SARASIN

Our Results

Annual Report 2008

Record net new money growth of CHF 14.5 billion

Intensified growth initiatives bear fruit – another 122 highly qualified advisors join the CRM team

Market performance and exchange rate movements reduce the value of assets under management by 16%, to CHF 69.7 billion

Adjusted net profit decreases to CHF 114.4 million (2007: CHF 173.5 million)

Sustainable Swiss Private Banking since 1841.

Mission Statement of the Sarasin Group

As a financial service provider with locations in Switzerland, Europe, the Middle East, and Asia, the Sarasin group positions itself as a leading investment advisor and asset manager for private and institutional clients. Choosing Sarasin – customer, employee or shareholder – means banking on a financial institution with a long tradition which has a firm commitment to sustainability and fundamental Swiss values, coupled with a broad international footprint. Our top-quality products and services meet the needs and expectations of our clients when it comes to innovation, exclusivity, individuality, and performance.

We expect a high level of team spirit, commitment and performance from our employees. Our success depends on their extensive technical expertise and social skills. These play a key role in providing personalised advice to clients and help to build a solid basis of trust. As an employer, we offer a performance-oriented remuneration system as well as sound company pension schemes, coupled with an attractive and dynamic work environment in which continuous professional development and transfer of know-how are actively encouraged. The financial stability of the Sarasin Group is assured by its solid earnings power, attractive dividend and the backing of its AAA-rated majority shareholder, Rabobank.

Our reporting for the 2008 financial year is based on a trilogy of publications: **Our Bank – Portrait** – Theme: Generations. Available in German, English and French | **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: www.sarasin.com

Contents

Key data

(on a consolidated basis)

The 2008 financial year has once again been dominated by a number of special factors, as in the previous year. In 2008 the outsourcing of Sarasin's business with direct clients in the retail and affluent business and with IFA clients to the newly formed Bank Zweiplus Ltd, Zurich, resulted in one-off proceeds of CHF 50.7 million. Secondly, the financial crisis resulted in defaults in the amounts due from banks totalling CHF 58.2 million after tax. The 2007 financial year was also influenced by 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, which were stripped out when presenting the adjusted income statement.

Group income statement

1,000 CHF	**2008 adjusted**	**2008**	2007 adjusted	2007	Change to 2007 adjusted %
Net interest income	**128,557**	**128,557**	104,597	104,597	22.9
Results from commission and service fee activities	**399,016**	**399,016**	438,622	438,622	–0.9
Results from trading operations	**87,757**	**87,757**	95,905	95,905	–8.5
Other ordinary results	**11,152**	**61,814**	23,261	198,381	–52.1
Operating income	**626,482**	**677,144**	**662,385**	**837,505**	**–5.4**
Personnel expenses	**324,173**	**324,173**	307,278	315,278	5.5
General administrative expenses	**140,576**	**140,576**	109,834	112,334	28.0
Operating expenses	**464,749**	**464,749**	**417,112**	**427,612**	**11.4**
Operating profit	**161,733**	**212,395**	**245,273**	**409,893**	**–34.1**
Depreciation and amortisation	**23,574**	**23,574**	19,289	19,289	22.2
Value adjustments, provisions and losses	**6,950**	**80,683**	3,492	3,492	99.0
Profit before taxes	**131,209**	**108,138**	**222,492**	**387,112**	**–41.0**
Taxes	**16,791**	**1,307**	48,948	82,515	–65.7
Group result including minority interests	**114,418**	**106,831**	**173,544**	**304,597**	**–34.1**
Group result excluding minority interests	**102,303**	**94,716**	162,577	293,630	–37.1

Results by segments (before taxes)

1,000 CHF	2008 adjusted	2008	2007 adjusted	2007
Private Banking	**56,199**	**56,199**	102,521	102,521
Asset Management, Products & Sales	**72,364**	**72,364**	106,515	106,515
Bank Zweiplus	**6,974**	**6,974**	0	0
Corporate Center	**–4,328**	**–27,399**	13,456	178,076
Total results by segments	**131,209**	**108,138**	**222,492**	**387,112**

Group balance sheet

1,000 CHF	31.12.2008	31.12.2007	31.12.2006
Total assets	**12,706,886**	11,666,015	9,931,907
Due from customers	**5,203,474**	3,850,586	2,423,159
Due to customers	**8,483,257**	6,681,706	6,597,879
Shareholders' equity including minority interests	**1,193,203,**	1,260,422	1,046,742
Shareholders' equity excluding	**1,146,840**	1,227,830	1,021,055

Assets under management[1]

million CHF	2008	2007	2006
Total assets under management	**69,679**	83,002	73,267
New money through acquisitions	**0**	191	0
Change through divestment	**0**	–4,017	0
Net new money	**14,476**	11,112	4,165
Performance	**–27,799**	2,449	5,570
Year-on-year increase / decrease (%)	**–16.1**	13.3	15.3

Fig. 1: Group profit

(million CHF)

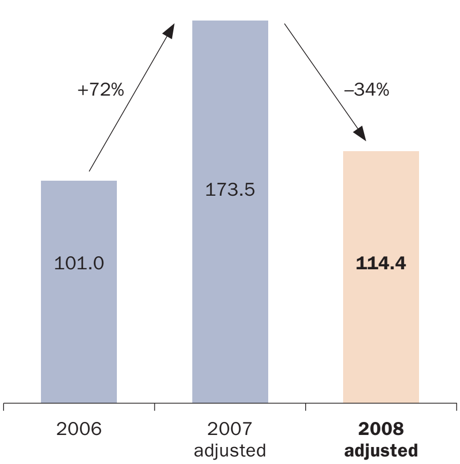
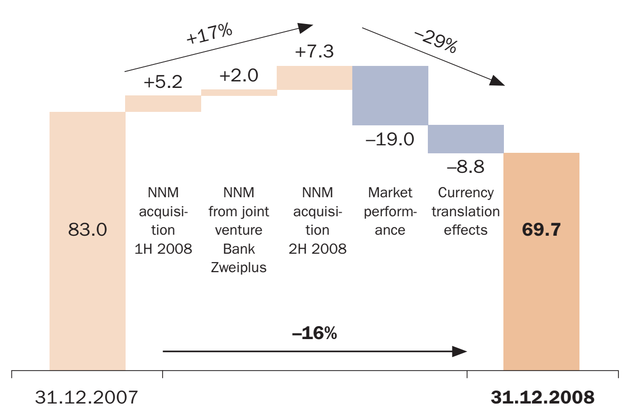


Fig. 2: AuM trends from 31.12.2007 to 31.12.2008

(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

%	2008 adjusted	2008	2007 adjusted	2007	2006
Gross margin on assets under management	**0.82**	**0.89**	0.85	1.07	0.83
Return on assets (ROA)					
– Operating income as a percentage of total assets[1]	**5.1**	**5.6**	6.1	7.8	6.2
– Group result as a percentage of total assets[1]	**0.9**	**0.9**	1.6	2.8	1.1
Cost income ratio I (operating expenses / operating income)	**74.2**	**68.6**	63.0	51.1	71.4
Cost income ratio II (operating expenses incl. depreciation and amortisation / operating income)	**77.9**	**72.1**	65.9	53.4	75.0
Return on equity (ROE)[2]	**9.3**	**8.7**	16.0	26.5	9.9

%	31.12.2008	31.12.2007	31.12.2006
Equity ratio[3]	**9.4**	10.8	10.5
BIS Tier 1 ratio	**14.5**	17.0	18.8

Selected key data per employee[4]

CHF	2008 adjusted	2008	2007 adjusted	2007	2006
Operating income	**465,409**	**503,045**	579,320	732,480	501,642
Operating expenses[5]	**362,772**	**362,772**	381,675	390,859	375,984
Operating profit	**120,150**	**157,787**	214,515	358,491	143,306
Group result including minority interests	**85,000**	**79,364**	151,781	266,400	89,573

Selected key data per class B registered share with a nominal value of CHF 1[6]

CHF	2008 adjusted	2008	2007 adjusted	2007	2006
Operating profit	**2.6**	**3.5**	4.0	6.7	2.6
Group result	**1.7**	**1.5**	2.7	4.8	1.6
Shareholders' equity	**18.9**	**18.8**	17.9	20.1	16.7
Dividend[7]	**0.65**	**0.65**	1.35	1.35	0.90
Pay-out ratio (%)	**38.9**	**42.0**	50.8	28.1	57.4
Stock market price / group profit	**18.8**	**20.3**	20.1	11.1	24.5

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 Headcount: Average headcount over the year (adjusted for part-time working).
5 Operating expenses incl. depreciation on fixed assets.
6 The key data per registered share is calculated excluding minority interests.
7 Instead of a cash dividend for 2008, the Board of Directors will submit a proposal to the Annual General Meeting for a Cash-or-Title Option (COTO).

Stock market price

CHF	**31.12.2008**	31.12.2007	31.12.2006
End of period date	**31.50**	53.50	38.44
High	**54.05**	55.00	39.50
Low	**24.80**	37.50	27.00
Market capitalisation (million CHF)	**1,926**	3,272	2,351
Registered shareholders	**2,117**	**1,879**	**2,113**

Headcount (adjusted for part-time working)

	31.12.2008	31.12.2007	31.12.2006[1]
Group	**1,537.0**	1,170.4	1,123.7
Of which Switzerland	**1,045.0**	803.6	750.0
Of which abroad	**492.0**	366.8	373.7

Client relationship managers (headcount – adjusted for part-time working)

Incl. assistance	**31.12.2008**	31.12.2007	31.12.2006[2]
Group	**416.0**	294.1	269.0
Of which Switzerland	**250.1**	181.2	154.0
Of which abroad	**165.9**	112.9	115.0

Fig. 3: Development of share price

(index 01.01.2007 = 100)

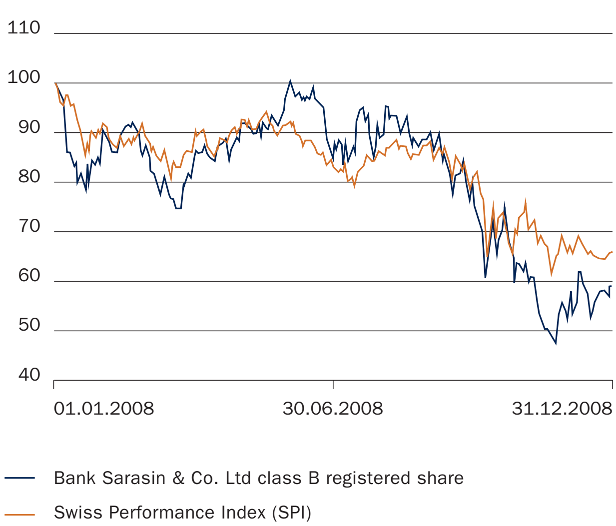


Fig. 4: Bank Sarasin's locations and target markets

[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

2008 will go down in banking history as a truly disastrous year: a hurricane tore through our industry and destroyed time-honoured values and long-established institutions. It has therefore been quite an achievement to have withstood this turbulent year and its many different challenges relatively well, thanks to our consistently strong operating performance and dynamic pace of growth.

However, as a member of the global banking community Sarasin has inevitably been affected by the financial crisis as well. Given the huge shockwaves of this crisis, we were unable to fully eliminate the counterparty risk present in the interbank market, which we seek to control through active limits management and a broad diversification of counterparties. Events came to a head in the fourth quarter of 2008. The investment bank Lehman Brothers was forced to file for bankruptcy, Merrill Lynch ran into serious difficulties and was taken over by Bank of America, the insurer AIG had to be bailed out by the US Federal Bank, UBS had to resort to a capital injection from the Swiss government, and the collapse of Iceland's three major banks resulted in the nationalisation of the country's entire banking system. We have made allowances for this development in financial markets by making value adjustments in the amount due from banks to the amount of CHF 58 million after taxes.

Our success is reflected in the record amount of net new money growth. We are delighted with the high level of trust that clients place in us.

These indirect, one-off effects of the financial crisis on our bank should not detract from the solid performance we managed to deliver amidst adverse market conditions, with the help of our very dedicated staff. One particularly encouraging measure of our success is the record level of net new money of CHF 14.5 billion (2007: CHF 11.1 billion). We are delighted with the high level of trust that clients place in us. This is not only the result of the excellent reputation Sarasin has built for itself in the international marketplace, but also of the bank's far-sighted strategy geared towards our low-risk business model. We are continuing to build on this strong performance by expanding our sales force: 122 new, highly experienced client relationship managers (CRMs) have joined our team in 2008, bringing the total to 416. Our tremendous success in acquiring new money and our forward-looking investment in the bank's continuing growth provide a solid foundation for Sarasin's future prosperity.

Over the course of the past year we initiated a number of important developments and measures in connection with our intensified focus on our core business as a private bank. Following the sale of our Luxembourg subsidiary in the second half of 2007, the main event in 2008 was the launch of Bank Zweiplus. After only 32 weeks of preparation, the bank successfully opened for business on 1 July 2008. Bank Zweiplus AG positions itself as a leading Swiss-based product and settlement platform for independent financial advisers and life insurance companies, as well as direct clients in the retail and affluent segment in Europe. Just a few weeks after its launch, Bank Zweiplus entered its first partnership with Swiss Life as a cost-efficient settlement platform. Since 1 October 2008 the assets of around 30,000 Swiss Life clients are now managed by Bank Zweiplus. This first successful milestone confirms that Bank Zweiplus is on the right track with its business model. As an independent product and settlement platform, this model also paves the way for other potential partnerships because of its cost advantages. This is particularly attractive in view of the turmoil created by the current financial crisis. On 31 December 2008 Bank Zweiplus looked after some 300,000 clients with assets of CHF 5.8 billion. Bank Zweiplus offers Bank Sarasin, as majority shareholder, greater cost efficiency and extra stability, as well as attractive growth prospects. In 2008 the outsourcing of Sarasin's business with direct clients in the retail and affluent segment and with independent financial advisors (IFA) to the newly formed Bank Zweiplus resulted in one-off proceeds of CHF 50.7

million, which represents the value-added created by this merger.

Given the turbulent state of stock exchanges and foreign currency markets, assets under management at the end of 2008 shrank to CHF 69.7 billion (31.12.2007: CHF 83.0 billion), despite the bank's strong new money growth. The financial crisis prevented us from increasing our operating revenues as originally planned, but they only saw a relatively modest decline of 5% on the previous year. The adjusted operating income for FY 2008 came to CHF 626.5 million (2007: CHF 662.4 million). On the costs side, the consistent implementation of our growth strategy incurred higher personnel expenses and general administrative expenses. These were attributable to the expansion of our workforce, but were partly offset by lower bonus payments. The adjusted figure for operating expenses in 2008 was CHF 464.7 million (+11%). The adjusted net profit therefore comes to CHF 114.4 million. After adjustments to allow for all one-off effects, the group result for 2008 amounts to CHF 106.8 million (2007: CHF 304.6 million).

We will continue to consistently pursue our growth strategy in the current year and focus on specific opportunities. We are considering setting up new branches in Warsaw and Vienna, among other things.

CEO Joachim H. Straehle and Chairman Christoph Ammann

Instead of paying a dividend from the profit shown on the balance sheet, the Board of Directors will submit a proposal to the Annual General Meeting of Shareholders on 22 April 2009 to issue exchange-traded cash or title options ("COTO"), combined with a reduction in nominal value. Shareholders can choose to either subscribe to the new registered shares, sell their COTO option on the stock exchange or accept a fixed cash settlement of CHF 0.65 per class B registered share. In their current form, COTOs are not subject to Swiss withholding tax and as a rule are exempt from income tax for individuals domiciled is Switzerland.

After 21 years of service for Bank Sarasin – more than 11 years of them as Chief Executive Officer – Peter E. Merian will step down from the Board of Directors when his mandate ends at the AGM on 22 April 2009. But Peter E. Merian will retain his close ties with the bank in future. On behalf of the shareholders and the entire Board of Directors, Bank Sarasin would like to thank him for his tireless efforts on behalf of the company. The Board of Directors is proposing Pim Mol, Head of Private Banking at Rabobank Nederland, for election to the Board of Directors at the forthcoming AGM. In future Rabobank will take up three of the seven seats available on Bank Sarasin's board.

Given that 2008 was such a difficult year, what does the future hold for Bank Sarasin? Our strategy is oriented towards sustainability and investments in the future. We will continue to consistently pursue our growth strategy in the current year and focus on specific opportunities. Among other things, we are considering specific new locations such as Warsaw in Poland and Vienna in Austria, which apart from gaining entry into two promising new markets will also lay a solid foundation for a more energetic marketing drive in the emerging markets of Central- and Eastern Europe.

Given the precarious state of financial markets at present, however, the future growth of our revenue stream is extremely hard to predict. The crucial factor is whether – and exactly how – this crisis progresses, and how quickly investors' confidence can be restored. One thing we can plan and control is costs. We continue to apply very consistent cost management. At the same time performance is still a priority, and we are continuously reviewing our existing business portfolio. Business cases which are not developing successfully or as well as planned are closely monitored and wound up if necessary. However, if the market continues to deteriorate, necessitating additional cost savings, such as measures to reduce personnel expenses, the bank may have to resort to temporary salary reductions or short-time working as a fairer and more sustainable management solution. Such an approach offers more flexibility than job cuts, and has a more immediate impact on the cost side. We are therefore supporting a more socially responsible model that offers our staff greater job security. The members of the Executive Committee have already set an example by voluntarily waiving their bonus payments for the 2008 financial year.

One thing we can plan and control is costs. We continue to apply very consistent cost management. At the same time performance is still a priority, and we are continuously reviewing our existing business portfolio.

We expect 2009 to be another difficult year. We should be able to continue along our growth path, assuming net new money growth of 10%. Given the volatile state of the markets, however, our income targets are on the conservative side: based on our current business volume, and assuming financial markets manage to stabilise, we expect our operating result for 2009 to be on a par with FY 2008. At the same time we are certain that financial markets will recover in the medium to long term and that confidence will be restored in the financial system. Our growth strategy offers a solid foundation for Bank Sarasin's sustainable business model to deliver continuous success in the long run. With this in mind, we continued to invest in the expansion of our CRM teams in 2008 despite the looming financial crisis, because we want to make sure we are well positioned to take advantage of the turnaround when it comes.

We would like to take this opportunity to extend our thanks to all our clients and shareholders. The confidence you place in the bank in these difficult times is extremely important to us. Our top priority is to live up to this trust. In this respect it is crucial that we are able to count on the full support of our majority shareholder, Rabobank. Equally our deepest thanks go to our dedicated employees working in every location. The superb performance they have managed to achieve in such a challenging environment is proof of their professionalism and unwavering commitment to quality and performance.

Yours sincerely

Christoph Ammann	Joachim H. Straehle
Chairman of the Board of Directors	Chief Executive Officer

Market climate and strategy

2008 – "Annus horribilis" for the international financial system and stock markets

In 2008 the flood of bad news coming out of the financial sector dominated the headlines: the collapse of the US investment bank Bear Stearns, the nationalisation of the US mortgage companies Fannie Mae and Freddie Mac, the failure of Lehman Brothers, the nationalisation of three Icelandic banks, the takeover of Merrill Lynch by Bank of America, the US Federal Reserve's bailout of the insolvent insurance group AIG, the recapitalisation of UBS by the Swiss government and last but not least the Madoff scandal, unnerved investors and severely eroded confidence in the financial system. An unprecedented wave of price volatility and corrections swept through all asset classes. The MSCI World benchmark shed 44% of its value in the space of 12 months.

The pivotal event was the collapse of the investment bank Lehman Brothers in the third quarter of 2008. This failure marked the point at which the credit crisis, which first took shape as a subprime crisis in the summer of 2007 confined mainly to the US housing market, escalated into a liquidity crunch and ultimately a crisis threatening the entire global financial system. The subsequent turmoil in money and credit markets inflicted huge damage on the financial sector. Consumption, which had remained relatively robust up to then – despite the effect of falling house prices and rising oil prices – eventually imploded as well. State intervention in the area of monetary and fiscal policy, in the form of interest rate cuts and liquidity injections, failed to prevent sentiment indicators in most of the world's economies plunging to their lowest level for thirty years in Q4 2008. Commodities also came under pressure in the fourth quarter as demand slumped. Fears of potential deflation drove long-term interest rates down to extreme lows: while central banks in the USA (0.25%), Japan (0.1%) and Switzerland (0.5%) all cut their rates to virtually zero by the end of 2008, rates in Europe remained slightly higher, at 2.5%.

In 2009 the global economy is facing the deepest recession since the end of World War II. The US economy has been grappling with recession since December 2007, although initially a relatively mild one. Europe and Japan also saw their GDP shrink over two consecutive quarters up to Q3 2008. This degree of contraction is officially classed as a recession. Developing countries have also come under enormous pressure. Leading indicators for the Chinese economy are signalling a downturn. Exports have already shrunk and China has been forced to downgrade its growth forecasts. Globalisation has resulted in a synchronised downturn in all the world's major economies. Global economic growth fell from 5.0% in 2007 to 3.7%. In November 2008 the International Monetary Fund forecast global growth to reach 2.2%.

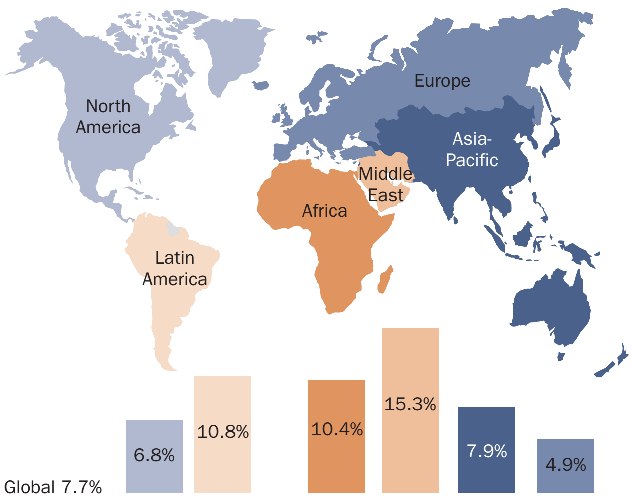
Steady growth in global wealth suffers a temporary setback

Although the subprime crisis and the ensuing turmoil on financial markets were already starting to make their effects felt, the number of wealthy private individuals actually rose in 2007. This was confirmed by the "World Wealth Report 2008" published in June 2008 by Merrill Lynch and Capgemini. According to the report the number of High Net Worth Individuals (HNWIs), i.e. individuals with net financial assets in excess of USD 1 million (excluding owner-occupied property), rose by 6% in 2007 to more than 10.1 people worldwide, holding combined assets totalling around USD 40.7 trillion as at 31 December 2007. This rise was supported by strong global growth rates in the first half of 2007 and the resilience of emerging economies, although this was not enough to offset the subsequent downturn that hit the developed economies in the second half of 2007.

The strongest HNWI growth rates in 2007 were recorded in the Middle East (16%), Eastern Europe (14%) and Latin America (12%). As far as individual countries go, India has the highest percentage growth rate at 23%, followed by China (20%) and Brazil (19%).

Taking into consideration the slowdown in growth that already began back in 2007, and despite the increased uncertainty, the World Wealth Report predicts that the total financial assets of HNWIs will grow to USD 59.1 trillion

Fig. 5: Outlook for HNWI global asset growth by region



(Forecast average annual growth for the period 2005–2012. Source: Capgemini/Merrill Lynch: World Wealth Report 2008)

by 2010, which equates to average annual growth of 8%. However, the intensity of this slowdown has been accentuated by the highly unusual situation that developed in 2008: the global stock market crash and the resulting collapse in book values have triggered sharp falls in the assets held by HNWIs. The severity of the financial crisis does not generally bode well for the short-term prospects of the private banking market. Given the long-term outlook, however, Bank Sarasin expects growth prospects to remain intact and does not therefore currently see any reason to make any fundamental change to its growth strategy.

Crisis triggers reallocation of assets

HNWIs responded to the stock market turmoil by changing their investment strategy from the middle of 2007 onwards and began to revise their asset allocation: in particular, they reduced their exposure to real estate investments. As the crisis intensified, they shifted their money into safer, less volatile asset classes. Liquid asset classes, including cash, deposits and fixed-income securities, accounted for 44% of HNWI assets at the end of 2007, an increase of nine percentage points on 2006. The quota of fixed-income investments alone rose by six percentage points from 21% in 2006 to 27% in 2007. The proportion of equities actually rose slightly from 31% to 33%, despite the higher volatility and the increased risk. This trend intensified in 2008. Investors are keeping their assets liquid as they wait to see how the situation develops.

Major challenges in the legal domain

Constant and rapid change in the regulations governing the financial services industry places significant demands on the efficiency of the bank's internal processes, the qualifications of its employees and the development and roll-out of new products. In particular, the provision of cross-border services is becoming increasingly complex due to the rising legal and regulatory requirements. It is also essential to make provision for international regulations, such as the EU Directive "Markets in Financial Instruments" (MiFiD).

Special care must be taken to provide comprehensive advice to clients and to make them fully aware of the risks associated with a particular investment. But even the most comprehensive risk disclosure system does not protect investors from losses. Fluctuations in value are an inherent part of a financial investment, as many people came to painfully realise in the aftermath of the financial crisis that hit in 2008.

The supervisory authorities of all the international financial centres require banks to have a fully functioning internal control system. Internal controls not only involve checks downstream, but also control process that are integrated into work procedures, along with effective risk management and compliance, to ensure that applicable norms are adhered to. There is a general trend for regulators to attempt to meddle with banks' organisational autonomy and the design of their business processes. One such example is the supervisory rules on the market conduct of securities dealers imposed by the Swiss Financial Market Supervisory Authority. The current financial market crisis is likely to accelerate the trend towards even tighter regulation.

The three cornerstones of our highly focused growth strategy

The decision by Rabobank in January 2007 to exercise its option to purchase a majority shareholding in Sarasin helped to stabilise the Bank's ownership structure and created the leeway for a change in the bank's strategic direction. Bank Sarasin's growth strategy makes use of synergies created by the collaboration with its majority shareholder. Rabobank is active in 45 countries across the globe and has the highest possible credit standing, with an AAA-rating from the world's leading credit rating agencies Moody's and Standard & Poor's.

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

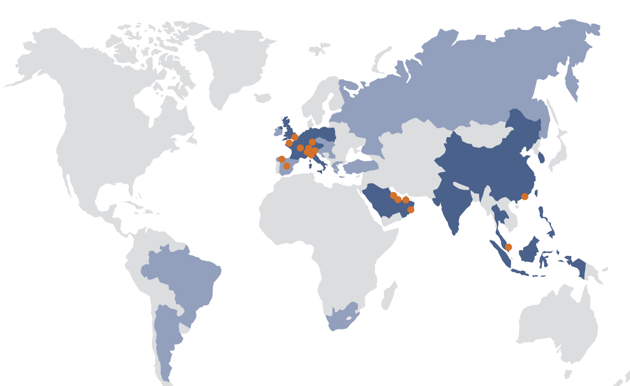
1. **Positioning as a private bank**
   At Sarasin, the client is always the centre of everything. As a private bank it offers each customer an investment strategy tailored specifically to their individual circumstances and requirements.
2. **Profiling as a provider focused on the client**
   As a private 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 focal points in target markets**
   Sarasin targets clients and international locations in selected growth markets. The Bank currently has 19 locations worldwide. It is able to provide market coverage that satisfies the needs of its clients by concentrating its booking capacities at a handful of selected locations.

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%.

Details on the bank's strategic direction and its financial goals for the financial year 2009 can be found in the Foreword and also in the "Outlook" section in the Review of Business Performance on p. 21.

Fig. 6: Bank Sarasin's locations and target markets



Locations

Basel, Berne, Doha, Dubai, Dublin, Frankfurt a. M., Geneva, Guernsey, Hong Kong, La Coruña, London, Lugano, Madrid, Manama, Munich, Muscat, Paris, Singapore, Zurich

Core markets
Potential markets
Passive markets

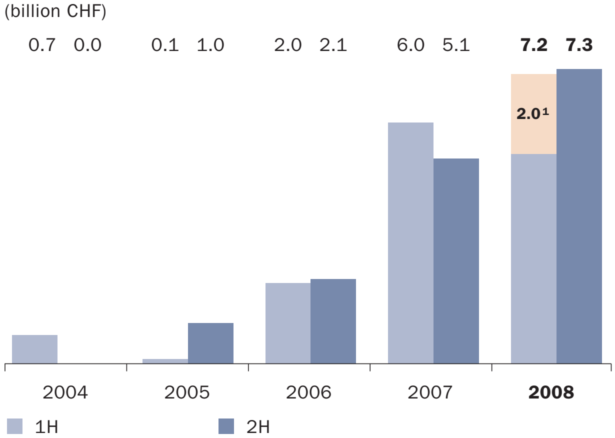
Review of business performance

New record for net new money inflow

The exceptionally strong acquisition performance of CHF 14.5 billion in 2008 was a new record for Bank Sarasin, and was 30% higher than the previous year. Considering that in the first half of 2008, CHF 2.0 billion of the total net new money inflow came from the client assets transferred by AIG Private Bank into Bank Zweiplus, the acquisition performance achieved in the second half of 2008 (1H 2008: CHF 7.2 billion; 2H 2008: CHF 7.3 billion) looks even more impressive. This strong net new money (NNM) growth means that Bank Sarasin is well ahead of the target for assets under management (AuM) it originally set itself for 2010. It also proves that the investments Sarasin has made in its growth strategy are bearing fruit. This was partly thanks to the expansion of our experienced CRM team, with another 122 employees added in 2008. At the same time the strong NNM figures testify to the excellent reputation and trust that Bank Sarasin enjoys in the marketplace and with clients. With this strong acquisition performance, Sarasin is laying a solid foundation for the group's future revenue stream and profitability over the long term. The net new money growth in the private clients business – especially at our locations in Switzerland and Europe – as well as in the institutional clients business confirms the success of our strategic focus on these client segments. During the reporting period the success of the bank's product strategy was reflected in a net inflow of CHF 1.6 billion across all of the investment funds set up the Sarasin Group.

Fig. 7: Net new money growth over half-year periods

(billion CHF)

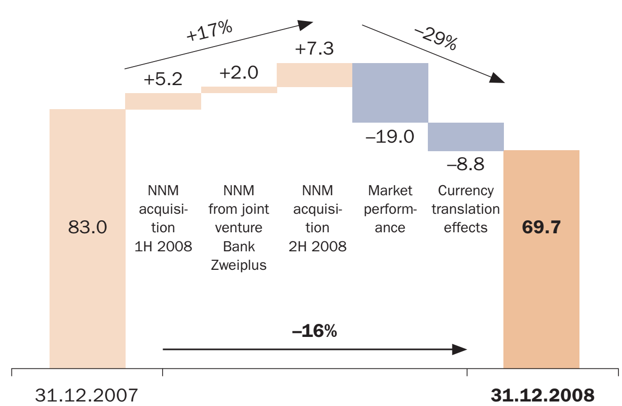


[1] CHF 2.0 billion net new money came from the client assets transferred by AIG Private Bank into Bank Zweiplus.

Despite the high level of new money growth, the bank's assets under management shrank during the reporting period. Total AuM stood at CHF 69.7 billion on 31 December 2008, a decline of 16% on the previous year. This fall was mainly down to the negative market performance of CHF 19.0 billion (2007: CHF +3.8 billion). The strong Swiss franc also had a negative impact on the result. Currency translation effects further reduced the value of AuM by CHF 8.8 billion.

Fig. 8: AuM trends from 31.12.2007 to 31.12.2008

(billion CHF)



Locations and client domicile: Switzerland leads the way

Client relationship managers (CRMs) in our Swiss locations manage by far the biggest percentage of assets in the private clients business, to the tune of CHF 38.9 billion. The very poor market performance meant that the value of these assets shrank 10% to CHF 4.1 billion, despite the strong NNM growth. The AuM contribution from Europe, on the other hand, was 39% lower than the previous year – mainly because of exchange rate movements – with private clients' assets finishing at CHF 5.6

billion. The group's assets under management in Asia and the Middle East also shrank 10% to CHF 7.5 billion. At these locations too, the decline is down to weaker market performance and currency translation effects.

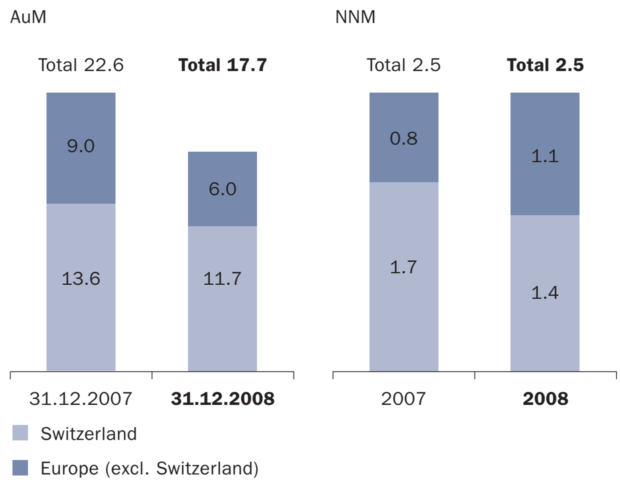
A breakdown of private client NNM growth by location shows Switzerland significantly up on the previous year. Client advisors at our Swiss locations acquired new money of CHF 9.0 billion, around twice as much as in 2007. The other European locations also managed to improve on last year's NNM growth, with inflows of CHF 1.5 billion. Our relationship managers in Asia and the Middle East achieved net new money growth in the private clients business of CHF 1.5 billion.

Sarasin operates its Institutional Clients business from its locations in Switzerland and in Europe (Frankfurt, London, Munich and Paris). The volume of assets managed for institutional clients shrank 8% to CHF 17.7 billion (2007: CHF 22.6 billion). Institutional clients therefore account for around a quarter of Sarasin Group's business. Net new money growth came to CHF 2.5 billion in 2008, exactly the same as last year. At our Swiss locations NNM growth dipped slightly, while our European locations improved on last year's acquisition performance.

In terms of client domicile, Switzerland is by far the most important market for the Sarasin Group, contributing CHF

Fig. 10: Institutional clients business at the Sarasin Group's different locations

(billion CHF)



28.7 billion (–2%). The CRM team serving the Swiss market was significantly expanded during the last financial year. This additional strength is reflected in net new money growth: the acquisition performance for Swiss clients came to CHF 6.8 billion, comfortably exceeding last year's figure of CHF 2.1 billion. Client assets from the European markets declined to CHF 23.5 billion, whilst net new money inflows from European clients rose slightly by CHF 0.4 billion to CHF 3.6 billion. For clients whose domicile is classed as "Rest of the World", assets

Fig. 9: Private clients business at the Sarasin Group's different locations

(billion CHF)

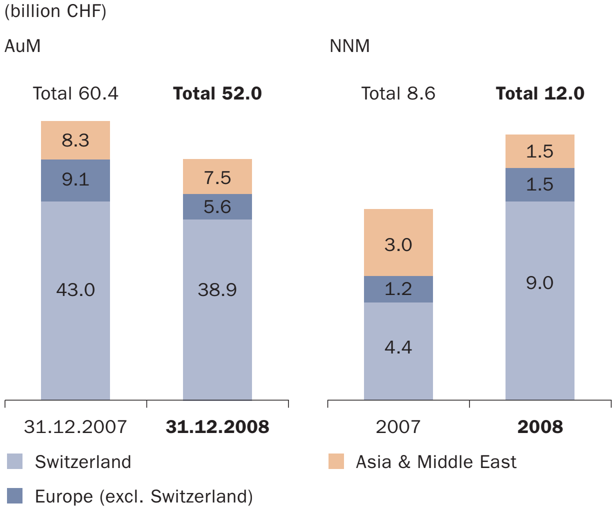
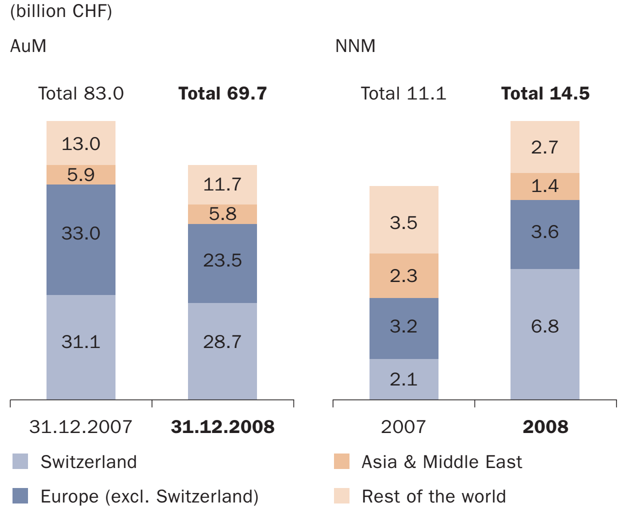


Fig. 11: Assets under management and net new money growth by client domicile

(billion CHF)



under management stood at CHF 11.7 billion and net new money growth at CHF 2.7 billion. Assets managed for clients in Asia and the Middle East were more or less stable at CHF 5.8 billion, while net new money inflows were 38% down on the previous year, at CHF 1.4 billion.

An analysis of client segments by asset size shows the biggest decline, 21%, occurring in clients with assets of over CHF 10 million. The segments with assets of CHF 1 to 5 million and CHF 5 to 10 million both shrank by CHF 1 billion. The size of the client segment with assets up to CHF 1 million was stable.

Fig. 12: Development of client segments by asset size

(billion CHF)

	31.12.2008	31.12.2007
< CHF 1 million	**8.7**	8.7
CHF 1 million to CHF 5 million	**11.4**	12.5
CHF 5 million to CHF 10 million	**6.3**	7.3
> CHF 10 million	**43.3**	54.5
Total	**69.7**	**83.0**

Portfolios: shift towards bonds and liquid assets

The shift in client portfolios away from equities (–12%) and investment funds (–23%) towards bonds (+24%), cash & cash equivalents and fiduciary investments (+25%), and other investments (+27%) is a reflection of the market environment. Clients are favouring safer and less volatile asset classes or – given their high quota of liquid assets – are reluctant to make new investments because of the precarious situation at present. The level of client funds with an asset management mandate (including in-house funds) as a percentage of total AuM was 43.3% on 31 December 2008, virtually unchanged from last year.

Fig. 13: Assets under management: breakdown by investment category

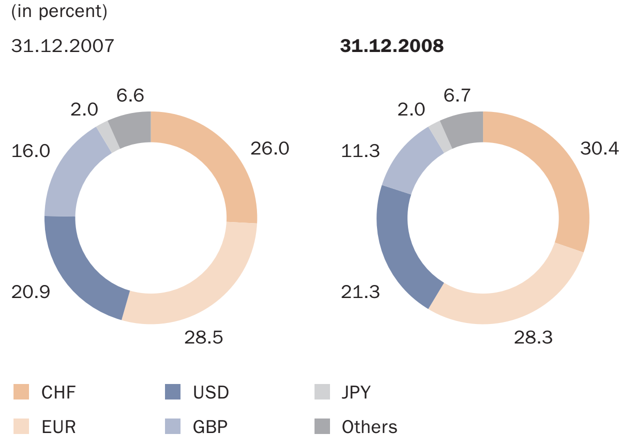
(in percent)

	31.12.2008	31.12.2007
Equities	**29.2**	33.3
Bonds	**20.2**	16.3
Investment funds (Sarasin & 3rd party)	**20.1**	26.1
Others	**6.7**	5.3
Cash & cash equivalents, fiduciary investments	**23.8**	19.0

In the currency mix, there was a shift towards the Swiss franc (+17%). There was also a slight increase in the weightings of the US dollar (+2%), other currencies (+1%) and the Japanese yen (+1%). Over the course of the reporting period there a strong move away from sterling (–29%), reflecting this currency's drastic decline. The percentage of client assets held in euros only fell marginally (–1%).

Fig. 14: Assets under management: breakdown by currency

(in percent)



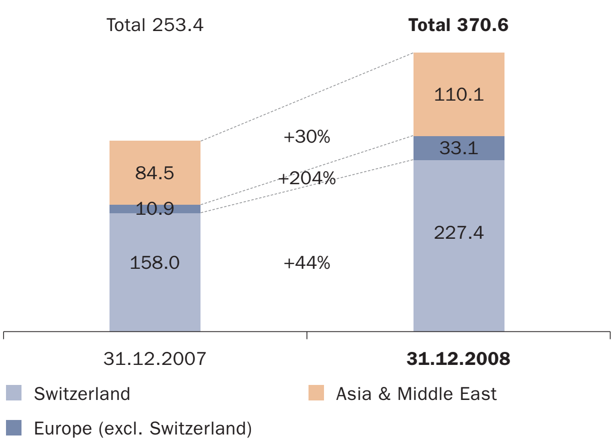
Forward-looking investment in CRM teams

Over the past financial year Bank Sarasin has continued to expand its sales force by systematically recruiting additional highly qualified client relationship managers (CRMs). As of 31 December 2008 the number of CRMs (including assistants) rose by 42% to 416 (2007: 294). This record acquisition performance for FY 2008 is based on the recruitment of more relationship managers on the one hand, and on the other hand the efficiency, experience and quality of these relationship managers. Because some two thirds of the new CRMs only joined the bank in the second half of 2008, the acquisition performance of the new sales force will continue to have an effect in FY 2009. With the substantial expansion of its CRM team, the Sarasin Group is investing above all in its future growth. Our sales force has been expanded across all our locations. The biggest rise in absolute terms has been in our Swiss locations, with 69 new CRMs. In Asia and the Middle East 26 new CRMs joined the bank. In our locations in Europe a further 27 CRMs were added, more than doubling the headcount recorded at the end of 2007.

In the Private Clients business, the number of CRMs rose by 46% from 253 at the end of 2007 to 371, with teams reinforced at all locations. The biggest expansion in absolute terms was recorded in the bank's Swiss locations. When averaged out across the entire Sarasin Group, the amount of assets managed by each CRM in the private clients business during 2008 was CHF 166.5 million, a drop of 32% on last year's figure of CHF 246.6 million. This is not only down to market performance and exchange rate movements, but also the sharp rise in headcount compared with last year. The average acquisition performance for each CRM in the private clients business came to CHF 38.5 million, an increase of 10% on the previous year (CHF 35.0 million).

Fig. 15: Private clients business: Number of CRMs[1] at Sarasin Group locations

(adjusted for part-time working)

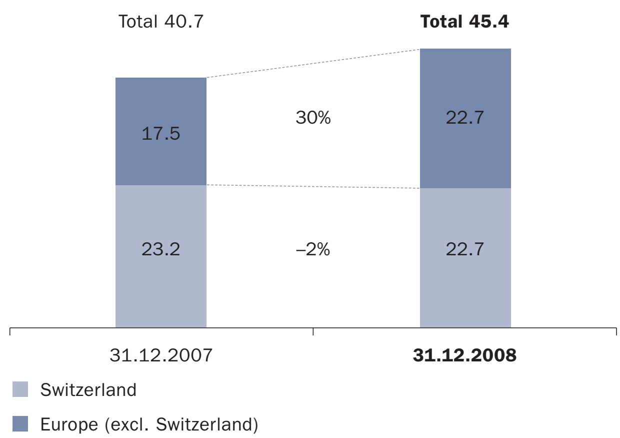


Five new CRMs were added to the teams looking after large institutional investors, who are served exclusively from the bank's locations in Switzerland, Germany, the UK and France. Here the expansion was limited to our locations outside Switzerland. The average assets under management per CRM amounted to CHF 411.6 million, a decline of 33% on last year's figure of CHF 616.2 million. This decline is due to market performance and exchange rate movements, as well as the recruitment of more CRMs. The average acquisition performance for each CRM in the institutional business therefore comes to CHF 57.4 million, which was lower than the previous year's level of CHF 68.9 million.

[1] Incl. assistants

Fig. 16: Institutional clients business: Number of CRMs[1] at Sarasin Group locations

(adjusted for part-time working)



Stable earnings power despite challenging market environment

The challenging market conditions created by the financial crisis inevitably put our earnings under pressure. One of the biggest hurdles preventing Bank Sarasin from increasing its revenue stream as planned was the reluctance of clients to invest their money. Given this backdrop, it is even more encouraging to note that Sarasin's operating income of CHF 626.5 million was only slightly down on last year (2007: CHF 662.4 million).

As far as the bank's three main sources of income are concerned, the performance in net interest income was particularly strong, rising 23% to CHF 128.6 million. This improvement can be explained by the significant increase on average in the level of customer lending, both in the form of mortgages (up CHF 425 million) and collateral loans (up CHF 922 million). The financing of these loans was partly at the expense of amounts due from banks.

Sarasin's two other main revenue sources each declined by 9% on the back of weak market performance: income from commission and service fee activities to CHF 399.0

million (2007: CHF 438.6 million). This fall is mainly attributable to lower transaction volumes due to the adverse market conditions. This reduction passed on the negative impact to the transaction-based fees. Income from trading operations also fell by 9% to CHF 87.8 million (2007: CHF 95.9 million). The outsourcing of Sarasin's business with direct clients in the retail and affluent segment and with independent financial advisers to the newly formed Bank Zweiplus resulted in one-off proceeds of CHF 50.7 million, which represents the value-added created by this merger. After adjustments for this one-off gain, other income fell by roughly half, down from CHF 23.3 million in 2007 to CHF 11.2 million in 2008. This drop was the result of lower proceeds from the sale of financial investments and reduced income from holdings in associates.

Fig. 18: Headcount

(adjusted for part-time working)

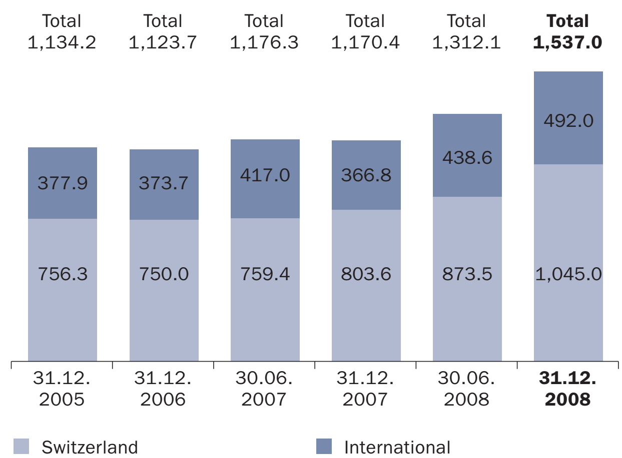
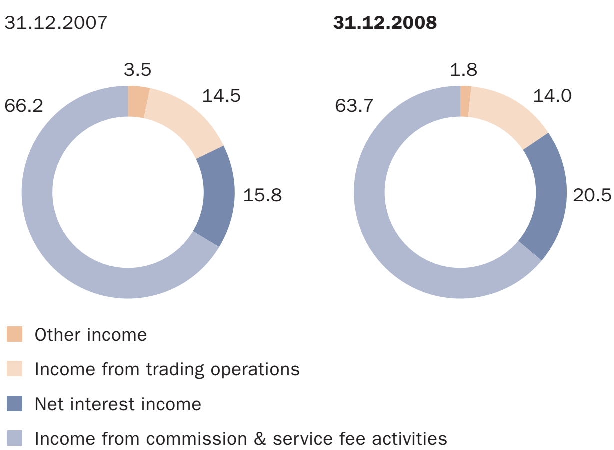


Fig. 17: Percentage breakdown of operating income

(in percent)



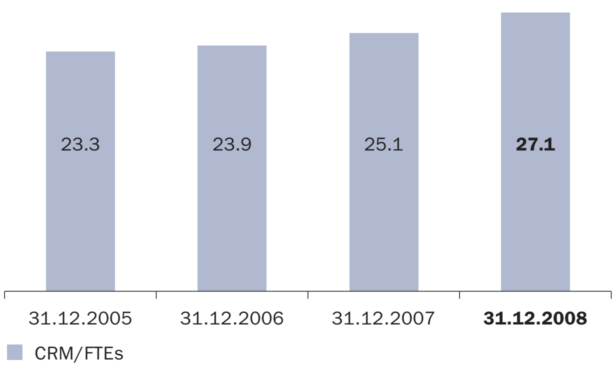
Costs impacted by growth initiatives

Operating expenses in 2008 stood at CHF 464.7 million, 9% or CHF 37.1 million higher than in 2007 (CHF 427.6 million). Both personnel costs and general administrative expenses contributed to this rise, although to varying degrees. In 2008 the headcount rose 31% from 1,170 to 1,537 employees. Despite the significant growth of our workforce, mainly as a result of strengthening our CRM teams as part of our investment in the bank's future growth, personnel expenses rose by 3% or CHF 8.9 million to CHF 324.2 million (2007: CHF 315.3 million). On the one hand this was because performance-based remuneration (bonus accruals) was lower than last year because of the weaker market and business performance. On the other hand the appointment of the new CRMs was staggered, so that the full additional salary costs were not yet incurred in 2008. Last but not least, the figures for 1H 2007 still include the personnel costs for Sarasin's Luxembourg subsidiary. After adjustment for these effects, personnel costs came to CHF 307.3 million in 2007. The average adjusted personnel costs per employee fell 11% to CHF 239,500.

Compared to the modest increase in personnel costs, general administrative expenses rose significantly in 2008. The average adjusted general administrative expenses per employee rose by 8% to CHF 103,800. This was due to the bank's intensified marketing initiatives and the opening of new locations in Doha, Frankfurt am Main, La Coruña, Madrid, Manama and Muscat. The biggest items were spending on marketing, infrastructure and licence fees. General administrative expenses were also inflated by the expansion of the bank's existing locations in Hong Kong, Singapore and Zurich in order to accommodate newly recruited employees. These additional costs have not yet been offset by immediate additional revenues. At the same time Sarasin successfully completed major forward-looking projects in connection with the bank's repositioning and brand management, as well as in the IT domain. As service provider for Bank Zweiplus, Sarasin delivered advanced services in the

Fig. 19: CRM team as a proportion of total workforce

(in percent)

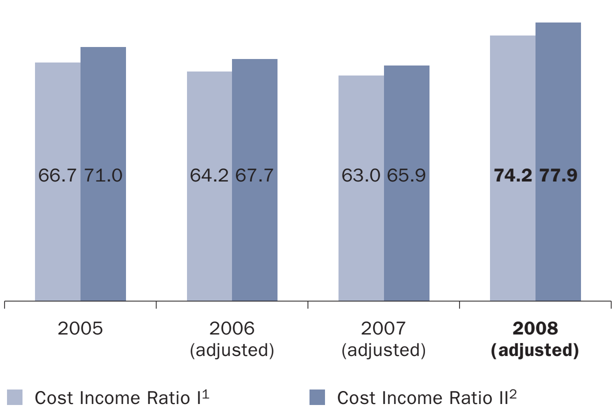


areas of IT and logistics which led to one-off costs in the first half of 2008. These one-off costs will be offset by future cost savings as a result of lower unit costs in the back office.

Depreciation and write-offs on property and equipment rose 22% from CHF 11.8 million in 2007 to CHF 14.4 million during 2008. Amortisation of intangible assets rose 23%, and in 2008 came to CHF 9.2 million (2007: CHF 7.5 million). Following the collapse of the investment bank Lehman Brothers and the nationalisation of the Icelandic banks one-off value adjustments on amounts due from banks amounting to CHF 73.7 million (or CHF 58.2

Fig. 20: Cost income ratio

(in percent)



1 Operating expenses / operating profit.

2 Operating expenses incl. depreciation and amortisation / operating profit.

million after tax) were made. After adjustments for these one-off effects, the figure for value adjustments, provisions and losses rose to CHF 7.0 million. These write-downs were split into value adjustments on amounts due from clients (CHF 4.5 million) and expenses from operational risks (CHF 2.5 million). Considering the sharp rise in the bank's lending volumes and the extremely challenging conditions on financial markets, this comparatively low figure for write-downs confirms the consistently low-risk profile of the bank's loan portfolio.

Despite the one-off proceeds from the outsourcing of Sarasin's business with direct clients in the retail and affluent business and with IFA clients to the newly formed Bank Zweiplus, the difficult market environment and the value adjustments in the exceptional counterparty risks resulted in a sharp drop in profit after tax by 65% to CHF 106.8 million in 2008. After adjustments for these one-off effects, the net profit after tax came to CHF 114.4 million, equivalent to a decline in operating performance of 34%.

Segment results reflect the difficult market situation and the investments in Sarasin's future growth

The new format of this report reflects the changes Bank Sarasin has made to its structure (see Segment Reporting p. 22 onwards). The two former business units Private Clients Switzerland and Private Clients International have been merged into one segment, Private Banking. The former units Institutional Clients Switzerland and Institutional Clients International have also been combined and are now part of the Asset Management, Products & Sales segment. Finally Bank Zweiplus, which started trading on 1 July 2008 and is fully consolidated within the group in view of Sarasin's 57.5% majority stake, is now

Fig. 21: Adjusted net profit before tax per segment

(million CHF)

	31.12.2008	31.12.2007
Private Banking	**56.2**	102.5
Asset Management, Products & Sales	**72.4**	106.5
Bank Zweiplus	**7.0**	0.0
Corporate Center	**–4.3**	13.5
Sarasin Group	**131.2**	**222.5**

reported as a separate segment. The Corporate Center is still the bank's fourth segment. To facilitate comparison, the segment figures posted for the financial year 2007 have been restated to reflect the new segment structure.

The two segments Private Banking (–45%) and Asset Management Products & Sales (–32%) posted a lower result than last year due to the fall in revenues caused by adverse market conditions. The performance of the Private Banking segment weakened due to the additional expenses incurred in expanding its CRM teams and the costs it was allocated for the opening of new locations, while the result of the Asset Management, Products & Sales segment was affected by less internal relief for product services. The amount of pre-tax profit contributed by Bank Zweiplus after just six months of operation already reached CHF 7.0 million.

Slight increase in total assets

During the reporting period total assets held on the balance sheet rose by CHF 1.0 billion or 9% to CHF 12.7 billion (2007: CHF 11.7 billion). On the assets side, the further expansion of the bank's collateral loans and mortgage business pushed up amounts due from clients by CHF 1.3 billion to CHF 5.2 billion (2007: CHF 3.9 billion). At the same time the bank's efforts to restrict the counterparty risks form the interbank market meant that the amount due from banks shrank by CHF 1.6 billion to CHF 4.1 billion (2007: CHF 5.7 billion). The increase in holdings in associates to CHF 107.2 million (2007: CHF 51.3 million) is the result of Sarasin increasing its equity stake in NZB Neue Zürcher Bank from 20% to 40%, and the booking of corresponding profits. Financial investments rose by CHF 687.1 million to CHF 1.3 billion. Assets held in the trading portfolio almost halved during the reporting period, from CHF 654.4 million to CHF 352.2 million, because of the sharp fall in demand for structured products in 2008.

On the liabilities side, the level of financing with other banks increased by 25% to CHF 1.3 billion. In addition, the sharp rise in clients' demand for liquid assets pushed up the amounts due to customers by CHF 1.8 billion to CHF 8.5 billion. By contrast, there was a 52% decrease in financial liabilities designated at fair value. These amounted to CHF 927.0 million on 31 December 2008 (2007: CHF 1.9 billion). This decline can also be explained by the lower demand for structured products. Shareholders' equity shrank by CHF 67.2 million, from CHF 1.3 billion to CHF 1.2 billion at year-end 2008.

Capital strength maintained

The bank's shareholders' equity was stable and stood at CHF 1.1 billion on 31 December 2008 (2007: CHF 1.2 billion). The equity ratio was slightly lower this in 2008, at 9.4% (2007: 10.8%). The BIS Tier 1 ratio, defined as core capital as a percentage of risk-weighted assets, fell from 17.0% in 2007 to 14.5% at year-end 2008. This is at the upper end of the defined target corridor of 12% to 14%. The decline on the previous year is in particular down to the rise in the asset items "Money market papers", "Amounts due from customers" and "Financial investments".

Details on the bank's consistently low risk exposure can be found in the Risk Management section on p.52 onwards.

Outlook

By taking an anticyclical stance, and investing ingrowth in 2008 Bank Sarasin is planning for the company's long-term future. With the accelerated expansion of our CRM teams, and the rapid induction and integration of new employees, the bank has laid a solid foundation for our future success. Despite the challenging market climate at present, the bank still expects to be able to achieve net new money growth in the region of 10% in 2009.

It is very hard to provide short-to mid-term guidance for the bank's earnings in FY 2009 because of the current precarious state of financial markets. Based on our current business volume, and assuming financial markets manage to stabilise, we expect our operating result for 2009 to be on a par with FY 2008. If the challenging market conditions persist, Sarasin will not manage to achieve all the targets it has set itself for 2010. Even so, some successes can be reported already: The strong acquisition performance in recent years means that we are not far away from achieving our target (after adjustments for performance) of growing assets under management to CHF 100 billion. If we manage to achieve our NNM growth target of 10% in FY 2009, we will have exceeded our goal one year earlier than planned.

As a private bank committed to sustainability, Bank Sarasin's devotes great effort to preserving its existing advantages achieved through investments made in the market. At the same time cost savings are essential. Here the bank is keen to be as flexible as possible in the measures it applies. Cost management will be tailored to continuously changing conditions and existing business cases need to be reviewed constantly. Business cases which do not appear to be generating immediate value-added are put on hold, while those which are not meeting our expectations in terms of their scale or speed of impact are discarded. Some cost flexibility in additional investments is available in the IT domain in particular. Over the past years the bank has invested in the expansion of its IT infrastructure and has reached an extremely advanced level, so that further development stages are not immediately necessary. Bank Sarasin is also keeping its product range under critical review: it already decided at the end of 2007 to stop offering its own hedge funds and to withdraw from the private equity business. The bank's product strategy is based on its three key investment styles: thematic, sustainable and quantitative investment. This clear focus is intended to raise the bank's profile as a solutions-based provider of tailor-made products and services. By taking over the back-office operations of Bank Zweiplus, Bank Sarasin has been able to significantly cut its cost per client and per transaction as it continues to pursue its growth strategy. This project has therefore provided a major boost to the Sarasin Group's cost efficiency. If the market continues to deteriorate significantly, the bank may have to resort to temporary salary reductions or short-time working. As the bank presses ahead with its expansion, it will concentrate on specific growth projects in the course of 2009. In particular it will be less aggressive in its recruitment of additional CRMs. By making use of natural staff turnover, Sarasin will seek to further improve the quality of its CRM team without an additional increase of the total number of advisors.

Segment reporting

The new format of this report reflects the changes Bank Sarasin has made to its structure. The two former business units Private Clients Switzerland and Private Clients International have been merged into one segment, Private Banking. The former units Institutional Clients Switzerland and Institutional Clients International have also been combined and are now part of the Asset Management, Products & Sales segment. Finally Bank Zweiplus Ltd, which started trading on 1 July 2008 and is fully consolidated within the group in view of Sarasin's 57.5% majority stake, now reports as a separate segment. The Corporate Center is still the bank's fourth segment. To facilitate comparison, the segment figures posted for the financial year 2007 have been restated to reflect the new segment structure.

2008 adjusted

1,000 CHF	Private Banking	Asset Management, Products & Sales	Bank Zweiplus	Corporate Center	**Sarasin Group**
Operating income	322,253	221,173	44,181	38,875	626,482
Operating expenses	255,402	141,384	35,324	32,639	464,749
Operating profit	**66,851**	**79,789**	**8,857**	**6,236**	**161,733**
Depreciation and amortisation	5,966	7,425	629	9,554	23,574
Value adjustments, provisions and losses	4,686	0	1,254	1,010	6,950
Net profit before tax per segment	**56,199**	**72,364**	**6,974**	**–4,328**	**131,209**
Cost Income Ratio II	81.1%	67.3%	81.4%	108.5%	77.9%
Net new money (million CHF)	7,163	4,424	687	2,202	14,476
New money through acquisitions (million CHF)	0	0	0	0	0
Change through divestment (million CHF)	0	0	0	0	0
Performance (million CHF)	–12,576	–12,949	–1,562	–712	–27,799
Transfers (million CHF)	195	–43	6,684	–6,836	0
Gross margin on assets under management	0.91%	0.63%	1.41%	1.44%	0.82%
Proporation transaction related revenues	26.2%	29.1%	38.4%	67.0%	30.6%

31.12.2008 adjusted

Assets under management (million CHF)	32,840	31,004	5,809	26	69,679
Assets under management mandate (million CHF)	6,761	12,448	1,626	0	20,835
Impaired and non-performing loans (1,000 CHF)	4,884	0	151	73,899	78,934
Number of employees (adjusted for part-time working)	589.2	393.7	136.6	417.5	1,537.0
Adjusted number of employees (incl. allocations)	807.4	475.3	143.6	110.7	1,537.0
Whereof client relationship managers (adjusted for part-time working)	313.6	79.7	22.7	0.0	416.0

The financial market crisis and the implementation of Bank Sarasin's continuing growth strategy affected the performance of our business segments in 2008. Compared with last year, results were weaker in both core segments Private Banking (–45%) and Asset Management, Products & Sales (–32%). The Corporate Center also finished in negative territory due to various exceptional effects which are reported in this segment. Bank Zweiplus, by contrast, was able to post a positive result for the first six months of operation.

2007 adjusted

1,000 CHF	Private Banking	Asset Management, Products & Sales	Bank Zweiplus	Corporate Center	**Sarasin Group**
Operating income	326,000	248,474	0	87,911	662,385
Operating expenses	216,620	135,677	0	64,815	417,112
Operating profit	**109,380**	**112,797**	**0**	**23,096**	**245,273**
Depreciation and amortisation	5,179	6,833	0	7,277	19,289
Value adjustments, provisions and losses	1,680	–551	0	2,363	3,492
Net profit before tax per segment	**102,521**	**106,515**	**0**	**13,456**	**222,492**
Cost Income Ratio II	68.0%	57.4%	0	82.0%	65.9%
Net new money (million CHF)	6,463	4,564	0	85	11,112
New money through acquisitions (million CHF)	0	0	0	191	191
Change through divestment (million CHF)	0	0	0	–4,017	–4,017
Performance (million CHF)	1,342	721	0	386	2,449
Transfers (million CHF)	–338	559	0	–221	0
Gross margin on assets under management	0.95%	0.68%	0.00%	1.23%	0.85%
Proporation transaction related revenues	38.6%	31.9%	0.0%	39.7%	36.2%

31.12.2007 adjusted

Assets under management (million CHF)	38,058	39,572	0	5,372	83,002
Assets under management mandate (million CHF)	8,536	13,280	0	189	22,005
Impaired and non-performing loans (1,000 CHF)	2,916	0	0	3,332	6,248
Number of employees (adjusted for part-time working)	424.7	323.8	0.0	421.9	1,170.4
Adjusted number of employees (incl. allocations)	626.8	353.9	0.0	189.7	1,170.4
Whereof client relationship managers (adjusted for part-time working)	219.6	61.0	0.0	13.5	294.1

Private Banking

Net new money growth: even better than last year's strong result

The figures for net new money (NNM) growth were very impressive: Bank Sarasin's Private Banking team managed to generate total NNM of CHF 7.2 billion, comfortably beating last year's figure by 11%. With an increase in acquisition performance of 61% to CHF 5.6 billion, the main driver of NNM growth was the business unit Private Banking Switzerland/Europe. Private Banking Asia/Middle East contributed inflows of CHF 1.6 billion. Despite the very strong acquisition performance for the segment as a whole, clients' assets under management in this core segment shrank by 14% to CHF 32.8 billion, because of the weak market performance of CHF –12.6 billion.

Solid income base

The **income base** for the whole segment proved to be very resilient during the reporting period and only contracted by 1% to CHF 322.3 million. The earnings on the extra assets acquired were able to offset the losses made as a result of market performance. The fall in the **gross margin** of 4 basis points to 91bp was fairly modest, despite the adverse market conditions. The decline in transaction-based income from 39% to 26% was due to a change in clients' attitude towards structured products in Asia and the Middle East. This resulted in a fall in the gross margin, from 131 to 112 basis points. In the Private Banking Switzerland/Europe unit the gross margin was practically unchanged. The cost income ratio II for the segment as a whole rose from 68.0% in 2007 to 81.1% in 2008.

The **Private Banking** segment is responsible for the acquisition, service and support of customers in the global private clients business. Organised along the lines of target markets in specific geographic regions, the business segment extends to all the private clients served from the bank's Swiss locations in Basel, Geneva, Lugano and Zurich, as well as by its subsidiaries in Europe (Germany, the UK, Ireland and Spain), the Middle East (Bahrain, Dubai, Qatar and Oman) and Asia (Hong Kong and Singapore). The business segment is jointly managed by Fidelis M. Goetz and Eric G. Sarasin. At the end of 2008, Private Banking had a headcount of 589 employees (adjusted for part-time working).

Investments drag down the segment result

The Private Banking segment reported a **profit** of CHF 56.2 million for FY 2008. It therefore contributes 43% of the Sarasin Group's total result, making it one of our two main pillars of business, along with the Asset Management, Products & Sales segment. Compared with last year, however, the result achieved by the Private Banking segment fell sharply by 45%. The business unit Private Banking Asia/Middle East (–53%) suffered a steeper drop in its result than Private Banking Switzerland/Europe (–43%).

The consistent pursuit of the bank's growth strategy pushed up costs: personnel expenses rose in response to an increase in the headcount of 165 employees (+39%), with 94 (+43%) of them client relationship managers. Despite a substantial cut in performance-related salary components (–18%), personnel expenses still climbed 22% to CHF 141.5 million. At the same time the opening of new locations in Germany, Ireland and Spain as well as the Middle East (Bahrain, Qatar and Oman) led to higher general administrative expenses, among other things. Coupled with the higher auditing and consulting fees, travel expenses, office space and IT costs as a result of an expanding workforce, as well as higher advertising spending as part of the bank's new positioning campaign, general administrative expenses rose 13% to CHF 113.9 million.

Switzerland: growth continues in all locations

CRM teams strengthened

The consistent pursuit of the bank's growth strategy in its home market of Switzerland is one of the cornerstones of Sarasin's market development plan. The expansion already begun in **Zurich** in 2007 was continued in 2008

More information on Private Banking can be found in the interview with Eric G. Sarasin and Fidelis M. Goetz in the Portrait 2009 on page 58 onwards.

with the addition of several teams set up specifically to target growth markets in Europe. Werner Rueegg was appointed new Head of Private Banking **Basel** with effect from 1 September 2008. At the same time the headcount of the CRM team serving Swiss and international clients in Basel was significantly expanded by around fifty percent, underscoring Sarasin's commitment to Basel and the surrounding region as one of the country's important economic areas. Client advisor capacity in **Geneva** was boosted in H2 2008 with a new team set up exclusively to serve Swiss clients in the French-speaking part of Switzerland. The representative office in **Lugano** was upgraded to a fully licensed subsidiary, and now trades as Banca Sarasin & C. SA.Sarasin also plans to open a new office in **Bern** in spring 2009, subject to approval from the Swiss Financial Market Supervisory Authority (FINMA). Here Bank Sarasin is to set up a new Private Banking team led by Piero Huwyler to look after clients in the Bern region and central Switzerland.

During the reporting period Sarasin also established a new **Wealth Management Center.** This initiative is an important tool in assisting the bank to accelerate its pace of growth in Switzerland. This new centre of expertise gives Sarasin's clients access to specialised know-how and high-calibre advisory services in the areas of financial planning, matrimonial property and inheritance law, tax, trusts and foundations. The Wealth Management Center therefore plays a key role in Sarasin's integrated advisory process and initially offers these services in Zurich and Basel, but plans to extend them to other Swiss locations in future.

More awards for the quality of our wealth management

This is the sixth consecutive year that Bank Sarasin has been awarded "summa cum laude", the highest accolade possible, in the **Elite Report.** Published in collaboration with the German business newspaper Handelsblatt, the Elite Report awards prizes for the top wealth managers in German-speaking countries. Once again Bank Sarasin has managed to successfully maintain its top place in Germany and Switzerland. This award is in recognition of the consistency and quality of the advice provided. One of the key reasons for Bank Sarasin securing top place once again was its successful and leading market position in the area of sustainable private banking. Bank Sarasin also won first place in the categories "Quality & depth of wealth management culture" and "Leading bank in Germany".

Long-term growth in private banking is ultimately a question of quality. The new **function "Client Intelligence"** was therefore created during the reporting period to develop and support the client base in an even more effective way. This new function, combined with a Data Mining Practice, is intended to provide more sophisticated analysis of the client base and thereby create added value for the bank and its clients. All of Bank Sarasin's locations will benefit from this innovation to the same degree.

Europe: expansion in Germany and entry into Spanish and Irish market

Bank Sarasin has taken the first essential steps on its path of growth in Europe's private banking market by opening a number of new offices. Sarasin has strengthened its presence in Germany with the opening of a new **bank in Frankfurt am Main.** An experienced team led by Frank Niehage exploits the potential offered by Europe's most important private banking market. The office in Munich continues to operate as a branch.

Since the spring of 2008 Bank Sarasin has been active in the Spanish market as well. The new subsidiary **Sarasin Alén Agencia de Valores S.A. managed by Alfredo Fernandez and headquartered in La Coruña,** along with a second office in Madrid, is based on a partnership with Alén Gestión Patrimonial. This partnership allows Bank Sarasin to deliver its high-calibre investment advisory services to private and institutional clients in Spain and Portugal.

Our London subsidiary Sarasin & Partners LLP has opened a **new branch in Dublin, Ireland.** This branch, managed by Fergus Crawford, commenced its business activity in November 2008.

Middle East and Asia: good progress being made

New locations in Bahrain, Qatar and Oman

In February 2008 Bank Sarasin obtained a banking licence for Qatar. Building on this foundation, it set up a new subsidiary based in the international financial centre of Doha, **Bank Sarasin-Alpen (Qatar) LLC,** which started its business activities in mid-March under the management of Rohit Walia. In July, Bank Sarasin received an Investment Business Licence (category 2) from the Central Bank of Bahrain (CBB) for a subsidiary in Bahrain. The Manama subsidiary is currently in the process of being set up, and will trade under the name of **Sarasin (Bahrain) B.S.C. (c).** During the same month Bank Sarasin received a banking licence from the Capital Market Authority (CMA) of the Sultanate of Oman. The market entry of **Sarasin-Alpen LLC (Oman) managed by M. Chidambaram** will be the first time that a private bank of Swiss descent has been present in Oman. Here the new subsidiary can build on the existing business of Alpen Investment Bank LLC (Oman), which is also regulated by the CMA. All newly obtained licences authorise the various subsidiaries to offer their full range of top-class financial services to private and institutional clients in the region.

Specialised asset management company in Dubai

Sarasin Group has also set up a specialised asset management company, **Sarasin-Alpen & Partners Ltd.,** as part of a joint venture between the two subsidiaries Bank Sarasin-Alpen (ME) Ltd. operating from Dubai and Sarasin & Partners LLP based in London. This new company offers investment solutions for high net worth individuals and institutional clients from the Gulf Region, the Middle East and North African countries. It is regulated by the financial supervisory authority in Dubai and its activities build on the dynamic performance of Bank Sarasin-Alpen (ME) Ltd. in the region. The new company offers additional specialised solutions and is able to respond to investors' demands for a comprehensive finance platform and integrated product solution. In the meantime the company has already managed to launch its first product, the Sarasin GCC Equity Opportunities Fund (USD). This is targeted specifically at investors from the Gulf Cooperation Council (GCC) region keen to take advantage of long-term investment opportunities available in the area.

Sarasin-Alpen's dynamic performance confirmed by awards

Two recent prizes have underscored Bank Sarasin-Alpen's performance in Dubai: for the second year in a row, this subsidiary won the **"Best Private Bank in the Middle East"** 2008 award. This award is given for both qualitative and quantitative aspects of the products and service provided in private banking. At the "Banker Middle East Product Awards 2008" ceremony in Dubai, Bank Sarasin-Alpen also received the **"Best Structured Product Award".** The award was made at the start of February for the "Sarasin Alpen Renewable Energy Note", issued and guaranteed by Rabobank. This award is the result of close collaboration between the teams in Bank Sarasin Dubai and Switzerland, as well as with Rabobank in London.

Asia: Management team now complete – new team for the Philippines

The appointment of Enid Yip as new Chief Executive Officer, Asia, and Reto Marx as new Head of South-East Asia for Bank Sarasin-Rabo (Asia) Ltd in Singapore brings our Asia team up to its full complement. The appointment of two highly respected managers who are prominent figures in the Asian banking community is a measure that is entirely consistent with Sarasin's strategy of becoming the most client-focused of all the Asian private banks.

In Hong Kong Bank Sarasin has a new team on board for the Philippines. This is designed to cater for the accelerated expansion of client relationships in Asia.

For clients with a special interest in Asia

In December the **International Wealth Management Desk** began its activities in Asia. This desk processes international transactions whose investments need to be booked in Asia. The desk offers its services for indirect client relationships, external asset managers and direct clients.

Supporting good causes and the arts

The Bank's eagerness to support and encourage social projects and prestigious cultural events is reflected in its many different sponsoring commitments:

A performance by the Basel Ballet and a charity auction were the highlights of the **Swiss Red Cross** gala evening held in **Basel** in November 2008, which Bank Sarasin supported as main sponsor. The proceeds went to the Swiss Red Cross relief programmes "Victims of forgotten tragedies" in Bangladesh, Sudan/Darfur and Swaziland, as well as Paraguay, Bolivia and Ecuador. Bank Sarasin was also lead sponsor of the **celebration of 60 years of the Swiss-India Treaty of Friendship in Geneva.** The event was organised by 91+, an international network of Indian entrepreneurs and professionals. In addition, Bank Sarasin provided financial support, as a diamond sponsor, for the charity gala evening of the **Smiling Children Foundation** held in Geneva. The foundation provides assistance to underprivileged children.

As part of its programme of cultural sponsorship, Bank Sarasin is continuing its long-standing **cooperation with the Beyeler Foundation** to support the classic modern. The touring exhibition "Forests of the World", sponsored by Bank Sarasin, was first staged in the Beyeler Foundation in 2007 and continued its run in Locarno from March to June 2008. As part of its programme of support for regional culture, Bank Sarasin also sponsored the exhibition "Soutine and Modernism", a showcase of Chaïm Soutine's works in the Kunstmuseum Basel.

Sarasin Asia supported the **victims of the earthquake in Sichuan** by making a sizeable donation to the Red Cross. Half the money was donated by local Sarasin employees, who were actively involved in the fund-raising campaign.

In September 2008 Bank Sarasin celebrated the official **opening of the 7th Shanghai Biennale,** which also marked the start of a new partnership between Sarasin and the organisers of this event, already announced back in January 2008. This partnership is the most generous funding ever provided in support of contemporary art in China. This year's Biennale, entitled "TransLocalMotion" ran from the 9th of September to the 16th of November 2008 in the Shanghai Art Museum. The exhibition included works from 60 artists and groups from more than 20 countries and regions. Sarasin has initially agreed to provide funding up to the 11th event in 2016. The Shanghai Biennale is the most important exhibition of its kind on the Asian continent.

Private Banking (Total)

1,000 CHF	**2008 adjusted**	2007 adjusted	Change to 2007 CHF	Change to 2007 %
Operating income	**322,253**	326,000	–3,747	–1.1
Operating expenses	**255,402**	216,620	38,782	17.9
Operating profit	**66,851**	**109,380**	**–42,529**	**–38.9**
Depreciation and amortisation	**5,966**	5,179	787	15.2
Value adjustments, provisions and losses	**4,686**	1,680	3,006	178.9
Net profit before tax per segment	**56,199**	**102,521**	**–46,322**	**–45.2**
Cost Income Ratio II	**81.1%**	68.0%		
Net new money (million CHF)	**7,163**	6,463		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**–12,576**	1,342		
Transfers (million CHF)	**195**	–338		
Gross margin on assets under management	**0.91%**	0.95%		
Proporation transaction related revenues	**26.2%**	38.6%		

	31.12.2008 adjusted	31.12.2007 adjusted	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Assets under management (million CHF)	**32,840**	38,058	–5,218	–13.7
Assets under management mandate (million CHF)	**6,761**	8,536	–1,775	–20.8
Impaired and non-performing loans (1,000 CHF)	**4,884**	2,916	1,968	67.5
Number of employees (adjusted for part-time working)	**589.2**	424.7	164.5	38.7
Adjusted number of employees (incl. allocations)	**807.4**	626.8	180.6	28.8
Whereof client relationship managers (adjusted for part-time working)	**313.6**	219.6	94.0	42.8

Whereof Switzerland/Europe business unit

1,000 CHF	**2008 adjusted**	2007 adjusted	Change to 2007 CHF	Change to 2007 %
Operating income	**231,567**	238,337	–6,770	–2.8
Operating expenses	**180,709**	153,549	27,160	17.7
Operating profit	**50,858**	**84,788**	**–33,930**	**–40.0**
Depreciation and amortisation	**3,553**	3,268	285	8.7
Value adjustments, provisions and losses	**1,246**	598	648	108.4
Net profit before tax per segment	**46,059**	**80,922**	**–34,863**	**–43.1**

Cost Income Ratio II	**79.6%**	65.8%		
Net new money (million CHF)	**5,561**	3,455		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**–10,281**	1,123		
Transfers (million CHF)	**141**	–575		
Gross margin on assets under management	**0.85%**	0.86%		
Proporation transaction related revenues	**25.1%**	29.8%		

	31.12.2008 adjusted	31.12.2007 adjusted	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Assets under management (million CHF)	**25,063**	29,642	–4,579	–15.4
Assets under management mandate (million CHF)	**6,722**	8,513	–1,791	–21.0
Impaired and non-performing loans (1,000 CHF)	**563**	2,916	–2,353	–80.7
Number of employees (adjusted for part-time working)	**316.7**	213.6	103.1	48.3
Adjusted number of employees (incl. allocations)	**522.9**	402.4	120.5	29.9
Whereof client relationship managers (adjusted for part-time working)	**203.5**	134.1	69.4	51.8

Whereof Middle East & Asia business unit

1,000 CHF	**2008 adjusted**	2007 adjusted	Change to 2007 CHF	Change to 2007 %
Operating income	**90,686**	87,663	3,023	3.4
Operating expenses	**74,693**	63,071	11,622	18.4
Operating profit	**15,993**	**24,592**	**–8,599**	**–35.0**
Depreciation and amortisation	**2,413**	1,911	502	26.3
Value adjustments, provisions and losses	**3,440**	1,082	2,358	217.9
Net profit before tax per segment	**10,140**	**21,599**	**–11,459**	**–53.1**
Cost Income Ratio II	**85.0%**	74.1%		
Net new money (million CHF)	**1,602**	3,008		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**–2,295**	219		
Transfers (million CHF)	**54**	237		
Gross margin on assets under management	**1.12%**	1.31%		
Proporation transaction related revenues	**28.9%**	62.6%		

	31.12.2008 adjusted	31.12.2007 adjusted	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Assets under management (million CHF)	**7,777**	8,416	–639	–7.6
Assets under management mandate (million CHF)	**39**	23	16	69.6
Impaired and non-performing loans (1,000 CHF)	**4,321**	0	4,321	
Number of employees (adjusted for part-time working)	**272.5**	211.1	61.4	29.1
Adjusted number of employees (incl. allocations)	**284.5**	224.4	60.1	26.8
Whereof client relationship managers (adjusted for part-time working)	**110.1**	85.5	24.6	28.8

Asset Management, Products & Sales

Impressive performance in new money acquisition

The Asset Management, Products & Sales (APS) segment did very well to hold net new money acquisition at last year's level of CHF 4.4 billion. APS Institutional Clients provided the biggest contribution to growth, at CHF 2.5 billion. CHF 1.9 billion was provided by the business unit APS Wholesale, Products & Trading. During the reporting period the success of the bank's product strategy was reflected in a net inflow of CHF 1.6 billion across all of the investment funds set up by the Sarasin Group. This shows that the bank's solid work is being widely recognised not just by its clients, but also by other banks – the bulk of net new money growth came from open product platforms of other banks. Clients' assets under management in the whole APS segment shrank by 22% to CHF 31.0 billion as a result of performance and currency exchange rates.

Lower revenues and less relief from cost offsetting

In 2008 the APS segment generated a **profit** of CHF 72.4 million, and therefore contributed 55% of the group result. APS was thus the strongest performing segment in the Sarasin Group in 2008. Nevertheless, the result posted by APS was 32% lower than last year, mainly due to a fall in revenues on the one hand, and on the other less internal relief for product-related services. For structured products and Sarasin investment funds alone, the amount offset was down by CHF 12.0 million. As a result of weaker performance, the total value of positions in Sarasin funds fell by CHF 5.1 billion (–35%). The sum offset for product unit costs declined by the same amount.

The **operating income** for the whole segment amounted to CHF 221.2 million, a decline of 11% on the previous year. The APS Institutional Clients business unit posted a decline of 12% to CHF 101.4 million, while the drop at the APS Wholesale, Products & Trading unit was 10% to CHF 119.8 million. The trend at APS Institutional Clients was heavily influenced by the massive depreciation of sterling. This currency effect alone created a loss of CHF 8 million. This result achieved by APS Wholesale, Products & Trading was undermined by the downward trend in business with external asset managers and with structured products.

Moderate cost rise

The rise in **expenses** was fairly moderate. Expenses for the segment came to CHF 141.4 million (+4%). While costs in the APS Institutional Clients unit fell by 5%, they rose by 15% in APS Wholesale, Products & Trading. Despite a 22% increase in the headcount to 394 employees, personnel expenses overall eased 5% to CHF 101.4 million. This decline is due to a reduction in variable salary costs in both business units. Net profit rose 40% to CHF 40.0 million. The increase is primarily the result of cost allocations of CHF 14 million to other business units. Whereas the change in the associated product unit costs is attributable to lower portfolio holdings and transaction volumes in our own products.

The gross margin in the APS Institutional Clients business unit fell 4 basis points to 50 basis points. The cost income ratio II of the APS segment as a whole came to 67.3% (2007: 57.4%).

The **Asset Management, Products & Sales** segment provides services to institutional clients, distribution partners in the area of wholesale and external asset managers at all the Sarasin Group's locations. It also brings together investment and research expertise, as well as product development. The fund management companies are therefore organised under this business segment. APS also incorporates the Trading unit, which carries out orders for trading in securities and derivatives for clients of all divisions of the bank. Trading also monitors and controls the Bank's liquidity on a daily basis and is responsible for proprietary trading for the account of and at the risk of the bank. The APS segment is managed by the Chief Investment Officer (CIO), Burkhard P. Varnholt. On 31 December 2008 the Asset Management Products & Sales segment had a headcount of 394 employees (adjusted for part-time working).

Wholesale, Products and Trading

Product strategy: focus further intensified

In order to offer clients bespoke solutions-based products and services capable of generating measurable value-added, Bank Sarasin relies on a highly focused product strategy. In doing so, it aspires to an innovative and competent marketing approach geared to the long term. Because of this, it only offers products in those areas where it can draw on a dependable pool of know-how and where it enjoys a reputation as a leading specialist. With this in mind, Bank Sarasin already decided at the end of 2007 to stop offering its own hedge funds. In 2008 it announced its intention – subject to the statutory period of notice – to close down both Torneo funds on 31 January 2009. However, Bank Sarasin will continue to offer, in collaboration with Harcourt Consulting Ltd, the best third-party products available in the fund of hedge funds segment, in order to accommodate client requirements in this area. When it comes to other products that do not fall under their core areas of expertise, such as private equity, Bank Sarasin is increasingly working with selected partners capable of making high-quality products available to Sarasin's clients.

Specialising in three investment styles

Bank Sarasin's offers three different investment styles that reflect its inherent strengths: thematic, sustainable and quantitative asset management. As part of these three specialities, the bank offers transparent and fully regulated products that satisfy client requirements. The Sarasin Group's product strategy is implemented on a global basis, but there are also product-specific teams on site which incorporate local requirements into individual solutions. During the reporting period, the narrower focus on three investment styles triggered further modifications to existing products. Country-focused products, for example, were closed and global investment products launched in their place. Other products, such as Swiss equity funds, were realigned to sustainable criteria.

New structure emulates APS strategy

A new function, Chief Operating Officer (COO) APS was introduced on 1 April 2008. The COO performs a cross-disciplinary role in APS and coordinates the day-to-day operating business within the division, as well as interfaces to the other business segments. The structure within this area of activity was refined as well. A new department has been created in the Products business unit, Global Product Solutions, which brings together Product Management, Product Development and Pension Products and is responsible for international coordination in these areas across the whole Sarasin Group. The Asset Management & Research business unit was also restructured during the reporting period, and has now been split into two separate business units. Following

Thematic investment style: The thematic approach is a fundamental investment style. When identifying themes, the focus is on global mega trends that could give a boost to companies' earnings and share price in the years ahead. Companies are selected that benefit from these mega trends, irrespective of the stock index or geographical region they belong to. The ultimate investment decision is based purely on financial criteria.

Sustainable investment style: This investment style takes into consideration not just financial criteria, but also environmental and social aspects. The sustainability of companies and industries is assessed on the basis of more than 70 criteria. This sustainability research produced in-house determines whether the company is eligible for inclusion in the Sarasin universe of sustainable investments. Sarasin's specialists not only produce sustainability ratings for companies, but also for governments and supranational organisations that issue bonds, making sustainable investments in bonds an option as well.

Non-predictive or quantitative investment style: In many markets it is simply impossible to make individual forecasts about future investment performance. Particularly when the markets are not that mature, suitable criteria are often lacking. That's where Sarasin's quantitative investment model, which has been tried and tested over many years, comes into its own. This model reaches investment decisions without the influence of subjective human criteria.

More information regarding the investment styles and product offering of Bank Sarasin can be found on the Portrait 2009 on page 82 onwards.

the decision to base all asset management mandates for private clients in Switzerland on sustainable investment criteria, the portfolio management team for private clients was integrated into the Sustainable Investment unit for organisational purposes. The Equities Team Switzerland is also in the process of gearing the bulk of the assets towards a sustainable investment style. These measures reflect the bank's positioning as a leader in the field of sustainable investments. A new Wholesale Structured Products team comprising two people for the time being, was set up to specifically market Bank Sarasin's structured products.

W.I.R.E. – the independent think-tank for product innovation

In autumn 2008 Bank Sarasin, together with the Swiss Federal Institute of Technology's transdisciplinary research institute Collegium Helveticum, founded a new independent think-tank WIRE [Web for Interdisciplinary Research and Expertise]. This think-tank studies contemporary and future trends in industry, society, medicine and healthcare. The focus is on the analysis of cross-disciplinary trends and the creation of interfaces between research and practice. Sarasin offers its clients sustainable and thematic products and services, and is therefore keen to find out which trends of the present will dominate the daily lives of future generations. Apart from the backing of Bank Sarasin and the Collegium Helveticum, W.I.R.E. can call on an international network and independent advisory council of experts, visionaries and decision-makers.

Product launches in support of strategy

With the launch of the **Sarasin Currency Opportunities Fund (EUR)** at the start of the year, Bank Sarasin provides a UCITS III-compliant investment product that offers a genuine alternative to traditional asset classes. Sarasin Currency Opportunities Fund's low correlation with traditional asset classes makes it particularly suitable for portfolios during periods of market turbulence. In the field of commodities, the new fund **Sarasin Commodity Fund (EUR)** rounds off our product range. The investment process is identical to that of the sister funds Sarasin Commodity Fund (CHF) and Sarasin Commodity Fund (USD). The Private Label family of funds has been extended as well. In addition to the "Sarasin Multi Label SICAV", Sarasin now offers **private label funds established under Swiss law.** We are pushing ahead with activities in this area in the newly created department "Private Label Fund Services", working in collaboration with Sarasin Investmentfonds Ltd. June saw the launch of a new product innovation, the **Sarasin Global Village Funds.** Sarasin Global Village funds provide an opportunity to invest in a thematic style across the entire world and diversified over all asset classes. The recent market turmoil had resulted in a situation where barriers have been reached in many yield-optimising products with conditional capital protection. This can lead to price losses and frequently to physical delivery of the securities in question. The new **SaraSail Rainbow with "Bear Market Protection"** prevents these risks accumulating. At the start of the second half of the year, the volume invested in the **IIID family of funds** stood at GBP 1 billion, surpassing the most important milestones of USD 2 billion or CHF 2 billion. This success – just two and a half years from the when the first fund was launched – is down to the management team's strong performance. The product family is the first of its type on the market and highlights the advantages of groupwide collaboration, as it comprises the funds domiciled in London, Luxembourg and Guernsey.

Bank Sarasin also issued two new structured products in August: 90% **CPPI Capital Protected Note on the Sarasin EquiSar-Global** and **Stability Note on the DJ EURO STOXX 50® Index,** both in euros. In August Sarasin also launched the **Sarasin Pricing Power Basket,** which invests exclusively in companies enjoying pricing power as a result of competitive advantages or unique market characteristics. The basket (tracker certificate) provides the chance to invest in this specific investment theme, and acts as a complement to the EquiSar fund.

Sustainable investments: water a key theme in 2008

Assets managed by Bank Sarasin in accordance with sustainable principles amounted to CHF 6.5 billion as at 31 December 2008. On the same date, the volume of client assets managed as part of sustainable investment consulting mandates amounted to CHF 21.8 billion. The sustainability team launched an innovative product in 2008: the **Sarasin Sustainable Water Fund.** The fund invests in international companies which make a contribution towards sustainable water management. The investment objective is to achieve long-term capital growth. It covers the investment themes of supply and disposal, as well as technologies and services relevant to water. The fund therefore offers the optimum prerequisites for unlocking the potential of the investment theme water as a growth industry, while at the same time contributing to the sustainable use of water as a resource.

With an annualised return of 47.25% over three years, Sarasin New Energy Fund is the top-performing sustainable investment fund. The **New Power Fund** is a pure Sarasin product, and is a clone of the New Energy Fund. The New Energy Fund is still used for long-term comparisons at the moment, as it has a longer track record.

In the reporting period the Bank's sustainability team has continued to highlight new investment themes, with its **research reports** on the solar industry, the soaring cost of agricultural products, energy efficiency, and an update on the sustainability of sports goods producers to coincide with the Euro 08 soccer championship held in Switzerland in the summer. Investments in financial shares were also reviewed against the backdrop of the subprime financial crisis.

Eurosif published a new report in 2008 providing a fascinating insight into the **preferences of high net worth individuals (HNWIs) for sustainable investments.** The report, supported by Bank Sarasin and KPMG International, reveals a rapidly growing segment with investors seeking good performance on the one hand, but on the other paying closer attention to sustainability themes. Eurosif estimates that sustainable investments make up around 8% of the portfolios of European HNWIs (as at 31 December 2007) and predicts this figure will rise to 12% by 2012, breaking through the EUR 1 billion barrier. Where HNWIs do follow a sustainable investment strategy, they tend to concentrate their attention on thematic investments, with the main focus on clean energies and water.

Water was the key theme at the third annual **TBLI Conference Asia,** whose main theme was "Sustainable Investment Strategies – Asian Opportunities" from 29 to 30 May in Bangkok. Bank Sarasin was a main sponsor of the conference, where discussions included the theme "Water – liquid gold". Andreas Knoerzer, Head of Sustainable Investment at Bank Sarasin, was a keynote speaker at the event with a presentation entitled "Opportunities and risks of water investments". Considering its specialisation in sustainability, it is important for Bank Sarasin to raise its international standing and to be present at this important industry event. The Brooklyn Bridge TBLI Group, which specialises in Triple Bottom Line Investing (TBLI) and Environmental, Social and Governance Issues (ESG), organises annual conferences which are some of the world's most important networking and training events in the areas of TBLI and ESG.

Voted best asset manager

Having achieved the best risk-adjusted performance, or the highest "alpha", over the past twelve months, Bank Sarasin has been crowned the best asset manager in Switzerland. These were the rankings of the **"Alpha League Table 2008",** the annual rankings produced for the third consecutive year by Euro Performance and EDHEC. Bank Sarasin has steadily improved its ranking from third place in 2006 to second place in 2007, and in 2008 topped the league table. This award recognises Bank Sarasin's strong asset management performance in the equities segment. The list of equity funds assessed for the league table covers Sarasin's entire product range: Sarasin Emerging Global, Sara Select, Sarasin Multi Label Swiss Small & Midcap, Sarasin EquiSar Global, Sarasin Sustainable Equity Global, Sarasin Emerging Asia USD and Sarasin ML New Energy.

Bank Sarasin is also proud of the accolades it received at the **Trophées Bilan Awards 2008** in Geneva. Prizes were awarded to the best investment funds in 11 different categories, from a range of more than 100 funds. In the "Equities Emerging Markets" category Sarasin EmergingSar – Global EUR won second place; in the "Equities Switzerland" category Sarasin Multi Label – Swiss Small & Midcap came third. At the Morningstar **"Fund Awards Switzerland 2008"** SaraSelect was once again a major winner. It beat all its rivals in the category "Equities Swiss Small & Mid Caps". Stefan Gaechter won the **Swiss Analyst Award 2007** in the category "Relative Interpretation". He had to beat formidable international competitors to win. The award is given for the quality of ratings made by equity analysts, as assessed on the basis of objective criteria by the business paper Finanz & Wirtschaft in conjunction with the Swiss Financial Analysts Association (SFAA). The Sarasin flagship fund, Sarasin EquiSar – Global, also won a distinction. At the **Feri Awards 2009** it was ranked one of the top five in the category "Equity Global".

International accolades for Sarasin & Partners LLP

Sarasin & Partners LLP was voted **Best Balanced Fund Manager** in the **Wealth Management Award 2008** sponsored by the Investors Chronicle and the Financial Times. This award is conferred on fund managers who produce the best returns with a medium risk profile over a time frame of 3–5 years. Sarasin & Partners also won two prestigious prizes at the Private Asset Managers (PAM) Awards 2008 in March 2008: the first was for the best product or service innovation for the UCITS III initiative, and the second for the service quality for ultra high net worth clients (assets of GBP 10 million or more).

Guy Monson and Harry Talbot Rice both won a **Citywire AAA-rating.** They are in charge of the Sarasin EquiSar and EquiSar IIID funds. The award is public confirmation of the enormous expertise of both senior fund managers. Citywire assessed over 900 fund managers, but less than 5% received this award.

The award in February 2008 for the "Best Offshore Global Asset Allocation Fund" for the Sarasin CI Global Sterling Balanced Fund, registered in South Africa, was another accolade won by Sarasin & Partners at the **Raging Bull Award:** for the third consecutive year the fund was a top performer on a risk-adjusted basis.

Sarasin & Partners LLP also won a prize for the **Investment Management Team of the Year** from STEP, the Society of Trusts and Estate Practitioners. And it also won the **"Swiss Asset Management Firm of the Year" Award,** sponsored by Financial News.

A 20-year success story: Sarasin GlobalSar

The **Sarasin GlobalSar investment concept** celebrated its 20th anniversary in 2008. Originally conceived as a low-cost, tax-efficient vehicle for private investors and as a dynamically managed global individual portfolio comprising highly liquid and quality investments, the GlobalSar model has successfully established itself across a broad range of private and retail clients, charities and institutional clients. Today there are five separate Sarasin GlobalSar funds.

UFG-Sarasin for sustainable investments

In November 2008 the asset management group UFG and Bank Sarasin signed a letter of intent as co-founders of an asset management company for sustainable investments. Subject to approval from the regulatory authorities, the two partners expect the new company to commence its business activities in the first quarter of 2009. UFG-Sarasin will become the centre of expertise in sustainability for the UFG Group and will be given full access to the know-how and insights of Bank Sarasin's sustainability research in Basel. The UFG Group plans to extend its sustainability commitment to all areas of activity. This mainly concerns the fund range, but also areas such as real estate.

Institutional Clients: growth initialised

Satisfied customers

A survey of all our institutional clients in Switzerland, Germany and Austria conducted by phone at the start of 2008 showed a very **high level of customer satisfaction.** The good response rate means the result was particularly meaningful. Three quarters of respondents said they were extremely happy with Bank Sarasin, and the rest were satisfied. Hardly any client said they were dissatisfied. Many clients would be happy to recommend Bank Sarasin to other people. The level of service and advice offered by Sarasin was highlighted as two of its core strengths. Clients said they particularly appreciated the continuity of service and the low staff turnover rate.

North Europe in our sights

At the **Pension Fund Summit** held on 20 May 2008 **in Stockholm** Bank Sarasin had its first chance to present its skills in institutional banking to key players in charge of large pensions funds in Scandinavian markets. The theme of sustainability generated a lot of interest. The highly focused market drive to expand our institutional business is one of the objectives set by **Aris Prepoudis,** who has been head of the new business unit "Institutional Clients" since February 2008.

In the top ten

The strong performance of our institutional business in Germany was recognised in the **latest Feri Report "Institutional Securities Investments 2008"** where its results compared very favourably with its peer group. This report is based on a market survey of Germany's biggest institutional investors and assesses some 250 asset managers in the German market on the basis of the quality of their portfolio management and customer service. The report classes Sarasin among the leading 50 companies and puts it in the top ten in the current survey.

New mandate in the field of church institutional investors

On 1 October 2008 Bank Sarasin won a **new mandate** for the retail fund **KCD-Union Sustainable MIX,** a fund established in Germany with assets of CHF 270 million. Sarasin Sustainable Investment replaces SAM as research provider for this global balanced fund specialising in euro-denominated securities. As a result, Bank Sarasin now provides research to institutional church investors in Germany with combined assets of more than CHF 1 billion. Sarasin works closely with German ecclesiastical banks, which in turn have a very close relationship with the institutional church clients they serve. The ecclesiastical banks market the KCD Union Sustainable MIX fund to their clients in the churches, charities, and social welfare bodies.

More information regarding the business with institutional investors can be found in the interview with Aris Prepodis and Frank Wettlauffer in the Portrait 2009 on page 68 onwards.

Asset Management, Products & Sales (Total)

1,000 CHF	**2008 adjusted**	2007 adjusted	Change to 2007 CHF	Change to 2007 %
Operating income	**221,173**	248,474	–27,301	–11.0
Operating expenses	**141,384**	135,677	5,707	4.2
Operating profit	**79,789**	**112,797**	**–33,008**	**–29.3**
Depreciation and amortisation	**7,425**	6,833	592	8.7
Value adjustments, provisions and losses	**0**	–551	551	100.0
Net profit before tax per segment	**72,364**	**106,515**	**–34,151**	**–32.1**
Cost Income Ratio II	**67.3%**	57.4%		
Net new money (million CHF)	**4,424**	4,564		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**–12,949**	721		
Transfers (million CHF)	**–43**	559		
Gross margin on assets under management	**0.63%**	0.68%		
Proporation transaction related revenues	**29.1%**	31.9%		

	31.12.2008 adjusted	31.12.2007 adjusted	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Assets under management (million CHF)	**31,004**	39,572	–8,568	–21.7
Assets under management mandate (million CHF)	**12,448**	13,280	–832	–6.3
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (adjusted for part-time working)	**393.7**	323.8	69.9	21.6
Adjusted number of employees (incl. allocations)	**475.3**	353.9	121.4	34.3
Whereof client relationship managers (adjusted for part-time working)	**79.7**	61.0	18.7	30.7

Whereof Wholesale, Products & Trading

1,000 CHF	**2008 adjusted**	2007 adjusted	Change to 2007 CHF	Change to 2007 %
Operating income	**119,813**	133,127	–13,314	–10.0
Operating expenses	**71,804**	62,621	9,183	14.7
Operating profit	**48,009**	**70,506**	**–22,497**	**–31.9**
Depreciation and amortisation	**3,958**	3,840	118	3.1
Value adjustments, provisions and losses	**0**	0	0	
Net profit before tax per segment	**44,051**	**66,666**	**–22,615**	**–33.9**
Cost Income Ratio II	**63.2%**	49.9%		
Net new money (million CHF)	**1,955**	2,034		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**–6,410**	367		
Transfers (million CHF)	**783**	814		
Gross margin on assets under management	**0.79%**	0.87%		
Proporation transaction related revenues	**45.4%**	52.6%		

	31.12.2008 adjusted	31.12.2007 adjusted	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Assets under management (million CHF)	**13,284**	16,956	–3,672	–21.7
Assets under management mandate (million CHF)	**1,077**	1,093	–16	–1.5
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (adjusted for part-time working)	**230.9**	190.8	40.1	21.0
Adjusted number of employees (incl. allocations)	**247.1**	157.8	89.3	56.6
Whereof client relationship managers (adjusted for part-time working)	**34.3**	20.3	14.0	69.0

Whereof Institutional Clients business unit

1,000 CHF	**2008 adjusted**	2007 adjusted	Change to 2007 CHF	Change to 2007 %
Operating income	**101,360**	115,347	–13,987	–12.1
Operating expenses	**69,580**	73,056	–3,476	–4.8
Operating profit	**31,780**	**42,291**	**–10,511**	**–24.9**
Depreciation and amortisation	**3,467**	2,993	474	15.8
Value adjustments, provisions and losses	**0**	–551	551	100.0
Net profit before tax per segment	**28,313**	**39,849**	**–11,536**	**–28.9**
Cost Income Ratio II	**72.1%**	65.9%		
Net new money (million CHF)	**2,469**	2,530		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**–6,539**	354		
Transfers (million CHF)	**–826**	–255		
Gross margin on assets under management	**0.50%**	0.54%		
Proporation transaction related revenues	**9.9%**	8.0%		

	31.12.2008 adjusted	31.12.2007 adjusted	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Assets under management (million CHF)	**17,720**	22,616	–4,896	–21.6
Assets under management mandate (million CHF)	**11,371**	12,187	–816	–6.7
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (adjusted for part-time working)	**162.8**	133.0	29.8	22.4
Adjusted number of employees (incl. allocations)	**228.2**	196.1	32.1	16.4
Whereof client relationship managers (adjusted for part-time working)	**45.4**	40.7	4.7	11.5

Bank Zweiplus

Encouraging performance in 2008

Bank Zweiplus started business activities in July 2008 and reports as a separate segment. In early June Bank Zweiplus obtained a banking licence from the Swiss Federal Banking Commission (SFBC). It opened its doors for business as planned, on 1 July 2008. During the first half of 2008 Bank Sarasin energetically tackled and completed – within the space of just 32 weeks – a number of important projects, mainly in the IT domain. Bank Zweiplus not only got off to a good start, but performed very well during the first six months of the year despite the financial market crisis. In the second half of 2008 Bank Zweiplus attracted new client assets of CHF 0.7 billion. Over 45,000 new clients were welcomed to the bank. Over the same period Bank Zweiplus performed around 230,000 manual transactions, fielded over 70,000 phone calls and processed more than 7.5 million trading orders. Here Bank Zweiplus has recourse to Bank Sarasin's excellent technical infrastructure, especially in the areas of information technology and securities settlement. This close collaboration creates cost benefits for both banks thanks to the optimal utilisation of existing system capacity and personnel resources, which results in lower unit costs per transaction or per client. On 31 December 2008 Bank Zweiplus had approximately 300,000 clients. They mainly originate from independent financial advisors (IFAs) in the Swiss, German and Austrian markets.

Financial figures for the past year were very impressive as well. Bank Zweiplus achieved a segment result of CHF 7.0 million in H2 2008, thereby contributing a profit to the Sarasin Group in its first six months of operation. Bank Zweiplus was also able to write off all the company foundation costs over the course of 2008.

For the period before the new bank was founded, i.e. for FY 2007 and the first half of 2008, the business with direct clients in the retail and affluent segment and with clients of IFAs which Bank Sarasin subsequently transferred to Bank Zweiplus was reported under the Corporate Center segment. The client assets transferred from the Corporate Center segment to Bank Zweiplus on 1 July 2008 totalled CHF 6.7 billion. This figure includes the client assets transferred from AIG Private Bank worth CHF 2 billion, which were already reported as new money in the Corporate Center segment in 1H 2008. The net new money acquisition of CHF 0.7 billion was not enough to compensate the weak market performance. The client funds of CHF 5.8 billion recorded at the end of the reporting period were therefore CHF 0.9 billion below the level they stood at when the bank was first formed. The gross margin in H2 2008 was 141 basis points. Bank Zweiplus has a cost income ratio II of 81.4%.

Very promising outlook for 2009

Bank Zweiplus is standing by its growth targets, despite the very challenging market environment. On the one hand it intends to continue expanding its business beyond the current 200 IFA partners in the Swiss, German and Austrian markets. At the same time there is a good chance that additional market players will enter into a partnership with Bank Zweiplus during the course of 2009. On 1 October 2008 Swiss Life already decided to hand over to Bank Zweiplus the processing and management of its savings and investment products in the Swiss market. At the start of the partnership Bank Zweiplus immediately took on 30,000 clients from Swiss Life with assets of around CHF 800 million. This first partnership with such a prolific Swiss insurer shows that Bank Zweiplus

Bank Zweiplus has branches in Zurich (head office) and Basel, and positions itself as a leading independent product and settlement platform for clients of independent financial advisers, independent asset managers and life insurance companies, as well as for direct clients in the retail and affluent segment. Its offering includes bespoke financial solutions with no vested interests and independent of a specific investment sum. Bank Sarasin is majority shareholder in Bank Zweiplus with a stake of 57.5%. Operations are headed by Marco Weber, CEO of Bank Zweiplus. At the end of 2008, Bank Zweiplus had a headcount of 137 employees (adjusted for part-time working).

is also a competitive alternative for companies with a large volume of custody accounts. As a result, the settlements business with asset managers and insurance companies is developing into the bank's second main pillar, alongside its business with IFAs.

Bank Zweiplus is also contemplating the acquisition of a suitable settlements bank in Germany and Austria, as it seeks to further expand its business in the European marketplace. Bank Zweiplus is focusing on selected east European markets as well. For example, Bank Zweiplus hopes to be able to expand into Slovakia and the Czech Republic in 2009 through its existing financial services partnerships.

More information on Bank Zweiplus Ltd can be found at: www.bankzweiplus.ch.

Bank Zweiplus

1,000 CHF	**2008 adjusted**	2007 adjusted	Change to 2007 CHF	Change to 2007 %
Operating income	**44,181**	0	44,181	
Operating expenses	**35,324**	0	35,324	
Operating profit	**8,857**	**0**	**8,857**	
Depreciation and amortisation	**629**	0	629	
Value adjustments, provisions and losses	**1,254**	0	1,254	
Net profit before tax per segment	**6,974**	**0**	**6,974**	
Cost Income Ratio II	**81.4%**	0.0%		
Net new money (million CHF)	**687**	0		
New money through acquisitions (million CHF)	**0**	0		
Change through divestment (million CHF)	**0**	0		
Performance (million CHF)	**–1,562**	0		
Transfers (million CHF)	**6,684**	0		
Gross margin on assets under management	**1.41%**	0.00%		
Proporation transaction related revenues	**38.4%**	0.0%		

	31.12.2008 adjusted	31.12.2007 adjusted	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Assets under management (million CHF)	**5,809**	0	5,809	
Assets under management mandate (million CHF)	**1,626**	0	1,626	
Impaired and non-performing loans (1,000 CHF)	**151**	0	151	
Number of employees (adjusted for part-time working)	**136.6**	0.0	136.6	
Adjusted number of employees (incl. allocations)	**143.6**	0.0	143.6	
Whereof client relationship managers (adjusted for part-time working)	**22.7**	0.0	22.7	

Corporate Center

The new net new money figure of CHF 2.2 billion reported in the Corporate Centre which was transferred into Bank Zweiplus on 1 July 2008 includes the client assets contributed by AIG Private Bank worth CHF 2 billion, and the assets acquired by Bank Sarasin in H1 2008 in the direct clients and IFA clients business.

Segment result undermined by various exceptional events

Because of exceptional effects, both the income and the costs of the Corporate Center were down by more than 50%, leading to an overall loss of CHF 4.3 million. The decline in income can be explained by the heavy equities exposure in the bank's own financial investments: less than a third of the previous year's revenue was generated because of the effects of the international stock market crash. The result for 2007 also included a profit of CHF 22.2 million from the sale of Sarasin's Luxembourg subsidiary in the summer of 2007, which obviously had no effect in 2008.

The income from the business which Bank Sarasin transferred to Bank Zweiplus amounted to CHF 60.1 million for the full year 2007 and CHF 23.6 million for H1 2008, and is reported in the Corporate Segment to facilitate comparison. On 1 July 2008 Bank Sarasin transferred this business to Bank Zweiplus. The absence of the Luxembourg subsidiary and the transfer to Bank Zweiplus were therefore the main cause for the decline in operating expenses, which dropped to CHF 32.6 million (2007: CHF 64.8 million).

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, Accounting & Tax, Controlling, Risk Office, Credit and Corporate Finance) on the other. Up to the end of April 2008 the Logistics division was headed by Joachim H. Straehle, CEO of Bank Sarasin. Peter Sami took over as head of this division on 1 May 2008. The Corporate Center division is managed by the bank's Chief Financial Officer, Matthias Hassels. On 31 December 2008 the Corporate Center had a headcount of 418 employees (adjusted for part-time working).

Marketing & communication: New positioning and brand management to focus on sustainability

Since the spring of 2008 Bank Sarasin has repositioned its brand globally with the new claim **"Sustainable Swiss Private Banking since 1841".** This succinctly sums up what the bank stands for, what it does and how it acts. To ensure the positioning comes across consistently in all the bank's internal and external communications in Switzerland as well as at its international locations, Sarasin has reviewed and updated its mission statement and corporate values. Within the 'Shine' project, the bank has also revamped its corporate design and subsequently the visual identity used to advertise the image and products of the Sarasin Group, realigning it to this new basis and refining it further. This ensures that the Sarasin brand has a unique and distinctive positioning in all the group's target markets, promoting a consistent corporate identity and stressing our continuity. The new visual identity was rolled out in the middle of 2008 and provides the Sarasin brand with a clear and prominent market presence.

For the first time Bank Sarasin has acted as the main sponsor for a high-goal polo tournament: The Sarasin **Swiss Open – Polo Championship** was held from 28 to 31 August 2008 in Zurich Polo Park. Six teams made up of the world's top players contested the highly coveted trophy. The team of the main sponsor, Bank Sarasin, was led by the sport's two Swiss leading lights Piero Dillier and Thomas Rinderknecht. At this high-goal tournament, players were able to collect points for the World Polo Tour.

Davidoff Swiss Indoors, the world's third largest indoor tennis tournament after Paris and Madrid, concluded on Sunday 26 October 2008 with Roger Federer's third consecutive tournament win and two fund-raising campaigns by Bank Sarasin on finals day in Basel. Two cheques were handed over: CHF 40,000 for the Schweizer Sporthilfe

Foundation and CHF 65,000 for the Roger Federer Foundation.

Sustainability management: committed to the environment

In order to deliver additional proof of the claim "Sustainable Swiss Private Banking since 1841", Bank Sarasin has also decided to use **recycled paper for all applications** in future. Wherever possible Sarasin works with carbon-neutral print shops. It has also banned the use of embossing or other decorative print techniques on the cover pages of its publications to help protect the environment.

Eleven companies from across Switzerland, including Bank Sarasin, set up the foundation **"Klimastiftung Schweiz"** on 4 July 2008. This commenced activity in the second half of 2008. The foundation, which is financed by refunds from the founders' CO_2 incentive tax, promotes energy efficiency and climate protection measures, especially in small and medium-sized enterprises in Switzerland. It was founded on the initiative of "Energie-Modell Zurich", whose members have been actively involved right from the start in the discussion about the introduction of a carbon tax.

More information can be found under www.klimastiftung.ch.

Bank Sarasin is also a **signatory to the "Investor Statement on a Global Agreement on Climate Change".** Sarasin is therefore a member of the world's biggest association of investors with combined assets of several billion US dollars under management. In a declaration published on 11 November 2008, all governments were called upon to formulate a global agreement on climate change in the run-up to the UN summit on climate change held in December 2008 in Poznan, Poland.

Human Resources – Getting the balance right between work and play

Finding the right Work-Life Balance (WLB) is becoming increasingly important in society and the world of commerce. To develop an integrated strategy for Sarasin in this domain, the Sustainability Committee has launched a pilot project, "SaraLifeBalance". As part of our forward-looking HR policy, the first priority is to make sure we clarify our employees' needs in the area of WLB and initiate measures to optimise the balance. Bank Sarasin, which positions itself as a sustainable private bank, is keen to introduce a pioneering concept in order to show that sustainability is at the heart of its corporate stewardship. The integrated strategy is also designed to promote a corporate culture with the WLB concept at its centre. An internal working party, under external leadership, has presented the project findings and also submitted to the Sustainability Committee seven proposals for concrete measures to improve the WLB. Taking these proposals as a starting point, senior management has already approved the first practical measures.

Information technology: SaraFit being gradually implemented

Under the **SaraFit project** (FIT = Future Information Technology), which has been running since 2007, the direction of our IT Services has been analysed to see how it fits in with our business strategy and future requirements. The project not only covers Switzerland, but our international locations in Hong Kong, Singapore and London. The objective is to standardise the different IT platforms and applications across the entire group, along with the various internal processes and activities. SaraFit will be gradually implemented over the coming years. In phase one, Avaloq will be rolled out in Singapore as an IT hub for Asia. This will be followed by gradual implementation in our other foreign locations.

In mid-July 2008, the Indian company **TCS** (TATA Consultancy Services), **Avaloq and Bank Sarasin** decided to form a **partnership** in the field of testing and migration of the Avaloq Banking System. TCS will first set up an Avaloq test centre for Bank Sarasin & Co. Ltd for testing future releases of the Avaloq Banking System for use in the Swiss private bank. Not just Bank Sarasin, but all other Avaloq customers will be able to benefit from this test centre. In future Bank Sarasin will cooperate with TCS as a partner for the implementation of Avaloq in its international subsidiaries. TCS is a global provider of IT services and enterprise solutions.

Legal & Compliance: supporting the bank on its growth path

The ongoing expansion of the bank's business activities, such as the opening of new locations in Switzerland and abroad, once again demanded comprehensive support from Legal & Compliance in 2008, requiring their involvement in many of the bank's projects. The rapid expansion of the workforce (especially new relationship managers) also meant that extra training events had to be organised. In the products and services domain, the main focus of attention in 2008 was the implementation of the new Federal Act on Collective Investment Schemes (CISA), as well as the registration of different investment funds in a number of foreign countries. In the context of a far-reaching project managed by Legal & Compliance, Bank Sarasin is also implementing the main standards of MiFID (EU Directive on Markets in Financial Instruments).

Corporate Center

1,000 CHF	**2008 adjusted**	2007 adjusted	Change to 2007 CHF	Change to 2007 %
Operating income	**38,875**	87,911	–49,036	–55.8
Operating expenses	**32,639**	64,815	–32,176	–49.6
Operating profit	**6,236**	**23,096**	**–16,860**	**–73.0**
Depreciation and amortisation	**9,554**	7,277	2,277	31.3
Value adjustments, provisions and losses	**1,010**	2,363	–1,353	–57.3
Net profit before tax per segment	**–4,328**	**13,456**	**–17,784**	**–132.2**
Cost Income Ratio II	**108.5%**	82.0%		
Net new money (million CHF)	**2,202**	85		
New money through acquisitions (million CHF)	**0**	191		
Change through divestment (million CHF)	**0**	–4,017		
Performance (million CHF)	**–712**	386		
Transfers (million CHF)	**–6,836**	–221		
Gross margin on assets under management	**1.44%**	1.23%		
Proporation transaction related revenues	**67.0%**	39.7%		

	31.12.2008 adjusted	31.12.2007 adjusted	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Assets under management (million CHF)	**26**	5,372	–5,346	–99.5
Assets under management mandate (million CHF)	**0**	189	–189	–100.0
Impaired and non-performing loans (1,000 CHF)	**73,899**	3,332	70,567	>1,000
Number of employees (adjusted for part-time working)	**417.5**	421.9	–4.4	–1.1
Adjusted number of employees (incl. allocations)	**110.7**	189.7	–79.0	–41.6
Whereof client relationship managers (adjusted for part-time working)	**0.0**	13.5	–13.5	–100.0

Sustainability

Sarasin: sustainable to the very core

Bank Sarasin is committed to sustainability. This has always been a **key component of its business philosophy and corporate culture,** shaping internal processes and decisions. Sustainability incorporates all the sustainable and enduring values which are key to Sarasin's 168-year tradition as a Swiss private bank. Since the summer of 2008, the Sarasin brand has been linked more closely with the theme of sustainability, ensuring a distinctive positioning for the bank both internally and externally. The Sarasin Group's new slogan is "Sustainable Swiss private banking since 1841". At the core of the Sarasin brand identity, this slogan succinctly sums up what the bank stands for, what it does and how it acts. The bank's mission statement was also updated during 2008 to reflect this new positioning. The corporate design and market image of the Sarasin Group has been revamped to reflect this new brand identity. This not only ensures continuity, but also allows for unique corporate communications and anchors the Sarasin brand in all the international growth markets in which the bank operates now and in future.

Sustainability and the future go hand in hand: In autumn 2008 Bank Sarasin, together with the ETH transdisciplinary research institute Collegium Helveticum, founded a new independent **think-tank WIRE [Web for Interdisciplinary Research and Expertise].** This think-tank studies contemporary and future trends in industry, society, medicine and healthcare. The focus is on the analysis of cross-disciplinary trends and the creation of interfaces between research and practice. Bank Sarasin offers its clients sustainable and thematic products and services, and is therefore keen to find out which trends of the present will dominate the daily lives of future generations and what challenges they will have to overcome. This claim is also formulated in the slogan used to communicate Sarasin's brand identity: "Sustainable Swiss private banking since 1841". This is a commitment which must be backed up by concrete actions in order to be credible. Its involvement in W.I.R.E. is a prime example.

What does "sustainability" mean at Sarasin?

The term "sustainability" originates from the forestry business, and means that the amount of wood cut must not exceed the amount of new trees planted.

A common term in both business and politics

In 1987 the UN World Commission on Environment and Development (the "Brundtland Commission") refined this into a philosophy of sustainable development. Its ultimate purpose is to allow people "to meet the needs of the present without compromising the ability of future generations to meet their own needs". The term sustainability was introduced into the world of politics and business in 1992, when the Earth Summit was held in Rio de Janeiro.

Sustainability and Bank Sarasin

Sustainability is a key element of Bank Sarasin's corporate philosophy and influences its relations with its clients, employees and suppliers. Sustainability is achieved by integrating environmental, social and economic principles into the bank's corporate governance. Bank Sarasin provides full details of its initiatives and performance in this area in a separate sustainability report published every year. The Sustainability Report 2008 will be published in April 2009.

Leader in sustainable investments

As early as 20 years ago, Bank Sarasin realised that the influence of environmental and social themes is steadily growing in asset management, inspiring it to launch the world's first eco-efficiency fund in 1994. As a pioneer in this field, it has also brought to market innovative products that invest in renewable energies (both investment funds and private equity vehicles). In 2000 Bank Sarasin therefore decided to give Sustainability Research its own portfolio management arm, resulting in a separate strategic business unit "Sarasin Sustainable Investment®". Sarasin's many years of experience in the field of sustainable asset management are therefore integrated into an international, interdisciplinary team ready to benefit our clients. Today Bank Sarasin is one of the top international addresses for sustainable investment.

Carbon neutral since 2008

For many years now Bank Sarasin has been steadily reducing the amount of CO_2 emissions per employee as part of its consistent environmental management policy. At our Swiss locations, 93% of the electricity consumed came from renewable sources in 2008 (2007: 85%); this figure was as high as 100% for our Geneva and Zurich offices. The electricity consumed at our Zurich office is certified green electricity (Naturemade Star), which is produced according to particularly high environmental standards but is also a little more expensive as a result. The bank's own solar system installed on the roof of its head offices in Basel produced as much electricity in 2008 as six households with a family of four uses over the course of a year.

Naturemade Star is a label applied to electricity produced to particularly high environmental standards, also known as green electricity. This is produced from 100% renewable energy sources and complies with particularly strict and comprehensive environmental criteria. For example, at least 2.5% of the electricity certified as Naturemade Star must come from new plants (built after 1995) fuelled by wind, solar energy or biomass (excl. gas recovered from sewage treatment plants).

Since 1 January 2008 any unavoidable CO_2 emissions resulting from business activities (business travel, electricity consumption, heating, water, paper, etc.) at all the Sarasin Group's locations have been offset by purchasing the corresponding CO_2 "gold standard" certificates from the Myclimate foundation.

Myclimate – The Climate Protection Partnership – encourages innovative solutions for climate protection and the promotion of renewable energies and energy-efficient technologies. This international initiative with Swiss roots is now one of the leading providers of carbon-offsetting measures. Myclimate originated in 2005 as a merger of the ETH spin-off Myclimate and the private initiative CLiPP, which have been active in climate protection since 2002. The organisation comprises a foundation and an association, both of which are charities and pay no tax. Myclimate is present in Switzerland, Norway, Canada, the US, Greece and New Zealand.

The **Gold Standard** is an independently managed label that recognises high-value climate protection projects and the resulting emission reduction certificates. The focus is on the integrity of these projects in terms of their environmental credentials and sustainable investment. The Gold Standard can be applied to Clean Development Mechanism (CDM), Joint Implementation (JI) and Voluntary Emissions Reduction (VER) projects. The Gold Standard criteria were developed to supplement the existing CDM/JI processes, under the auspices of the WWF. The idea was to produce a more transparent assessment of the contribution to climate protection projects for effective reduction of greenhouse gases and to put provide a greater focus on the contribution towards sustainable development in developing countries.

Bank Sarasin's Sustainability Committee has decided to use the payments due in 2008 to finance a **CO_2 compensation project in Costa Rica.** The purpose of this project is to cut greenhouse gas emissions produced in animal farming by improving the systems used to treat animal waste. This is achieved by replacing the commonly practised sludge treatment method with sealed biogas reactors. The biogas collected consists of up to 60% methane with a high energy content whose environmental impact is many times greater than that of carbon dioxide and is used to generate electricity and heat. The project in Costa Rica supported by Bank Sarasin will reduce greenhouse gas emissions in an economical, environmentally friendly and socially responsible manner and will also create additional benefits for the environment, such as better groundwater quality and less noxious smells for people living in the vicinity.

Bank Sarasin is also co-founder of the new organisation **"Klimastiftung Schweiz"** created in the summer of 2008. Funded by 11 companies at present, this foundation promotes energy efficiency and climate protection measures, especially in small and medium-sized enterprises in Switzerland. The foundation is financed by refunds from the 11 founders' CO_2 federal incentive tax which the sponsors donate to the foundation.

Popularity of sustainable investments continues to grow
Ever more investors are interested in the long-term prospects of investments, and are keen to play an active and socially responsible role. There has been an almost exponential rise in sustainable investments in recent years. In Switzerland alone the volume rose by 67% at year-end 2006 to over CHF 34 billion at year-end 2007. When Germany and Austria are added, the assets managed according to sustainable criteria rose by an impressive 90% to CHF 56 billion. A report published by Eurosif in 2008 and sponsored by Bank Sarasin estimates that the quota of sustainable investments in the portfolios of European HNWIs came to around 8% at y/e 2007 and expects this figure to rise by half again, to a quota of 12%, by the year 2012.

Bank Sarasin has continued to reinforce its positioning in this domain: At the end of 2007 a sustainable thematic investment product, the Sarasin Sustainable Water Fund (CHF), was successfully launched and in the space of twelve months had already attracted an impressive CHF 50 million from investors. The sustainable advisory mandate which our Paris office won from the French subsidiary of an international insurance group was also another significant milestone: this new client wants to invest his entire assets of CHF 20.7 billion in accordance with environmental and social criteria, relying on the sustainability research provided by Bank Sarasin. This brings the volume of client funds managed by Bank Sarasin under advisory mandates at the end of 2008 to CHF 21.8 billion. At the end of 2008 a decision was then taken to

Fig. 22: Development of sustainable assets managed by the Sarasin Group
(billion CHF)

base the asset management of all portfolio mandates for Swiss clients on sustainability criteria.

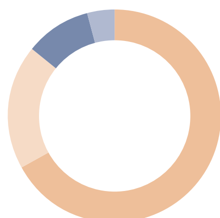
Because of the turmoil in international stock markets, cushioned to some extent by continuous new money growth, the client assets managed by Bank Sarasin according to sustainable principles shrank by 10% to CHF 6.5 billion.

Sustainable advisory services strengthens client contentment
A very close relationship with the client built on mutual trust is an essential prerequisite for working together successfully with customers and setting ourselves apart from the competition in the Private Banking market. Everything we do therefore centres on what benefit it brings to our clients. The results of our regular client survey confirm the effectiveness of this approach: over two thirds of clients are either very or extremely satisfied with Bank Sarasin. Clients who are very satisfied with us entrust the bulk of their assets – more than 70% – to the bank to manage. A third of clients who are very satisfied would like to expand their business relationship further. 98% of satisfied clients are happy to recommend the bank to other prospective customers, which is not only a sign of the huge trust placed in us, but also opens up another important source for future growth. Clients who are satisfied with Sarasin also tend to be extremely loyal, ensuring a high client retention rate.

At Bank Sarasin the Chief Client Officer is responsible for developing and looking after the client base, in order to maximise client contentment. This requires very thorough analysis of client needs and expectations. To assist with this, Bank Sarasin employs customer and market research methods, as well as an analytical Customer Relationship Management System. The objective here is to identify those quality improvement measures that will have the maximum effect on customer satisfaction on the one hand while on the other helping to boost the effectiveness of our marketing initiatives.

A controlling process is in place for every quality improvement measure to ensure that it does actually produce the required effect. As the bank's client survey has

Fig. 23: Results of our client satisfaction survey: Personalised advice and service are the key to customer satisfaction

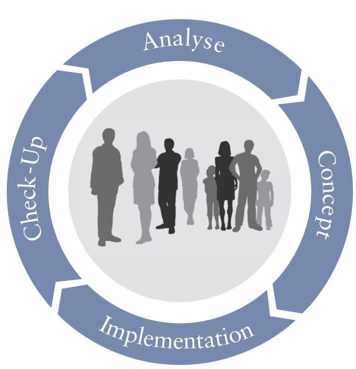


Advice and Service
Products and Investment Solutions
Performance
Fees

[Source: client survey, Bank Sarasin 2008]

shown, the continuous optimisation of the advisory process is by far the most important measure: as much as 50–70% of customer satisfaction hinges on clients' experience of the advisory process. Bank Sarasin's advisory process is based on a four-phase structure and is designed to meet the expectations that clients have of a top-class private bank. The professional methodology implemented here equally improves the performance of our client advisors.

Fig. 24: Bank Sarasin's 4-phase advisory process ensures a high advisory quality



Sustainability in the workplace: promoting the right Work-Life-Balance

Future social and demographic trends in industrialised countries make it clear that companies are likely to face an acute shortage of skilled labour in a few years' time. Finding the right Work-Life Balance (WLB) is becoming increasingly important in society and the world of commerce. This presents two key challenges. In line with our HR policy, we need to take steps to attract highly qualified employees (especially women) in the long run. Any company such as Sarasin that is committed to fulfilling its social responsibility must actively collaborate in shaping the overall conditions to ensure compatibility between the workplace and family life. To develop an integrated strategy for Sarasin in this domain, the Sustainability Committee has launched a pilot project, "SaraLifeBalance" at our Swiss locations during the reporting year. The project team has defined strategic areas where action is required, identified and analysed the needs of employees, and come up with suggestions for optimising the WLB. One area we need to address is making working hours and locations more flexible. Effective communication is also vital to the success of our Work-Life-Balance balance: it is important that staff is kept informed of existing measures and available opportunities. The working party has drawn up its findings and also formulated suggestions for concrete measures. These will be implemented over the course of 2009.

Sustainability: the cornerstone of the bank's social commitment

Bank Sarasin is active in numerous social institutions in the areas of culture, medicine, sport, traditional culture, religion and social work. For example, on finals day of the tennis tournament **Davidoff Swiss Indoors,** which Bank Sarasin supported as one of the main sponsors, the bank handed over cheques for CHF 40,000 to the sports foundation Schweizer Sporthilfe and CHF 65,000 to the Roger Federer Foundation, both organisations committed to encouraging young sports talent. Sarasin Asia supported the **victims of the earthquake in Sichuan** by making a sizeable donation to the Red Cross. Half the money was donated by local Sarasin employees, who were heavily involved in the fund-raising campaign. Bank Sarasin encourages its members of staff, senior management and board of directors to actively engage in society, and this is reflected in the numerous honorary positions they hold in social institutions.

Public recognition of Sarasin's transparent reporting

A team of academics at the Fachhochschule Nordwestschweiz, led by Professor Claus-Heinrich Daub, has studied the quality of the annual reporting provided by Switzerland's biggest 250 companies, along with a selection of SMEs. This is the biggest study of its kind undertaken in Switzerland. The scientific methodology was developed as part of a research project funded mainly by the Swiss government's Committee for Technology and Innovation (KTI). In 2008 Bank Sarasin was ranked 13th in all the Swiss companies studied, the highest placing of any Swiss bank.

More detailed and up-to-date information on Bank Sarasin's activities in the area of sustainability can be found in our Sustainability Report 2008. This will be available in April 2009 as a download on the internet, at www.sarasin.ch. Please contact us if you would like to receive a printed copy.

Risk management

1. Risk management principles

Assessing and assuming risks are integral parts 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 requires considerable human and technological resources.

Given the present 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 formal 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. Key elements of a sound risk culture are 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 of 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 its task to formulate and implement the Bank's risk policy. The board also defines the risk strategy, the basic risk management parameters (e.g. limits and systems), the maximum risk tolerance as well as 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 sub-committees to deal with risks, acting as decision-making bodies for key issues and risks, subject to their allocated areas of responsibility. Their task is to promote risk awareness and ensure compliance with the approved risk standards.

The **Central Credit Committee (CCC)** manages the credit risks, whereas 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 comprising representatives from different divisions, as well as from the relevant specialist units (Legal & Compliance, Credit, Risk Office). The CCC meets at least once a month while the ALCO convenes 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 independently of the departments that analyse the risks assumed and monitor adherence to limits and other competencies. The setup chosen intends 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 ensures 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 code 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.

Fig. 25: Risk management process

Risk identification detects the emergence of new risks or any change to existing risks, and 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.

Its 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.

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

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

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, as well as derivative positions on all asset classes.

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 since 2008 is based on historical simulations and replaces the variance/covariance approach used previously. This method assumes a 99% confidence interval with a holding period of one day.
>
> 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. The method is permanently reviewed and adapted. In particular, the input parameters are constantly being updated and if necessary expanded.

> **Scenario analyses and limits:** In order to be able to assess the market risk under any market conditions and for positions with asymmetric payout profiles (options).
>
> The scenario analysis is performed in addition to the VaR method. Its technique is based on predefined normal and extreme, but perfectly plausible shifts 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 any unusual and combined changes in the market parameters (e.g. price fall of 25% with simultaneous increase in volatility of 10%). The scenarios are con-

tinuously 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.

The positions and the extent to which limits are utilised are monitored both on an intraday (real time) and overnight basis in the trading system. 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

The Group's VaR as at 31 December 2008 came to CHF 208,000 (1 day holding period, 99% confidence level, one-sided). The table shows that the total VaR of the trading book averaged CHF 350,000 and over the course of the year fluctuated between CHF 145,000 and CHF 897,000. The overall VaR for trading is limited to CHF 5.7 million. The effective utilisation of limits was therefore well below the maximum permitted risk exposure throughout the year.

Fig. 26: Value-at-Risk[1] of the Sarasin Group's trading book, divided into risk factors

(1,000 CHF)

	31.12.2008	ø	min.	max.
Equities risk	31	76	12	241
Interest rate risk	29	75	3	227
Currency risk	72	86	13	324
Structured products	76	113	18	530
Total	**208**	**350**	**145**	**897**

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

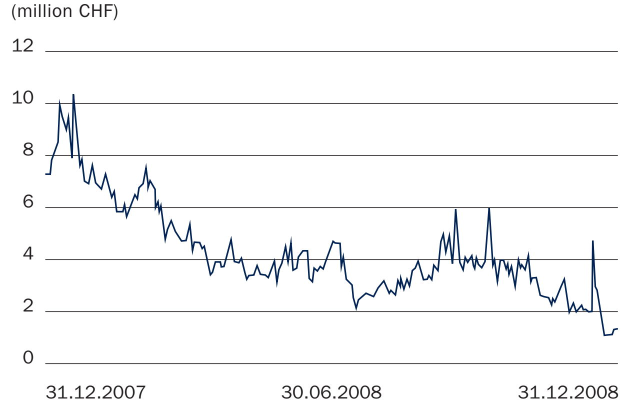
The VaR is an edequate measure for estimating risk under normal market conditions or for linear positions. In the area of structured products especially, however, many non-linear risks arise under stress conditions (so-called hedging errors). In this area, therefore, limits are placed not only on the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

The next 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 general falling trend in the potential loss over the course of 2008 can be observed, which is attributable to three factors:

> Active risk reduction through Risk Management (Trading)
> Strong movements in the instruments underlying the derivatives, which means that the options move deeply "into the money" or "out of the money", making them easier to hedge
> Decline in the issuance of structured products towards the end of 2008

Fig. 27: Potential loss if the scenario materialises

(million CHF)



Development of market risks in the banking book

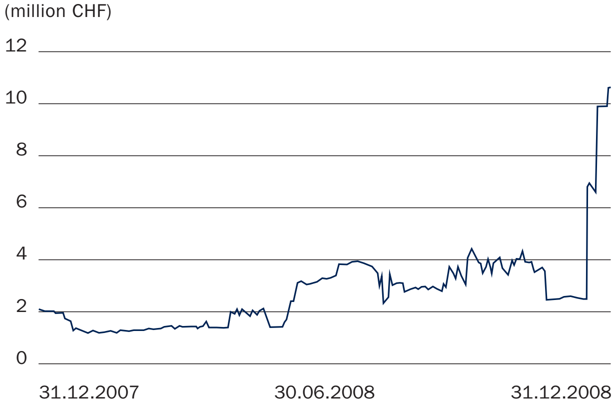
The ALCO is responsible for managing the market risks in the banking book. ALCO's main task is to manage the balance sheet structure and the investments with maturities lasting more than one year. The management of the balance sheet structure in the maturities segment of less than a year is handled by the Treasury Committee.

In managing the banking book, the ALCO keeps an actively managed portfolio. This portfolio has a volume of CHF 800 million and comprises mainly bonds (approx. 70%), equities (roughly 6% on average in 2008), alternative investments (around 10%) and liquid assets. These liquid assets are as a rule reported in the balance sheet as financial investments available for sale. The portfolio also contains various derivative positions for hedging purposes (e.g. short index futures). These derivatives are used to actively manage the portfolio's asset allocation (e.g. the equities quota or the duration).

Since the bulk of positions in this portfolio are linear in nature, the VaR is a good method of measuring risk. In view of the active management style and changes in market parameters, the VaR is vulnerable to strong fluctuations.

Fig. 28: VaR of the actively managed portfolio during the course of 2008

(million CHF)



Interest-rate risks in the banking book

The interest-rate risk at group level is limited and managed by imposing a sensitivity limit on the market-value effect. Sublimits exist for those subsidiaries carrying significant interest rate risks in the banking book. Here the limits are applied across time bands both individually and overall.

The **interest-rate risk** refers to the potentially negative impact of changes in market interest rates on the bank's assets, financial stability and revenues. Interest-rate risks in the banking book arise from differences in the rate-fixing dates for the assets, liabilities and off-balance-sheet positions.

The ALCO is responsible for managing the risk in the banking book. The ALCO has delegated the monitoring of the interest-rate risk limits to the Treasury Committee. For this purpose the latter is provided with a weekly briefing on the current interest-rate risk situation by Risk Office. If necessary, the Treasury Committee proposes hedging measures which are subject to approval by the ALCO. A report on the utilisation of interest-rate risk limits is also submitted every month to the Executive Committee and every quarter to the Board of Directors and Audit Committee.

The most important measure when reducing the risk associated with the refixing of interest rates is to ensure that loans are refinanced with matching maturities. On the other hand, interest rate payer swaps are used to convert the interest-rate risk of long-term assets into that of variable positions.

The modelling of the rate-fixing for positions with a variable interest rate and indefinite term is estimated by means of a replicating portfolio. Due to risk considerations, when defining the replicating portfolio care is taken not only to ensure income optimisation but also to prevent any disproportionate or unexpected cash flow gaps occurring in the case of fluctuating volumes, as well as to minimise volatility in the interest income. Taking these conditions into consideration, replicating portfolios are defined primarily on the basis of the period of notice for the positions, with regular checks to ensure they are still appropriate.

Liquidity risks

Bank Sarasin's Treasury Committee is responsible for monitoring liquidity. It is composed of the CFO, the Group Treasurer and representatives of Accounting and the Risk Office, and usually meets every week. The prime objective is to guarantee the Bank's ability to meet its payment obligations at all times and to make sure legal requirements for liquidity are complied with. This committee is also responsible for optimising the refinancing structure and the cash flows within the Sarasin Group.

A key task of the committee is to monitor all the relevant liquidity risk factors. These include money flows between subsidiaries and the parent, inflows and outflows of client funds and changes in the availability of liquidity reserves.

> The **liquidity risk** essentially refers to the danger of the bank being unable to meet its payment obligations or failing to meet the requirements imposed by banking regulations. In addition, holding excessive liquidity can jeopardise income.

Especially in times of crisis, unsecured borrowing from third-party banks (interbank market) 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. As a supporting strategy, target bandwidths are set for surplus coverage of the minimum reserve as well as for minimum liquidity. These are actively monitored and adequate measures initiated if liquidity falls below the specified targets.

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

Bank Sarasin is involved almost exclusively in asset-management-linked lending business with private clients, with particular emphasis on collateral loans and mortgages. Other types of loans also include guarantees and credit lines in connection with 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 focuses primarily on Switzerland.

Responsibilities

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

> 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.

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, Bank Sarasin accepts financial collateral in the form of marketable securities. Their collateral value is determined 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

Fig. 29: Composition of loan portfolio
Credit exposure as at 31 December 2008

(million CHF)

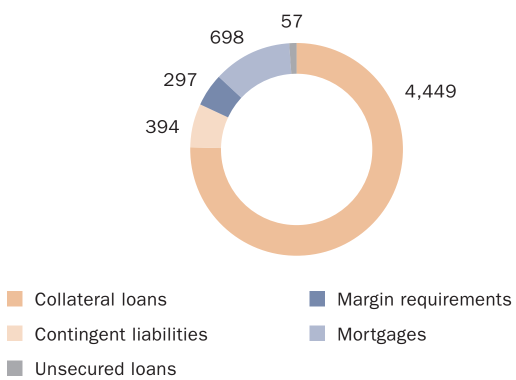
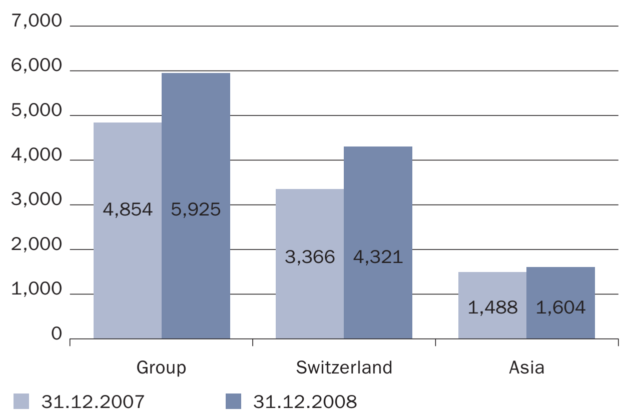


Fig. 31: Lending growth by booking centre

(million CHF)



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 properties which our clients hold as an investment. In all cases conservative loan-to-value ratios are applied.

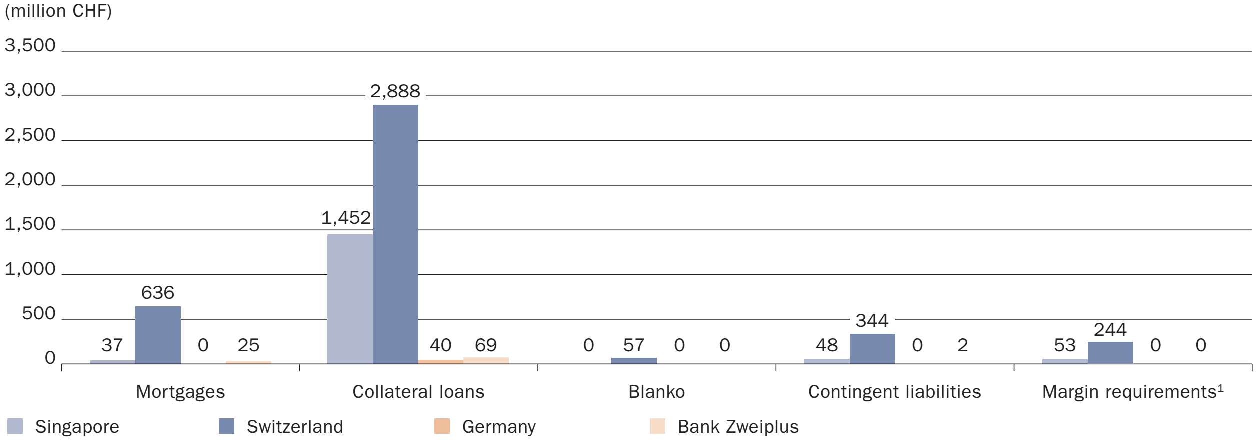
Collateral loans, with a volume of almost CHF 4.5 billion, are Bank Sarasin's most important form of lending, followed by mortgages, contingent liabilities and margin requirements. The collateral loans business grew by around CHF 1.0 billion during the reporting period. The strongest growth in relative terms was recorded in the mortgage business, where the lending volume tripled.

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 almost 30% of loans booked. Germany, and Bank Zweiplus, only play a very minor role.

A breakdown of the different types of credit clearly shows that the mortgage business is limited almost exclusively to Switzerland, while Asia also has a significant exposure to collateral loans. Compared with the previous year, the

Fig. 30: Lending volumes by type of credit and booking centre as at 31 December 2008

(million CHF)



[1] Not reported under amounts due from clients.

margin requirements in Asia have fallen significantly, which is mainly attributable to the fact that sales of certain products for which margins are compulsory have virtually dried up.

The credit exposure of the Sarasin Group has risen by well over 20% in the space of a year. During the course of 2008, the loan portfolio in the Swiss booking centre increased 30%, from just under CHF 3.4 billion to almost CHF 4.3 billion. The volume in Asia rose only marginally over the same period, from CHF 1.5 billion to CHF 1.6 billion.

Value adjustments in the lending business with customers

The turmoil on international capital markets obviously had an immediate impact on the value of securitiesdeposited with Bank Sarasin in the collateral loans business. As a result, securities held as collateral either suffered a total default virtually overnight (such as the structured products issued by Lehman Brothers), or plunged in value (especially equities), or practically ceased to be tradable (many bonds or hedge funds). This dramatic fall in value resulted in margin calls for some clients, which in most cases were met without difficulty by actively collaborating with the customer. The fact that there have been virtually no defaults in client loans is down to the bank's proactive management of its loan portfolio and underscores the low-risk nature of the lending business.

Business with banks

The Sarasin Group engages in business relationships on the interbank market 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, working closely with various Rabobank entities, in a comprehensive risk management process whose core elements are identification, analysis, approval, monitoring, taking remedial measures, and reporting.

Identification

The identification of credit risks can be split into ex ante and ex post screening. In the ex ante method, identification is performed in close collaboration with the relevant front-office entities, either by involving them in daily trading and the development of new products, or in the opening of new business relationships. These processes are set down in appropriate internal directives. With the ex post method, automated IT processes and consistency analyses (such as comparisons to Financial and Legal Reporting) ensure that credit risks in the interbank market are fully identified.

Analysis

Analysis of the identified credit risks is performed both at Sarasin and Rabobank level. At the first level, an initial assessment is carried out by the Risk Office. This essentially involves the characterisation of the counterparty risk and a quantification of the amount, probability of default, term and credit rating of the counterparty.

When assessing credit standing, Bank Sarasin relies on ratings provided by external agencies such as Moody's, Standard & Poor's and Fitch, where available, as well as from Rabobank. The calculations of equity required under Basel II capital adequacy rules are based on the long-term ratings of the credit rating agencies Moody's and Standard & Poor's, whereby one rating is basically used for all positions (as long as one actually exists). The credit assessment also takes into account current market information, such as credit default swap rates or, if necessary, the bank's own analysis of financial data published by counterparties.

At the second (higher) analysis level, various Rabobank departments perform a risk assessment, with the Bank Analysis Department assuming responsibility for all banks. Supported by substantial human and technological resources, virtually all of Bank Sarasin's existing counterparties are regularly analysed, occasionally in great depth, and a rating arrived at on a well-informed basis.

Approval

Closely linked to the analysis process comes a standardised approvals procedure where a suitable limit is agreed for each exposure to each counterparty. The approvals process and the relevant competencies are also organised as a two-tier system, at Sarasin and Rabobank level, whereby a top-down approach is pursued in accordance with Rabobank directives that apply to the entire group.

Within Rabobank, the Credit Committee Financial Institutions (CCFI) assesses and approves global limits for each counterparty. These are valid for the entire Rabobank Group, to which Sarasin belongs. Here the limits are set separately for each relevant legal entity of the counterparty groups, to make sure monitoring is as accurate as possible. In the next stage these global limits are then apportioned as required to the relevant limits users within the Rabobank Group, whereby Bank Sarasin, as a "Top Allocation Holder", enjoys the highest priority granted to other Rabobank entities.

At the Sarasin Group level, authority to approve bank counterparties lies with the CCC. Following the procedure adopted at Rabobank, the CCC also assesses and approves a global limit for each counterparty. This is determined from Sarasin's viewpoint, although the relevant Rabobank limits constitute a binding framework. The CCC also decides whether to impose limits on any other positions which lie outside the limits defined by Rabobank. Allocating competencies in this way ensures that Bank Sarasin assesses the counterparty risks in the interbank market independently of the parameters set by Rabobank.

Within the Sarasin Group, applications for limits are – as in the past – forwarded in a centralised fashion to the Risk Office which may, depending on the competence level, perform its own transfers of limits among different limits users, or forward the applications to the CCC and at the same time to Rabobank as well (new procedure). To ensure that the additional analysis and approval process between Sarasin and Rabobank runs as smoothly as possible, Sarasin's Risk Office has been granted access to one of Rabobank's modern online systems since November 2008 which is capable of displaying at all times the existing limits, allocations and positions of the entire Rabobank Group. Applications and approvals for new limits are also input on line and dealt with by a dedicated team based at Rabobank head office in Utrecht. As before, different priority categories exist for dealing with applications from Sarasin and from Rabobank.

Monitoring, reporting and remedial action

At the parent bank level, all limits are monitored on a daily basis by the front-office units and the Risk Office. The latter provides standardised reporting to the front-office units and also to the Chief Risk Officer. At the Group

Fig. 32: Credit risk exposure to banks in 2008

(million CHF)

Rating class	No. of banks as at 31.12.2008	31.12.2007	31.03.2008	30.06.2008	30.09.2008	31.12.2008	Ø 2008
AAA	10	206	114	423	1,021	1,146	676
AA	40	2,792	2,702	2,698	2,248	1,527	2,294
A	43	1,911	1,733	1,832	1,610	1,031	1,551
BBB	3	44	37	32	19	15	26
BB	0	–	–	–	–	–	–
B	0	–	–	–	–	–	–
Lower	0	–	–	–	–	–	–
N/A	26	136	133	65	373	283	213
Total	**122**	**5,089**	**4,719**	**5,050**	**5,271**	**4,002**	**4,761**

- 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, covered by collateral (e.g. the repo market) and derivatives are treated differently from a risk perspective.
- Figures as at 31 December 2007 have been restated in accordance with new Basel II rules and explain the differences from last year's statement.
- The credit risks in the category "no rating" mainly comprise margin calls for commodities futures contracts with the French broker NewEdge Group. The fluctuations can be explained by the high volatility in commodity prices during the course of 2008. Although the NewEdge Group is owned 50/50 by the large French banks Société Générale (Fitch AA-, Moody's Aa2, S&P AA-) and Calyon (Fitch AA-, Moody's Aa1, S&P AA-), these margin requirements are reported in this category under the principle of reasonable care.

level, limits are monitored daily within the local units, which provide the Risk Office with a report (for consolidation purposes) on the current situation – depending on the importance of the local entity for interbank relationships – at various intervals, or immediately if a problem arises. The consolidated data are as a rule reported to Rabobank at the end of every month, and also in aggregate form to Sarasin's Executive Committee, as required by the two-tier monitoring approach.

Remedial action is taken if necessary both in a bottom-up process by the front-office entities and the Risk Office, and also in a top-down process through suitable instructions issued by Rabobank or Bank Sarasin's senior management. Potential remedial measures include reducing limits, banning new business or closing open positions.

Impairments in business with banks

During 2008 the lending business with banks saw unprecedented changes in overall credit conditions. The collapse of Lehman Brothers on 15 September 2008 threw the global banking sector into turmoil and created a situation where the survival of many institutions came under threat. In many cases banks lost confidence in other institutions, causing interbank lending to virtually dry up. The financial crisis put enormous pressure even on large banks with excellent credit ratings with key roles to play in the banking system, forcing governments to bail them out.

Although Bank Sarasin always chooses its counterparties very carefully on the basis of creditworthiness, diversification and size, it was unfortunately still unable to avoid the upheaval in the interbank business. We have therefore decided to opt for a conservative valuation in our portfolio and have charged an impairment of CHF 73.7 million in the amounts due from banks.

Countries

In compliance with Swiss National Bank regulations, 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, around 95% of the country risks belonged to the top rating category, AAA, as at 31 December 2008, based on the ratings provided by the Swiss Export Risk Insurance. These are also used to calculate Basel II capital adequacy.

5. Operational risks

Organisational structure

Group Operational Risk is an independent risk management function within Bank Sarasin's Risk Office. Group Operational Risk is responsible for defining and refining the risk framework for operational risks and the associated directives, while responsibility for implementing this framework and the day-to-day management of operational risks lies with the divisions. This business partnership model results in close monitoring and increased awareness of operational risks.

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.

In order to achieve a sustained reduction in operational risks and deficiencies, Group Operational Risk also seeks active involvement in projects with cross-disciplinary risk aspects.

As a committee belonging to the Board of Directors, the Audit Committee approves the mid-term audit plan proposed by GIA. GIA applies the information available on Operational Risk when drawing up the standard audit plan.

Management of operational risks

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.

Bank Sarasin manages its operational risks on the basis of a consistent groupwide framework which satisfies the requirements of the Swiss Financial Market Supervisory Authority (FINMA), as well as the stringent standards imposed by Rabobank.

All of Sarasin Group's principal entities are assessed on the basis of standard criteria to ascertain the potential threat they present in the area of operational risks. This assessment determines the degree to which the elements of the operational risk framework need to be adapted in the entity in question. The index is updated at least once a year.

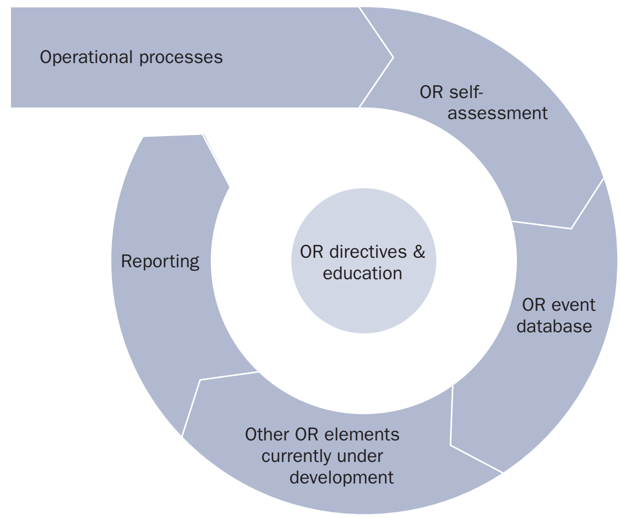
When developing management and controlling elements in the area of operational risks at Bank Sarasin, special emphasis was laid on giving due consideration to central aspects, such as the identification, analysis, controlling and management of operational risks in the form of the following instruments:

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. They clearly define not just the responsibilities of the central group entity in the Risk Office, but also the tasks and competencies in the individual divisions.

Risk education and awareness

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.



Self-assessment

Self-assessment in the area of operational risks is performed once a year. The main fields of activity of an entity identified in consultation with representatives of a specialist unit are discussed and assessed by operational risk experts in interviews with staff holding functional responsibility. Risk experts then evaluate and weight the documented results, comparing them with each other.

An inventory is made of all risks and deficiencies with a minimum rating of "moderate". After the self-assessment is completed, the inventory is discussed with the responsible senior management and handed over as a work tool for implementation and monitoring. Every six months Group Operational Risk monitors the implementation of the defined measures and collects relevant feedback. Finally the risk situation of the business areas in question is reassessed.

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.

Other elements currently under development

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

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.

Business Continuity Management (BCM)

Since June 2008 the bank has been running a project on the planning and design of the BCM which will incorporate recognised best practice guidelines, especially the recommendations of the Swiss Bankers Association. BCM elements, organisation and responsibilities were regulated in a directive that came into effect on 31 October 2008. The BCM is to be introduced in 5 project phases. After the Executive Committee approved the results of the business impact analysis in December 2008, the next project phase entails the drafting of a risk-based business continuity strategy.

For some time now the core element of the bank's crisis management has been a crisis management organisation with a team leader, a core team and an extended staff function. The organisation, dissolution, responsibilities and powers of the crisis management function are set down in the Security Manual.

Capital adequacy

Given its structure and activity, Bank Sarasin measures its capital adequacy with respect to its operational risks in accordance with the basic indicator approach.

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

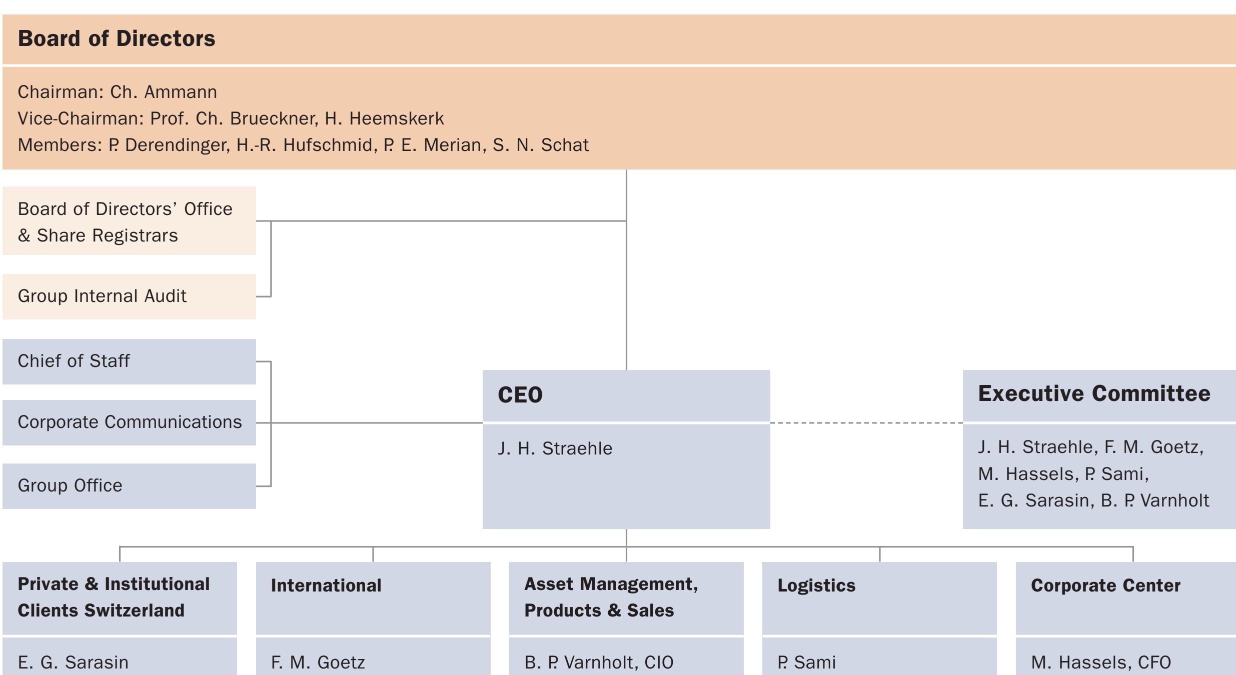
The corporate governance principles and rules followed by Bank Sarasin & Co. Ltd are laid down by our articles of association[1], our Regulations for Organisational Structures and Business Management[2] and the regulations of the Board's committees. They are regularly reviewed in accordance with applicable 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 Regulations for Organisational Structures and Business Management to the Swiss Federal Banking Commission (as of 1 January 2009 to the Swiss Financial Market Supervisory Authority – FINMA) for approval. In accordance with the SIX 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

Fig. 33: Operational presentation of our Group's structure (as at 31 December 2008)

Honorary Chairman: G. F. Krayer



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

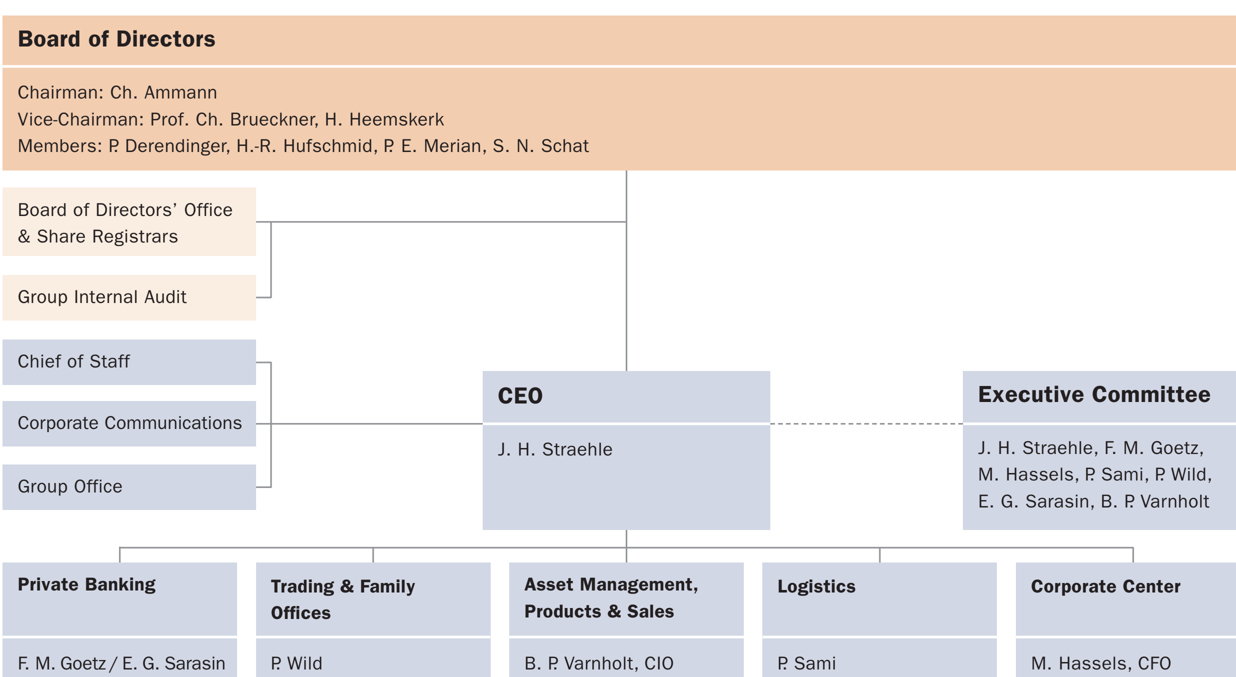
[2] Bank Sarasin & Co. Ltd's Regulations for Organisational Structures and Business Management are published on the internet (www.sarasin.com under "About us > Organisation").

At its Annual General Meeting (AGM) of shareholders on 23 April 2008, the Bank's long-standing Chairman of the Board of Directors, Georg F. Krayer, reached the end of his term of office. The Board of Directors appointed Christoph Ammann, who has been a member of Bank Sarasin's Board of Directors since 2002, as his successor. The AGM appointed Georg F. Krayer Honorary Chairman in recognition of his loyal service to the Bank. At this AGM, shareholders also elected Peter Derendinger as a new board member. Sarasin's Board of Directors appointed Peter Sami the new Head of the Logistics Division and member of the Executive Committee with effect from 1 May 2008. He took over the role from Joachim H. Straehle, CEO of Bank Sarasin, who had been acting as temporary head since September 2007. On 1 July 2008 Bank Zweiplus Ltd opened its doors for business. Marco Weber was appointed CEO of the new bank on this date, and at the same time stood down from the Executive Committee of Bank Sarasin & Co. Ltd. Bank Sarasin's Board of Directors appointed Peter Wild as head of its new Trading and Family Offices division and member of the Executive Committee, with effect from 1 January 2009. The Board of Directors decided to strengthen the bank's positioning as an internationally active Swiss private bank by merging the two divisions Private & Institutional Clients Switzerland and International with effect from 1 January 2009. As of this date a single division is responsible for client acquisition and advisory services in our global private banking activities. The new matrix structure is organised along the lines of the bank's locations on the one hand and its target markets on the other. The new Private Banking division is jointly managed by Fidelis M. Goetz and Eric G. Sarasin.

Peter E. Merian will be stepping down from the Board of Directors when his mandate ends at the AGM on 22 April 2009. The Board of Directors is proposing Pim Mol, Head of Private Banking at Rabobank Nederland, for election to the Board of Directors at the forthcoming AGM. Rabobank will thus take up three of the seven seats available on Bank Sarasin's board.

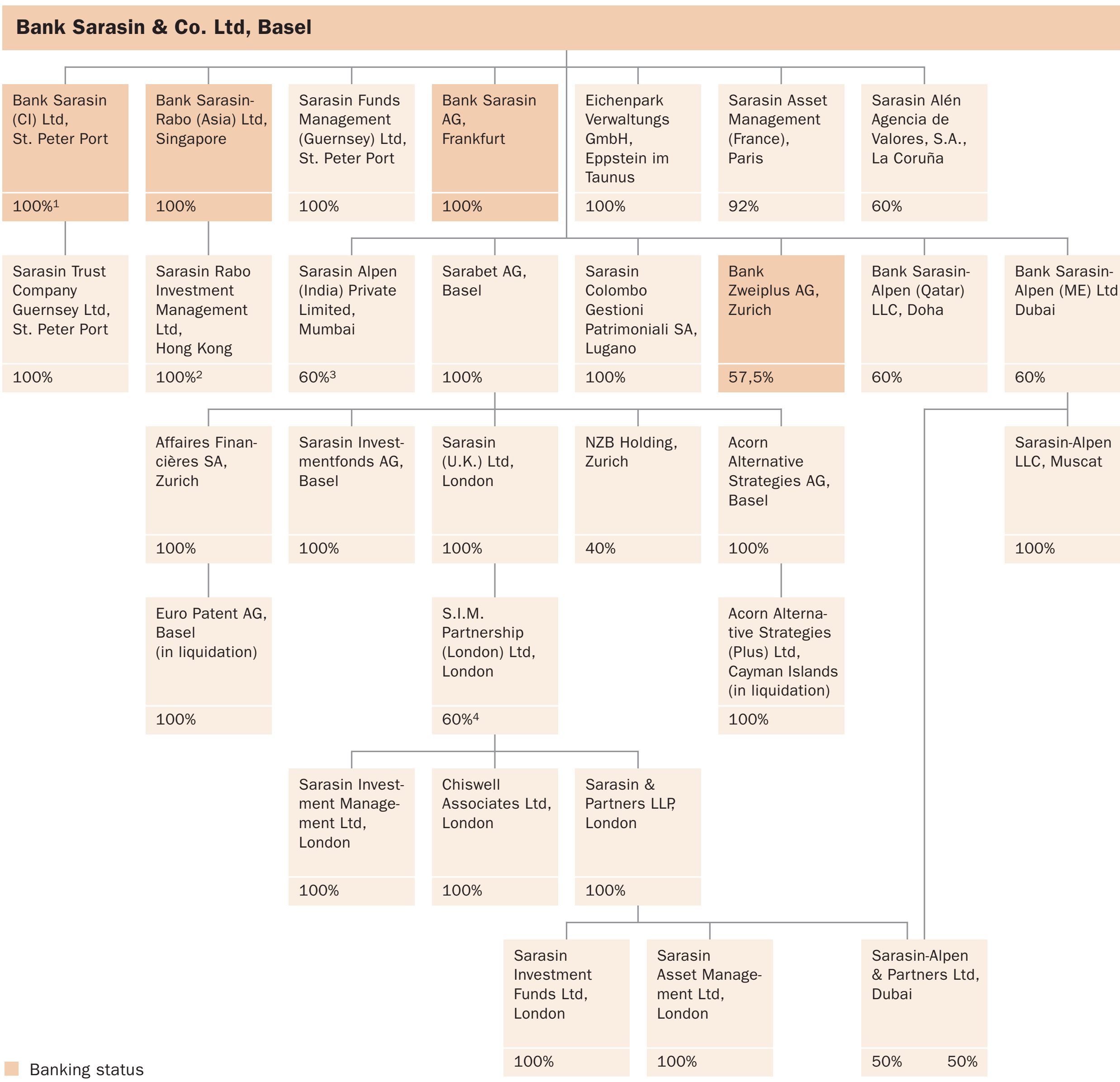
Fig. 34: Operational presentation of our Group's structure (as at 1 January 2009)

Honorary Chairman: G. F. Krayer



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 154.

Fig. 35: Legal structure of the subsidiaries (as at 31 December 2008)



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 163 in the notes to the consolidated financial statements (Note 7.4).

1 For legal reasons, Sarabet Ltd holds 1 share of this company directly.

2 For legal reasons, Bank Sarasin & Co. Ltd holds 1 share of this company directly.

3 Start of business activities is planned per 1st/2nd Qtr 2009.

4 60% owned by Sarasin (U.K.) Ltd, 40% of shares held by management.

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 has become the bank's new head office for Germany.

On 1 July 2008 Bank Zweiplus Ltd, a subsidiary of Bank Sarasin & Co. Ltd, opened for business, offering specialised pension and investment solutions. The bank was set up as a joint venture between Bank Sarasin & Co. Ltd and AIG Private Bank AG. Bank Sarasin owns the majority stake (57.5%).

During the course of 2008 Bank Sarasin continued to expand its presence in the Middle East, by establishing group companies in Oman and Qatar. In Dubai an asset management company, Sarasin-Alpen & Partners Ltd., was also set up to complement our existing enterprise in the region, Bank Sarasin-Alpen (ME) Ltd. Sarasin plans to begin operating in India, provided it receives the necessary licences from the industry regulator in the first or second quarter of 2009.

1.2 Significant shareholders

As of 31 December 2008, the following shareholders held over 3 per cent of the voting rights in Bank Sarasin & Co. Ltd:

Rabobank

On 31 December 2008 Rabobank owned, through IPB Holding B.V., all 55,000,000 class A registered shares and 17,170,300 class B registered shares. This gives it a total of 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 179 in the notes to its financial statements.

Fig. 36: Distribution of Sarasin class B registered shares

	Shareholders		Shares	
on 31.12.2008	Number	%	Number	%
Number of class B registered shares				
1–100	260	12.3	19,463	0.0
101–1,000	1,068	50.5	572,163	1.1
1,001–501,553 (≤1%)	779	36.8	11,355,707	22.6
501,554–1,003,106 (≤2%)	3	0.1	2,385,628	4.8
1,003,107–1,504,659 (≤3%)	2	0.1	2,746,067	5.5
1,504,660–2,006,212 (≤4%)	2	0.1	3,410,456	6.8
2,006,213–2,507,765 (≤5%)	1	0.0	2,191,840	4.4
>2,507,766 (>5%)	2	0.1	19,910,200	39.7
Total registered shares	2,117	100	42,591,524	84.9
Total unregistered shares[1]			7,563,776	15.1
Total issued shares	**2,117**	**100**	**50,155,300**	**100.0**

Please note: class A registered shares are not included in this table because they are not listed and are exclusively owned by Rabobank (see point 1.2).

[1] Shares that were not entered in the share register on 31 December 2008.

Fig. 37: Registered shareholders: categories and distribution (Sarasin class B registered shares)

	Shareholders		Shares	
on 31.12.2008	Number	%	Number	%
Natural persons	1,852	87.5	11,772,907	23.5
Legal persons	265	12.5	30,818,617	61.4
Unregistered shares			7,563,776	15.1
Total	**2,117**	**100.0**	**50,155,300**	**100**
Nationality:				
Swiss	1,971	93.1	16,248,075	32.4
Other	146	6.9	26,343,449	52.5
Unregistered shares			7,563,776	15.1
Total	**2,117**	**100.0**	**50,155,300**	**100.0**

Please note: only the owners of class B registered shares are entered in the share register. Class A registered shares are exclusively owned by Rabobank (see point 1.2).

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 179 in the notes to its financial statements.

2.3 Changes in capital

Changes in Bank Sarasin & Co. Ltd's share capital during the last five financial years are presented on page 180.

2.4 Shares and participation certificates

Details regarding the number, type and par value of shares in our company are given on page 179 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 is 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.

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

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 AGM 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 132. There are no outstanding options granted to staff which, if exercised, would be issued from conditional capital.

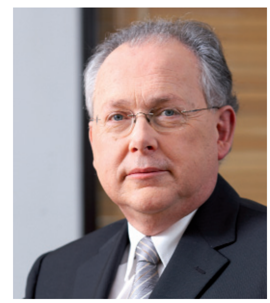
3. Board of Directors

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 during the 2008 financial year. 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.

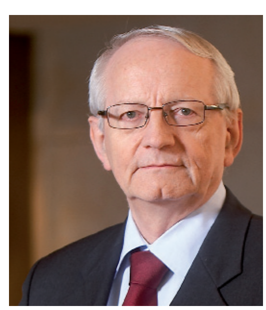
At its AGM on 23 April 2008, the Bank's long-standing Chairman of the Board of Directors, Georg F. Krayer, reached the end of his term of office. The Board of Directors appointed Christoph Ammann, who has been a member of Bank Sarasin's Board of Directors since 2002, as his successor. The AGM appointed Georg F. Krayer Honorary Chairman in recognition of his loyal service to the Bank. At this year's AGM, shareholders also elected Peter Derendinger as a new board member.

Peter E. Merian will be stepping down from the Board of Directors when his mandate ends at the AGM on 22 April 2009. The Board of Directors is proposing Pim Mol, Head of Private Banking at Rabobank Nederland, for election to the Board of Directors at the forthcoming AGM. Rabobank will thus take up three of the seven seats available on Bank Sarasin's board.



Christoph Ammann, Chairman

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, and sits on the supervisory board of ERAMES GmbH in Frankfurt.



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 and solicitor 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 public authorities. He also acts as Integrity Counsellor for the Swiss Academies of Arts and Sciences.

Hubertus Heemskerk, Vice-Chairman

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, the Supervisory Board of Ecoconcern BV, and the Board of Management of the European Association for Banking and Financial History e.V. (EABH).

Peter Derendinger

Born 1959; Swiss citizen; lives in Wilen, Switzerland; PhD in law from the University of Fribourg, Switzerland, and LL.M. from the Northwestern University School of Law, Chicago, USA.
After starting his career working in the courts and various law firms, Peter Derendinger joined Credit Suisse Group in 1989, where he held a number of management functions such as Head of Legal Services, CFO and Member of the Executive Board of the Private Banking Division. Since 2002 he has been an independent financial and legal consultant. Peter Derendinger sits on the board of directors of EGL and other companies in the financial services industry. Since 2004 he has also been Chairman of the Board and CEO of Alpha Associates AG.

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 functions, a member of the board of the National Zeitung und Basler Nachrichten AG and of the insurance group National Suisse. He is a member of the supervisory board of Altira Group in Frankfurt. From 1996 to 2008 he was Chairman of the Admissions Board of SWX Swiss Exchange. In addition, he is active in numerous public institutions, foundations, associations and commissions.

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 Schat is responsible for Corporate Clients Netherlands, Global Financial Markets, Corporate Finance, Trade Finance, Private Equity, Mergers & Acquisitions and Equity Capital Markets.

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.

Fig. 38: Term of office of current directors

Name	Director since	Term of office ends
Christoph Ammann	2002	2010
Prof. Christian Brueckner	2002	2011
Hubertus Heemskerk	2007	2010
Peter Derendinger	2008	2011
Hans-Rudolf Hufschmid	2002	2011
Peter E. Merian	2006	2009
Sipko N. Schat	2007	2010

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.com under "About us > 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.

3.5 Internal organisational structure

The Board of Directors 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 audit company 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 seven times in 2008 (2007: eight times). Its meetings generally last half a day.

As representative of the Executive Committee, the bank's CEO Joachim Straehle attended all the meetings of the Board of Directors in 2008. 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 all 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 2008 no external consultants attended any Board meetings. No members of the Board of Directors attended any Executive Committee meetings during FY 2008.

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, whose members include Christoph Ammann, Hubertus Heemskerk and Peter E. Merian. For the attention of the full Board of Directors, this committee evaluates nominations for membership of the Board of Directors and proposes candidates for the position of CEO. It also examines proposals by the CEO for appointments to the Executive Committee. 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 2008 (2007: five times) for an average of 1.5 hours per meeting. In 2008 the Nomination and Compensation Committee did not engage the services of any external consultants.

b) Audit Committee

Hans-Rudolf Hufschmid chairs this committee, of which Peter Derendinger 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 audit firm required under banking legislation, including its compensation, and evaluates the internal and external auditors' performance. The Audit Committee met five times in 2008 (2007: five times) for an average of 4.0 hours per meeting. The external audit firm attended three meetings to discuss certain agenda items. The Chief Financial Officer Matthias Hassels and the Head of Financial Accounting attended four and three meetings respectively 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 CEO in accordance with the applicable Regulations for Organisational Structures and Business Management and is briefed by the CEO and the Executive Committee. The division of responsibilities between the Board of Directors, the CEO, the Executive Committee 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 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 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).

The CEO provides the Board of Directors with the general 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 audit firm 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 audit firm, 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.

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

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 19 of the Ordinance on Financial Market Supervision (FINMA-PV), to the audit firm required by banking and stock exchange legislation. Should anything exceptional come to light, it immediately informs the Chairman of the Board of Directors, the Chairman of the Executive Committee and, in important cases, the audit firm.

4. Senior management (Executive Committee)

4.1 Members of senior management

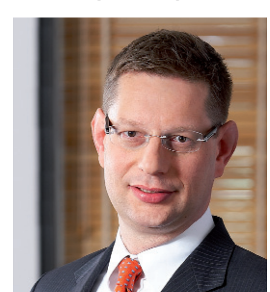
Sarasin's Board of Directors appointed Peter Sami the new Head of the Logistics Division and member of the Executive Committee with effect from 1 May 2008. He took over the role from Joachim H. Straehle, CEO of Bank Sarasin, who had been acting as temporary head since September 2007. On 1 July 2008 Bank Zweiplus Ltd opened its doors for business. Marco Weber was appointed CEO of the new bank on that date, and at the same time stood down from the Executive Committee of Bank Sarasin & Co. Ltd.

Bank Sarasin's Board of Directors appointed Peter Wild as head of its new Trading and Family Offices division and member of the Executive Committee, with effect from 1 January 2009.

The Board of Directors decided to strengthen the bank's positioning as an internationally active Swiss private bank by merging the two divisions Private & Institutional Clients Switzerland and International with effect from 1 January 2009. As of that date a single division is responsible for client acquisition and advisory services in our global private banking activities. The new matrix structure is organised along the lines of the bank's locations on the one hand and its target regional markets on the other. The new Private Banking division is jointly managed by Fidelis M. Goetz and Eric G. Sarasin.

Joachim H. Straehle, Chief Executive Officer (CEO)
Born in 1958; Swiss citizen; lives in Oberaegeri; 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 Private Banking 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. Fidelis M. Goetz joined Bank Sarasin as a member of the Executive Committee on 1 December 2006. He was Head of the International division in 2007 and 2008. Since 1 January 2009 he has been in charge of the Private Banking Division, along with Eric Sarasin.

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 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.

Peter Sami, Head of the Logistics Division

Born 1958, Swiss citizen, lives in Dietikon (CH); he completed his commercial training at the Berufsschule des kaufmännischen Vereins, Zurich, graduate of the Swiss Banking School, Zurich, the AEP Swiss Banking School, Zurich, and the Advanced Management Programme INSEAD.
Peter Sami began his professional career with the Schweizerische Volksbank, where he undertook various functions over a period of 20 years, specialising in the field of loans and credit management. In 1997 he joined Credit Suisse as Head of Credit Portfolio Management and played a key role in shaping the new direction and overseeing the merger of the credit management business. In mid-2002 Peter Sami then joined the SIS Group as Head of Risk Management, where he built up SIS x-clear. At the start of 2005 Peter Sami was then appointed CEO of SIS Swiss Financial Services Group AG. Following the merger of the SWX Group, the SIS Group and the Telekurs Group to form Swiss Financial Market Services AG, Peter Sami was appointed CEO of the Securities Services Division at the start of January 2008. Peter Sami is a member of Bank Sarasin's Executive Commitee and Head of the Logistics Division since 1 May 2008.

Eric G. Sarasin, Head of the Private Banking Division

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. He has been a member of Bank Sarasin's Executive Committee since 1 January 2004. Eric G. Sarasin was Head of the Private and Institutional Clients Switzerland (PIC) Division from 2006 to 2008. Since 1 January 2009 he has been in charge of the Private Banking Division, along with Fidelis M. Goetz. Eric G. Sarasin is President of the German-Swiss Chamber of Commerce, Honorary Treasurer of WWF International and is 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 in September 2007, 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).

The following member joined the Executive Committee on 1 January 2009:

Peter Wild, Head of the Trading & Family Offices Division
Born in 1951, Swiss citizen, lives in Zumikon (CH); attended the ESC La Neuveville in Berne, followed by various courses at American universities in the field of Trading and the Harvard Business School, Boston ISMP.

Peter Wild began his professional career with Nikon AG in Zurich before switching to the banking sector in 1971. He worked as a trainee for various trading departments at Banque Cantonal Vaudoise, Lausanne, and at Credit Suisse, Zurich. From 1978 onwards, he worked in the Trading department of Bank Julius Baer, initially in Zurich and then in New York (from 1981), where he was appointed deputy branch manager in 1993. In 1997 he joined AIG Private Bank Zurich, where he worked as CFO from 2000 to 2005 prior to his appointment as CEO in 2006. Peter Wild is a member of Bank Sarasin's Executive Committee and Head of the Trading & Family Offices Division since 1 January 2009.

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 participation plan).

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. There is no fixed relationship between the basic salary and the performance-related bonus. In 2008 the members of the Executive Committee voluntarily waived their performance-related bonus, making it impossible to report the relationship between the basic salary and this bonus. As of 1 January 2010, members of the Executive Committee will no longer receive a severance package if their employment contract is terminated. In the event of a change of control, the arrangement described in point 7.2 shall continue to apply, but the compensation is reduced by half as of 1 July 2009.

5.2 Details of compensation, shareholdings and loans

The information provided on pages 128 and 134 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 SIX Swiss Exchange, the management remuneration reported refers to payments made in the 2008 reporting period. These therefore include reserves for bonus entitlements arising from the participation plan for the financial year 2008. The amounts indicated include ordinary employer contributions for social insurance and pension funds.

Participation plan

With the introduction of the new participation plan, an instrument 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.

Any share component is always based on a 25–50% bonus quota of legally nonbinding entitlements and a 0–25% bonus quota of blocked shares. The cash component of the bonus payment is a minimum of 50%.

Access restriction (lock-up period): of the 50% of the shares allocated to an employee, up to 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.

Entitlement: The legally nonbinding entitlement to a future share allocation promised to an employee is conditional firstly on the employee attaining defined annual and midterm targets, and secondly on the employee being continuously employed by the Bank on the allocation date. The final allocation is made in annual instalments of one third over the course of a three-year period starting from the original allocation date.

Members of the Board of 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 69).

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. This payment will be reduced by half as of 1 July 2009.

8. Auditors (audit firm)

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

Ernst & Young AG audits all our subsidiaries and has acted as the audit firm 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 3 137 580 (CHF 1 927 635) for services connected with the auditing of the 2008 financial statements. Ernst & Young acts as auditors for all the companies in the Sarasin Group.

8.3 Additional fees

The Sarasin Group (the figures for Bank Sarasin & Co. Ltd are shown in brackets) paid Ernst & Young fees totalling CHF 693 442 (CHF 314 772) for services not connected with the auditing of the 2008 financial statements.

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 audit firm 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 2008 financial year, the external audit firm attended three (previous year: five) Audit Committee meetings in total.

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

Finally, the Audit Committee makes proposals to the Board of Directors regarding the appointment or replacement of the audit firm, subject to approval by the General Meeting of Shareholders. When selecting the external audit firm, it is important to choose a candidate that is authorised by the Swiss Financial Market Supervisory Authority (FINMA) 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 audit firm and its 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 audit firm's 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	CH003 838 930 7
Security number	3 838 930
Par value	CHF 1

Ticker symbols

Listing	SIX Swiss Exchange
Bloomberg	BSAN SW
Reuters	BSAN.S
Telekurs	BSAN

Important dates

Annual General Meeting 2009	22 April 2009
Interim results 2009	30 July 2009
Annual General Meeting 2010	27 April 2010

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Sarasin Group: financial statements

Consolidated income statement

1,000 CHF	Note	**2008**	2007	Change to 2007 CHF	Change to 2007 %
Interest and discount income		**379,530**	385,517	–5,987	–1.6
Interest and dividend income from financial investments		**25,856**	16,566	9,290	56.1
Interest expenses		**276,829**	297,486	–20,657	–6.9
Net interest income	2.1	**128,557**	**104,597**	**23,960**	**22.9**
Commission income on lending activities		**5,549**	4,414	1,135	25.7
Commission income on securities and investment transactions		**439,673**	495,367	–55,694	–11.2
Commission income on other services		**6,708**	6,221	487	7.8
Commission expenses		**52,914**	67,380	–14,466	–21.5
Results from commission and service fee activities	2.2	**399,016**	**438,622**	**–39,606**	**–9.0**
Results from trading operations	2.3	**87,757**	**95,905**	**–8,148**	**–8.5**
Other ordinary results	2.4	**61,814**	**198,381**	**–136,567**	**–68.8**
Of which income from investments in associates		**4,618**	6,955	–2,337	–33.6
Operating income		**677,144**	**837,505**	**–160,361**	**–19.1**
Personnel expenses	2.5	**324,173**	315,278	8,895	2.8
General administrative expenses	2.6	**140,576**	112,334	28,242	25.1
Operating expenses		**464,749**	**427,612**	**37,137**	**8.7**
Operating profit		**212,395**	**409,893**	**–197,498**	**–48.2**
Depreciation and write-offs on property and equipment	2.7	**14,422**	11,822	2,600	22.0
Amortisation of intangible assets	2.7	**9,152**	7,467	1,685	22.6
Value adjustments, provisions and losses	2.8	**80,683**	3,492	77,191	>1,000
Profit before taxes		**108,138**	**387,112**	**–278,974**	**–72.1**
Taxes	2.9 / 2.10	**1,307**	82,515	–81,208	–98.4
Net profit	2.11	**106,831**	**304,597**	**–197,766**	**–64.9**
Attributable to:					
Shareholders of Bank Sarasin & Co. Ltd		**94,716**	293,630	–198,914	–67.7
Minority interests		**12,115**	10,967	1,148	10.5
Net profit		**106,831**	**304,597**	**–197,766**	**–64.9**

1,000 CHF	**2008**	2007	Change to 2007 CHF	Change to 2007 %
Share information				
Net profit per class A registered share (with voting rights)[1]	**0.31**	0.97	–0.66	–68.0
Net profit per class B registered share[1]	**1.57**	4.86	–3.29	–67.7
Diluted net profit per class A registered share[1]	**0.31**	0.97	–0.66	–68.0
Diluted net profit per class B registered share[1]	**1.57**	4.85	–3.28	–67.6
Dividend per class A registered share (with voting rights)[2]	**0.13**	0.27		
Dividend per class B registered share[2]	**0.65**	1.35		

1 Calculation based on the weighted shares according to IFRS.

2 Instead of a cash dividend for 2008, the Board of Directors will submit a proposal to the Annual General Meeting for a Cash-or-Title Option (COTO).

Consolidated balance sheet

Assets

1,000 CHF	Note	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Cash and cash equivalents	2.13	**435,236**	71,822	363,414	506.0
Money market papers	2.14	**358,542**	52,964	305,578	577.0
Due from banks	2.15	**4,082,097**	5,682,350	–1,600,253	–28.2
Due from customers	2.15	**5,203,474**	3,850,586	1,352,888	35.1
Trading portfolio assets	2.17	**352,209**	654,417	–302,208	–46.2
Derivative financial instruments	2.19	**423,784**	337,913	85,871	25.4
Financial investments	2.20	**1,269,819**	582,728	687,091	117.9
Investments in associated companies	2.21	**107,241**	51,255	55,986	109.2
Property and equipment	2.22	**129,447**	111,291	18,156	16.3
Goodwill and other intangible assets	2.23	**152,810**	101,068	51,742	51.2
Current tax assets		**46**	32	14	43.8
Deferred tax assets	2.10	**15,879**	1,742	14,137	811.5
Accrued income and prepaid expenses		**152,464**	160,092	–7,628	–4.8
Other assets	2.24	**23,838**	7,755	16,083	207.4
Total assets		**12,706,886**	**11,666,015**	**1,040,871**	**8.9**
Total subordinated assets		**16,039**	6,426	9,613	149.6
Total due from significant shareholders		**147,727**	41,635	106,092	254.8

Liabilities and equity

1,000 CHF	Note	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Due to banks		**1,335,982**	1,067,365	268,617	25.2
Due to customers	2.27	**8,483,257**	6,681,706	1,801,551	27.0
Trading portfolio liabilities	2.18	**92,022**	121,636	–29,614	–24.3
Derivative financial instruments	2.19	**397,568**	275,359	122,209	44.4
Financial liabilities designated at fair value	2.28	**927,144**	1,925,715	–998,571	–51.9
Current tax liabilities		**9,058**	65,082	–56,024	–86.1
Deferred tax liabilities	2.10	**9,553**	8,724	829	9.5
Accrued expenses and deferred income		**199,450**	211,572	–12,122	–5.7
Other liabilities	2.29	**54,196**	39,119	15,077	38.5
Provisions	2.30	**5,453**	9,315	–3,862	–41.5
Total liabilities		**11,513,683**	**10,405,593**	**1,108,090**	**10.6**
Share capital	2.31	**61,155**	61,155	0	0.0
Less treasury shares	2.31	**–43,435**	–48,019	–4,584	–9.5
Capital reserve		**602,340**	608,871	–6,531	–1.1
Retained earnings		**573,327**	358,789	214,538	59.8
Reserves IAS 39 (net of tax)		**–36,601**	–11,412	–25,189	–220.7
Currency translation differences		**–104,662**	–35,184	–69,478	–197.5
Net profit (excluding minority interests)		**94,716**	293,630	–198,914	–67.7
Shareholders' equity of shareholders of Bank Sarasin & Co. Ltd		**1,146,840**	**1,227,830**	**–80,990**	**–6.6**
Minority interests in shareholders' equity (including share in profits)		**46,363**	32,592	13,771	42.3
Total shareholders' equity (including minority interests)		**1,193,203**	**1,260,422**	**–67,219**	**–5.3**
Total liabilities and shareholders' equity		**12,706,886**	**11,666,015**	**1,040,871**	**8.9**
Total subordinated liabilities		**0**	0	0	
Total due to significant shareholders		**482,349**	208,098	274,251	131.8

Statement of changes in equity

1,000 CHF	Share capital	Treasury shares	Capital reserve	Retained earnings
Total shareholders' equity as of 01.01.2007 (before adjustments according to IFRIC 14)	**61,155**	**–23,980**	**598,883**	**388,973**
IFRS adjustments as per opening balance 01.01.2007[1]				–5,141
Total shareholders' equity as of 01.01.2007 (after adjustments according to IFRIC 14)	**61,155**	**–23,980**	**598,883**	**383,832**
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				29,410
Total shareholders' equity as of 31.12.2007	**61,155**	**–48,019**	**608,871**	**652,419**
Total shareholders' equity as of 01.01.2008	**61,155**	**–48,019**	**608,871**	**652,419**
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				94,716
Comprehensive income for 2008	**0**	**0**	**0**	**94,716**
Dividends paid				–81,584
Change in treasury shares		4,584		
Result on treasury shares incl. derivatives			–6,531	
Change in scope of consolidation				
Transactions with minority shareholders				2,492
Total shareholders' equity as of 31.12.2008	**61,155**	**–43,435**	**602,340**	**668,043**

[1] The initial application of IFRIC 14 resulted in a higher provision for pension plans, which was implemented retroactively from 1 January in accordance with the transitional rules. As a result of this change, the provision set aside in the balance sheet as at 31 December 2007 increases from around CHF 1.5 million to approximately CHF 8.0 million. Following the restatement as at 1 January 2007, a total figure of CHF 5.1 million (minus deferred taxes of CHF 1.4 million) was reported under shareholders' equity, without being recognised in the income statement.

Reserves available for sale investments (net of tax)	Currency translation differences	**Total (excl. minority interests)**	Minority interests	Currency translation differences	**Total (minority interests)**	**Total**
7,696	**–11,672**	**1,021,055**	**24,247**	**1,440**	**25,687**	**1,046,742**
		–5,141			**0**	**–5,141**
7,696	**–11,672**	**1,015,914**	**24,247**	**1,440**	**25,687**	**1,041,601**
–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**	**251,010**	**10,967**	**–1,588**	**9,379**	**260,389**
		–54,454	–7,276		**–7,276**	**–61,729**
		–24,039			**0**	**–24,039**
		9,988			**0**	**9,988**
		0			**0**	**0**
		29,410	4,802		**4,802**	**34,212**
–11,412	**–35,184**	**1,227,830**	**32,740**	**–148**	**32,592**	**1,260,422**
–11,412	**–35,184**	**1,227,830**	**32,740**	**–148**	**32,592**	**1,260,422**
1,220		**1,220**			**0**	**1,220**
–26,409		**–26,409**			**0**	**–26,409**
	–69,478	**–69,478**		–9,914	**–9,914**	**–79,392**
		94,716	12,115		**12,115**	**106,831**
–25,189	**–69,478**	**49**	**12,115**	**–9,914**	**2,201**	**2,250**
		–81,584	–10,193		**–10,193**	**–91,777**
		4,584			**0**	**4,584**
		–6,531			**0**	**–6,531**
		0	20,441		**20,441**	**20,441**
		2,492	1,322		**1,322**	**3,814**
–36,601	**–104,662**	**1,146,840**	**56,425**	**–10,062**	**46,363**	**1,193,203**

Consolidated statement of cash flows

1,000 CHF	**2008**	2007
Cash flow from operating activities		
Profit before income taxes (incl. minority interests)	**108,138**	387,112
Non cash position in group result		
Depreciation and amortisation	**23,574**	19,289
Value adjustments for credit risks	**80,760**	1,187
Change in provisions	**–3,763**	10
Change in deferred taxes	**–7,744**	–4,077
Net income from investing activities	**–4,025**	–163,534
Net income from transactions with minority shareholders	**–50,639**	0
Net (increase) / decrease in assets and liabilities relating to banking activities		
Due from / to banks net	**1,645,506**	–719,809
Net trading positions and replacement values, financial investments designated at fair value	**–276,922**	683,085
Due from / to customers net	**1,119,424**	–442,593
Accrued income, prepaid expenses and other assets	**–353,215**	–100,439
Accrued expenses, deferred income and other liabilities	**12,800**	91,002
Due from / to money market papers	**–305,771**	104,008
Paid and withheld income taxes	**–60,998**	–29,562
Cash flow from operating activities	**1,927,125**	**–174,321**
Cash flow from investing activities		
Investments in subsidiaries and associated companies	**0**	–43,955
Increase in the share of associated companies	**–51,367**	0
Disposal of subsidiaries and associated companies	**0**	–112,629
Purchase of property, equipment and intangible assets	**–49,005**	–19,727
Disposal of property, equipment and intangible assets	**2,946**	143
Net (investment) / divestment of financial investments	**–785,901**	344
Cash flow from investing activities	**–883,327**	**–175,824**
Cash flow from financing activities		
Purchase of treasury shares and derivatives on treasury shares	**–104,625**	–80,618
Issue and sale of treasury shares and derivatives on treasury shares	**100,251**	68,575
Dividends paid	**–91,777**	–61,729
Change in minority interests	**–2,567**	31,479
Cash flow from financing activities	**–98,718**	**–42,293**
Effects of currency translation differences	**–24,917**	149
Net (increase) / decrease in cash and cash equivalents	**920,163**	**–392,289**

1,000 CHF	**31.12.2008**	31.12.2007
Cash and cash equivalents, beginning of period	**664,646**	1,056,935
Cash and cash equivalents, end of period	**1,584,809**	664,646
Net (increase) / decrease in cash and cash equivalents	**920,163**	**–392,289**
Cash and cash equivalents comprise:		
Cash and cash equivalents	**435,236**	71,822
Due from banks at sight	**1,149,573**	592,824
Total cash and cash equivalents	**1,584,809**	**664,646**
Paid interest	**284,536**	270,080
Received interest	**413,418**	368,574

Consolidated off-balance sheet information

1,000 CHF	**31.12.2008**	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Contingent liabilities				
Credit guarantees	**354,328**	326,799	27,529	8.4
Performance guarantees	**2,892**	41,996	–39,104	–93.1
Other contingent liabilities	**36,747**	26,456	10,291	38.9
Total contingent liabilities	**393,967**	**395,251**	**–1,284**	**–0.3**
Irrevocable commitments				
Unused irrevocable commitments	**25,630**	11,102	14,528	130.9
Confirmed credit				
Other confirmed credits	**0**	0	0	
Liabilities for calls on shares and other equities	**119**	126	–7	–5.6
Derivative financial instruments				
Positive replacement values	**423,784**	337,913	85,871	25.4
Negative replacement values	**397,568**	275,359	122,209	44.4
Contract volume	**7,883,450**	11,292,811	–3,409,361	–30.2
Fiduciary transactions				
Fiduciary deposits with other banks	**1,200,675**	2,223,617	–1,022,942	–46.0
Fiduciary deposits with companies in the Rabobank Group	**4,853,675**	3,092,657	1,761,018	56.9
Fiduciary lending	**3,521**	4,887	–1,366	–28.0

A listing by maturities is provided in Note 5.15.

Notes to the consolidated financial statements

1. Accounting principles

1.1 Basis of presentation

Bank Sarasin & Co. Ltd is a leading Swiss private bank whose many years of banking experience has made it consciously opt for sustainability as a key component of its corporate philosophy. It provides a high level of service and expertise when acting as investment advisor and asset manager for private and institutional clients. Within Switzerland, Sarasin has offices in Basel (head office), Geneva, Lugano and Zurich. Internationally the Sarasin Group is represented in Europe, the Middle East, and Asia. Bank Sarasin & Co. Ltd is listed on the SIX Swiss Exchange.
At the end of 2008 the Sarasin Group had a headcount of 1,537 (adjusted for part-time working), 367 people or 31% more than a year earlier. 898 people worked at Bank Sarasin & Co. Ltd (our Group's parent company).
Our consolidated financial statements are denominated in thousands of Swiss francs. Our 2008 statements were drawn up in compliance with International Financial Reporting Standards (IFRS).

Events since the balance sheet date

No events affecting the balance sheet or income statement are to be reported for the financial year 2008. The Board of Directors discussed and approved the present consolidated financial statements at its meeting on 24 February 2009.

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 values are recorded in the consolidated financial statements proportionately to the participation held by the Bank Sarasin Group.

Changes in the scope of consolidation

The changes to the scope of consolidation are summarised in Note 7.4.

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

Significant discretionary decisions, estimates and assumptions

In preparing the consolidated financial statements, management is required to make estimates and assumptions that influence the amount of assets, liabilities, contingent liabilities and contingent assets reported on the balance sheet date, as well as the expenses and income falling in the reporting period. The uncertainty associated with these assumptions and estimates could however produce results which require significant amendments to the book value of the assets or liabilities in question.

There follows a description of the most important forward-looking assumptions, as well as any other relevant and potentially inaccurate estimations existing on the reporting date which could pose a serious risk of a significant adjustment having to be made over the course of the next financial year to the book values of the assets and liabilities:

1. Impairment of non-financial assets
   On the balance sheet date the Sarasin Group determines whether there are any reasons for an impairment of non-financial assets. Goodwill and other intangible assets with indeterminate useful life are checked for impairment at least once a year, and also whenever events suggest their value is too high. Any other non-financial assets are reviewed for impairment if there are signs that their book value exceeds the realisable amount.
   To estimate the value in use, management has to calculate the projected future cash flows from the asset or from the payment-generating entity and then choose an appropriate discount rate in order to work out the monetary value of these cash flows. More details are provided in Table 2.23 in the Notes.

2. Impairment of financial investments available for sale
   Sarasin Group designates certain assets as available for sale and records changes to their fair value under shareholders' equity, without recognising them in the income statement. If the fair value decreases, management makes assumptions about the loss in value in order to determine whether this equates to an impairment that has to be recognised in the income statement and recorded in the result for the reporting period. On 31 December 2008 an impairment charge of CHF 1.3 million was posted in the balance sheet for financial investments available for sale (2007: CHF 0.6 million). On 31 December 2008 the book value of financial investments available for sale was CHF 1 040 million (2007: CHF 565 million).

3. Deferred tax assets
   Deferred tax assets are recorded for any unused tax-deductible loss carry-forwards in cases where it is probable that taxable income will be available for this purpose, so that the loss carry-forwards can actually be used. When calculating the level of deferred tax assets, management has to exercise a fair amount of discretion regarding the timing and the amount of income to be taxed in future, as well as future tax planning strategies. On 31 December 2008 the book value of the recognised tax losses amounted to CHF 15.8 million (2007: CHF 0 million), while the book value of tax losses not recognised amounted to CHF 0 million (2007: CHF 7.2 million). More details are provided in Table 2.10 in the Notes.

4. Pensions and other benefits payable after employment ends
   The expenditure from defined-benefit plans and other medical benefits after the end of employment is determined by actuarial calculations. The actuarial valuation is based on assumptions regarding discount rates, expected income from plan assets, future wage and salary increases, mortality and future increases in pension. Because of the long-term nature of these plans, such estimates are prone to uncertainty. On 31 December 2008 the provision set aside for pensions and similar liabilities amounted to CHF 0.2 million (2007: CHF 8.0 million). More details are provided in Table 2.12 in the Notes.

5. Value adjustment of impaired loans and interbank positions
   A number of different factors can influence the estimates of value adjustments for loan and interbank losses. These include volatility in the probability of default, rating changes, the scale of loss and the expected recovery rate of insolvent counterparties. The size of the value adjustment required is determined by management on the basis of the monetary value of the expected cash flows. To estimate expected cash flows, management has to make assumptions about the counterparty's financial situation and the expected amount realisable from the securities.

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 closing rate methode.

		2008	2007
Euro (EUR)	Year-end	**1.4796**	1.6553
	Average	**1.5865**	1.6325
US Dollar (USD)	Year-end	**1.0644**	1.1322
	Average	**1.0829**	1.1765
UK pound (GBP)	Year-end	**1.5303**	2.2536
	Average	**1.9975**	2.3214
Hong Kong Dollar (HKD)	Year-end	**0.1373**	0.1452
	Average	**0.1391**	0.1511
Qatari rial (QAR)	Year-end	**0.2922**	–
	Average	**0.2968**	–
Omani rial (OMR)	Year-end	**2.7642**	–
	Average	**2.9663**	–
Indian rupee (INR)	Year-end	**0.0218**	–
	Average	**0.0234**	–

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 current exchange rate. 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 Banking", "Asset Management, Products & Sales", "Bank Zweiplus" and "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 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 – trad-

ing 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 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 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 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. Interest income on impaired loans is accrued for the year under review.

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.

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.

Financial guarantees

After initial recording, financial guarantees are as a rule reported in the balance sheet at whichever value is higher: either

> the provision that has to be set aside for the financial guarantee (if an outflow of funds is likely) and whose size can be reliably estimated, or

> the amount originally recorded, less the cumulative capital repayments carried in the income statement.

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 on 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 adminis-

trative 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 introduced from 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 interpretation was implemented at the start of the comparison period, i.e. as of 1 January 2007. The comparison figures have been adjusted accordingly (see "Statement of Changes in Shareholders' Equity" on page 86).

The other new or amended standards and interpretations that must be introduced for the first time as of 2008 do not have a significant impact on the consolidated financial statements of the Sarasin Group:
> IFRIC 11 / IFRS 2: Group and Treasury Share Transactions
> IAS 39 / IFRS 7: Reclassification of financial assets

New International Financial Reporting Standards that have to be introduced by 2009 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.

IFRS 3 revised and IAS 27 revised: Business Combinations and Consolidated and Separate Financial Statements
IFRS 3 revised and the amended IAS 27 together set down the essential accounting rules for reporting corporate acquisitions, consolidated financial statements and transactions involving non-controlling interests (formerly known as "minority interests") in the balance sheet. The most important changes concern the determination of the business or company value, the treatment of contingent considerations, the reporting of subsequent transactions in equity interests in the balance sheet and the accounting of changes in the parent's equity interest which do not result in loss of control over the subsidiary. With the introduction of IAS 27 revised, transactions with owners of minority interests which do not result in a loss of control over the subsidiary are accounted for as equity transactions between acquirers. Following the introduction of IAS 27 revised, such transactions may no longer be carried in the income statement.
The two revised standards IFRS 3 and IAS 27 only apply to financial years commencing on or after 1 July 2009. Since Sarasin Group has chosen not to apply these two revised standards earlier, they only affect future company acquisitions and future transactions with owners of non-controlling interests. If the Sarasin Group had introduced the revised standard IAS 27 earlier, the partial sale of its existing Affluent Business concluded as part of the process of establishing Bank Zweiplus AG, Zurich, would have been treated as a transaction with owners of non-controlling interests and would not have had to be carried in the income statement.

IFRS 2: Amendment – Vesting conditions and cancellations
Amendments to IFRS 2 provide clarification on the definition of vesting conditions and the way that cancellations are treated in the accounts. These requirements are obligatory for reporting periods beginning on or after 1 January 2009.

IAS 32 and IAS 1: Amendments – Puttable Financial Instruments and Obligations Arising on Liquidation
Changes have been made to the classification in the balance sheet of puttable financial instruments and obligations arising purely on liquidation. As a result of the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity because they represent the residual interest in the net assets of the entity.
These requirements are obligatory for reporting periods beginning on or after 1 January 2009.

IFRS 1 and IAS 27: Amendments – Cost of a Subsidiary in the Separate Financial Statements of a Parent
In certain cases acquisition costs incurred on the first-time adoption of IFRS are admissible. The definition of the cost method is removed from IAS 27 and replaced with a requirement to present dividends as income in the separate financial statements of the investor. If a new parent is formed as a result of reorganisation, the new parent must measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation.
The amendments to IFRS 1 and IAS 27 will apply to reporting periods commencing on or after 1 January 2009.

IAS 1: Presentation of financial statements

The revised standard requires a separate statement showing changes in shareholders' equity resulting from capital transactions with owners, as well as any other changes in equity. The statement of changes in equity must include full details of transactions with owners, while all other changes in equity can be reported on a single line. The revised standard also introduces a statement of profit or loss for the period showing all components of comprehensive income either in one statement or in two connected statements. This revised standard applies to reporting periods beginning on or after 1 January 2009.

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

2.1 Net interest income

1,000 CHF	2008	2007	Change to 2007 CHF	Change to 2007 %
Interest and similar income				
Due from banks	**207,239**	251,237	–43,998	–17.5
Loans and advances to customers	**172,291**	134,266	38,025	28.3
Interest income accrued on impaired financial assets)	**0**	14	–14	–100.0
Interest and dividend income from financial investments available for sale	**23,261**	13,766	9,495	69.0
Subtotal	**402,791**	**399,283**	**3,508**	**0.9**
Interest and dividend income from financial investments designated at fair value	**2,595**	2,800	–205	–7.3
Total interest and discount income	**405,386**	**402,083**	**3,303**	**0.8**
Interest and similar expenses				
Interest expenses on amounts due to banks	**36,158**	25,290	10,868	43.0
Interest expenses on amounts due to customers	**186,463**	235,818	–49,355	–20.9
Other interest expenses	**2,040**	4,615	–2,575	–55.8
Subtotal	**224,661**	**265,723**	**–41,062**	**–15.5**
Interest expenses from financial liabilities designated at fair value	**52,168**	31,763	20,405	64.2
Total interest expenses	**276,829**	**297,486**	**–20,657**	**–6.9**
Total net interest income	**128,557**	**104,597**	**23,960**	**22.9**

2.2 Results from commission and service fee activities

1,000 CHF	**2008**	2007	Change to 2007 CHF	Change to 2007 %
Commission income on lending activities	**5,549**	4,414	1,135	25.7
Transaction and brokerage fees	**101,127**	130,041	–28,914	–22.2
Securities deposit fees	**9,660**	11,093	–1,433	–12.9
Advisory and management fees	**151,055**	160,693	–9,638	–6.0
Underwriting	**2,982**	3,471	–489	–14.1
Investment fund transactions	**162,753**	178,137	–15,384	–8.6
Fiduciary fees	**12,096**	11,932	164	1.4
Other commission income	**6,708**	6,221	487	7.8
Total commission income and service fee activities	**451,930**	**506,002**	**–54,072**	**–10.7**
Brokerage fees paid	**12,911**	18,121	–5,210	–28.8
Other commission expenses	**40,003**	49,259	–9,256	–18.8
Total commission expenses and service fee activities	**52,914**	**67,380**	**–14,466**	**–21.5**
Total results from commission and service fee activities	**399,016**	**438,622**	**–39,606**	**–9.0**

2.3 Results from trading operations

1,000 CHF	**2008**	2007	Change to 2007 CHF	Change to 2007 %
Securities	**29,740**	47,751	–18,011	–37.7
Foreign exchange and precious metals	**58,017**	48,154	9,863	20.5
Total results from trading operations	**87,757**	**95,905**	**–8,148**	**–8.5**

2.4 Other ordinary results

1,000 CHF	2008	2007	Change to 2007 CHF	Change to 2007 %
Results from sale of financial investments designated at fair value	**152**	–1,202	1,354	112.7
Results from sale of financial investments available for sale	**–6,632**	14,501	–21,133	–145.7
Gain from the sale of group companies	**0**	157,335	–157,335	–100.0
Proportion of earnings of associated companies	**4,618**	6,955	–2,337	–33.6
Real estate income	**336**	367	–31	–8.4
Other ordinary income	**65,918**[1]	21,427[2]	44,491	207.6
Other ordinary expenses	**2,578**	1,002	1,576	157.3
Total other ordinary results	**61,814**	**198,381**	**–136,567**	**–68.8**
Result financial investments available for sale				
Bonds and debt instruments	**–786**	–877	91	10.4
Equities and the like	**–5,847**	15,378	–21,225	–138.0
Other	**0**	0	0	
Total	**–6,632**	**14,501**	**–21,133**	**–145.7**
Impairment losses on financial investments available for sale	**1,322**	**575**	**747**	**129.9**

2.5 Personnel expenses

1,000 CHF	2008	2007	Change to 2007 CHF	Change to 2007 %
Salaries and bonuses	**266,431**	258,579	7,852	3.0
Social benefits	**15,256**	13,402	1,854	13.8
Contribution to retirement plans / defined benefit	**14,465**	11,551	2,914	25.2
Contribution to retirement plans / defined contribution	**3,538**	6,241	–2,703	–43.3
Other personnel expenses	**24,483**	25,505	–1,022	–4.0
Total personnel expenses	**324,173**	**315,278**	**8,895**	**2.8**

[1] This includes the proceeds from the transaction with Bank Zweiplus Ltd (CHF 50.7 million) and the release of reserves worth CHF 7.3 million.

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

2.6 General administrative expenses

1,000 CHF	2008	2007	Change to 2007 CHF	Change to 2007 %
Occupancy expenses	**20,725**	18,367	2,358	12.8
IT and telecommunication expenses	**40,788**	33,679	7,109	21.1
Expenses for machinery, furniture, vehicles and other equipment	**2,195**	2,200	–5	–0.2
Travel, entertainment, marketing and public relations expenses	**38,391**	25,737	12,654	49.2
Audit and consulting expenses	**25,399**	19,317	6,082	31.5
Capital tax	**4,185**	4,211	–26	–0.6
Other general expenses	**8,893**	8,823	70	0.8
Total general administrative expenses	**140,576**	**112,334**	**28,242**	**25.1**

2.7 Depreciation and amortisation

1,000 CHF	2008	2007	Change to 2007 CHF	Change to 2007 %
Depreciation of property and equipment	**14,422**	11,822	2,600	22.0
Amortisation of intangible assets	**9,152**	7,467	1,685	22.6
Total depreciation and amortisation	**23,574**	**19,289**	**4,285**	**22.2**

2.8 Value adjustments, provisions and losses

1,000 CHF	2008	2007	Change to 2007 CHF	Change to 2007 %
Value adjustments for default risk	**77,385** [1]	1,066	76,319	>1,000
Provisions for litigation risk	**328**	654	–326	–49.8
Losses, operational risk	**1,572**	590	982	166.4
Other	**1,398**	1,182	216	18.3
Total value adjustments, provisions and losses	**80,683**	**3,492**	**77,191**	**>1,000**

[1] Of which CHF 73.7 million relates to impairments in amounts due from defaulting banks.

2.9 Income taxes

1,000 CHF	**2008**	2007	Change to 2007 CHF	Change to 2007 %
Statement of income taxes				
Current taxes	**11,924**	74,782	–62,858	–84.1
Deferred taxes	**–10,617**	7,733	–18,350	–237.3
Total income taxes	**1,307**	**82,515**	**–81,208**	**–98.4**
Profit before taxes	**108,138**	387,112	–278,974	–72.1
Expected income taxes using an assumed average rate of 13.7%[1] (22.2%)	**14,761**	86,074	–71,313	–82.9
Reasons for differences:				
Not recognised expenses	**605**	445	160	36.0
Not recognised income	**–11,791**	7,490	–19,281	–257.4
Participation allowance unrealisable as a result of losses	**3,606**	0	3,606	
Tax adjustment related to previous year	**–1,502**	–152	–1,350	–888.2
Equity investment income attracting tax relief	**0**	–9,059	9,059	100.0
Other effects including profit from treasury shares and derivatives	**–4,372**	–2,283	–2,089	–91.5
Total effective income taxes (2008: 1.2%; 2007: 21.3%)	**1,307**	**82,515**	**–81,208**	**–98.4**

The Sarasin Group made tax payments (domestic and foreign) for the business year 2008 of CHF 61.0 million (Previous year: CHF 29.6 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	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Deferred tax assets				
Tax loss carry-forwards	**15,842**	0	15,842	
Pension liability	**37**	1,742	–1,705	–97.9
Total deferred tax assets	**15,879**	**1,742**	**14,137**	**811.5**
Deferred tax liabilities				
Property, equipment and intangible assets	**2,469**	–122	2,591	>1,000
Financial instruments	**5,461**	1,095	4,366	398.7
Provisions and other	**1,623**	7,751	–6,128	–79.1
Total deferred tax liabilities	**9,553**	**8,724**	**829**	**9.5**
Change in deferred tax assets				
Balance at beginning of the year	**1,742**	2,925	–1,183	–40.4
Charges and releases recognised in income statement	**14,276**	–2,522	16,798	666.1
Charges and releases not recognised in income statement	**214**	1,367	–1,153	–84.3
Impact of change in deferred tax rates and currency translation differences	**–353**	–28	–325	
Total deferred tax assets end of the year	**15,879**	**1,742**	**14,137**	**811.5**
Change in deferred tax liabilities				
Balance at beginning of the year	**8,724**	16,830	–8,106	–48.2
Charges and releases recognised in income statement	**5,181**	5,211	–30	–0.6
Charges and releases not recognised in income statement	**–2,854**	–13,371	10,517	78.7
Impact of change in deferred tax rates and currency translation differences	**–1,498**	54	–1,552	
Total deferred tax liabilities end of the year	**9,553**	**8,724**	**829**	**9.5**
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	**0**	7,231	–7,231	–100.0
Total	**0**	**7,231**	**–7,231**	**–100.0**

2.11 Earnings per share

	2008	2007	Change to 2007 CHF	Change to 2007 %
Undiluted consolidated earnings per share				
Net profit (excl. minority interests) 1,000 CHF	**94,716**	293,630	–198,914	–67.7
Weighted average number of shares	**61,155,300**	61,155,300	0	0.0
Of which class A registered shares (with voting rights)	**11,000,000**	11,000,000	0	0.0
Of which class B registered shares	**50,155,300**	50,155,300	0	0.0
Net profit per class A registered share (with voting rights) (CHF)	**0.31**	**0.97**	**–0.66**	**–68.0**
Weighted average number of shares (class B registered shares)	**919,422**	690,992	228,430	33.1
Net profit per class B registered share (CHF)	**1.57**	**4.86**	**–3.29**	**–67.7**
Diluted consolidated earnings per share				
Net profit (excl. minority interests) 1,000 CHF	**94,716**	293,630	–198,914	–67.7
Number of shares used to compute the diluted net profit	**60,245,878**	60,594,908	–349,030	–0.6
Of which class A registered shares (with voting rights)	**11,000,000**	11,000,000	0	0.0
Of which class B registered shares	**49,245,878**	49,594,908	–349,030	–0.7
Diluted net profit per class A registered share (with voting rights) (CHF)	**0.31**	**0.97**	**–0.66**	**–68.0**
Diluted net profit per class B registered share (CHF)	**1.57**	**4.85**	**–3.28**	**–67.6**

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. Following the introduction of IFRIC 14 for the first time, the result for FY 2007 has been restated. The effect of this is described in the notes to the shareholders' equity on page 86.

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 comprise 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 arrangements outside Switzerland

Our staff members in the UK, 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	**2008**	2007	Change to 2007 CHF	Change to 2007 %
Fair value of plan assets	**448,805**	417,576	31,229	7.5
Defined benefit obligations	**496,034**	418,361	77,673	18.6
Funded / unfunded status	**–47,229**	**–785**	**–46,444**	
Unrecognised actuarial gains / (losses)	**47,050**	–7,224	54,274	751.3
Net accrued / (prepaid) pension cost	**–179**	**–8,009**	**7,830**	**97.8**

Pension expenses

1,000 CHF	**2008**	2007	Change to 2007 CHF	Change to 2007 %
Service expenses current period	**–32,346**	–26,740	–5,606	–21.0
Interest for pension liabilities	**–14,701**	–11,582	–3,119	–26.9
Expected net return on plan assets[1]	**20,480**	15,841	4,639	29.3
Amortisation of actuarial gains (losses) (IAS 19 §58 A)	**0**	1,625	–1,625	–100.0
Employee contributions	**12,102**	9,305	2,797	30.1
Pension expenses for defined benefit pension plans according to actuarial computation	**–14,465**	**–11,551**	**–2,914**	**–25.2**
Contribution to defined contribution pension plans	**–3,538**	–6,241	2,703	43.3
Total pension expenses	**–18,003**	**–17,792**	**–211**	**–1.2**
[1] Actual income (loss) on assets	**–59,937**	3,943	–63,880	

Change in the cash value of pension liabilities

1,000 CHF	**2008**	2007	Change to 2007 CHF	Change to 2007 %
Benefit-related liabilities as at 01.01.	**418,361**	386,053	32,308	8.4
Interest expenses	**14,701**	11,582	3,119	26.9
Service expenses, current period	**32,346**	26,740	5,606	21.0
Benefits paid / benefits received	**35,360**	–5,552	40,912	736.9
Actuarial gains (losses)	**–10,164**	–462	–9,702	
Change in the scope of consolidation	**5,430**	0	5,430	
Conversion differences from foreign pension plans	**0**	0	0	
Liabilities for defined benefit pension plans as at 31.12.	**496,034**	**418,361**	**77,673**	**18.6**

Change in pension plan assets at fair value

1,000 CHF	**2008**	2007	Change to 2007 CHF	Change to 2007 %
Fair value of pension plan assets as at 01.01.	**417,576**	371,603	45,973	12.4
Expected return on assets	**20,480**	15,841	4,639	29.3
Employer contributions	**35,517**	29,604	5,913	20.0
Benefits paid / benefits received	**35,360**	–5,552	40,912	736.9
Actuarial gains (losses)	**–64,542**	6,080	–70,622	
Change in the scope of consolidation	**4,414**		4,414	
Conversion differences from foreign pension plans	**0**	0	0	
Fair value of pension plan assets as at 31.12.	**448,805**	**417,576**	**31,229**	**7.5**

Asset allocation

%	**2008 Pension fund**	2007 Pension fund
Equity instruments[1]	**30.7**	34.4
Debt instruments	**42.0**	52.2
Real estate	**11.3**	6.7
Other	**16.0**	6.7

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.

[1] No treasury shares are held in the plan assets of the pension fund.

Actuarial assumptions (Switzerland)

%	2008	2007
Technical interest rate	**3.5**	3.25
Anticipated yield on assets	**4.5**	4.5
Development of salaries	**1.5**	2.5
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	2008	2007	2006	2005	2004
Fair value of plan assets of employee benefit funds	**448,805**	417,576	376,486	341,725	304,991
Cash value of pension liabilities	**496,034**	418,361	386,053	342,900	318,191
Funded/unfunded status	**–47,229**	**–785**	**–9,567**	**–1,175**	**–13,200**
Adjustments to plan obligations based on experience	**16,423**	3,655	8,594	–3,599	0
Adjustments to plan assets based on experience	**–64,542**	6,080	874	6,212	0

Estimated contributions for the following year	
Employer’s contribution	**21,875**
Employee’s contribution	**14,536**

2.13 Cash and cash equivalents

1,000 CHF	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Cash on hand	**6,225**	5,613	612	10.9
Sight balances with central banks	**420,278**	64,940	355,338	547.2
Sight balances on postal accounts	**8,733**	1,269	7,464	588.2
Total cash and cash equivalent	**435,236**	**71,822**	**363,414**	**506.0**

2.14 Money market papers

1,000 CHF	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Money market papers discountable at central banks	**344,252**	48,570	295,682	608.8
Other money market papers	**14,290**	4,394	9,896	225.2
Total money market papers	**358,542**	**52,964**	**305,578**	**577.0**

2.15 Due from banks and customers

1,000 CHF	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Due from banks at sight	**1,149,573**	592,824	556,749	93.9
Due from banks at time	**3,006,256**	5,089,526	–2,083,270	–40.9
Valuation allowances for credit risk (Note 2.16)	**–73,732**	0	–73,732	
Due from banks	**4,082,097**	**5,682,350**	**–1,600,253**	**–28.2**
Due from customers – mortgage collateral	**697,568**	272,175	425,393	156.3
Due from customers – other collateral	**4,449,151**	3,538,906	910,245	25.7
Due from customers – without collateral	**60,989**	44,672	16,317	36.5
Subtotal	**5,207,708**	**3,855,753**	**1,351,955**	**35.1**
Valuation allowances for credit risk (Note 2.16)	**–4,234**	–5,167	933	18.1
Due from customers	**5,203,474**	**3,850,586**	**1,352,888**	**35.1**

2.16 Valuation allowances for credit risk

1,000 CHF	**31.12.2008**	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Balance at beginning of year	**5,167**	5,003	164	3.3
Specific allowances	**–4,547**	–12	–4,535	
New charges of valuation allowances for credit risk	**77,385**	1,200	76,185	>1,000
Release of valuation allowances for credit risk	**0**	0	0	
Currency translation differences and other adjustments	**–39**	–1,024[1]	985	96.2
Balance at end of year	**77,966**	**5,167**	**72,799**	**>1,000**
Of which valuation allowances for due from banks	**73,732**	0	73,732	
Of which valuation allowances for due from customers	**4,234**	5,167	–933	–18.1
Total valuation allowances for credit risk	**77,966**	**5,167**	**72,799**	**>1,000**
Impaired loans[2]				
Impaired loans (gross)	**87,655**	5,167	82,488	>1,000
Estimated liquidation proceeds of collateral / expected recovery value	**8,721**	0	8,721	
Impaired loans (net)	**78,934**	5,167	73,767	>1,000
Specific allowances for impaired loans	**77,966**	5,167	72,799	>1,000
Average amount of impaired loans (gross)	**46,411**	5,085	41,326	812.7
Non-performing loans[3]				
Non-performing loans (gross)	**86,312**	4,642	81,670	>1,000
Specific allowances for non-performing loans	**77,387**	4,642	72,745	>1,000
Net amounts due	**8,925**	0	8,925	
Average amount of non-performing loans (gross)	**45,477**	4,023	41,454	>1,000

[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. The portion of the loans that do not generate income and for which no value adjustment has been made is to a large extent covered by collateral.

2.17 Trading portfolio assets

1,000 CHF	**31.12.2008**	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Debt instruments				
Listed	**5,419**	16,782	–11,363	–67.7
Unlisted	**0**	0	0	
Total	**5,419**	**16,782**	**–11,363**	**–67.7**
Equities and the like				
Listed	**293,611**	625,469	–331,858	–53.1
Unlisted	**8,124**	0	8,124	
Total	**301,735**	**625,469**	**–323,734**	**–51.8**
Mutual funds				
Listed	**1,321**	0	1,321	
Unlisted	**1,371**	1,969	–598	–30.4
Total	**2,692**	**1,969**	**723**	**36.7**
Precious metals	**42,363**	10,197	32,166	315.4
Total trading portfolio	**352,209**	**654,417**	**–302,208**	**–46.2**
Of which securities lent out	**0**	415	–415	–100.0
Of which repo-eligible securities	**4,676**	11,901	–7,225	–60.7

2.18 Trading portfolio liabilities

1,000 CHF	**31.12.2008**	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Debt instruments	**0**	0	0	
Equities and the like	**78,384**	121,358	–42,974	–35.4
Mutual funds	**2,625**	0	2,625	
Precious metals	**11,013**	278	10,735	>1,000
Total trading portfolio liabilities	**92,022**	**121,636**	**–29,614**	**–24.3**

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	6,664	10,354	217,782
Futures	0	0	0
Options (OTC)	0	0	0
Options (exchange traded)	0	0	0
Total interest rate instruments 31.12.2008	**6,664**	**10,354**	**217,782**
Total interest rate instruments 31.12.2007	7,110	4,118	445,937
Foreign exchange			
Forward contracts	123,739	145,163	4,734,433
Combined interest / currency swaps	1,888	2,112	114,003
Futures	0	0	0
Options (OTC)	21,545	21,545	1,011,300
Options (exchange traded)	0	0	0
Total foreign exchange 31.12.2008	**147,172**	**168,819**	**5,859,737**
Total foreign exchange 31.12.2007	74,878	74,880	7,199,876
Equities / indices			
Forward contracts	0	0	0
Futures	241	3	92,196
Options (OTC)	234,035	186,773	1,346,867
Options (exchange traded)	34,002	29,972	295,657
Total equities / indices 31.12.2008	**268,277**	**216,748**	**1,734,720**
Total equities / indices 31.12.2007	254,388	191,910	3,459,885
Precious metals			
Forward contracts	1,089	1,275	51,779
Futures	0	0	0
Options (OTC)	510	372	8,649
Options (exchange traded)	0	0	0
Total precious metals 31.12.2008	**1,599**	**1,646**	**60,428**
Total precious metals 31.12.2007	1,177	1,103	102,353

1,000 CHF	Positive replacement value	Negative replacement value	Contract volume
Commodities			
Forward contracts	0	0	0
Futures	0	0	0
Options (OTC)	72	0	10,783
Options (exchange traded)	0	0	0
Total commodities 31.12.2008	**72**	**0**	**10,783**
Total commodities 31.12.2007	360	3,348	84,760
Other			
Forward contracts	0	0	0
Futures	0	0	0
Options (OTC)	0	0	0
Options (exchange traded)	0	0	0
Total other 31.12.2008	**0**	**0**	**0**
Total other 31.12.2007	0	0	0
Total derivative financial instruments 31.12.2008	**423,784**	**397,568**	**7,883,450**
Total derivative financial instruments 31.12.2007	337,913	275,359	11,292,811

2.20 Financial investments

Financial investments designated at fair value

1,000 CHF	**31.12.2008**	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Debt instruments				
Listed	**227,957**	13,254	214,703	>1,000
Unlisted	**0**	0	0	
Total	**227,957**	**13,254**	**214,703**	**>1,000**
Equities and the like				
Listed	**2,022**	4,417	–2,395	–54.2
Unlisted	**0**	0	0	
Total	**2,022**	**4,417**	**–2,395**	**–54.2**
Total financial investments designated at fair value	**229,979**	**17,671**	**212,308**	**>1,000**
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	**31.12.2008**	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Debt instruments				
Listed	**757,180**	385,983	371,197	96.2
Unlisted	**0**	0	0	
Total	**757,180**	**385,983**	**371,197**	**96.2**
Equities and the like				
Listed	**125,018**	71,662	53,356	74.5
Unlisted	**25,718**	8,654	17,064	197.2
Total	**150,736**	**80,316**	**70,420**	**87.7**
Mutual funds				
Listed	**97**	109	–12	–11.0
Unlisted	**131,827**	98,649	33,178	33.6
Total	**131,924**	**98,758**	**33,166**	**33.6**
Total financial investments available for sale	**1,039,840**	**565,057**	**474,783**	**84.0**
Of which securities lent out	**0**	0	0	
Of which repo-eligible financial investments	**489,261**	189,088	300,173	158.7
Total financial investments	**1,269,819**	**582,728**	**687,091**	**117.9**

2.21 Investment in associates

1,000 CHF	31.12.2008 Share 100%	31.12.2008 Share 40%	31.12.2007 Share 100%	31.12.2007 Share 20%
Balance sheet of associated companies				
Assets	**143,468**	**57,387**	277,844	55,569
Liabilities	**34,810**	**13,924**	168,366	33,673
Net assets	**108,658**	**43,463**	**109,478**	**21,896**
Revenue and result of associated companies				
Income	**41,096**	**16,438**	78,999	15,800
Result after tax	**11,546**	**4,618**	34,775	6,955

With effect from 1 January 2008, the existing stake in NZB Neue Zürich Bank was increased from 20% to 40%.

The company is active in the sales and brokerage business, as well as in private banking. The business is consolidated in Sarasin Group's financial statements using the equity method.

2.22 Property and equipment

1,000 CHF	Bank buildings	Other real estate	Furniture and machines	IT systems	**2008**
Historical cost					
Balance on 01.01.	76,546	4,987	87,668	43,747	**212,948**
Additions	0	2	21,208	14,230	**35,440**
Disposals / retirements	0	0	–2,166	–114	**–2,280**
Change in scope of consolidation	0	0	0	0	**0**
Currency translation differences	0	0	–2,627	–1,335	**–3,962**
Reclassifications	0	0	0	0	**0**
Balance on 31.12.	76,546	4,989	104,083	56,528	**242,146**
Accumulated depreciation and amortisation					
Balance on 01.01.	–7,755	–845	–56,618	–36,439	**–101,657**
Planned depreciation and amortisation	–1,281	–45	–7,340	–5,755	**–14,422**
Extraordinary depreciation and amortisation (impairment)	0	0	0	0	**0**
Disposals / retirements	0	0	1,356	2	**1,358**
Change in scope of consolidation	0	0	0	0	**0**
Currency translation differences	0	0	1,155	865	**2,020**
Reclassifications	0	0	0	0	**0**
Balance on 31.12.	–9,036	–890	–61,447	–41,326	**–112,699**
Net book value on 31.12.	**67,510**	**4,099**	**42,636**	**15,202**	**129,447**

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	–107,088
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**

Additional information regarding property and equipment

1,000 CHF	**31.12.2008**	31.12.2007
Fire insurance value of real estate	**170,219**	162,784
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 31.12.2008, 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	**2008**	2007
Remaining duration up to 1 year	**15,219**	10,188
Remaining duration of 1 to 5 years	**39,370**	22,522
Remaining duration of over 5 years	**14,054**	6,564
Total minimum commitments from operating leasing	**68,643**	**39,274**

Operating expenses per 31.12.2008 include CHF 18.5 million and per 31.12.2007 CHF 10.8 million from operating leases. The minimum commitments mainly result from subleasing arrangements.

Future claims from operating leases

1,000 CHF	**2008**	2007
Remaining duration up to 1 year	**807**	879
Remaining duration of 1 to 5 years	**1,501**	1,516
Remaining duration of over 5 years	**513**	0
Total minimum claims from operating Leasing	**2,821**	**2,395**

Operating income per 31.12.2008 includes CHF 0.4 million and per 31.12.2007 CHF 0.5 million from operating leases. This concerns income from subleasing arrangements.

2.23 Intangible assets

1,000 CHF	Software	Other intangible assets	Goodwill	**2008**
Historical cost				
Balance on 01.01.	52,188	16,238	281,014	**349,440**
Additions	13,120	445	224	**13,789**
Disposals / retirements	0	0	0	**0**
Change in scope of consolidation	0	17,622	43,131	**60,753**
Currency translation differences	–2,012	–2,596	–13,907	**–18,515**
Reclassifications	0	0	0	**0**
Balance on 31.12.	63,296	31,709	310,462	**405,467**
Accumulated depreciation and amortisation				
Balance on 01.01.	–38,166	–6,124	–204,082	**–248,372**
Planned depreciation and amortisation	–6,843	–2,309	0	**–9,152**
Extraordinary depreciation and amortisation (impairment)	0	0	0	**0**
Disposals / retirements	0	0	0	**0**
Change in scope of consolidation	0	0	0	**0**
Currency translation differences	1,115	1,306	2,446	**4,867**
Reclassifications	0	0	0	**0**
Balance on 31.12.	–43,894	–7,127	–201,636	**–252,657**
Net book value on 31.12.	**19,402**	**24,582**	**108,826**	**152,810**

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**

Intangible assets

1,000 CHF	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Bank Sarasin & Co. Ltd (Private Banking)	**31,820**	31,820	0	0.0
Bank Zweiplus Ltd	**43,131**	0	43,131	
S.I.M. Partnership (London) Ltd (Private Banking)	**24,391**	35,851	–11,460	–32.0
Sarasin Asset Management (France), Paris (Private Banking)	**224**	0	224	
Sarasin Colombo Gestioni Patrimoniali SA (Private Banking)	**9,260**	9,260	0	0.0
Total	**108,826**	**76,931**	**31,895**	**41.5**

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. Here the book value is compared with the realisable value in each case. In Private Banking, assets under management are the key value drivers that principally determine future earnings potential and subsequently future cash flows as well. For these assets, typical multipliers are available on the market for determining the value of the assets under management. Against this backdrop, Bank Sarasin essentially works out the realisable value based on the fair value less selling costs. Depending on the client segment, Bank Sarasin applies a multiplier of between 1% and 3% when valuing client assets. The review conducted showed no permanent impairment of any of our goodwill positions. The management is of the opinion that, realistically speaking, there could be no intrinsically possible change in the basic assumptions made which would result in the book value of the entity generating payments significantly exceeding the realisable amount.

2.24 Other assets

1,000 CHF	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Value added tax and other tax claims	**6,877**	2,897	3,980	137.4
Miscellaneous other assets	**16,961**	4,858	12,103	249.1
Total other assets	**23,838**	**7,755**	**16,083**	**207.4**

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

1,000 CHF	31.12.2008 Market value	31.12.2008 Effective commitment	31.12.2007 Market value	31.12.2007 Effective commitment
Money market papers	**0**	**0**	0	0
Financial instruments	**117,513**	**43,359**	108,145	25,578
Other assets	**0**	**0**	0	0
Total pledged assets	**117,513**	**43,359**	**108,145**	**25,578**

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	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
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	**0**	3,726	–3,726	–100.0
Of which securities for which the unrestricted right of resale or pledging has been granted	**0**	3,726	–3,726	–100.0
Fair value of securities delivered as collateral in connection with securities lending, borrowed in connection with securities borrowing or received under reverse repurchase transactions, for which the unrestricted right of resale or pledging has been granted	**2,801**	6,103	–3,302	–54.1
Fair value of all such securities that have been resold or pledged	**2,801**	6,103	–3,302	–54.1

2.27 Due to customers

1,000 CHF	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Due to customers in savings and investment accounts	**538,810**	214,617	324,193	151.1
Due to customers other	**7,944,447**	6,467,089	1,477,358	22.8
Total due to customers	**8,483,257**	**6,681,706**	**1,801,551**	**27.0**

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	SaraFloor	126,158	248,547	140,530	0	515,235
Bank Sarasin (CI) Ltd., Guernsey	SaraSail Units	231,228	20	0	0	231,248
Bank Sarasin (CI) Ltd., Guernsey	SaraSail Warrants	0	0	0	0	0
Bank Sarasin (CI) Ltd., Guernsey	SaraZert	10,244	0	0	0	10,244
Bank Sarasin & Co. Ltd, Basel	SaraZert	57,997	15,266	0	97,154	170,417
Total 31.12.2008		**425,627**	**263,833**	**140,530**	**97,154**	**927,144**
Total 31.12.2007		981,390	246,881	495,931	201,513	1,925,715

The above table shows the publicly placed structured products of the Bank with fixed interest rates between 0 and 29.0%. The banks' own positions of the debts in the amount of CHF 89.7 million (previous year CHF 75.3 million) were netted with the issued debts.

2.29 Other liabilities

1,000 CHF	**31.12.2008**	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Value added tax and other tax liabilities	**26,788**	21,430	5,358	25.0
Pension plan liabilities	**179**	8,009	–7,830	–97.8
Miscellaneous other liabilities	**27,229**	9,680	17,549	181.3
Total other liabilities	**54,196**	**39,119**	**15,077**	**38.5**

2.30 Provisions

1,000 CHF	Restructuring provision	Other business risks	Other provisions	**2008**
Balance on 01.01.	2,931	3,084	3,300	**9,315**
Utilisation in conformity with purpose	–254	0	–2,178	**–2,432**
New provisions charged to income statement	0	212	1,514	**1,726**
Provisions released to income statement	–674	–2,182	–200	**–3,056**
Recoveries	0	0	0	**0**
Reclassifications	0	0	0	**0**
Change in scope of consolidation	0	0	0	**0**
Currency translation differences	0	–100	0	**–100**
Balance on 31.12.	**2,003**	**1,014**	**2,436**	**5,453**
Maturity of provisions				
Within 1 year	239	0	0	**239**
Over 1 year	1,764	1,014	2,436	**5,214**

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

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 2.0 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	**2008** 1,000 CHF	2007 1,000 CHF
Share capital, class A registered shares (with voting rights)	55,000,000	0.20	**11,000**	11,000
Share capital, class B registered shares	50,155,300	1.00	**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

The class A and B registered shares are fully paid up.

Treasury shares

	2008 Number of shares	**2008** 1,000 CHF	2007 Number of shares	2007 1,000 CHF
Balance at beginning of year				
Class A registered shares (with voting rights)	**0**	**0**	0	0
Class B registered shares	**993,500**	**48,019**	688,300	23,980
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	**2,436,253**	**104,625**	1,666,900	80,617
Sales of class B registered shares	**–2,353,936**	**–109,209**	–1,361,700	–56,578
Balance at end of year				
Class A registered shares (with voting rights)	**0**	**0**	0	0
Class B registered shares	**1,075,817**	**43,435**	993,500	48,019

On 7 May 2008 there was a 1:100 share split.

3. Transactions with related persons and companies

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".

This table takes into consideration, as required by the legal provisions of the Swiss Code of Obligations Art. 663b bis, all the remunerations consisting of basic salary, lump sum expenses, employer contributions to social insurance schemes and the pension fund, variable performance-based remuneration as well as remuneration from share participation plans paid to the members of the Board of Directors or Executive Committee. The variable remunerations and the payments from share participation schemes are accounted for using the accrual principle.

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

1,000 CHF	**2008**	2007
Compensation to Members of the Board of Directors of Bank Sarasin & Co. Ltd, Basel	**2,895**	3,918
Compensation to Members of the Group Executive Board	**9,650**	28,539
Total compensation paid	**12,545**	**32,457**
Of which short-term basic salary and variable remuneration	**7,153**	30,695
Of which short-term employers' social security contributions and pension premium payments	**1,335**	1,709
Of which other pension contributions	**0**	0
Of which termination benefits (Andreas Sarasin)	**2,199**	0
Of which share-based payments previous years	**1,762**	0
Of which other long-term benefits	**96**	53
Total compensation paid	**12,545**	**32,457**
Loans to Members of the Board of Directors		
Outstanding loans on 01.01.	**300**	195
New loans and increases in existing loans	**1,000**	110
Repayment of loans	**–300**	–5
Outstanding loans to Members of the Board of Directors on 31.12.	**1,000**	**300**
Loans to Members of the Group Executive Board		
Outstanding loans on 01.01.	**4,086**	4,321
New loans and increases in existing loans	**130**	178
Repayment of loans	**–3,083**	–413
Outstanding loans to Members of the Group Executive Board on 31.12.	**1,133**	**4,086**
Total loans to governing bodies (Board of Directors and Group Executive Board)	**2,133**	**4,386**
Total receivables with related parties and companies	**1,053,871**	133,936
Total liabilities to related parties and companies	**600,222**	513,753

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 31.12.2008, our liabilities towards our benefit plans totalled CHF 54.6 million (CHF 36.7 million).

Private Equity

The items "trading portfolio assets" and "financial investments" contain 21,309 (15,811) shares in New Energies Invest Ltd with a countervalue of CHF 8.5 million (CHF 7.3 million). Bank Sarasin is the company's investment advisor. Commission income amounted to CHF 0.2 million (CHF 0.6 million).

Management remuneration in accordance with the Swiss Code of Obligations

2008 CHF	Compen-sation basis	Compen-sation variable	Share-based payments previous years	Social security and contribution to retirement plans (employer)	Total, compen-sation
Current Members of the Board of Directors (incl. closely related persons)					
Ammann, Christoph (Chairman of the Board of Directors)	500,000	0	0	84,712	584,712
Merian, Peter E.	589,408	0	0	136,321	725,729
Brueckner, Christian	200,000	0	0	17,810	217,810
Hufschmid, Hans-Rudolf	200,000	0	0	20,524	220,524
Heemskerk, Hubertus	170,000	0	0	0	170,000
Schat, Sipko N.	170,000	0	0	0	170,000
Derendinger, Peter, since 24.04.08	117,198	0	0	8,563	125,761
Total Members of the Board of Directors	**1,946,606**	**0**	**0**	**267,930**	**2,214,536**
Current Members of the Executive Committee (incl. closely related persons)					
Straehle, Joachim H. (Chief Executive Officer)	854,252	0	666,390	168,335	1,688,977
Goetz, Fidelis M.	–	–	–	–	–
Hassels, Matthias	–	–	–	–	–
Sarasin, Eric G.	–	–	–	–	–
Varnholt, Burkhard P.	–	–	–	–	–
Sami, Peter, since 01.05.08	–	–	–	–	–
Total Members of the Executive Committee	**3,861,459**	**0**	**1,513,200**	**744,108**	**6,118,767**
Resigned Members of the Board of Directors 2008					
Krayer, Georg F., until 23.04.08	625,000	0	0	55,839	680,839
Total Members of the Board of Directors	**625,000**	**0**	**0**	**55,839**	**680,839**
Resigned Members of the Executive Committee 2008					
Sarasin, Andreas R., until 30.09.07	–	–	–	–	–
Weber, Marco, until 30.06.08[1]	–	–	–	–	–
Total Members of the Executive Committee	**3,014,975**	**0**	**248,805**	**267,102**	**3,530,883**

[1] Marco Weber was appointed CEO of Bank Zweiplus Ltd on 1 July 2008, and at the same time stood down from the Executive Committee of Bank Sarasin & Co. Ltd.

Management remuneration in accordance with the Swiss Code of Obligations

2007 CHF	Compen- sation basis	Compen- sation variable	Share-based payments previous years	Social security and contribution to retirement plans (employer)	Total, compen- sation
Current Members of the Board of Directors (incl. closely related persons)					
Krayer, Georg F. (Chairman of the Board of Directors)	1,500,527	0	0	85,361	1,585,888
Brueckner, Christian	200,000	0	0	12,502	212,502
Heemskerk, Hubertus, since 24.04.07	85,000	0	0	0	85,000
Ammann, Christoph	170,000	0	0	0	170,000
Hufschmid, Hans-Rudolf	200,000	0	0	12,279	212,279
Merian, Peter E.	1,212,527	0	0	156,960	1,369,487
Schat, Sipko N., since 24.04.07	85,000	0	0	0	85,000
Total Members of the Board of Directors	**3,453,054**	**0**	**0**	**267,102**	**3,720,156**
Current Members of the Executive Committee (incl. closely related persons)					
Straehle, Joachim H. (Chief Executive Officer)	6,855,609	0	0	237,622	7,093,231
Goetz, Fidelis M.	–	–	–	–	–
Hassels, Matthias	–	–	–	–	–
Sarasin, Eric G.	–	–	–	–	–
Varnholt, Burkhard P., since 01.09.07	–	–	–	–	–
Weber, Marco	–	–	–	–	–
Total Members of the Executive Committee	**25,779,561**	**0**	**0**	**1,127,710**	**26,907,271**
Resigned Members of the Board of Directors 2007					
Baron van Slingelandt, Diederik J.M.G., until 23.04.07	60,000	–	–	0	60,000
Baumann, Philip, until 23.04.07	77,500	–	–	5,517	83,017
Van Rijckevorsel, Thomas, until 23.04.07	55,000	–	–	0	55,000
Total Members of the Board of Directors	**192,500**	**–**	**–**	**5,517**	**198,017**
Resigned Members of the Executive Committee 2007					
Sarasin, Andreas R., until 30.09.07	–	–	–	–	–
Von Meyenburg, Franz K., until 30.04.07	–	–	–	–	–
Total Members of the Executive Committee	**1,322,970**	**–**	**–**	**308,594**	**1,631,564**

Loans, options and shares as at 31 December 2008

2008	Loans and advances (excl. related parties CHF	Number of shares (incl. related parties)	Related parties Compensa-tion CHF	Loans CHF
Current Members of the Board of Directors (incl. closely related persons)				
Ammann, Christoph (Chairman of the Board of Directors)	1,000,000	35,000	0	0
Merian, Peter E.	0	52,800	0	0
Brueckner, Christian	0	0	3,500	0
Hufschmid, Hans-Rudolf	0	16,800	0	0
Heemskerk, Hubertus	0	0	0	0
Schat, Sipko N.	0	0	0	0
Derendinger, Peter, since 24.04.08	0	0	0	0
Total Members of the Board of Directors	**1,000,000**	**104,600**	**3,500**	**0**

No outstanding options.

Current Members of the Executive Committee (incl. closely related persons)				
Straehle, Joachim H. (Chief Executive Officer)	–	175,200	0	0
Goetz, Fidelis M.	–	40,500	–	–
Hassels, Matthias	1,000,000	43,200	–	–
Sarasin, Eric G.	–	46,100	–	–
Varnholt, Burkhard P.	–	11,400	–	–
Sami, Peter, since 01.05.08	–	2,000	–	–
Total Members of the Executive Committee	**1,133,000**	**318,400**	**0**	**0**

No outstanding options.

Resigned Members of the Board of Directors 2008				
Krayer, Georg F., until 23.04.08	154,000	1,520,000[1]	5,000	0
Total Members of the Board of Directors	**154,000**	**1,520,000**	**5,000**	**0**

[1] Plus 5000 put options.

Loans, options and shares as at 31 December 2007

2007	Loans and advances (excl. related parties CHF	Number of shares (incl. related parties)	Related parties Compensa-tion CHF	Loans CHF
Current Members of the Board of Directors (incl. closely related persons)				
Krayer, Georg F. (Chairman of the Board of Directors)	110,000	1,580,000	0	0
Brueckner, Christian	0	0	0	0
Heemskerk, Hubertus, since 24.04.07	0	0	0	0
Ammann, Christoph	0	15,000	0	0
Hufschmid, Hans-Rudolf	190,000	7,800	0	0
Merian, Peter E.	0	52,300	0	0
Schat, Sipko N., since 24.04.07	0	0	0	0
Total Members of the Board of Directors	**300,000**	**1,655,100**	**0**	**0**

No outstanding options.

Current Members of the Executive Committee (incl. closely related persons)				
Straehle, Joachim H. (Chief Executive Officer)	–	129,400	0	0
Goetz, Fidelis M.	–	19,200	–	–
Hassels, Matthias	–	31,300	–	–
Sarasin, Eric G.	1,770,000	28,500	–	–
Varnholt, Burkhard P., since 01.09.07	–	0	–	–
Weber, Marco	–	0	–	–
Total Members of the Executive Committee	**4,086,000**	**208,400**	**0**	**0**

No outstanding options.

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

Senior managers and 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 lock-up periods and subject to certain conditions).[1]

The purpose of participation plans is to strengthen the bond between the Bank Group and its senior executives, managers and other key persons, as well as to encourage entrepreneurial thinking and a high level of input and commitment. Allocations of shares that are subject to a lock-up period and certain conditions are booked as equity-settled share-based payments in accordance with the rules of IFRS 2.

Employees who leave Bank Sarasin before the end of the lock-up period usually forfeit their entitlement to shares.

The expense recognised for employee services received during the year

1,000 CHF	**31.12.2008**	31.12.2007
Personnel expense from “equity-settled” payments	**4,545**	0

SaraPart Switzerland

Equity	**31.12.2008**	31.12.2007
Shares with a vesting period as at 01.01.	**0**	0
Shares allocated during the year	**263,162**	0
Shares forfeited or transferred	**11,100**	0
Shares with a vesting period as at 31.12.	**252,062**	0
Average weighted allocation price per share (in CHF)	**44.58**	0.00
Fair value of shares outstanding at the end of the financial year (in CHF)	**7,939,953**	0

[1] A more detailed description of the new programmes can be found on pages 76 and 77.

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 (see also the "Risk Management" section, p. 52 onwards).

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

The Board of Directors has performed adequate and regular risk assessments and introduced any remedial measures required to minimise the risk of material misstatement in the financial statements as far as possible. Furthermore the 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, who 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 risks 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 0.208 million as at 31 December 2008 (1 day retention period, 99% confidence level). The table shows that the total VaR for our trading positions averaged CHF 0.350 million, fluctuating between CHF 0.145 million and CHF 0.897 million in the course of the year. The overall VaR (value at risk) for trading is limited to CHF 5.7 million (2007: CHF 5.6 million). The actual utilisation of limits was therefore well below the maximum permitted risk exposure throughout the year.
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.

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

1,000 CHF	**31.12.2008**	ø	min.	max.
Equities risk	31	76	12	241
Interest rate risk	29	75	3	227
Foreign exchange risk	72	86	13	324
Structured products	76	113	18	530
Total	**208**	**350**	**145**	**897**

1,000 CHF	31.12.2007	ø	min.	max.
Equities risk	39	41	16	333
Interest rate risk	39	33	1	101
Foreign exchange risk	128	130	18	576
Structured products	119	116	81	290
Total	**325**	**320**	**176**	**763**

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

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. In compliance with the requirement under FINMA Circular 08/6 to report interest-rate risks, a parallel 100 basis point increase in interest rates would have an income effect of CHF –5.3 million and a market-value effect of CHF –32.5 million, as at 31 December 2008. A parallel 100 basis point reduction in interest rates would have an income effect of CHF –1.1 million and a market-value effect of CHF +34.9 million.
The interest rate risk at group level is limited and managed by imposing a sensitivity limit on the market-value effect. Sublimits exist for those subsidiaries carrying significant interest-rate risks in the banking book.

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

Lending business with banks

Business with other banks is conducted according to strict rules imposed by Rabobank which apply to the entire Rabobank Group and are therefore binding on the Sarasin Group as well. The criteria are such that only first-class counterparties are considered. New relationships with banks and brokers are discussed in parallel by Sarasin and Rabobank in the respective Credit Committees, which then define and approve the necessary limits, provided the rating conditions are satisfied. The credit rating of counterparties is also checked on two levels, i.e. at both Sarasin and Rabobank.

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 increasingly being made to clients, mainly on owner-occupied homes.
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 essentially refers to the danger of the bank being unable to meet its payment obligations or failing to meet the requirements imposed by banking regulations. In addition, holding excessive liquidity can jeopardise income.

Bank Sarasin's Treasury Committee is responsible for monitoring liquidity. It comprises the CFO, Group Treasurer and representatives from Accounting and the Risk Office, and usually meets once a week. 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 committee monitors all the relevant liquidity risk factors, such as money flows between subsidiaries and the parent, inflows and outflows of client monies and changes in the availability of liquidity reserves.

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. As a complementary strategy, target bandwidths are set for surplus coverage of the minimum reserve as well as for minimum liquidity. These are actively monitored and a suitable programme of measures initiated if liquidity falls below the specified target.

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 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 and supervisory risks, but excludes strategic risks and risks to the bank's reputation.

Bank Sarasin manages its operational risks on the basis of a consistent groupwide framework that not only satisfies the requirements of the Swiss Financial Market Supervisory Authority (FINMA), but also meets the stringent standards imposed by Rabobank.

All Sarasin Group's main entities are assessed on the basis of standardised criteria to ascertain the potential threat they present in the area of operational risks.

A regular self-assessment is performed involving representatives from specialist units and risk experts in order to identify and catalogue the underlying risks and inadequacies of a specialist area, and these are then repeatedly reviewed. A centralised database is used to collate and analyse loss events across the entire group. An information campaign targeting all employees helps to raise awareness of risk and ensure that this topic is firmly embedded in the organisation.

The underlying processes for monitoring operational risks are based on internal directives, specialist staff training and reporting tailored to the appropriate level.

Litigation risk

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

As regards any further claims against the Sarasin Group of which 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 advisers consider that such claims are without merit, can be successfully defended or will not have a significant impact on the Group's financial situation or operating results.

5.1 Market risks: balance sheet per currency

1,000 CHF	CHF	EUR	GBP	USD	Other	**Total**
Assets						
Cash and cash equivalents	431,526	3,282	155	241	32	435,236
Money market papers	275,914	38,891	304	32,363	11,070	358,542
Due from banks	751,907	1,122,816	222,070	1,420,919	564,385	4,082,097
Due from customers	1,576,255	407,672	151,565	2,190,746	877,236	5,203,474
Trading portfolio assets	169,035	106,747	183	32,120	44,124	352,209
Derivative financial instruments	187,066	168,238	20	67,861	599	423,784
Financial investments	961,016	276,582	0	32,163	58	1,269,819
Investments in associated companies	107,241	0	0	0	0	107,241
Property and equipment	116,110	434	3,374	4,458	5,071	129,447
Goodwill and other intangible assets	121,868	540	28,947	312	1,143	152,810
Current tax assets	31	15	0	0	0	46
Deferred tax assets	11,825	4,054	0	0	0	15,879
Accrued income and prepaid expenses	49,810	28,408	30,243	34,052	9,951	152,464
Other assets	12,578	0	3,391	3,624	4,245	23,838
Total balance sheet assets per 31.12.2008	**4,772,182**	**2,157,679**	**440,252**	**3,818,859**	**1,517,914**	**12,706,886**
Claims deriving from spot and forward forex transactions	1,236,838	896,237	87,815	1,790,586	888,742	4,900,218
Claims deriving from forex options	148,140	99,062	56,078	467,755	248,914	1,019,949
Total assets per 31.12.2008	**6,157,160**	**3,152,978**	**584,145**	**6,077,200**	**2,655,570**	**18,627,053**
Total assets per 31.12.2007	4,387,136	2,133,392	671,300	5,745,107	3,000,116	15,937,051

1,000 CHF	CHF	EUR	GBP	USD	Other	**Total**
Liabilities						
Due to banks	443,108	329,403	48,040	254,427	261,004	1,335,982
Due to customers	3,070,037	1,285,286	185,797	2,825,163	1,116,974	8,483,257
Trading portfolio liabilities	37,946	15,279	0	5,356	33,441	92,022
Derivative financial instruments	172,787	141,967	2,004	79,877	933	397,568
Financial liabilities designated at fair value	294,130	197,872	89	427,498	7,555	927,144
Current tax liabilities	5,198	0	2,402	1,392	66	9,058
Deferred tax liabilities	7,421	0	593	1,539	0	9,553
Accrued expenses and deferred income	95,404	14,870	40,928	22,672	25,576	199,450
Other liabilities	36,323	9,363	4,024	2,074	2,412	54,196
Provisions	5,453	0	0	0	0	5,453
Total liabilities	**4,167,807**	**1,994,040**	**283,877**	**3,619,998**	**1,447,961**	**11,513,683**
Total shareholders' equity (incl. minority interests)	**1,170,074**	**539**	**20,648**	**1,942**	**0**	**1,193,203**
Total balance sheet liabilities and shareholders' equity per 31.12.2008	**5,337,881**	**1,994,579**	**304,525**	**3,621,940**	**1,447,961**	**12,706,886**
Liabilities deriving from spot and forward forex transactions	1,060,833	998,560	110,256	1,812,111	979,034	4,960,794
Liabilities deriving from forex options	148,143	99,055	56,074	464,343	252,060	1,019,675
Total liabilities per 31.12.2008	**6,546,857**	**3,092,194**	**470,855**	**5,898,394**	**2,679,055**	**18,687,355**
Total liabilities per 31.12.2007	4,770,798	2,107,343	515,538	5,565,268	2,978,120	15,937,067
Net position per currency per 31.12.2008	**–389,697**	**60,784**	**113,290**	**178,806**	**–23,485**	**–60,302**
Net position per currency per 31.12.2007	–383,662	26,049	155,762	179,839	21,996	–16

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

Currency			**31.12.2008**			31.12.2007
	Change in currency rate	Effect on profit	Effect on equity	Change in currency rate	Effect on profit	Effect on equity
	%	1,000 CHF	1,000 CHF	%	1,000 CHF	1,000 CHF
EUR	**+5**	**–2,699**	**3,049**	+5	–2,558	1,463
USD	**+5**	**5,894**	**1,608**	+5	824	2,026
GBP	**+5**	**840**	**0**	+5	7,115	188

The analysis includes the most important foreign currencies for the Sarasin Group. If foreign currencies are assumed to fluctuate 5% 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			31.12.2008			31.12.2007
	Increase in basis points	Sensitivity income statement	Sensitivity of equity	Increase in basis points	Sensitivity income statement	Sensitivity of equity
		1,000 CHF	1,000 CHF		1,000 CHF	1,000 CHF
CHF	**+100**	**–8,508**	**–18,343**	+100	877	–19,924
EUR	**+100**	**–2,624**	**–927**	+100	1,651	–171
USD	**+100**	**1,264**	**0**	+100	613	–1,113
GBP	**+100**	**471**	**0**	+100	678	0
JPY	**+100**	**127**	**0**	+100	404	0
Others	**+100**	**–563**	**0**	+100	–295	0
Total		**–9,833**	**–19,270**		**3,928**	**–21,208**

Currency			31.12.2008			31.12.2007
	Increase in basis points	Sensitivity income statement	Sensitivity of equity	Increase in basis points	Sensitivity income statement	Sensitivity of equity
		1,000 CHF	1,000 CHF		1,000 CHF	1,000 CHF
CHF	**–100**	**1,264**	**19,626**	–100	–877	21,793
EUR	**–100**	**2,624**	**944**	–100	–1,651	175
USD	**–100**	**–1,795**	**0**	–100	–613	1,171
GBP	**–100**	**–471**	**0**	–100	–678	0
JPY	**–100**	**–167**	**0**	–100	–404	0
Others	**–100**	**–335**	**0**	–100	295	0
Total		**1,120**	**20,570**		**–3,928**	**23,139**

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 2008, net interest income would have decreased by CHF 9.8 million (2007: increase CHF +3.9 million). The column "Interest rate sensitivity of equity" shows the theoretical change in shareholders' equity in response to the change in the cash value of financial investments available for sale and whose changes in value must be booked directly to shareholders' equity. 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 –19.3 million (2007: CHF –21.2 million).

5.4 Market risks: equity price risk

Market indices		**31.12.2008**		31.12.2007
	Change in equity price basis points	Effect on equity 1,000 CHF	Change in equity price basis points	Effect on equity 1,000 CHF
SPI	**+10**	**10,948**	+10	6,108
FTSE 100	**+10**	**17**	+10	376
Euronext 100	**+10**	**1,539**	+10	673
S&P 500	**+10**	**0**	+10	0
Nikkei	**+10**	**0**	+10	0
Others	**+10**	**74**	+10	0

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	31.12.2008 Domestic	31.12.2008 Foreign	31.12.2007 Domestic	31.12.2007 Foreign
Assets				
Cash and cash equivalents	**435,188**	**48**	71,799	23
Money market papers	**204,306**	**154,236**	52,964	0
Due from banks	**744,734**	**3,337,363**	662,430	5,019,920
Due from customers	**1,178,522**	**4,024,952**	579,937	3,270,649
Trading portfolio assets	**168,920**	**183,289**	402,809	251,608
Derivative financial instruments	**102,111**	**321,673**	68,113	269,800
Financial investments	**388,001**	**881,818**	309,591	273,137
Investments in associated companies	**107,241**	**0**	51,255	0
Property and equipment	**116,110**	**13,337**	102,933	8,358
Goodwill and other intangible assets	**121,869**	**30,941**	58,551	42,517
Current tax assets	**31**	**15**	32	0
Deferred tax assets	**11,825**	**4,054**	1,742	0
Accrued income and prepaid expenses	**43,989**	**108,475**	38,001	122,091
Other assets	**13,165**	**10,673**	4,535	3,220
Total assets	**3,636,012**	**9,070,874**	**2,404,692**	**9,261,323**
Liabilities				
Due to banks	**491,983**	**843,999**	286,930	780,435
Due to customers	**4,441,959**	**4,041,298**	3,078,614	3,603,092
Trading portfolio liabilities	**92,022**	**0**	121,636	0
Derivative financial instruments	**167,237**	**230,331**	96,493	178,866
Financial liabilities designated at fair value	**927,144**	**0**	1,925,715	0
Current tax liabilities	**5,197**	**3,861**	58,680	6,402
Deferred tax liabilities	**7,421**	**2,132**	7,654	1,070
Accrued expenses and deferred income	**107,701**	**91,749**	149,689	61,883
Other liabilities	**40,851**	**13,345**	34,944	4,175
Provisions	**5,453**	**0**	7,034	2,281
Total liabilities	**6,286,968**	**5,226,715**	**5,767,389**	**4,638,204**
Total shareholders' equity (incl. minority interests)	**1,169,615**	**23,588**	**1,227,830**	**32,592**
Total liabilities and shareholders' equity	**7,456,583**	**5,250,303**	**6,995,219**	**4,670,796**

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

	31.12.2008		31.12.2007	
	1,000 CHF	%	1,000 CHF	%
Europe				
Switzerland	**3,636,012**	**28.6**	2,404,692	20.6
Netherlands	**963,201**	**7.6**	187,067	1.6
Great Britain	**836,566**	**6.6**	2,148,467	18.4
Germany	**1,064,108**	**8.4**	545,392	4.7
France	**245,469**	**1.9**	104,334	0.9
Luxembourg	**147,061**	**1.2**	289,882	2.5
Ireland	**660,788**	**5.2**	622,974	5.3
Rest of Europe	**308,889**	**2.4**	246,986	2.1
Total Europe	**7,862,094**	**61.9**	**6,549,794**	**56.1**
Overseas				
Singapore	**1,204,119**	**9.5**	2,110,550	18.1
South America	**188,213**	**1.5**	5,384	0.0
United States of America	**87,068**	**0.7**	239,931	2.1
Various overseas countries	**3,365,392**	**26.4**	2,760,356	23.7
Total Overseas	**4,844,792**	**38.1**	**5,116,221**	**43.9**
Total Assets	**12,706,886**	**100.0**	**11,666,015**	**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	697,568	4,449,151	56,755	5,203,474
Of which mortgage loans				
– Residential property	519,527	0	0	519,527
– Office and business premises	178,041	0	0	178,041
Total loans per 31.12.2008	**697,568**	**4,449,151**	**56,755**	**5,203,474**
Total loans per 31.12.2007	272,175	3,538,906	39,505	3,850,587
Off-balance sheet				
Contingent liabilities	0	389,577	4,390	393,967
Irrevocable commitments	0	25,630	0	25,630
Other confirmed credits	0	0	0	0
Liabilities for calls on shares and other equities	0	0	119	119
Total off-balance sheet per 31.12.2008	**0**	**415,207**	**4,509**	**419,716**
Total off-balance sheet per 31.12.2007	0	335,934	70,545	406,479

5.8 Credit risks: total exposure to credit risk / breakdown by counterparty

1,000 CHF	Central banks	Banks	Public bodies	Private and institutional investment clients	Other	**31.12.2008**
Due from banks	384,408	3,611,991	85,698	0	0	**4,082,097**
Loans and advances	41,400	927,749	35,268	3,949,105	249,952	**5,203,474**
Debt instruments	361,037	765,722	7,901	473,470	883	**1,609,013**
Other assets	3,361	94,171	142	93,237	1,316	**192,227**
Derivative financial instruments	11,222	147,340	56,141	208,601	480	**423,784**
Subtotal	**801,428**	**5,546,973**	**185,150**	**4,724,413**	**252,631**	**11,510,595**
Contingent liabilities	18,317	142,205	2,105	223,477	6,417	**392,521**
Irrevocable commitments	0	4,547	4,353	1,813	0	**10,713**
Liabilities for calls on shares and other equities	0	0	0	743	0	**743**
Add-ons	130	29,364	664	43,871	147	**74,176**
Total credit risk exposure	**819,875**	**5,723,089**	**192,272**	**4,994,317**	**259,195**	**11,988,748**

1,000 CHF	Central banks	Banks	Public bodies	Private and institutional investment clients	Other	31.12.2007
Due from banks	83,243	5,575,106	3,439	0	20,562	5,682,350
Loans and advances	31,095	660,620	38,786	3,088,507	31,578	3,850,586
Debt instruments	114,505	264,730	6,538	260,686	3,187	649,646
Other assets	1,650	78,999	151	87,943	878	169,621
Derivative financial instruments	1,187	240,070	33,368	63,288	0	337,913
Subtotal	**231,680**	**6,819,525**	**82,282**	**3,500,424**	**56,205**	**10,690,116**
Contingent liabilities	810	96,512	1,895	278,773	175	378,165
Irrevocable commitments	0	29	1,304	3,495	0	4,828
Liabilities for calls on shares and other equities	0	0	0	0	0	0
Add-ons	412	33,909	21,647	38,154	32	94,154
Total credit risk exposure	**232,902**	**6,949,975**	**107,128**	**3,820,846**	**56,412**	**11,167,263**

The total credit risk in tables 5.8–5.11 is based on the calculation of capital backing for credit risks according to Basel II and may therefore differ from the balance sheet figures reported according to IFRS. The off-balance sheet positions in particular are weighted and reported with the relevant credit conversion factors. The allocation of the counterparty is based on the "Ultimate Risk" principle of the Swiss National Bank. Receivables are accordingly allocated to the sector in which the risk ultimately lies.

5.9 Credit risks: total exposure to credit risk / geographical credit risk

1,000 CHF	Switzerland	Europe	Middle East and Asia	Other	**31.12.2008**
Due from banks	833,625	2,024,952	1,215,579	7,941	**4,082,097**
Loans and advances	1,225,943	1,280,296	1,184,729	1,512,506	**5,203,474**
Debt instruments	514,127	1,020,110	15,293	59,483	**1,609,013**
Other assets	118,794	25,818	41,421	6,194	**192,227**
Derivative financial instruments	184,880	128,585	27,844	82,475	**423,784**
Subtotal	**2,877,369**	**4,479,761**	**2,484,866**	**1,668,599**	**11,510,595**
Contingent liabilities	88,399	166,173	83,019	54,930	**392,521**
Irrevocable commitments	5,636	2,119	2,942	16	**10,713**
Liabilities for calls on shares and other equities	743	0	0	0	**743**
Add-ons	15,026	44,686	5,424	9,040	**74,176**
Total credit risk exposure	**2,987,173**	**4,692,739**	**2,576,251**	**1,732,585**	**11,988,748**

1,000 CHF	Switzerland	Europe	Middle East and Asia	Other	31.12.2007
Due from banks	710,766	2,923,776	1,953,509	94,299	5,682,350
Loans and advances	672,282	839,079	1,474,590	864,635	3,850,586
Debt instruments	201,839	411,303	2,868	33,636	649,646
Other assets	104,836	27,307	33,719	3,759	169,621
Derivative financial instruments	78,132	199,725	17,204	42,852	337,913
Subtotal	**1,767,855**	**4,401,190**	**3,481,890**	**1,039,181**	**10,690,116**
Contingent liabilities	66,511	98,377	143,430	69,847	378,165
Irrevocable commitments	2,217	0	2,578	33	4,828
Liabilities for calls on shares and other equities	0	0	0	0	0
Add-ons	27,445	22,981	15,290	28,438	94,154
Total credit risk exposure	**1,864,028**	**4,522,548**	**3,643,188**	**1,137,499**	**11,167,263**

The allocation of the credit risk is based on the “Ultimate Risk” principle of the Swiss National Bank. Receivables are accordingly allocated to the country in which the risk ultimately lies.

5.10 Credit risks: credit risk mitigation

1,000 CHF	Covered by recognized financial collateral or repos	Covered by guarantees	Covered by real securities	Other credit commit-ments	Not covered by recognized financial collateral in accordance with Basel II	**31.12.2008**
Due from banks	893,917	85,698	0	0	3,102,482	**4,082,097**
Loans and advances	3,831,321	169,035	504,702	8,601	689,815	**5,203,474**
Debt instruments	0	0	0	0	1,609,013	**1,609,013**
Other assets	11,372	2,933	6	19	177,897	**192,227**
Derivative financial instruments	171,395	0	0	339	252,050	**423,784**
Subtotal	**4,908,005**	**257,666**	**504'708**	**8,959**	**5,831,257**	**11,510,595**
Contingent liabilities	262,306	22,148	20	521	107,526	**392,521**
Irrevocable commitments	3,418	2,395	0	0	4,900	**10,713**
Liabilities for calls on shares and other equities	0	0	0	0	743	**743**
Add-ons	39,537	0	0	51	34,588	**74,176**
Total credit risk exposure	**5,213,266**	**282,209**	**504'728**	**9,531**	**5,979,014**	**11,988,748**

1,000 CHF	Covered by recognized financial collateral or repos	Covered by guarantees	Covered by real securities	Other credit commit-ments	Not covered by recognized financial collateral in accordance with Basel II	31.12.2007
Due from banks	671,542	3,439	0	0	5,007,369	5,682,350
Loans and advances	2,783,097	125,869	300,203	2,725	638,692	3,850,586
Debt instruments	0	0	0	0	649,646	649,646
Other assets	9,357	2,118	11	248	157,887	169,621
Derivative financial instruments	115,959	2	0	1,368	220,584	337,913
Subtotal	**3,579,955**	**131,428**	**300,214**	**4,341**	**6,674,178**	**10,690,116**
Contingent liabilities	165,778	0	28	11,606	200,753	378,165
Irrevocable commitments	947	0	0	0	3,881	4,828
Liabilities for calls on shares and other equities	0	0	0	0	0	0
Add-ons	44,133	8	0	4,305	45,708	94,154
Total credit risk exposure	**3,790,813**	**131,436**	**300,242**	**20,252**	**6,924,520**	**11,167,263**

Sarasin applies the comprehensive approach to capital adequacy of the Basel Committee on Banking Supervision (Basel II), under which securities are reported net, after deduction of so-called “haircuts”. Credit exposures are stated using netting based on accounting practice. The credit risk for derivative financial instruments is calculated using the market value method.

5.11 Credit risks: Credit quality per class of financial assets

1,000 CHF	Neither past due nor impaired: AAA to AA	A to BBB	BB to C	Without external rating	Book value of impaired loans	**31.12.2008**
Due from banks	3,010,442	959,274	0	105,950	6,431	**4,082,097**
Loans and advances	0	0	0	5,200,216	3,258	**5,203,474**
Debt instruments	1,219,873	140,135	274	248,731	0	**1,609,013**
Other assets	20,351	14,506	0	157,370	0	**192,227**
Derivative financial instruments	103,169	7,723	0	312,892	0	**423,784**
Subtotal	**4,353,835**	**1,121,638**	**274**	**6,025,159**	**9,689**	**11,510,595**
Contingent liabilities	0	0	0	392,521	0	**392,521**
Irrevocable commitments	0	0	0	10,713	0	**10,713**
Liabilities for calls on shares and other equities	0	0	0	743	0	**743**
Add-ons	26,177	3,482	0	44,517	0	**74,176**
Total credit risk exposure	**4,380,012**	**1,125,120**	**274**	**6,473,653**	**9,689**	**11,988,748**

1,000 CHF	Neither past due nor impaired: AAA to AA	A to BBB	BB to C	Without external rating	Book value of impaired loans	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	3,850,586	0	3,850,586
Debt instruments	384,386	33,472	70	231,718	0	649,646
Other assets	18,171	18,774	0	132,676	0	169,621
Derivative financial instruments	211,538	0	0	126,375	0	337,913
Subtotal	**4,692,455**	**1,404,951**	**70**	**4,592,640**	**0**	**10,690,116**
Contingent liabilities	31,371	0	0	346,794	0	378,165
Irrevocable commitments	0	0	0	4,828	0	4,828
Liabilities for calls on shares and other equities	0	0	0	0	0	0
Add-ons	10,646	1,974	94	81,440	0	94,154
Total credit risk exposure	**4,734,472**	**1,406,925**	**164**	**5,025,702**	**0**	**11,167,263**

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

The calculation of equity required by Basel II rules on capital adequacy are based on the long-term ratings of the credit rating agencies Moody’s and Standard & Poor’s.

5.12 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	31.12.2008
Due from banks	0	0	0	0	**0**
Loans and advances	0	0	0	0	**0**
Mortgages	0	0	0	0	**0**
Due from customers	0	0	0	0	**0**
Total	**0**	**0**	**0**	**0**	**0**

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**

The table shows the assets that are overdue but not impaired on the reporting date. As at 31.12.2008, there are no financial investments that are overdue or impaired and whose conditions have been renegotiated.

5.13 Credit risks: Presentation of impaired loans to clients by geographical area

	31.12.2008		31.12.2007	
1,000 CHF	Impaired loans to clients (gross)	Individual value adjustments	Impaired loans to clients (gross)	Individual value adjustments
Switzerland	317	290	1,942	1,942
Europe	0	0	296	296
Middle East and Asia	5,168	2,889	1,724	1,724
Others	2,007	1,055	1,205	1,205
Total	**7,492**	**4,234**	**5,167**	**5,167**

The figures are stated in accordance with the Swiss National Bank’s domicile principle. Lending to customers includes amounts due from clients and mortgage obligations.

5.14 Liquidity risks – maturity structure of balance sheet

1,000 CHF	At sight	Callable	Maturities Within 3 months	Maturities 3 to 12 months	Maturities 1 to 5 years	Maturities Over 5 years	**31.12.2008**
Assets							
Cash and cash equivalents	435,236	0	0	0	0	0	**435,236**
Money market papers	3,220	0	355,322	0	0	0	**358,542**
Due from banks	1,091,575	36,847	2,077,417	330,372	487,473	58,413	**4,082,097**
Due from customers	889,115	735	2,578,371	1,142,823	549,400	43,030	**5,203,474**
Trading portfolio assets	346,946	0	684	89	3,160	1,330	**352,209**
Derivative financial instruments	423,784	0	0	0	0	0	**423,784**
Financial investments	283,174	0	50,309	147,731	601,032	187,573	**1,269,819**
Investments in associated companies	0	0	0	0	0	107,241	**107,241**
Property and equipment	0	0	0	0	0	129,447	**129,447**
Goodwill and other intangible assets	0	0	0	0	0	152,810	**152,810**
Current tax assets	46	0	0	0	0	0	**46**
Deferred tax assets	15,879	0	0	0	0	0	**15,879**
Accrued income and prepaid expenses	152,464	0	0	0	0	0	**152,464**
Other assets	23 838	0	0	0	0	0	**23,838**
Total assets	**3,665,277**	**37,582**	**5,062,103**	**1,621,015**	**1,641,065**	**679,844**	**12,706,886**
Liabilities							
Due to banks	358,052	31,352	591,752	107,905	246,921	0	**1,335,982**
Due to customers	2,792,246	1,874,972	2,946,197	869,662	180	0	**8,483,257**
Trading portfolio liabilities	92,022	0	0	0	0	0	**92,022**
Derivative financial instruments	397,568	0	0	0	0	0	**397,568**
Financial liabilities designated at fair value	0	0	125,734	299,893	404,363	97,154	**927,144**
Current tax liabilities	8,021	0	0	0	0	1,037	**9,058**
Deferred tax liabilities	4,310	0	0	0	0	5,243	**9,553**
Accrued expenses and deferred income	199,450	0	0	0	0	0	**199,450**
Other liabilities	54,196	0	0	0	0	0	**54,196**
Provisions	5,453	0	0	0	0	0	**5,453**
Total liabilities	**3,911,318**	**1,906,324**	**3,663,683**	**1,277,460**	**651,464**	**103,434**	**11,513,683**
Total shareholders' equity (incl. minority interests)	**94,716**	**0**	**0**	**0**	**0**	**1,098,487**	**1,193,203**
Total liabilities and shareholders' equity	**4,006,034**	**1,906,324**	**3,663,683**	**1,277,460**	**651,464**	**1,201,921**	**12,706,886**

1,000 CHF	At sight	Callable	Within 3 months	3 to 12 months	1 to 5 years	Maturities 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	1,742	0	0	0	0	0	1,742
Accrued income and prepaid expenses	160,092	0	0	0	0	0	160,092
Other assets	7,755	0	0	0	0	0	7,755
Total assets	**2,394,700**	**7,250**	**5,959,261**	**1,718,442**	**1,080,345**	**506,017**	**11,666,015**
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	8,724	0	0	0	0	0	8,724
Accrued expenses and deferred income	211,572	0	0	0	0	0	211,572
Other liabilities	39,119	0	0	0	0	0	39,119
Provisions	9,315	0	0	0	0	0	9,315
Total liabilities	**2,414,728**	**2,002,779**	**3,649,054**	**1,261,018**	**868,302**	**209,712**	**10,405,593**
Total shareholders' equity (incl. minority interests)	**288,489**	**0**	**0**	**0**	**0**	**971,933**	**1,260,422**
Total liabilities and shareholders' equity	**2,703,217**	**2,002,779**	**3,649,054**	**1,261,018**	**868,302**	**1,181,645**	**11,666,015**

5.15 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	**31.12.2008**
Contingent liabilities	31,388	0	7,901	135,201	210,617	8,860	**393,967**
Irrevocable commitments	10,124	0	2,157	4,834	8,515	0	**25,630**
Liabilities for calls on shares and other equities	119	0	0	0	0	0	**119**
Confirmed credit	0	0	0	0	0	0	**0**
Derivative financial instruments	0	0	5,365,415	2,206,249	311,786	0	**7,883,450**
Fiduciary transactions	3,788,485	0	1,767,822	218,369	283,195	0	**6,057,871**
Total	**3,830,116**	**0**	**7,143,295**	**2,564,653**	**814,113**	**8,860**	**14,361,037**

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**

5.16 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	**31.12.2008**
Liabilities						
Due to banks	389,404	598,293	120,380	277,991	0	**1,386,068**
Due to customers	4,667,218	2,960,972	880,512	185	0	**8,508,887**
Trading portfolio liabilities[1]	92,022	0	0	0	0	**92,022**
Derivative financial instruments[1]	397,568	0	0	0	0	**397,568**
Financial liabilities designated at fair value	0	132,550	323,176	429,045	97,154	**981,925**
Total undiscounted financial liabilities per 31.12.2008	**5,546,212**	**3,691,815**	**1,324,068**	**707,221**	**97,154**	**11,366,470**

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	31.12.2007
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**

[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 Banking”, “Asset Management, Products & Sales”, “Bank Zweiplus” and “Corporate Center”.

The Private Banking segment is responsible for the acquisition, service and support of customers in the global private clients business. Organised along the lines of target markets in specific geographic regions, the business segment extends to all the private clients served from the bank’s Swiss locations in Basel, Geneva, Lugano and Zurich, as well as by its subsidiaries in Europe (Germany, Spain, Ireland and the UK), the Middle East (Bahrain, Dubai, Qatar and Oman) and Asia (Hong Kong and Singapore). The business segment is jointly managed by Fidelis M. Goetz and Eric G. Sarasin. At the end of 2008, Private Banking had a headcount of 589 employees (adjusted for part-time working).

The Asset Management, Products & Sales (APS) segment provides services to institutional clients, distribution partners in the area of wholesale and external asset managers at all the Sarasin Group’s locations. It also brings together investment and research expertise, as well as product development. The fund management companies are therefore organised under this business segment. APS also incorporates the Trading unit, which carries out orders for trading in securities and derivatives for clients of all divisions of the bank.
Trading also monitors and controls the Bank’s liquidity on a daily basis and is responsible for proprietary trading for the account of and at the risk of the bank.
The APS segment is managed by the Chief Investment Officer (CIO), Burkhard P. Varnholt. On 31 December 2008 the Asset Management Products & Sales segment had a headcount of 394 employees (adjusted for part-time working).

Bank Zweiplus has branches in Zurich (head office) and Basel, and positions itself as a leading independent product and settlement platform for clients of independent financial advisers, independent asset managers and life insurance companies, as well as for direct clients in the retail and affluent segment. Its offering includes bespoke financial solutions with no vested interests and independent of a specific investment sum.
Bank Sarasin is majority shareholder in Bank Zweiplus with a stake of 57.5%. Operations are headed by Marco Weber, CEO of Bank Zweiplus. At the end of 2008, Bank Zweiplus had a headcount of 137 employees (adjusted for part-time working).

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, Accounting & Tax, Controlling, Risk Office, Credit and Corporate Finance) on the other. With the exception of the majority stake in Bank Zweiplus, which is reported as a separate segment, all holdings are carried in the “Corporate Center”. Up to the end of April 2008 the Logistics division was headed by Joachim H. Straehle, CEO of Bank Sarasin. Peter Sami took over as head of this division on 1 May 2008. The Corporate Center division is managed by the bank’s Chief Financial Officer, Matthias Hassels. On 31 December 2008 the Corporate Center had a headcount of 418 employees (adjusted for part-time working).
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.

6.1 Business segment reporting

2008

1,000 CHF	Private Banking	Asset Management, Products & Sales	Bank Zweiplus	Corporate Center	**Sarasin Group**
Operating income	322,253	221,173	44,181	89,537	677,144
Operating expenses	255,402	141,384	35,324	32,639	464,749
Operating profit	**66,851**	**79,789**	**8,857**	**56,898**	**212,395**
Depreciation and amortisation	5,966	7,425	629	9,554	23,574
Value adjustments, provisions and losses	4,686	0	1,254	74,743	80,683
Net profit before tax per segment	**56,199**	**72,364**	**6,974**	**–27,399**	**108,138**
Taxes					1,307
Net profit including minority interests					**106,831**
Minority interests					12,115
Consolidated profit					**94,716**

31.12.2008

Segment assets	9,726,631	1,243,420	787,722	933,187	12,690,960
Segment liabilities	8,498,968	1,256,986	687,698	1,051,419	11,495,071
Investments	15,208	0	72,380	54,724	142,312
Assets under management (million CHF)	32,840	31,004	5,809	26	69,679
Number of employees (adjusted for part-time working)	589.2	393.7	136.6	417.5	1,537.0
Adjusted number of employees (incl. allocations)	807.4	475.3	143.6	110.7	1,537.0

2007

1,000 CHF	Private Banking	Asset Management, Products & Sales	Bank Zweiplus	Corporate Center	**Sarasin Group**
Operating income	326,000	248,474	0	263,031	837,505
Operating expenses	216,620	135,677	0	75,315	427,612
Operating profit	**109,380**	**112,797**	**0**	**187,716**	**409,893**
Depreciation and amortisation	5,179	6,833	0	7,277	19,289
Value adjustments, provisions and losses	1,680	–551	0	2,363	3,492
Net profit before tax per segment	**102,521**	**106,515**	**0**	**178,076**	**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	9,114,512	1,457,862	0	1,091,867	11,664,241
Segment liabilities	7,893,701	969,810	0	1,468,276	10,331,787
Investments	10,324	0	0	53,703	64,027
Assets under management (million CHF)	38,058	39,572	0	5,372	83,002
Number of employees (adjusted for part-time working)	424.7	323.8	0.0	421.9	1,170.4
Adjusted number of employees (incl. allocations)	626.8	353.9	0.0	189.7	1,170.4

Change to segment reporting as a result of organisational restructuring

The 2008 financial year was dominated by two major organisational changes. First the foundation of the new Bank Zweiplus Ltd was completed, and second the merger of our global private clients business was approved.

As of 1 January 2009, the two former business units Private Clients Switzerland and Private Clients International have been merged into one segment, Private Banking. The previous units Institutional Clients Switzerland and Institutional Clients International have also been combined into a new business unit APS Institutional Clients which is now part of the Asset Management, Products & Sales (APS) segment. In the first quarter of 2008 three large clients were already transferred from the Private & Institutional Clients Switzerland segment into the Asset Management, Products & Sales segment. The segment reporting for 2007 and 2008 was adjusted accordingly. On 1 July 2008 Bank Zweiplus, a joint venture between AIG Private Bank and Bank Sarasin, opened its doors for business. The business with retail, affluent and IFA clients was subsequently transferred to the new bank. The business figures for Bank Zweiplus Ltd are reported as a separate business segment, Bank Zweiplus. To facilitate comparison, the segment figures posted for the financial year 2007 and 1H 2008 for the clients transferred from the Sarasin Group into Bank Zweiplus have been temporarily switched back into the Corporate Center segment.

6.2 Geographical segment reporting

31.12.2008

1,000 CHF	Switzerland	Europe (excl. Switzerland)	Asia	Other	Consolidation and elimination	**Sarasin Group**
Operating income (2008)	457,205	119,657	100,282	0	0	**677,144**
Segment assets	9,753,663	2,801,603	3,614,158	0	–3,478,464	**12,690,960**
Investments	127,118	4,383	10,811	0	0	**142,312**

31.12.2007

Operating income (2007)	623,657	132,401	86,755	–355	–4,953	837,505
Segment assets	6,783,155	3,318,104	3,418,645	6,596	–1,862,259	11,664,241
Investments	57,956	2,902	3,169	0	0	64,027

7. Other information

7.1 Capital management and regulatory capital requirements

Capital management

The bank pursues active and carefully targeted capital management which not only complies with legal requirements, but also takes into account our internal goals and the interests of our clients and shareholders. We are committed to providing clients with an adequate degree of security in their banking relations with the Sarasin Group. At the same time the shareholders should participate in our bank's success through the creation of value-added and a consistent dividend policy. When managing the bank's capital we not only check the need for equity to cover our banking risks (see the section on Risk Management, p. 52 onwards), but also take into account our own available resources which support the bank's sustainable growth and safeguard our creditworthiness. For risk management purposes we compile forecasts on the development of capital adequacy.

Capital requirements

The Sarasin Group switched to the new capital requirements (Basel II) on 1 January 2008. The disclosure of the information required by FINMA Circular 2008/22 is provided in the Risk Management section (page 135 onwards), in the annex tables 5.8–5.13, as well as in this section. To calculate the capital requirements for credit risks, market risks and operational risks, banks can choose from a number of different approaches under Basel II. Bank Sarasin uses the Swiss Standardised Approach (SA-CH) for credit risks, the standardised method for market risks and the basic indicator approach for operational risks. The capital adequacy requirement under Basel II for the amount of equity needed directly in connection with our risk-weighted assets is much lower compared with Basel I. However, this relief is to a large extent offset by the operational risks that now have to be covered by adequate capital. When calculating the eligible equity, deductions have to be applied, amongst other things, for the goodwill and the intangible assets (new requirement under Basel II), as well as the holdings that are outside the scope of consolidation. Because of the significantly lower risk weighting, the Standardised Approach (SA-BIS) results in a lower direct capital requirement, which is however balanced out again by including conversion factors. The capital requirement for both approaches is therefore not significantly different at the Sarasin Group.
The other tables with details on capital adequacy are based on the SA-CH approach.

For comparison purposes, the BIS figures shown below are calculated using the SA-BIS approach.

million CHF	**31.12.2008** Weighted positions	31.12.2007 Weighted positions
Total risk-weighted positions	**6,220**	**6,453**
Capital resources: Tier 1	**905**	1 079
BIS Tier 1 ratio	**14.5%**	**17.0%**

For both 2007 and the current reporting period, the scope of consolidation used for calculating capital is identical to that applied when compiling the consolidated financial statements. For more details on the scope of consolidation and any changes to it, please refer to note 7.4. There are no restrictions that would prevent the transfer of funds or own resources within the Sarasin Group.

According to Basel II (and to Basel I as well) the core capital must amount to at least 4% and the total capital at least 8% of the risk-weighted assets. Bank Sarasin's target for its core capital ratio is within a range of 12% to 14%. Both the total capital and core capital of the Sarasin Group have at all times significantly exceeded the minimum requirements stipulated by BIS and FINMA. The eligible assets of the Bank Sarasin Group exclusively comprise core capital.

Capital ratios

On 31 December 2008, the risk-weighted assets (BIS) amounted to CHF 6.2 billion, compared with CHF 6.5 billion last year. This decline is due to Basel II regulations, which overall produced some relief when calculating the risk-weighted assets, helping to overcompensate the rise in total assets held on the balance sheet of almost 9%. On 31 December 2008, the core capital (BIS) amounted to CHF 0.9 billion, compared with CHF 1.1 billion last year. The reduction is mainly the result of higher reductions (goodwill, holdings) as well as higher valuation effects (FX, AFS) booked directly to shareholders' equity. The decline in the BIS Tier-I ratio from 17.0% to 14.5% is caused by lower shareholders' equity.

Capital adequacy – risk weighted assets (BIS)

1,000 CHF	Approach used	31.12.2008 Risk weighted position	31.12.2008 Capital requirement	31.12.2007[1] Risk weighted position	31.12.2007[1] Capital requirement
Required equity					
Credit risk	CH-Standard	**3,114,925**	**249,194**	**5,143,220**	**411,458**
Of which price risk relating to equity-type securities in the banking book			**46,968**		
Non-counterparty-related risks	CH-Standard	**528,663**	**42,293**	**477,305**	**38,184**
Market risk	Standard	**1,282,962**	**102,637**	**1,324,747**	**105,980**
Of which on interest-rate instruments (general and specific market risk)	Standard		**1,017**		
Of which equity-type securities	Standard		**33,730**		
Of which on currencies and precious metals	Standard		**60,448**		
Of which on commodities	Standard		**4,890**		
Operational risk	Basis indicator	**1,139,700**	**91,176**	**0**	**0**
Total required equity		**6,066,250**	**485,300**	**6,945,272**	**555,622**
Eligible equity					
Cross core capital			**1,158,721**		**1,225,717**
Of which minority shareholdings			**46,364**		32,592
Of which "innovative" instruments			**0**		0
– less other components to be deducted from core capital (goodwill and non-consolidated participations)			**–234,811**		–133,68
Total eligible core capital			**923,910**		**1,092,032**
+ Supplementary capital and additional capital			**0**		0
– less other deductions from supplementary capital, from additional capital and from total capital			**0**		0
Total eligible capital			**923,910**		**1,092,032**
Ratio of eligible / required equity			**1.90**		**1.97**

[1] Calculation of the capital requirement in accordance with Basel I.

The next table provides an overview of the credit risks by risk weighting classes in accordance with Basel II. The allocation of loans to the risk weightings depends on the type of loan and on the current rating of the counterparty or the issue rating of the financial investment. The covered part of the loans is allocated to the column with a zero risk weighting, as no capital is required to cover this part of the lending.

Segmentation of credit risks according to Basel II

1,000 CHF	0%	25%	35%	50%	75%	100%	125%	150%	250%	1,250%	**31.12.2008**
Due from banks	900,684	2,736,696	0	441,500	0	3,217	0	0	0	0	**4,082,097**
Loans and advances	3,884,193	14,238	442,896	151,362	99,860	603,343	0	7,582	0	0	**5,203,474**
Debt instruments	350,280	783,563	0	156,275	8	18,646	257,637	0	25,129	17,475	**1,609,013**
Other assets	36,054	87,711	6	2,947	1,199	63,999	0	10	301	0	**192,227**
Derivative financial instruments	171,912	113,798	0	1,929	4,374	131,771	0	0	0	0	**423,784**
Subtotal	**5,343,123**	**3,736,006**	**442,902**	**754,013**	**105,441**	**820,976**	**257,637**	**7,592**	**25,430**	**17,475**	**11,510,595**
Contingent liabilities	262,827	1,480	20	22,148	2,523	103,523	0	0	0	0	**392,521**
Irrevocable commitments	3,418	4,353	0	2,395	0	547	0	0	0	0	**10,713**
Liabilities for calls on shares and other equities	0	0	0	0	0	743	0	0	0	0	**743**
Add-ons	39,588	28,158	0	599	855	4,976	0	0	0	0	**74,176**
Total credit risk exposure	**5,648,956**	**3,769,997**	**442,922**	**779,155**	**108,819**	**930,765**	**257,637**	**7,592**	**25,430**	**17,475**	**11,988,748**

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 (eg a recognised stock exchange) exists because it is the best indicator of the fair value of financial instruments.

	31.12.2008	**31.12.2008**	**Variance**	31.12.2007	31.12.2007	Variance
1,000 CHF	Carrying value	Fair Value		Carrying value	Fair Value	
Assets						
Cash and cash equivalents	**435,236**	**435,236**	0	71,822	71,822	0
Money market papers	**358,542**	**359,101**	559	52,964	52,964	0
Due from banks	**4,082,097**	**4,094,996**	12,899	5,682,350	5,804,955	122,605
Due from customers	**5,203,474**	**5,269,477**	66,003	3,850,586	4,040,723	190,137
Trading portfolio assets	**352,209**	**352,209**	0	654,417	654,417	0
Derivative financial instruments	**423,784**	**423,784**	0	337,913	337,913	0
Financial investments designated at fair value	**229,979**	**229,979**	0	17,671	17,671	0
Financial investments available for sale	**1,039,840**	**1,039,840**	0	565,057	565,057	0
Subtotal	**12,125,161**	**12,204,622**	**79,461**	**11,232,780**	**11,545,522**	**312,742**
Liabilities						
Due to banks	**1,335,982**	**1,412,685**	–76,703	1,067,365	1,103,252	–35,887
Due to customers	**8,483,257**	**8,491,601**	–8,344	6,681,706	6,900,484	–218,778
Trading portfolio liabilities	**92,022**	**92,022**	0	121,636	121,636	0
Derivative financial instruments	**397,568**	**397,568**	0	275,359	275,359	0
Financial liabilities designated at fair value	**927,144**	**927,144**	0	1,925,715	1,925,715	0
Subtotal	**11,235,973**	**11,321,020**	**–85,047**	**10,071,781**	**10,326,446**	**–254,665**
Total variance			**–5,586**			**58,077**

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 other liquid assets”, “money market investments”, “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. 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. With 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.

				31.12.2008				31.12.2007
1,000 CHF	Quoted market price	Valuation technique market observable inputs	Valuation technique non-market observable inputs	Total	Quoted market price	Valuation technique market observable inputs	Valuation technique non-market observable inputs	Total
Assets								
Trading portfolio assets	**342,714**	**1,371**	**8,124**	**352,209**	652,448	1,969	0	654,417
Derivative financial instruments	**241**	**423,543**	**0**	**423,784**	0	337,913	0	337,913
Financial investments	**1,112,274**	**131,827**	**25,718**	**1,269,819**	475,426	98,649	8,653	582,728
Total assets	**1,455,229**	**556,741**	**33,842**	**2,045,812**	**1,127,874**	**438,531**	**8,653**	**1,575,058**
Liabilities								
Trading portfolio liabilities	**89,397**	**2,625**	**0**	**92,022**	121,636	0	0	121,636
Derivative,Finanzinstrumente	**3**	**397,565**	**0**	**397,568**	90	275,269	0	275,359
Derivative financial instruments	**0**	**927,144**	**0**	**927,144**	0	1,925,715	0	1,925,715
Total liabilities	**89,400**	**1,327,334**	**0**	**1,416,734**	**121,726**	**2,200,984**	**0**	**2,322,710**

With the trading portfolios which are not valued using available market data, the changes to fair value in the income statement are negligible. 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	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Assets invested with in-house funds	**9,326**	14,443	–5,117	–35.4
Assets invested under a management mandate	**20,835**	22,005	–1,170	–5.3
Other assets under management	**39,517**	46,554	–7,037	–15.1
Total assets under management	**69,679**	**83,002**	**–13,323**	**–16.1**
Of which double-counting[1]	**5,182**	8,543	–3,361	–39.3

million CHF	2008	2007	Change to 2007 CHF	Change to 2007 %
Net new money I	**14,476**	**11,303**[2]	**3,173**	**28.1**
Change through sale of Bank Sarasin Europe S.A.	**0**	–4,017	4,017	100.0
Net new money II	**14,476**	**7,286**	**7,190**	**98.7**

[1] Of which, money market instruments from structured products of CHF 0.8 billion (31.12.2007: CHF 1.5 billion) and fiduciary deposits of CHF 1.3 billion (31.12.2007: CHF 1.6 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 in Liquidation	Basel	CHF	**50,000**	100%
Sarasin Investmentfonds AG	Basel	CHF	**4,000,000**	100%
Acorn Alternative Strategies AG	Basel	CHF	**1,454,000**	100%
Acorn Alternative Strategies (Plus) Ltd in Liquidation	George Town	CHF	**10,000**	100%
Sarasin Colombo Gestioni Patrimoniali S.A.	Lugano	CHF	**1,000,000**	100%
Bank Zweiplus AG	Zurich	CHF	**35,000,000**	57.5%
Sarasin (U.K.) Ltd	London	GBP	**17,900,000**	100%
S.I.M. Partnership (London) Ltd	London	GBP	**727,273**	60%
Sarasin Investment Management Ltd	London	GBP	**300,000**	100%
Chiswell Associates Ltd	London	GBP	**3,000,000**	100%
Sarasin & Partners LLP	London	GBP	**10,801,039**	100%
Sarasin Investment Funds Ltd	London	GBP	**250,000**	100%
Sarasin Asset Management Ltd	London	GBP	**250,000**	100%
Bank Sarasin (CI) Ltd	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%
Bank Sarasin AG	Frankfurt	EUR	**1,000,000**	100%
Eichenpark Kapital Verwaltungs GmbH	Eppstein im Taunus	EUR	**25,000**	100%
Sarasin Asset Management (France)[1]	Paris	EUR	**350,000**	92%
Sarasin Alén Agencia de Valores S.A.[2]	La Coruña	EUR	**2,000,000**	60%
Bank Sarasin-Alpen (ME) Ltd[3]	Dubai	USD	**1,000,000**	60%
Sarasin-Alpen LLC	Muscat	OMR	**577,500**	100%
Sarasin-Alpen & Partners Ltd[4]	Dubai	USD	**1,500,000**	60%
Bank Sarasin-Alpen (Qatar) LLC	Doha	QAR	**3,629,800**	60%
Sarasin-Alpen (India) Private Ltd	Mumbai	INR	**20,099,000**	60%

1 Increase of equity interest from 90% to 92%.

2 Capital increase of EUR 1.0 million.

3 Capital increase of USD 0.5 million.

4 50% of the shares are held by Sarasin & Partners LLP and Bank Sarasin-Alpen (ME) Ltd each.

Company	Domicile	Currency	Capital	Equity interest
Companies fully consolidated for the first time				
Bank Zweiplus AG	Zurich			
Sarasin & Partners LLP	London			
Sarasin-Alpen LLC	Muscat			
Sarasin-Alpen & Partners Ltd	Dubai			
Bank Sarasin-Alpen (Qatar) LLC	Doha			
Sarasin-Alpen (India) Private Ltd	Mumbai			
Associated companies				
NZB Holding[1]	Zurich	CHF	**746,712**	40%
Participations removed from the scope of consolidation				
Saralux S.A. in Liquidation	Luxembourg			

Old company name	Domicile	New company name	Domicile
Change in companies' names during the year under review			
Sarasin Wertpapierhandelsbank AG	Munich	Bank Sarasin AG	Frankfurt
Alfedur S.A.	La Coruña	Sarasin Alén Agencia de Valores S.A.	La Coruña
Sarasin Expertise AM	Paris	Sarasin Asset Management (France)	Paris

[1] Increase of equity interest from 20% to 40%.

7.5 Swiss banking legislation

The Sarasin Group's consolidated financial statements comply with International Financial Reporting Standards. The most important differences between IFRS and the accounting provisions applicable to banks under Swiss law (FINMA-RS 08/2) 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 are 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 FINMA-RS 08/2.

3. Depreciation of goodwill

Under FINMA-RS 08/2, 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 FINMA-RS 08/2, 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

With the establishment of Bank Zweiplus Ltd, Zurich, in which Bank Sarasin & Co. Ltd, Basel, owns a stake of 57.5% and AIG Private Bank AG, Zurich, 42.5%, Bank Sarasin took over the bulk of AIG Private Bank's Retail and Affluent Business, thereby smoothing entry into the IFA business in Germany. In return Bank Sarasin has transferred its entire Affluent Business to Bank Zweiplus, which meant selling this interest to AIG Private Bank because of the latter's minority 42.5% shareholding.

In accordance with International Financial Reporting Standards, this will be recorded on the one hand as a company acquisition as per IFRS 3 Business Combinations, and on the other hand booked as a partial sale of the existing Affluent Business of the Sarasin Group. This resulted in a one-off gain of CHF 50.7 million.

The market values and book values of the assets and liabilities taken over from AIG Private Bank AG as at 1 July 2008 break down as follows:

		31.12.2008
1,000 CHF	Book value	Fair value
Cash and cash equivalents	0	0
Due from banks	127,261	127,261
Due from customers	69,747	69,747
Intangible assets	0	17,622
Other assets	2,346	2,346
Total assets	**199,354**	**216,976**
Due to banks	53,825	53,825
Due to customers	142,514	142,514
Pension liability	0	1,016
Deferred tax liabilities	0	3,509
Other liabilities	3,015	3,015
Total liabilities	**199,354**	**203,879**
Net assets		13,097
Minorities		5,566
Total net assets		**7,531**
Goodwill		43,131
Purchase price / inflow from disposals		**50,662**

The acquisition costs have been covered by the partial sale of the existing Affluent Business of the Sarasin Group. These transactions did not therefore result in an inflow or outflow of cash. Since 1 July 2008 Bank Zweiplus Ltd has contributed a total of CHF 5.5 million to Bank Sarasin's operating result (pre-tax profit CHF 7.0 million). Goodwill and other intangible assets mainly comprise acquired client lists. The goodwill arises in connection with our entry into the German market and anticipated synergy effects.

Disposals

1,000 CHF	31.12.2008	31.12.2007
Fair value of the net assets sold		
Due from banks	**0**	802,825
Due from customers	**0**	185,136
Property and equipment	**0**	765
Goodwill and intangible assets	**0**	6,234
Other assets	**0**	123,351
Due to banks	**0**	–107,507
Due to customers	**0**	–877,882
Pension liability, current and deferred tax liabilities and provisions	**0**	–17,771
Other liabilities	**0**	–33,723
Total net assets	**0**	81,428
Profit from disposal (excluding currency translation differences)	**0**	148,880
Realised currency translation differences	**0**	8,457
Profit from disposal (including currency translation differences)	**0**	157,337
Total sale price	**0**	230,308
Less:		
Disposal of cash	**0**	22,135
Inflow I of funds from disposals	**0**	208,173
Disposal of cash and cash equivalents (banks at sight)	**0**	320,802
Inflow II of funds from disposals	**0**	–112,629

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 statutory auditor on the consolidated financial statements

To the General Meeting of Bank Sarasin & Co. Ltd, Basel

As statutory auditor, we have audited the consolidated financial statements of the Sarasin Group, which comprise the balance sheet, income statement, statement of cash flows, statement of changes in equity and notes (pages 81 to 167) for the year ended 31 December 2008.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (article 728 CO and article 11 AOA) that there are no circumstances incompatible with our independence.
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Basle, 25 February 2009

Ernst & Young Ltd.

Thomas Schneider	Patrick Schwaller
Licensed audit expert	Licensed audit expert
	(Auditor in charge)

Bank Sarasin & Co. Ltd: financial statements

Balance Sheet as at December 31 2008

Assets

1,000 CHF	Notes	31.12.2008	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Cash and equivalents		**414,624**	71,787	342,837	477.6
Money market papers		**437,180**	128,314	308,866	240.7
Due from banks		**1,533,527**	1,323,920	209,607	15.8
Due from customers		**3,108,287**	2,520,199	588,088	23.3
Mortgages		**635,684**	272,155	363,529	133.6
Securities and precious metals portfolios	3.4	**284,550**	585,778	–301,228	–51.4
Financial investments	3.5	**816,847**	397,338	419,509	105.6
Participations		**353,834**	252,049	101,785	40.4
Intangible assets		**25,272**	27,054	–1,782	–6.6
Property and equipment		**118,801**	111,360	7,441	6.7
Accrued income and prepaid expenses		**67,775**	68,670	–895	–1.3
Other assets [1]		**377,517**	314,443	63,074	20.1
Total assets		**8,173,898**	**6,073,067**	**2,100,831**	**34.6**
Total subordinated assets		**12,005**	4,522	7,483	165.5
Total due from associated companies and significant shareholders		**608,586**	233,077	375,509	161.1
[1] Including positive replacement values of		**366,043**	308,654	57,389	18.6

Liabilities and shareholders' equity

1,000 CHF	Notes	**31.12.2008**	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Due to banks		**3,389,429**	1,893,303	1,496,126	79.0
Due to customers in savings and investment accounts		**430,785**	214,617	216,168	100.7
Other amounts due to customers		**2,838,853**	1,923,050	915,803	47.6
Bonds and mortgage-backed bonds		**34,767**	132,226	–97,459	–73.7
Accrued expenses and deferred income		**128,063**	200,114	–72,051	–36.0
Other liabilities[1]		**518,881**	706,649	–187,768	–26.6
Value adjustments and provisions	3.8	**4,403**	38,434	–34,031	–88.5
Reserves for general banking risks		**17,692**	36,000	–18,308	–50.9
Share capital	3.10	**61,155**	61,155	0	0.0
General legal reserve	3.11	**563,866**	555,916	7,950	1.4
Reserves for treasury shares		**18,308**	0	18,308	
Retained earnings brought forward		**222,069**	32,098	189,971	591.8
Profit / loss for the year		**–54,373**	279,505	–333,878	–119.5
Total shareholders' equity	3.11	**828,717**	964,674	–135,957	–14.1
Total liabilities and shareholders' equity		**8,173,898**	**6,073,067**	**2,100,831**	**34.6**
Total due to associated companies and significant shareholders		**2,701,873**	1,277,658	1,424,215	111.5
[1] Including negative replacement values of		**495,497**	684,009	–188,512	–27.6

Off-balance sheet transactions

1,000 CHF	Notes	**31.12.2008**	31.12.2007	Change to 31.12.2007 CHF	Change to 31.12.2007 %
Contingent liabilities		**342,824**	333,690	9,134	2.7
Guarantee for Bank Sarasin-Rabo (Asia) Ltd		**3,642,365**	3,688,343	–45,978	–1.2
Guarantee for Bank Sarasin AG Deutschland		**190,941**	0	190,941	
Irrevocable commitments		**25,630**	11,102	14,528	130.9
Liabilities for calls on shares and other equities		**119**	126	–7	–5.6
Derivatives					
Contract volume		**5,362,365**	11,497,018	–6,134,653	–53.4
Positive replacement value		**366,043**	308,654	57,389	18.6
Negative replacement value		**495,497**	684,009	–188,512	–27.6
Fiduciary transactions	4	**7,153,358**	6,807,750	345,608	5.1

Income Statement for 2008

1,000 CHF	Notes	**31.12.2008**	31.12.2007	Change to 2007 CHF	Change to 2007 %
Interest income		**160,721**	117,477	43,244	36.8
Interest and dividend income from financial investments		**16,237**	10,337	5,900	57.1
Interest expenses		**–109,709**	–68,689	–41,020	59.7
Net interest income		**67,249**	**59,125**	**8,124**	**13.7**
Commission income on lending activities		**915**	642	273	42.5
Commission income on securities and investment transactions		**278,388**	315,276	–36,888	–11.7
Commission income on other services		**7,429**	8,149	–720	–8.8
Commission expenses		**–70,833**	–67,695	–3,138	4.6
Net income from commission and service fee activities		**215,899**	**256,372**	**–40,473**	**–15.8**
Net income from trading operations	5.1	**38,267**	**93,775**	**–55,508**	**–59.2**
Net income from sale of financial investments		**1,138**	14,692	–13,554	–92.3
Income from participations		**16,887**	27,221	–10,334	–38.0
Income from real estate		**319**	367	–48	–13.1
Ordinary income from other sources		**–53,512**	–12,749	–40,763	319.7
Other ordinary income		**–35,168**	**29,531**	**–64,699**	**–219.1**
Operating income		**286,247**	**438,803**	**–152,556**	**–34.8**
Personnel expenses		**205,294**	219,056	–13,762	–6.3
General administrative expenses		**76,830**	65,047	11,783	18.1
Operating expenses		**282,124**	**284,103**	**–1,979**	**–0.7**
Operating profit		**4,123**	**154,700**	**–150,577**	**–97.3**
Depreciation and write-offs on property and equipment		**–8,633**	–6,839	–1,794	26.2
Amortisation of other intangible assets		**–5,128**	–4,940	–188	3.8
Amortisation of goodwill		**–3,336**	–3,946	610	–15.5
Value adjustments, provisions and losses	3.8	**–75,777**	–16,115	–59,662	370.2
Result before extraordinary items and taxes		**–88,751**	**122,860**	**–211,611**	**–172.2**
Extraordinary income	5.2	**39,430**	218,431	–179,001	–81.9
Extraordinary expenses		**–1,569**	–68	–1,501	>1,000
Taxes		**–3,483**	–61,718	58,235	–94.4
Profit / loss for the year		**–54,373**	**279,505**	**–333,878**	**–119.5**

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

1,000 CHF	**2008**	2007
The Board of Directors proposes to the General Meeting of Shareholders on April 22, 2009		
that the profit for the 2008 financial year, consisting of:		
Profit / loss for the year	**–54,373**	279,505
Retained earnings brought forward	**222,069**	32,098
Profit as shown on the balance sheet	**167,696**	**311,603**
Be distributed as follows		
Dividend	**0**	82,560
Allocation to general legal reserve	**0**	7,950
Allocation to retained earnings brought forward	**167,696**	221,093
Profit as shown on the balance sheet	**167,696**	**311,603**

If this proposal is accepted, no dividend will subsequently be paid out for the financial year 2008.

Instead of paying a dividend from the profit shown on the balance sheet, the Board of Directors will submit a proposal to the AGM to issue cash or title options (“COTO”), combined with a reduction in nominal value. If this proposal is accepted, owners of class A registered shares can choose either to subscribe to new class A registered shares or to accept a fixed cash settlement of CHF 0.13 per share. Owners of class B registered shares can choose between subscribing to new class B registered shares, selling the COTO option on the stock exchange or accepting a fixed cash settlement of CHF 0.65 per share. The COTO should be allocated in early July 2009 after the reduction in nominal value, at the same time as the conditions are set for issuing the new registered shares. The total reduction in nominal value amounts to CHF 39,750,945.

In their current form, COTOs are not subject to Swiss withholding tax and do not as a rule attract income tax for individuals whose domicile for tax purposes is Switzerland.

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 1.– each are quoted on the SIX Swiss Exchange. Bank Sarasin & Co. Ltd principally focuses on investment advice and portfolio management. It is also very active in the investment funds area, operating through subsidiaries in Luxemburg, Guernsey, London, Paris, Germany and Switzerland. Bank Sarasin & Co. Ltd is a member of the SIX 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 Financial Market Supervisory Authority. The annual financial statements have been drawn up in accordance with the relevant regulatory requirements for banks (FINMA Circular 08/2). 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 writedowns.

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.
Pursuant to point 3 of the FINMA Circular 08/2, disclosures in connection with capital adequacy requirements are only performed on a consolidated basis. Please refer to the notes to the consolidated financial statements for more details.

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 117.5 million (end 2007: CHF 108.1 million). At the end of the year, CHF 43.4 million (2007: CHF 25.6 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	**31.12.2008**	31.12.2007
Liabilities to our own pension plans	**54.6**	36.7

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 it's 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 14.6 million (2007: CHF 15.8 million). The funds concerned are invested with the welfare foundation. Bank Sarasin & Co Ltd does not renounce their possible future use.

In line with FINMA Circular 08/2 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 **31.12.2008**	Renunciation of use **31.12.2008**	Value adjustments and discount	Balance sheet **31.12.2008**	Balance sheet 31.12.2007	Impact of employer's contribution reserves on personnel expenses **2008**	Impact of employer's contribution reserves on personnel expenses 2007
Employer's contribution reserves							
Welfare Foundation of Bank Sarasin & Co. Ltd	**14,586**	**0**	0	**0**	0	**0**	0

1,000 CHF	Surplus / deficit **31.12.2008**	Due to bank **31.12.2008**	Due to bank 31.12.2007	Impact on balance sheet	Deferred pension liabilities on **31.12.2008**	Pension expenditure **2008**	Pension expenditure 2007
Economic benefit							
Pension Fund of Bank Sarasin & Co. Ltd	**0**	**0**	0	0	**54,563**	**16,661**	21,338

3.4 Securities and precious metals trading portfolios

1,000 CHF	**31.12.2008**	31.12.2007
Interest-bearing securities	**10,762**	16,603
Of which listed	**5,349**	16,603
Of which unlisted	**5,413**	0
Equities	**243,752**	559,256
Of which treasury shares	**20,404**	53,152
Of which hedging portfolios for structured products	**135,442**	382,833
Precious metals	**30,036**	9,919
Total securities and precious metals trading portfolios	**284,550**	**585,778**
Of which securities rediscountable or pledgeable with the central bank	**4,676**	11,901

3.5 Financial investments

	Book value	Book value	Fair value	Fair value
1,000 CHF	**31.12.2008**	31.12.2007	**31.12.2008**	31.12.2007
Interest-bearing securities and rights	**602,220**	280,770	**606,000**	274,116
Of which valued according to the accrual method	**545,573**	228,812	**549,353**	221,743
Of which valued at the lower of cost and market	**56,647**	51,958	**56,647**	52,373
Equities	**214,627**	116,568	**216,000**	121,202
Of which treasury shares	**13,042**	0	**13,042**	0
Total financial investments	**816,847**	**397,338**	**822,000**	**395,318**
Of which securities rediscountable or pledgeable with the central bank	**489,261**	189,088		

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

1,000 CHF	**31.12.2008**	31.12.2007
Claims on associated companies	**4,243**	5,593
Liabilities to associated companies	**31,941**	9,975
Loans to members of management bodies	**2,133**	4,388

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

3.7 Client assets under management

million CHF	**2008**	2007	Change to 2007 CHF	Change to 2007 %
Assets invested with in-house funds	**4,251**	6,582	–2,331	–35.4
Assets invested under a management mandate	**13,066**	14,499	–1,433	–9.9
Other assets under management	**26,712**	34,160	–7,448	–21.8
Total assets under management (incl. double-counting)	**44,029**	**55,241**	**–11,212**	**–20.3**
Of which double-counting	**2,241**	2,454	–213	–8.7
Net new money I	**9,823**	**6,067**	**3,756**	**61.9**
Transfer to Bank Zweiplus AG	**–6,684**	0	–6,684	
Net new money II	**3,139**	**6,067**	**–2,928**	**–48.3**

3.8 Value adjustments and provisions / reserves for general banking risks

1,000 CHF	Balance 31.12.2007	Designated uses	Change in designated use	Recoveries, endangered interest, currency translation differences	New amounts charged to income statement	Reversals credited to income statement	**Balance 31.12.2008**
Value adjustments and provisions							
– For default risks (credit and country risks)	7,022	–6,402		2	73,812[1]		**74,434**
– For other business risks	0						**0**
Provision for restructuring	2,931	–255				–674	**2,002**
Provision for pension liabilities	0						**0**
Other provisions	35,503	–2,178			676	–31,600[2]	**2,401**
Total value adjustments and provisions	**45,456**	**–8,835**		**2**	**74,488**	**–32,274**	**78,837**
Value adjustments deducted directly from assets	–7,022						**–74,434**
Total value adjustments and provisions as per balance sheet	**38,434**						**4,403**
Reserves for general banking risks[3]	**36,000**		**–18,308**				**17,692**

1 See also the "Sarasin Group: financial statements" section on page 104.

2 See also Note 5.2 on page 181.

3 Tax has been paid on the reserves for general banking risks. The change in purpose includes the classification into reserves for treasury shares which are held under financial investments (see 3.11).

3.9 Information about treasury shares

No. of units	2008	2007
Number traded on the SIX Swiss Exchange	**17,389,440**	313,628

On 31 December 2008 there were Sarasin class B shares worth CHF 33.4 million held in treasury (2007: CHF 53.2 million). Trading in treasury shares resulted in a loss of CHF 13.7 million in 2008 (2007: a profit of 8.0 million), which has been reported under trading income. Our total holding of 1,061,766 shares includes 103,323 shares held for hedging purposes in connection with structured products issued by us. On 7 May 2008 a 1:100 share split was performed.

3.10 Capital structure

CHF		Total nominal value	No. of units	Dividend-bearing capital
Situation as at 31.12.2008				
Share capital	class A registered shares (with voting rights)	11,000,000	55,000,000	11,000,000
	class B registered shares	50,155,300	50,155,300	50,155,300
Total share capital as at 31.12.2008		**61,155,300**	**105,155,300**	**61,155,300**
Authorised capital	class A registered shares	1,000,000	5,000,000	0
Of which capital increase completed		0		
Conditional capital	class B registered shares	3,000,000	3,000,000	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 1,500,000 fully paid up class B registered shares with a par value of CHF 1.– 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 1,500,000 fully paid up class B registered shares with a par value of CHF 1.– 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 22 April 2010, increase the share capital by a maximum of CHF 1 million through the issue of no more than 5,000,000 class A registered shares with a par value of CHF 0.20 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

			31.12.2008			31.12.2007
	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	2008	2007	2006	2005	2004
Shareholders' equity at beginning of year					
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 as shown on the balance sheet	**311,603**	91,750	87,800	47,861	35,410
Total shareholders' equity at beginning of year under review	**964,674**	**739,623**	**730,474**	**687,172**	**671,969**
+ Capital increase	**0**	0	0	0	0
+ Agio	**0**	0	0	0	0
+ Transfer to reserves for general banking risks	**0**	0	0	0	0
– Previous year's dividend	**–81,584**	–54,454	–54,535	–36,483	–30,578
+ Profit / loss for the year	**–54,373**	279,505	63,684	79,785	45,781
Total shareholders' equity at end of year under review	**828,717**	**964,674**	**739,623**	**730,474**	**687,172**
Of which					
Paid up share capital	**61,155**	61,155	61,155	61,155	61,155
General legal reserve	**563,866**	555,916	550,718	545,519	542,156
Other reserves	**0**	0	0	0	0
Reserves for general banking risks	**17,692**	36,000	36,000	36,000	36,000
Reserves for treasury shares	**18,308**	0	0	0	0
Profit as shown on the balance sheet	**167,696**	311,603	91,750	87,800	47,861

4 Information on off-balance sheet transactions

1,000 CHF	**31.12.2008**	31.12.2007
Fiduciary Transactions		
Fiduciary deposits with other banks	**5,882,937**	5,316,274
Fiduciary deposits with affiliated banks	**1,266,900**	1,486,589
Fiduciary lending	**3,521**	4,887
Total	**7,153,358**	**6,807,750**

5 Information on the income statement

5.1 Net income from trading operations

1,000 CHF	**2008**	2007
Securities trading	**6,974**	55,058
Trading in interest products	**–5,820**	849
Trading in foreign exchange, precious metals and banknotes	**37,113**	37,868
Total	**38,267**	**93,775**

5.2 Extraordinary income

1,000 CHF	**2008**	2007
Release of lump-sum provisions not required for operating purposes	**31,400**	0
Release of tax provisions no longer required	**5,100**	0
Proceeds from the sale of group companies and brokerage	**0**	191,308
Gain from the merger of Fusion Sarasin Non Traditional AG	**0**	26,312
Other	**2,930**	811
Total	**39,430**	**218,431**

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 130.

Report of the statutory auditor on the financial statements

To the General Meeting of Bank Sarasin & Co. Ltd, Basel

As statutory auditor, we have audited the financial statements of Bank Sarasin & Co. Ltd, which comprise the balance sheet, income statement and notes (pages 169 to 181) for the year ended 31 December 2008.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.
An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (Art. 728 Code of Obligations (CO) and Art. 11 AOA and that there are no circumstances incompatible with our independence.
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Basle, 25 February 2009

Ernst & Young AG

Thomas Schneider	Patrick Schwaller
Licensed audit expert	Licensed audit expert
	(Auditor in charge)

List of figures

Please note: This list of figures does not include the tables which form part of the Sarasin Group's consolidated financial statements and the financial statements of Bank Sarasin & Co. Ltd. This ensures a clearer overview. To locate the tables, please refer to the Contents on page 3.

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