2,335,118
Germany	**416,737**	**128,134**	**1,927**	**546,798**	395,172	65,652	6,941	467,765
France	**69,521**	**32,267**	**2,376**	**104,164**	219,816	35,771	3,775	259,362
Luxembourg	**183,728**	**81,120**	**27,347**	**292,195**	177,026	24,308	2,527	203,861
Ireland	**610,275**	**4,373**	**9,008**	**623,656**	449,565	76,601	8,115	534,281
Rest of Europe	**177,175**	**85,594**	**1,077**	**263,846**	281,696	41,431	4,335	327,462
Total Europe	**5,042,121**	**1,308,095**	**140,030**	**6,490,246**	**5,843,214**	**913,347**	**96,082**	**6,852,643**
Overseas								
Singapore	**2,086,871**	**18,432**	**4,745**	**2,110,048**	1,282,007	220,834	23,413	1,526,254
South America	**6,347**	**119**	**54**	**6,520**	91,646	7,258	700	99,604
United States of America	**110,349**	**128,897**	**1,050**	**240,296**	155,679	26,233	2,777	184,689
Various overseas countries	**2,818,513**	**119,515**	**42,675**	**2,980,703**	1,236,691	212,720	22,551	1,471,962
Total Overseas	**5,022,080**	**266,963**	**48,524**	**5,337,567**	**2,766,023**	**467,045**	**49,441**	**3,282,509**
Total	**10,064,201**	**1,575,058**	**188,554**	**11,827,813**	**8,609,237**	**1,380,392**	**145,523**	**10,135,152**

The classification is made according to the principle of the counterparties' domicile. The credit business is incorporated under banking activities. Trading activities include the trading portfolio, derivative financial instruments, and financial investments designated at fair value and available for sale. Other activities concern positions on the balance sheet that are independent of banking and trading activities.

5.10 Credit risks: Credit quality per class of financial assets

Amounts due from banks and clients as well as the bonds held in financial investments are classified using the following credit rating system.

1,000 CHF	Neither past due nor impaired: AAA to AA	A to BBB	BB to C	Without external rating[1]	Past due or impaired	**31.12.2007**
Due from banks	4,078,360	1,352,705	0	251,285	0	**5,682,350**
Loans and advances	0	0	0	3,573,244	5,167	**3,578,411**
Mortgages	0	0	0	272,175	0	**272,175**
Due from customers	0	0	0	3,845,419	5,167	**3,850,586**
Derivative financial instruments	211,538	0	0	126,375	0	**337,913**
Financial investments designated at fair value	12,243	0	0	1,011	0	**13,254**
Financial investments available for sale	344,829	13,117	0	28,037	0	**385,983**
Financial investments	357,072	13,117	0	29,048	0	**399,237**
Total	**4,646,970**	**1,365,822**	**0**	**4,252,127**	**5,167**	**10,270,086**

1,000 CHF	Neither past due nor impaired: AAA to AA	A to BBB	BB to C	Without external rating[1]	Past due or impaired	31.12.2006
Due from banks	4,008,784	1,350,386	0	152,267	0	5,511,437
Loans and advances	0	0	0	2,177,828	5,003	2,182,831
Mortgages	0	0	0	240,328	0	240,328
Due from customers	0	0	0	2,418,156	5,003	2,423,159
Derivative financial instruments	78,987	0	0	62,196	0	141,183
Financial investments designated at fair value	16,480	0	0	84,712	0	101,192
Financial investments available for sale	305,228	10,295	0	42,270	0	357,793
Financial investments	321,708	10,295	0	126,982	0	458,985
Total	**4,409,479**	**1,360,681**	**0**	**2,759,601**	**5,003**	**8,534,764**

Amounts due from clients are allocated to the rating category “without external rating” or to non-performing loans (past due or impaired). A loan is to be qualified as non-performing as soon as interest payments remain outstanding for more than 90 days and/or evidence exists to suggest that loan repayment could be in jeopardy. Indicators of a threat to loan repayment can include:

- Outstanding capital repayments
- Outstanding interest payments
- Credit limit overrun for more than 90 days
- Probable longer-term suspension in the trading of a security, where this suspension calls the valuation of the security into question
- Negative operating performance figures in respect of liquidity, profitability and/or internal financing level in the case of unlisted securities
- Failure to honour agreements in the case of unsecured loans

Derivative financial instruments are allocated to rating categories on the basis of the issuer (counterparty). The financial investments are allocated on the basis of the rating provided by reputable rating agencies.

[1] Sight deposits with the Swiss National Bank (CHF 88 million as at 31.12.2007 and CHF 59 million as at 31.12.2006) and with the NewEdge Group (ex Fimat, margin requirements to support future positions contained in Sarasin funds, CHF 81 million as at 31.12.2007 and CHF 45 million as at 31.12.2006) together account for 67% (31.12.2007) and 68% (31.12.2006) of amounts due from banks that have no rating.

5.11 Credit risks: Aging analysis of past due but not impaired loans per class of financial assets

1,000 CHF	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	**31.12.2007**
Due from banks	0	0	0	0	**0**
Loans and advances	0	0	0	31	**31**
Mortgages	0	0	0	0	**0**
Due from customers	0	0	0	31	**31**
Total	**0**	**0**	**0**	**31**	**31**

1,000 CHF	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	31.12.2006
Due from banks	0	0	0	0	0
Loans and advances	0	0	0	73	73
Mortgages	0	0	0	0	0
Due from customers	0	0	0	73	73
Total	**0**	**0**	**0**	**73**	**73**

The table shows the assets that are overdue but not impaired on the reporting date.

As at 31.12.2007, there are no financial investments that are overdue or impaired and whose conditions have been renegotiated.

5.12 Liquidity risks: maturity structure of balance sheet

1,000 CHF	At sight	Callable	Maturities: Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	31.12.2007
Assets							
Cash and cash equivalents	71,822	0	0	0	0	0	**71,822**
Money market papers	4,394	0	0	48,570	0	0	**52,964**
Due from banks	592,825	6,415	3,783,515	766,083	533,512	0	**5,682,350**
Due from customers	396,748	835	2,168,377	899,367	352,654	32,605	**3,850,586**
Trading portfolio assets	637,689	0	2,382	1,138	5,349	7,859	**654,417**
Derivative financial instruments	337,913	0	0	0	0	0	**337,913**
Financial investments	183,688	0	4,987	3,284	188,830	201,939	**582,728**
Investments in associated companies	0	0	0	0	0	51,255	**51,255**
Property and equipment	0	0	0	0	0	111,291	**111,291**
Goodwill and other intangible assets	0	0	0	0	0	101,068	**101,068**
Current tax assets	32	0	0	0	0	0	**32**
Deferred tax assets	375	0	0	0	0	0	**375**
Accrued income and prepaid expenses	160,092	0	0	0	0	0	**160,092**
Other assets	–78,528	0	106,991	–1	0	0	**28,462**
Total assets	**2,307,050**	**7,250**	**6,066,252**	**1,718,441**	**1,080,345**	**506,017**	**11 685,355**
Liabilities							
Due to banks	402,605	5,068	391,120	137,510	123,850	7,212	**1,067,365**
Due to customers	1,282,303	1,997,711	2,988,348	411,705	1,639	0	**6,681,706**
Trading portfolio liabilities	121,636	0	0	0	0	0	**121,636**
Derivative financial instruments	275,359	0	0	0	0	0	**275,359**
Financial liabilities designated at fair value	0	0	269,586	711,803	742,813	201,513	**1,925,715**
Current tax liabilities	64,095	0	0	0	0	987	**65,082**
Deferred tax liabilities	9,258	0	0	0	0	–534	**8,724**
Accrued expenses and deferred income	212,025	0	0	0	0	–453	**211,572**
Other liabilities	53,318	0	0	0	0	0	**53,318**
Provisions	9,315	0	0	0	0	0	**9,315**
Total liabilities	**2,429,914**	**2,002,779**	**3,649,054**	**1,261,018**	**868,302**	**208,725**	**10,419,792**
Total shareholders' equity (incl. minority interests)	**293,630**	**0**	**0**	**0**	**0**	**971,933**	**1,265,563**
Total liabilities and shareholders' equity	**2,723,544**	**2,002,779**	**3,649,054**	**1,261,018**	**868,302**	**1,180,658**	**11,685,355**

1,000 CHF	At sight	Callable	Maturities Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	31.12.2006
Assets							
Cash and cash equivalents	88,303	0	0	0	0	0	88,303
Money market papers	8,847	0	49,597	98,656	0	0	157,100
Due from banks	968,632	3,913	3,930,845	503,088	104,959	0	5,511,437
Due from customers	271,300	1,145	1,381,970	537,635	181,335	49,774	2,423,159
Trading portfolio assets	536,139	0	0	0	5,995	17,660	559,794
Derivative financial instruments	141,183	0	0	0	0	0	141,183
Financial investments	224,458	0	8,343	43,701	248,214	154,700	679,416
Investments in associated companies	0	0	0	0	0	0	0
Property and equipment	0	0	0	0	0	114,929	114,929
Goodwill and other intangible assets	0	0	0	0	0	107,885	107,885
Current tax assets	253	0	0	0	0	0	253
Deferred tax assets	2,925	0	0	0	0	0	2,925
Accrued income and prepaid expenses	109,091	0	0	0	0	0	109,091
Other assets	36,432	0	0	0	0	0	36,432
Total assets	**2,387,563**	**5,058**	**5,370,755**	**1,183,080**	**540,503**	**444,948**	**9,931,907**
Liabilities							
Due to banks	283,856	9,594	236,305	53,960	2,093	26,560	612,368
Due to customers	1,728,167	2,208,960	2,301,506	355,540	3,706	0	6,597,879
Trading portfolio liabilities	209,919	0	1	0	0	0	209,920
Derivative financial instruments	117,283	0	0	0	0	0	117,283
Financial liabilities designated at fair value	0	0	137,860	499,811	192,934	251,665	1,082,270
Current tax liabilities	24,823	0	0	0	0	0	24,823
Deferred tax liabilities	16,830	0	0	0	0	0	16,830
Accrued expenses and deferred income	148,874	0	0	0	0	0	148,874
Other liabilities	61,429	0	0	0	0	0	61,429
Provisions	13,489	0	0	0	0	0	13,489
Total liabilities	**2,604,672**	**2,218,554**	**2,675,672**	**909,311**	**198,732**	**278,225**	**8,885,165**
Total shareholders' equity (incl. minority interests)	**95,904**	**0**	**0**	**0**	**0**	**950,838**	**1,046,742**
Total liabilities and shareholders' equity	**2,700,574**	**2,218,554**	**2,675,672**	**909,311**	**198,733**	**1,229,063**	**9,931,907**

5.13 Liquidity risks: maturity structure of off-balance sheet

1,000 CHF	At sight	Callable	Maturities Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	31.12.2007
Contingent liabilities	25,778	0	80,676	121,638	131,075	36,084	**395,251**
Irrevocable commitments	8,490	0	0	1,784	828	0	**11,102**
Liabilities for calls on shares and other equities	126	0	0	0	0	0	**126**
Confirmed credit	0	0	0	0	0	0	**0**
Derivative financial instruments	0	0	4,866,917	4,937,414	1,473,480	15,000	**11,292,811**
Fiduciary transactions	2,239,190	0	2,628,191	249,244	193,766	10,770	**5,321,161**
Total	**2,273,584**	**0**	**7,575,784**	**5,310,080**	**1,799,149**	**61,854**	**17,020,451**

1,000 CHF	At sight	Callable	Maturities Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	31.12.2006
Contingent liabilities	50,345	11,155	73,173	91,543	121,147	33,593	380,956
Irrevocable commitments	9,730	0	0	295	180	0	10,205
Liabilities for calls on shares and other equities	318	0	0	0	0	0	318
Confirmed credit	37,758	0	0	0	0	0	37,758
Derivative financial instruments	18,433	22,603	3,511,249	2,942,060	878,832	13,261	7,386,438
Fiduciary transactions	1,547,416	0	953,665	120,044	173,571	0	2,794,696
Total	**1,664,000**	**33,758**	**4,538,087**	**3,153,942**	**1,173,730**	**46,854**	**10,610,371**

5.14 Liquidity risks: analysis of financial liabilities by remaining contractual maturities

1,000 CHF	At sight or callable	Maturities Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	31.12.2007
Liabilities						
Due to banks	407,765	403,428	146,487	132,656	7,597	**1,097,933**
Due to customers	3,348,291	3,121,117	422,200	1,717	0	**6,893,325**
Trading portfolio liabilities[1]	121,636	0	0	0	0	**121,636**
Derivative financial instruments[1]	275,359	0	0	0	0	**275,359**
Financial liabilities designated at fair value	0	284,752	749,136	787,011	201,513	**2,022,412**
Total undiscounted financial liabilities per 31.12.2007	**4,153,051**	**3,809,297**	**1,317,823**	**921,384**	**209,110**	**10,410,665**

The table summarises the maturity profile of the liabilities. The interest payments due over the term are contained in the corresponding maturities. The values are based on liabilities that have not been discounted.

1,000 CHF	At sight or callable	Maturities Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	31.12.2006
Liabilities						
Due to banks	293,576	240,681	56,628	3,147	27,551	621,583
Due to customers	4,017,150	2,399,321	367,063	3,973	0	6,787,507
Trading portfolio liabilities[1]	209,920	0	0	0	0	209,920
Derivative financial instruments[1]	117,283	0	0	0	0	117,283
Financial liabilities designated at fair value	0	142,984	512,226	201,788	251,665	1,108,663
Total undiscounted financial liabilities per 31.12.2006	**4,637,929**	**2,782,986**	**935,917**	**208,908**	**279,216**	**8,844,956**

[1] Since trading portfolios and derivative financial instruments are purchased or entered into with the intention of selling them or repurchasing them in the short term, they are classified as “at sight”.

6. Segment reporting

The Sarasin Group is reporting on the basis of four segments: "Private & Institutional Clients Switzerland", "International", "Asset Management, Products & Sales" and "Corporate Center".

Private & Institutional Clients Switzerland (PIC)

Our "Private & Institutional Clients Switzerland (PIC)" division is made up of Private Banking in Basel, Geneva, Lugano and Zurich, Intermediary & Personal Banking and Institutional Clients. The German offices are also allocated to this segment, which is headed by Eric G. Sarasin (CEO PIC) and Marco Weber (COO PIC).

International

Our "International" division groups together the business we conduct with private and institutional investors in the international locations of Dubai, Hong Kong, London, Paris and Singapore. The division is headed by Fidelis M. Goetz.

Asset Management, Products & Sales

Our "Asset Management, Products & Sales" division brings together our investment and research expertise, as well as product development and services to our distribution partners in the area of Wholesale and External Asset Managers. The division is headed by Burkhard P. Varnholt.

Corporate Center

All income and expenditure that are not directly connected with front office operation activities of the Bank as a whole are reported in our "Corporate Center" segment, as are all consolidation items.
The areas of Operations, IT and Services, which are headed ad interim by Joachim H. Straehle, are included in the Corporate Center segment. It also covers all staff functions (Group Legal & Compliance, Human Resources, Group Finance, Controlling, Risk Office, Loans, Taxes and Corporate Finance). Those functions report to Matthias Hassels.

6.1 Business segment reporting

2007

1,000 CHF	Private & Institutional Clients Switzerland	International	Asset Management, Products & Sales	Corporate Center	**Sarasin Group**
Operating income	327,961	182,493	124,127	202,924	837,505
Operating expenses	182,010	135,517	62,621	47,464	427,612
Operating profit	**145,951**	**46,976**	**61,506**	**155,460**	**409,893**
Depreciation and amortisation	4,407	4,555	3,840	6,487	19,289
Value adjustments, provisions and losses	47	1,082	0	2,363	3,492
Net profit before tax per segment	**141,497**	**41,339**	**57,666**	**146,610**	**387,112**
Taxes					82,515
Net profit including minority interests					**304,597**
Minority interests					10,967
Consolidated profit					**293,630**

31.12.2007

Segment assets	1,314,791	7,857,348	1,433,763	1,079,045	11,684,947
Segment liabilities	1,534,053	6,465,515	960,891	1,385,527	10,345,986
Investments	4,419	5,905	0	53,703	64,027
Assets under management (million CHF)	45,655	22,187	15,143	17	83,002
Number of employees (adjusted for part-time working)	255.0	362.7	190.7	362.0	1,170.4
Adjusted number of employees (incl. allocations)	556.9	383.6	157.8	72.1	1,170.4

2006

1,000 CHF	Private & Institutional Clients Switzerland	International	Asset Management, Products & Sales	Corporate Center	**Sarasin Group**
Operating income	276,734	115,678	95,818	77,451	565,681
Operating expenses	147,066	80,907	57,702	118,406	404,081
Operating profit	**129,668**	**34,771**	**38,116**	**–40,955**	**161,600**
Depreciation and amortisation	4,290	3,621	4,059	7,930	19,900
Value adjustments, provisions and losses	99	0	827	8,377	9,303
Net profit before tax per segment	**125,279**	**31,150**	**33,230**	**–57,262**	**132,397**
Taxes					31,389
Net profit including minority interests					**101,008**
Minority interests					5,104
Consolidated profit					**95,904**

31.12.2006

Segment assets	1,042,377	2,846,524	954,890	5,084,938	9,928,729
Segment liabilities	1,363,304	2,351,595	801,796	4,326,817	8,843,512
Investments	122	2,498	0	12,921	15,541
Assets under management (million CHF)	39,552	17,666	12,024	4,025	73,267
Number of employees (adjusted for part-time working)	208.4	276.3	191.1	447.9	1,123.7
Adjusted number of employees (incl. allocations)	476.8	280.9	174.1	191.9	1,123.7

Change to segment reporting as a result of organisational restructuring

In the financial year 2007 a major organisational restructuring was completed and a subsidiary was sold. The Asset Management, Products & Sales segment now also includes the internal business unit "Trading", which was taken over from the Corporate Center on 1 October 2007. The Trading unit carries out orders for trading in securities and derivatives for clients from all the Bank's divisions. Trading also monitors and controls the Bank's liquidity on a daily basis and is responsible for own-account trading for the account of and at the risk of the Bank. The Luxembourg subsidiary sold on 1 July 2007 is shown as a discontinued business in the Corporate Center segment. Segment reporting (segment profit before tax) was adjusted accordingly as at 31.12.06. As part of the restructuring of our Swiss Equities Research department, the Brokerage business was sold to NZB Neue Zürcher Bank as of January 2007. The business unit was transferred from the Asset Management, Products & Sales segment and assigned to the Corporate Center. The resulting changes compared with the previous segment reporting are summarised in the overview below.

Variances to business segment reporting 2006

1,000 CHF	Private & Institutional Clients Switzerland	International	Asset Management, Products & Sales	Corporate Center	**Sarasin Group**
Operating income	0	–39,284	8,899	30,385	0
Operating expenses	0	–26,263	440	25,823	0
Operating profit	**0**	**–13,021**	**8,459**	**4,562**	**0**
Depreciation and amortisation	0	–1,517	1,438	79	0
Value adjustments, provisions and losses	0	–7,010	0	7,010	0
Net profit before tax per segment	**0**	**–4,494**	**7,021**	**–2,527**	**0**
Taxes					0
Net profit including minority interests					**0**
Minority interests					0
Consolidated profit					**0**

Variances to business segment reporting 31.12.2006

Segment assets	0	–1,044,994	600,709	444,285	0
Segment liabilities	0	–951,209	310,105	641,104	0
Investments	0	–1,022	0	1,022	0
Assets under management (million CHF)	0	–4,019	136	3,883	0
Number of employees (adjusted for part-time working)	0.0	–89.4	22.8	66.6	0.0
Adjusted number of employees (incl. allocations)	0.0	–92.1	4.8	87.3	0.0

6.2 Geographical segment reporting

31.12.2007

1,000 CHF	Switzerland	Europe (excl. Switzer-land)	Asia	Other	Consolidation and elimination	**Sarasin Group**
Operating income (2007)	623,657	132,401	86,755	–355	–4,953	**837,505**
Segment assets	6,803,861	3,318,104	3,418,645	6,596	–1,862,259	**11,684,947**
Investments	57,956	2,902	3,169	0	0	**64,027**

31.12.2006

Operating income (2006)	405,879	137,352	40,991	248	–18,789	565,681
Segment assets	4,971,730	3,901,888	2,362,727	15,757	–1,323,373	9,928,729
Investments	11,777	2,661	1,103	0	0	15,541

7. Other information

7.1 Capital adequacy: risk weighted assets (BIS)

million CHF	**31.12.2007** Nominal amount or contract volume	**31.12.2007** Weighted position	31.12.2006 Nominal amount or contract volume	31.12.2006 Weighted position
Balance sheet assets				
Due from banks	**5,682**	**1,136**	5,511	1,102
Due from customers net of value adjustments	**3,851**	**2,798**	2,423	1,626
Real estate and other fixed assets	**135**	**135**	143	143
Accrued income and prepaid expenses	**160**	**81**	109	64
Derivative financial instruments	**338**	**80**	141	37
Other assets	**28**	**27**	40	39
Off-balance sheet positions				
Contingent liabilities and irrevocable commitments	**406**	**236**	437	278
Liabilities for calls on shares and other equities	**0**	**0**	0	0
Forward contracts	**3,886**	**15**	3,042	12
Options and add-ons	**2,910**	**78**	2,355	56
Market risk positions				
Default risk positions[1]	**789**	**542**	877	576
Market risk position in the trading book[2]	**0**	**1,325**	0	981
Total risk-weighted positions	**18,185**	**6,453**	**15,078**	**4,914**
Capital resources: Tier 1		**1,079**		924
BIS Tier 1 ratio		**17.0%**		**18.8%**

Capital management

The Sarasin Group engages in highly focused, active capital management. Our goal is to achieve solid capital ratios and thereby provide our customers with a sufficient degree of security for their banking relationships with us. Our strong capital base allows us to systematically invest in the profitable growth of our business activities.

When managing our capital, we not only monitor the capital adequacy requirement (minimum amount of capital needed to cover our risks in accordance with banking regulations) but also the eligible funds at our disposal, and we forecast their future development. Shareholders should participate in the Bank's success through a stable dividend policy.

Capital requirements

The capital we are required to hold under Swiss banking law is based on our risk-weighted assets, i.e. the items on and off balance sheet and our market risk positions, which are effectively calculated and risk-weighted according to the criteria specified by the Swiss Federal Banking Commission (SFBC).

The counterparty risks are assessed on a risk-weighted basis depending on the type of instrument and the securities. Market risk positions are usually calculated with the Value-at-Risk (VaR) model. Our capital requirement is mainly the result of items held on and off the balance sheet, together with our market risk positions. The reported risk-weighted assets and capital ratios are calculated using BIS guidelines.

The capital available to cover these risks – the eligible assets – has two components: core capital (Tier 1), which corresponds primarily to shareholders' equity with certain adjustments required by banking regulators, and supplementary capital (Tier 2).

Core capital must amount to at least 4% and total capital (core and supplementary capital) to at least 8% of the Bank's risk-weighted assets.

Bank Sarasin's target for its core capital ratio is within a bandwidth of 12% to 14%.

[1] Net long-positions of securities and money market papers in the banking book.

[2] Weighted position, calculated as 12.5 times the capital adequacy requirement according to the standard procedure.

The calculation of the capital requirement as provided under Swiss banking law differs in certain respects from Basel (BIS) capital adequacy guidelines. The most important differences are:

- Unlike BIS, which applies a maximum risk weighting of 100%, the SFBC applies risk weightings of more than 100% for certain types of asset such as real estate, property & equipment, intangible assets, and securities not held in the trading portfolio.
- In contrast to BIS rules, which prescribe a risk weighting of 20% for loans to OECD banks, the SFBC's risk weighting is between 25% and 75%, depending on the maturity.

As a result of differences in regulatory provisions, the risk-weighted assets required under Swiss banking rules are higher than those under BIS guidelines. Both the total capital and core capital of the Sarasin Group have at all times significantly exceeded the minimum requirements stipulated by BIS and SFBC.

Capital ratios

On 31 December 2007, risk-weighted assets amounted to CHF 6.5 billion, compared with CHF 4.9 billion in 2006. This increase of 33% can be explained by the sharp rise in the lending business. On 31 December 2007, the core capital required by SFBC amounted to CHF 1.1 billion, compared with CHF 0.9 billion in 2006. The increase was down to the high profit in the past financial year, less dividend payouts and the currency translation effects booked directly to shareholders' equity. Because of the disproportionately high growth in the (BIS) risk-weighted assets, the BIS Tier 1 capital ratio dropped from 18.8% to 17.0% independently of the sharp rise in profit.

Introduction of new "Basel II" Accord

The introduction of the new Basel Accord on capital adequacy, "Basel II", on 1 January 2008 will lead to a slight reduction in risk-weighted assets overall and subsequently in the capital requirements. This forecast is based on a direct comparison between the capital requirement under the current regulations as at 31 December 2007, and the relevant requirement on the same reporting date under Basel II rules. The calculations were produced using the IT systems and processes implemented following the introduction of Basel II as of 1 January 2008.

7.2 Financial Instruments

Fair value of financial instruments

The following table shows the fair value of financial instruments based on the valuation methods and assumptions described below. Fair value is the amount for which assets could be exchanged or liabilities honoured between knowledgeable, unconnected third parties wishing to conclude a contract. The Sarasin Group uses the market price whenever an active market (e.g. a recognised stock exchange) exists because it is the best indicator of the fair value of financial instruments.

1,000 CHF	**31.12.2007 Carrying value**	**31.12.2007 Fair value**	**Variance**	31.12.2006 Carrying value	31.12.2006 Fair value	Variance
Assets						
Cash and cash equivalents	**71,822**	**71,822**	**0**	88,303	88,303	0
Money market papers	**52,964**	**52,964**	**0**	157,100	157,100	0
Due from banks	**5,682,350**	**5,804,955**	**122,605**	5,511,437	5,677,576	166,139
Due from customers	**3,850,586**	**4,040,723**	**190,137**	2,423,159	2,473,189	50,030
Trading portfolio assets	**654,417**	**654,417**	**0**	559,794	559,794	0
Derivative financial instruments	**337,913**	**337,913**	**0**	141,183	141,183	0
Financial investments designated at fair value	**17,671**	**17,671**	**0**	108,100	108,100	0
Financial investments available for sale	**565,057**	**565,057**	**0**	571,316	571,316	0
Subtotal	**11,232,780**	**11,545,522**	**312,742**	**9,560,392**	**9,776,561**	**216,169**
Liabilities						
Due to banks	**1,067,365**	**1,103,252**	**–35,887**	612,368	629,379	–17,011
Due to customers	**6,681,706**	**6,900,484**	**–218,778**	6,597,879	6,763,956	–166,077
Trading portfolio liabilities	**121,636**	**121,636**	**0**	209,920	209,920	0
Derivative financial instruments	**275,359**	**275,359**	**0**	117,283	117,283	0
Financial liabilities designated at fair value	**1,925,715**	**1,925,715**	**0**	1,082,270	1,082,270	0
Subtotal	**10,071,781**	**10,326,446**	**–254,665**	**8,619,720**	**8,802,808**	**–183,088**
Total variance			**58,077**			**33,081**

The following valuation methods are used to determine the fair value of on-balance sheet financial instruments:

Short-term financial instruments

Financial instruments with a maturity or refinancing profile of one year or less are generally classified as short term. They may fall into any of the following balance sheet categories: “cash and cash equivalents”, “money market papers”, “money market liabilities” and, depending on the maturity, “due from banks”, “due from customers”, “due to banks” and “due to customers”. In the case of short-term financial instruments that do not have a published market value on a recognised stock exchange or a representative market (hereinafter market value), the carrying value essentially corresponds to the fair value.

Long-term financial instruments

These instruments, which may fall into the categories of claims on and liabilities to banks and customers, medium-term notes or loans, have a maturity or a refinancing profile of over one year. If the interest rate or the flow of payments is not determined in advance, we use replicating portfolios. Fair value is based on market rates if a liquid market exists. Otherwise it is determined by the cash value method.

Trading portfolios, financial investments

For the majority of financial instruments held in trading portfolios and among financial investments, fair value corresponds to market value. The fair value of instruments with no market value is determined by means of recognised valuation methods.

Derivative financial instruments

Fair value corresponds to market value for most positive and negative replacement values (Note 2.19). The fair value of derivative instruments with no market value is determined by means of recognised models, which take account of relevant parameters such as the contract specifications, the market price of the underlying security, the yield curve and volatility.

Sensitivity of fair value compared with the use of alternative realistic valuation assumptions

For a small number of financial instruments stated at fair value in the balance sheet, our valuation is derived from valuation models and not from actual market prices or other market observations. Such valuation models are continuously monitored before their introduction and during the period of their application. The adoption of less favourable assumptions would not significantly affect the fair value of the financial instruments used.

The fair value of listed securities held in trading portfolios and financial investments, and also of exchange-traded derivatives and other financial instruments is based on market prices wherever an active market exists. If no direct market prices are available, recognised valuation methods or models are used to determine the fair value of financial instruments. Wherever possible, the underlying assumptions are based on market prices or other quoted prices noted on the balance sheet date. For most derivatives traded over the counter, as well as unlisted financial instruments or other assets not traded on an active market, the fair price is based on recognised valuation methods or models. For a very small number of financial instruments, neither market prices nor recognised valuation methods or models based on quoted market prices are available for determining the fair value. In such cases we rely on valuation methods or models that are based on realistic assumptions that reflect market conditions.

1,000 CHF	Quoted market price	Valuation technique market observable inputs	Valuation technique non-market observable inputs	31.12.2007 Total	Quoted market price	Valuation technique market observable inputs	Valuation technique non-market observable inputs	31.12.2006 Total
Assets								
Trading portfolio assets	**652,448**	**1,969**	**0**	**654,417**	543,191	16,603	0	559,794
Derivative financial instruments	**0**	**337,913**	**0**	**337,913**	55	141,128	0	141,183
Financial investments	**475,426**	**98,649**	**8,653**	**582,728**	542,915	127,856	8,645	679,416
Total assets	**1,127,874**	**438,531**	**8,653**	**1,575,058**	**1,086,161**	**285,587**	**8,645**	**1,380,393**
Liabilities								
Trading portfolio liabilities	**121,636**	**0**	**0**	**121,636**	209,920	0	0	209,920
Derivative financial instruments	**90**	**275,269**	**0**	**275,359**	406	116,877	0	117,283
Financial liabilities designated at fair value	**0**	**1,925,715**	**0**	**1,925,715**	0	1,082,270	0	1,082,270
Total liabilities	**121,726**	**2,200,984**	**0**	**2,322,710**	**210,326**	**1,199,147**	**0**	**1,409,473**

The financial investments not valued on the basis of observable market data are those which are available for sale. The corresponding changes to fair value are incorporated in the shareholders' equity.

7.3 Client assets under management

million CHF	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Assets invested with in-house funds	**14,443**	11,893	2,550	21.4
Assets invested under a management mandate	**22,005**	20,831	1,174	5.6
Other assets under management	**46,554**	40,543	6,011	14.8
Total assets under management	**83,002**	**73,267**	**9,735**	**13.3**
Of which double-counting[1]	**8,543**	7,668	875	11.4

million CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Net new money I	**11,303**[2]	**4,165**	**7,138**	**171.4**
Change through sale of Bank Sarasin Europe S.A.	**–4,017**	0	–4,017	
Net new money II	**7,286**	**4,165**	**3,121**	**74.9**

1 Of which money market instruments from structured products of CHF 1.5 billion (2006: CHF 0.6 billion) and fiduciary deposits of CHF 1.6 billion (2006: CHF 2.0 billion).
2 Of which CHF 191 million through acquisition.

7.4 Scope of consolidation

Company	Domicile	Currency	Capital	Equity interest
Fully consolidated companies:				
Bank Sarasin & Co. Ltd	Basel			Parent company
Sarabet AG	Basel	CHF	**3,250,000**	100%
Affaires Financières S.A.	Zurich	CHF	**1,000,000**	100%
Euro-Patent AG	Basel	CHF	**50,000**	100%
Sarasin Investmentfonds AG	Basel	CHF	**4,000,000**	100%
Acorn Alternative Strategies AG[1]	Basel	CHF	**1,454,000**	100%
Acorn Alternative Strategies (Plus) Ltd	George Town	CHF	**10,000**	100%
Sarasin Colombo Gestioni Patrimoniali S.A.[2]	Lugano	CHF	**1,000,000**	100%
Sarasin (U.K.) Ltd	London	GBP	**17,900,000**	100%
S.I.M. Partnership (London) Ltd[3]	London	GBP	**727,273**	60%
Sarasin Investment Management Ltd	London	GBP	**300,000**	100%
Sarasin Investment Funds Ltd[4]	London	GBP	**250,000**	100%
Chiswell Associates Ltd	London	GBP	**3,000,000**	100%
Sarasin Asset Management Ltd	London	GBP	**250,000**	100%
Bank Sarasin (CI) Ltd[5]	St. Peter Port	GBP	**15,000,000**	100%
Sarasin Trust Company Guernsey Ltd	St. Peter Port	USD	**100,000**	100%
Sarasin Funds Management (Guernsey) Ltd	St. Peter Port	GBP	**15,000**	100%
Bank Sarasin-Rabo (Asia) Ltd	Singapore	USD	**20,000,000**	100%
		SGD	**50,549,527**	100%
Sarasin Rabo Investment Management Ltd	Hong Kong	HKD	**31,123,000**	100%
Sarasin Wertpapierhandelsbank AG	Munich	EUR	**1,000,000**	100%
Eichenpark Kapital Verwaltungs GmbH	Frankfurt	EUR	**25,000**	100%
Saralux S.A. in liquidation	Luxembourg	EUR	**1,200,000**	90%
Sarasin Expertise AM[6]	Paris	EUR	**350,000**	90%
Bank Sarasin-Alpen (ME) Ltd	Dubai	USD	**500,000**	60%
Alfedur S.A.	La Coruña	EUR	**1,000,000**	60%
Companies fully consolidated for the first time				
Alfedur S.A.				
Participations reported under the equity method of accounting for the first time				
NZB Holding	Zurich	CHF	**746,712**	20%
Participations removed from the scope of consolidation				
Bank Sarasin Europe S.A.				

Merged companies

Sarasin Non Traditional Ltd was absorbed into Bank Sarasin & Co Ltd as per 1 July 2007.

Acorn Alternative Strategies (Overseas) Ltd was absorbed into Acorn Alternative Strategies Ltd as per 19 December 2007.

Sarasin Chiswell Holdings Ltd was absorbed into S.I.M. Partnership (London) Ltd as per 20 February 2007.

1 Increase of equity interest from 99.93% to 100%.
2 Increase of equity interest from 75.1% to 100%.
3 Decrease of equity interest from 75% to 60%.
4 Capital increase of GBP 0.2 million.
5 Capital increase of GBP 3.0 million.
6 Decrease of equity interest from 95% to 90%.

7.5 Swiss banking legislation

The Sarasin Group's consolidated financial statements comply with International Financial Reporting Standards (IFRS). The most important differences between IFRS and the accounting provisions applicable to banks under Swiss law (BAG-SFBC) are the following:

1. Financial assets that are available for sale

Under IFRS, financial assets available for sale are stated at fair value. Changes in fair value minus related deferred taxes are reported under shareholders' equity until the financial assets are sold, collected, otherwise disposed of, or considered to be impaired. As soon as a financial asset is classified as impaired, the cumulative unrealised loss previously reported under shareholders' equity is transferred to the income statement. Under Swiss law, such financial investments are stated at the lower of purchase price and market or according to the accrual method. Any depreciation or appreciation in market value as well as any profits or losses from the sale of such investments are reported under "other income".

2. Financial instruments designated at fair value

Under IFRS, certain financial instruments can be specifically designated as being reported at fair value in the balance sheet. If they are, both realised and unrealised profits and losses affect the income statement (fair value through profit or loss). This IFRS option is not available under BAG-SFBC.

3. Depreciation of goodwill

Under BAG-SFBC, goodwill is subject to ordinary annual amortisation over its estimated useful life. IFRS provide for annual impairment tests instead of ordinary amortisation of goodwill.

4. Extraordinary income and expenditure

Under BAG-SFBC, income and expenditure are classified as extraordinary if they do not relate to the company or the period under review. Under IFRS, on the other hand, almost all income and expenditure are classified as ordinary.

7.6 Acquisitions / Disposals

Acquisitions

1,000 CHF	31.12.2007	31.12.2006
Fair value of the acquired net assets		
Cash and cash equivalents	**0**	82,503
Property and equipment	**0**	0
Intangible assets	**0**	0
Financial investments	**0**	154,037
Minority interests	**0**	–179
Other assets	**0**	8,905
Liabilities		–1,602
Subtotal	**0**	**243,664**
Goodwill / badwill	**0**	–2,795
Total purchase price	**0**	**240,869**
Less:		
Acquired cash and cash equivalents	**0**	–82,503
Outflow of funds from acquisitions	**0**	158,366

Disposals

1,000 CHF	31.12.2007	31.12.2006
Fair value of the net assets sold		
Due from banks	**802,825**	0
Due from customers	**185,136**	0
Property and equipment	**765**	0
Goodwill and intangible assets	**6,234**	0
Other assets	**123,351**	0
Due to banks	**–107,507**	0
Due to customers	**–877,882**	0
Pension liability, current and deferred tax liabilities and provisions	**–17,771**	0
Other liabilities	**–33,723**	0
Total net assets	**81,428**	**0**
Profit from disposal (excluding currency translation differences)	**148,880**	0
Realised currency translation differences	**8,457**	0
Profit from disposal (including currency translation differences)	**157,337**	0
Total sale price	**230,308**	**0**
Less:		
Disposal of cash	**22,135**	0
Inflow I of funds from disposals	**208,173**	0
Disposal of cash and cash equivalents (banks at sight)	**320,802**	0
Inflow II of funds from disposals	**–112,629**	0

On 2 July 2007, Bank Sarasin sold its subsidiary Bank Sarasin Europe S.A. to Crédit Agricole Luxembourg. The sale price was CHF 230.3 million. The sale resulted in an outflow of EUR 2.4 billion in client assets.

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, cash flow and shareholders' equity, as well as the Notes/pages 63–121) of the Sarasin Group for the year ended 31 December 2007.

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 Swiss auditing standards and with the International Standards on Auditing (ISA), 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 consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss legislation.

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

Basel, 25 February 2008 Ernst & Young Ltd.

Thomas Schneider
Certified accountant

Patrick Schwaller
Certified accountant
(in charge of audit)

Bank Sarasin & Co. Ltd: financial statements

Balance Sheet as at December 31 2007

Assets

1,000 CHF	Notes	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Cash and equivalents		**71,787**	67,612	4,175	6.2
Money market papers		**128,314**	180,713	–52,399	–29.0
Due from banks		**1,323,920**	880,491	443,429	50.4
Due from customers		**2,520,199**	1,272,136	1,248,063	98.1
Mortgages		**272,155**	251,629	20,526	8.2
Securities and precious metals portfolios	3.4	**585,778**	376,207	209,571	55.7
Financial investments	3.5	**397,338**	563,830	–166,492	–29.5
Participations		**252,049**	255,035	–2,986	–1.2
Intangible assets		**27,054**	32,493	–5,439	–16.7
Property and equipment		**111,360**	112,044	–684	–0.6
Accrued income and prepaid expenses		**68,670**	39,384	29,286	74.4
Other assets[1]		**314,443**	141,233	173,210	122.6
Total assets		**6,073,067**	**4,172,807**	**1,900,260**	**45.5**
Total subordinated assets		**4,522**	6,996	–2,474	–35.4
Total due from associated companies and significant shareholders		**233,077**	238,101	–5,024	–2.1
[1] Including positive replacement values of		**308,654**	132,936	175,718	132.2

Liabilities and shareholders' equity

1,000 CHF	Notes	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Due to banks		**1,893,303**	801,531	1,091,772	136.2
Due to customers in savings and investment accounts		**214,617**	266,011	–51,394	–19.3
Other amounts due to customers		**1,923,050**	1,622,065	300,985	18.6
Bonds and mortgage-backed bonds		**132,226**	103,946	28,280	27.2
Accrued expenses and deferred income		**200,114**	113,551	86,563	76.2
Other liabilities[2]		**706,649**	501,935	204,714	40.8
Value adjustments and provisions	3.8	**38,434**	24,145	14,289	59.2
Reserves for general banking risks		**36,000**	36,000	0	0.0
Share capital	3.10	**61,155**	61,155	0	0.0
General legal reserve	3.11	**555,916**	550,718	5,198	0.9
Retained earnings brought forward		**32,098**	28,066	4,032	14.4
Profit for the year		**279,505**	63,684	215,821	338.9
Total shareholders' equity	3.11	**964,674**	739,623	225,051	30.4
Total liabilities and shareholders' equity		**6,073,067**	**4,172,807**	**1,900,260**	**45.5**
Total due to associated companies and significant shareholders		**1,277,658**	594,662	682,996	114.9
[2] Including negative replacement values of		**684,009**	481,752	202,257	42.0

Off-balance sheet transactions

1,000 CHF	Notes	31.12.2007	31.12.2006	Change to 31.12.2006 CHF	Change to 31.12.2006 %
Contingent liabilities		**333,690**	216,498	117,192	54.1
Guarantee for Bank Sarasin-Rabo (Asia) Ltd		**3,688,343**	2,461,507	1,226,836	49.8
Irrevocable commitments		**11,102**	10,205	897	8.8
Liabilities for calls on shares and other equities		**126**	318	–192	–60.4
Derivatives					
Contract volume		**11,497,018**	4,842,981	6,654,037	137.4
Positive replacement value		**308,654**	132,936	175,718	132.2
Negative replacement value		**684,009**	481,752	202,257	42.0
Fiduciary transactions	4	**6,807,750**	4,255,267	2,552,483	60.0

Income Statement for 2007

1,000 CHF	Notes	**31.12.2007**	31.12.2006	Change to 2006 CHF	Change to 2006 %
Interest income		**117,477**	55,067	62,410	113.3
Interest and dividend income from financial investments		**10,337**	9,614	723	7.5
Interest expenses		**–68,689**	–24,270	–44,419	183.0
Net interest income		**59,125**	**40,411**	**18,714**	**46.3**
Commission income on lending activities		**642**	546	96	17.6
Commission income on securities and investment transactions		**315,276**	281,963	33,313	11.8
Commission income on other services		**8,149**	7,043	1,106	15.7
Commission expenses		**–67,695**	–42,621	–25,074	58.8
Net income from commission and service fee activities		**256,372**	**246,931**	**9,441**	**3.8**
Net income from trading operations	5	**93,775**	**87,557**	**6,218**	**7.1**
Net income from sale of financial investments		**14,692**	757	13,935	>1,000
Income from participations		**27,221**	601	26,620	>1,000
Income from real estate		**367**	385	–18	–4.7
Ordinary income from other sources		**–12,749**	–4,297	–8,452	196.7
Other ordinary income		**29,531**	**–2,554**	**32,085**	**>1,000**
Operating income		**438,803**	**372,345**	**66,458**	**17.8**
Personnel expenses		**219,056**	207,008	12,048	5.8
General administrative expenses		**65,047**	57,769	7,278	12.6
Operating expenses		**284,103**	**264,777**	**19,326**	**7.3**
Operating profit		**154,700**	**107,568**	**47,132**	**43.8**
Depreciation and write-offs on property and equipment		**–6,839**	–7,863	1,024	–13.0
Amortisation of other intangible assets		**–4,940**	–3,944	–996	25.3
Amortisation of goodwill		**–3,946**	–3,936	–10	0.3
Value adjustments, provisions and losses		**–16,115**	–9,994	–6,121	61.2
Result before extraordinary items and taxes		**122,860**	**81,831**	**41,029**	**50.1**
Extraordinary income		**218,431**	1,873	216,558	>1,000
Extraordinary expenses		**–68**	–15	–53	353.3
Taxes		**–61,718**	–20,005	–41,713	208.5
Profit for the year		**279,505**	**63,684**	**215,821**	**338.9**

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

1,000 CHF	**2007**	2006
The Board of Directors proposes to the General Meeting of Shareholders on 23 April 2008		
that the profit for the 2007 financial year, consisting of:		
Profit for the year	**279,505**	63,684
Retained earnings brought forward	**32,098**	28,066
Profit as shown on the balance sheet	**311,603**	**91,750**
Be distributed as follows:		
Dividend	**82,560**	55,040
Allocation to general legal reserve	**7,950**	5,198
Allocation to retained earnings brought forward	**221,093**	31,512
Profit as shown on the balance sheet	**311,603**	**91,750**

If this proposal is accepted, the following dividend, value dated 24 April 2008, will be paid for the 2007 financial year:

For class A registered shares with a nominal value of CHF 20.–

Dividend	CHF 27.–	gross per share

For class B registered shares with a nominal value of CHF 100.–

Dividend	CHF 135.–	gross per share

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

No dividend is payable on treasury shares held by Bank Sarasin & Co. Ltd on the reference date.

Notes to Bank Sarasin & Co. Ltd's financial statements

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 Guernsey, London, Paris, 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.
Information about Bank Sarasin & Co. Ltd's headcount is to be found in section 1.1 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, as well as with the guidelines of the Swiss Federal Banking Commission. Our financial statements have been drawn up in accordance with the revised accounting guidelines for banks adopted by the Swiss Federal Banking Commission (BAG-SFBC).
More generally, readers are referred to section 1 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. Consolidated companies in which a participation is held are listed in section 7.4 of the Notes to our Group financial statements.
Participations are valued at cost after deduction of the necessary write-downs.

2.3 Remarks
Information concerning events occurring after the balance sheet date which would have had an impact on the balance sheet or income statement can be found in section 1.1 of the Notes to the consolidated financial statements.
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 5 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 108.1 million (end 2006: CHF 141.2 million). At the end of the year, CHF 25.6 million (2006: CHF 17.0 million) was advanced under that facility.

3.2 Securities lending and borrowing operations and securities repurchase and reverse repurchase transactions
Please refer to section 2.26 of the Notes to the consolidated financial statements. These exist exclusively for the parent bank.

3.3 Liabilities to our own pension plans

million CHF	31.12.2007	31.12.2006
Liabilities to our own pension plans	36.7	16.3

All members of the Bank's staff are covered by defined contribution pension arrangements provided through the pension fund of Bank Sarasin & Co. Ltd, Basel. Normal retirement age is 63 years but staff may opt for early retirement in return for reduced benefits

Bank Sarasin & Co. Ltd also has a welfare foundation, the purpose of which is to protect its staff members and the employees of closely connected firms, as well as their respective relatives and survivors against the economic consequences of old age, death and disability. The foundation can offer support in particularly difficult situations, such as illness, disability, accident or unemployment. Benefit shortfalls in the event of early retirement or hardship cases can also be mitigated.

The financial statements of Bank Sarasin & Co. Ltd's pension fund, which are drawn up in compliance with the Swiss Accounting Standard GAAP FER 26, show an adequate cover ratio. On the balance sheet date, Bank Sarasin & Co. Ltd also disposed of employer's contribution reserves totalling just under CHF 14.7 million (2006: CHF 13.6 million).

The funds concerned are invested with the welfare foundation. Bank Sarasin & Co Ltd does not renounce their possible future use.
In line with the revised BAG-SFBC and with particular respect to the available employer's contribution reserves, Bank Sarasin & Co. Ltd's balance sheet does not reflect any potential positive economic impact on its assets in the future.

Disclosure in compliance with the Swiss Accounting Standard GAAP FER 16 (Table relating to 3.3)

1,000 CHF	Nominal value 31.12.2007	Renunciation of use 31.12.2007	Value adjustments and discount	Balance sheet 31.12.2007	Balance sheet 31.12.2006	Impact of employer's contribution reserves on personnel expenses 2007	Impact of employer's contribution reserves on personnel expenses 2006
Employer's contribution reserves							
Welfare Foundation of Bank Sarasin & Co. Ltd	**14,704**	**0**	0	**0**	0	**0**	0

1,000 CHF	Surplus / deficit 31.12.2007	Due to bank 31.12.2007	Due to bank 31.12.2006	Impact on balance sheet	Deferred pension liabilities on 31.12.2007	Pension expenditure 2007	Pension expenditure 2006
Economic benefit							
Pension Fund of Bank Sarasin & Co. Ltd	**0**	**0**	0	0	**36,697**	**21,338**	17,924

3.4 Securities and precious metals trading portfolios

1,000 CHF	31.12.2007	31.12.2006
Interest-bearing securities	**16,603**	23,008
Of which listed	**16,603**	23,008
Of which unlisted	**0**	0
Equities	**559,256**	344,566
Of which treasury shares	**53,152**	26,458
Of which hedging portfolios for structured products	**382,833**	258,917
Precious metals	**9,919**	8,633
Total securities and precious metals trading portfolios	**585,778**	**376,207**
Of which securities rediscountable or pledgeable with the central bank	**11,901**	16,172

3.5 Financial investments

1,000 CHF	Book value 31.12.2007	Book value 31.12.2006	Fair value 31.12.2007	Fair value 31.12.2006
Interest-bearing securities and rights	**280,770**	415,248	**274,116**	411,473
Of which valued according to the accrual method	**228,812**	361,919	**221,743**	357,793
Of which valued at the lower of cost and market	**51,958**	53,329	**52,373**	53,680
Equities	**116,568**	148,582	**121,202**	154,378
Total financial investments	**397,338**	**563,830**	**395,318**	**565,851**
Of which securities rediscountable or pledgeable with the central bank	**189,088**	310,446		

3.6 Claims on and liabilities to associated companies and loans to members of management bodies

1,000 CHF	31.12.2007	31.12.2006
Claims on associated companies	**5,593**	829
Liabilities to associated companies	**9,975**	2,306
Loans to members of management bodies	**4,388**	4,516

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

3.7 Client assets under management

million CHF	2007	2006	Change to 2006 CHF	Change to 2006 %
Assets invested with in-house funds	**6,582**	5,335	1,247	23.4
Assets invested under a management mandate	**14,499**	12,502	1,997	16.0
Other assets under management	**34,160**	29,891	4,269	14.3
Total assets under management (incl. double-counting)	**55,241**	**47,728**	**7,513**	**15.7**
Of which double-counting	**2,454**	2,957	–503	–17.0
Net new money inflow / (outflow)	**6,067**	**1,237**	**4,830**	**390.5**

3.8 Value adjustments and provisions / reserves for general banking risks

1,000 CHF	Balance 31.12.2006	Designated uses	Change in designated use	Recoveries, endangered interest, currency translation differences	New amounts charged to income statement	Reversals credited to income statement	Balance 31.12.2007
Value adjustments and provisions							
– For default risks (credit and country risks)	5,835	–12		134	1,065		**7,022**
– For other business risks	0						**0**
Provision for restructuring	3,172	–241					**2,931**
Provision for pension liabilities	0						**0**
Other provisions	20,973	–220			14,750		**35,503**
Total value adjustments and provisions	**29,980**	**–473**	**0**	**134**	**15,815**	**0**	**45,456**
Value adjustments deducted directly from assets	–5,835						**–7,022**
Total value adjustments and provisions as per balance sheet	**24,145**						**38,434**
Reserves for general banking risks[1]	**36,000**						**36,000**

3.9 Information about treasury shares

No. of units	2007	2006
Number traded on the SWX Swiss Exchange	**313,628**	210,298

Our trading position of class B Sarasin shares was valued at CHF 53.2 million (2006: 26.5 million) on 31 December 2007. Trading in treasury shares resulted in a profit of CHF 8.0 million in 2007 (2006: 5.1 million), which has been reported under trading income. Our total holding of 9,935 shares includes 3,068 shares held for hedging purposes in connection with structured products issued by us.

[1] Tax has been paid on the reserves for general banking risks.

3.10 Capital structure

CHF		Total nominal value	No. of units	Dividend-bearing capital
Situation as at 31.12.2007				
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
Total share capital as at 31.12.2007		**61,155,300**	**1,051,553**	**61,155,300**
Authorised capital	class A registered shares	1,000,000	50,000	0
Of which capital increase completed		0		
Conditional capital	class B registered shares	3,000,000	30,000	0
Of which capital increase completed		0		

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 23 April 2008, 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

			31.12.2007			31.12.2006
	Nominal CHF	% of total capital	% of total voting rights	Nominal CHF	% of total capital	% of total voting rights
Rabobank Nederland						
IPB Holding B.V. Utrecht						
Class B shares	**17,155,300**	**28.05**	**16.31**	17,155,300	28.05	16.31
Eichbaum Holding AG						
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
Total Rabobank Nederland	**28,170,300**	**46.06**	**68.62**	**28,170,300**	**46.06**	**68.62**

3.11 Statement of changes in shareholders' equity (before distribution of profit)

1,000 CHF	2007	2006	2005	2004	2003
Shareholders' equity at beginning of year					
Paid up share capital	**61,155**	61,155	61,155	61,155	61,155
General legal reserve	**550,718**	545,519	542,156	539,404	606,096
Other reserves					172,500
Reserves for general banking risks	**36,000**	36,000	36,000	36,000	36,000
Profit / loss as shown on the balance sheet	**91,750**	87,800	47,861	35,410	–223,904
Total shareholders' equity at beginning of year under review	**739,623**	**730,474**	**687,172**	**671,969**	**651,847**
+ Capital increase					
+ Agio					
+ Transfer to reserves for general banking risks					
– Previous year's dividend	**–54,454**	–54,535	–36,483	–30,578	–15,288
+ Profit / loss for the year	**279,505**	63,684	79,785	45,781	35,410
Total shareholders' equity at end of year under review	**964,674**	**739,623**	**730,474**	**687,172**	**671,969**
Of which					
Paid up share capital	**61,155**	61,155	61,155	61,155	61,155
General legal reserve	**555,916**	550,718	545,519	542,156	539,404
Other reserves	**0**	0	0	0	0
Reserves for general banking risks	**36,000**	36,000	36,000	36,000	36,000
Profit / loss as shown on the balance sheet	**311,603**	91,750	87,800	47,861	35,410

4 Information on off-balance sheet transactions

1,000 CHF	31.12.2007	31.12.2006
Fiduciary Transactions		
Fiduciary deposits with other banks	**5,316,274**	2,293,448
Fiduciary deposits with affiliated banks	**1,486,589**	1,956,786
Fiduciary lending	**4,887**	5,033
Total	**6,807,750**	**4,255,267**

5 Information on the income statement

1,000 CHF	2007	2006
Net income from trading operations		
Securities trading	**55,907**	54,839
Trading in foreign exchange, precious metals and banknotes	**37,868**	32,718
Total	**93,775**	**87,557**

For further details, please see the Notes to our Group financial statements.

6 Compensation paid to governing bodies

Details of management compensation are disclosed in the section "Sarasin Group financial statements" on page 96.

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 123–132) of Bank Sarasin & Co. Ltd for the year ended 31 December 2007.

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 Swiss auditing standards, 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 and 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, 25 February 2008	Ernst & Young Ltd.	
	Thomas Schneider Certified accountant	Patrick Schwaller Certified accountant (in charge of audit)

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Bank Sarasin's reporting for the 2007 financial year is based on a trilogy of publications: the Annual Report – Our Results, the Portrait – Our Bank, and the Sustainability Report – Our Future. An overview of the most important data is also published in the brochure "Facts & Figures". All publications are produced on recycled paper. Copies of these documents can be ordered or downloaded from the Internet at www.sarasin.com.

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