SARASIN

Our Results

Annual Report 2010

100 billion mark comfortably exceeded – Bank Sarasin's assets under management grow to CHF 103.4 billion

Still dynamic – Net new money growth of CHF 13.4 billion (+14%)

Significant improvement in earnings quality – group result climbs to CHF 124.5 million

Targets for 2015 – assets under management of CHF 150 billion and improvement in profitability

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 first-class 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.

Bank Sarasin’s annual reporting trilogy comprises the following publications: **Our Bank – Portrait** (German, English and French) | **Our Results – Annual Report** (German and English) | **Our Future – Sustainability Report** (German and English) | Copies can be downloaded or ordered from: www.sarasin.com

Heritage – main theme of the 2010 reporting trilogy: An inheritance draws on many different roots, and this is equally true of Bank Sarasin. The three publications for the Bank’s annual report 2010 focus on this topic – when shaping our future, we need to look back to the past and respectfully pass on and develop established ideals and core values. This not only applies to families, but to cultures, institutions and even countries. Every heritage is associated with responsibility and sustainability. For those who pass on the legacy. And for those who inherit it.

To the cover: **Legacy – Thomas Salm’s locomotive:** Full steam ahead from one generation to the next. Thomas Salm has inherited this locomotive from his father. It means an awful lot to him, which is why it occupies the place of honour in his home. Later on his daughter will inherit it. And who knows? – perhaps her children will play with it and make it part of their fantasy world.

Contents

Key data 04

Foreword 08

Market climate and strategy 12

Back to normality 12
Setbacks on the radar 12
Growing base for the core business: Private Banking 13
Money flows into markets with dynamic growth 13
Real estate attractive again for HNWIs 14
Tighter regulation in evidence 14
Strategy still on course 15

Review of business performance 17

2010 AuM growth target of CHF 100 billion comfortably exceeded 17
Net new money growth of 14% 17
Strong growth in private client business at Swiss locations 17
Higher equity quota in portfolios 19
Performance-oriented HR policy 19
Earnings quality significantly improved in the core business 20
Moderate rise in costs due to selective investments 21
Growth creates positive momentum in the core business of Private Banking 22
Increase in total assets 22
Solid capital strength – low risk exposure 22

Segment reporting 23

Private Banking 26
Trading & Family Offices 32
Asset Management, Products & Sales 37
bank zweiplus 43
Corporate Center 46

Sustainability 49

Sustainable business management as a foundation 49
Structures and processes in the service of sustainability 49
Sustainability strategy of the Sarasin Group 49
Sustainable asset management 50
New sustainable investment products 51
A commitment to sustainable development 52
Developing and transferring know-how 53
New benchmarks for staff development: The Development Forum 53
A respectful working environment 54
Climate protection 54
Continuously increasing recycling 55

Risk management 56

Risk management principles 56
Risk management organisation 56
Market and liquidity risks 58
Credit risks 61
Operational risks 65

Corporate Governance 68

Group structure and shareholders 68
Capital structure 69
Board of Directors 72
Senior management (Executive Committee) 78
Compensation, shareholdings and loans 80
Shareholders' participation 82
Changes of control and defence measures 83
Audit firm (auditors) 83
Information policy 84

Sarasin Group: financial statements 87

Consolidated income statement 88
Consolidated comprehensive income 89
Consolidated balance sheet 90
Statement of changes in equity 92
Consolidated statement of cash flows 94
Consolidated off-balance sheet information 96
Notes to the consolidated financial statements 97
Accounting principles 97
Details of positions in the consolidated balance sheet and consolidated income statement 107
Transactions with related persons and companies 131
Management and staff participation schemes (share-based payment plan) 137
Risk management 138
Segment reporting 158
Other information 162
Report of the statutory auditor 172

Bank Sarasin & Co. Ltd: financial statements 173

Balance Sheet as at 31 December 2010 174
Income Statement for 2010 177
Proposal of the Board of Directors to the General Meeting of Shareholders 178
Notes to Bank Sarasin & Co. Ltd's financial statements 179
Information on business activities 179
Accounting principles 179
Information on the balance sheet 180
Information on off-balance sheet transactions 187
Information on the income statement 187
Compensation paid to governing bodies 187
Report of the statutory auditor 188

List of figures 189

Our locations 190

Key data

(on a consolidated basis)

Group income statement

1,000 CHF	**2010**	2009 adjusted[1]	2009	Change to 2009 adjusted %
Net interest income	**146,921**	130,676	130,676	12.4
Results from commission and service fee activities	**457,496**	398,511	398,511	14.8
Results from trading operations	**59,817**	103,504	103,504	–42.2
Other ordinary results	**26,337**	41,237	41,237	–36.1
Operating income	**690,571**	**673,928**	**673,928**	**2.5**
Personnel expenses	**368,400**	358,841	358,841	2.7
General administrative expenses	**136,820**	128,001	128,001	6.9
Operating expenses	**505,220**	**486,842**	**486,842**	**3.8**
Operating profit	**185,351**	**187,086**	**187,086**	**–0.9**
Depreciation and amortisation	**30,804**	33,020	33,020	–6.7
Value adjustments, provisions and losses	**11,332**	7,487	77,670	51.4
Profit before taxes	**143,215**	**146,579**	**76,396**	**–2.3**
Taxes	**18,679**	24,868	24,868	–24.9
Group result including minority interests	**124,536**	**121,711**	**51,528**	**2.3**
Group result excluding minority interests	**107,794**	107,990	37,807	–0.2

Fig. 1: Group result

(million CHF)

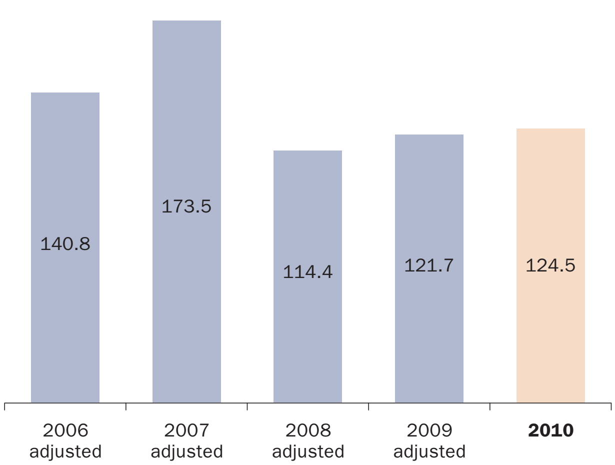
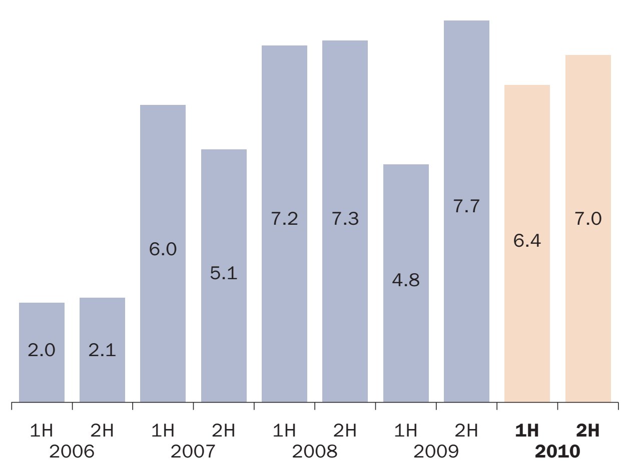


Fig. 2: Net new money growth over half-year periods

(billion CHF)



Result by segments

1,000 CHF	**2010**	2009 adjusted	2009
Private Banking	**94,462**	30,229	30,229
Trading & Family Offices	**40,001**	57,997	57,997
Asset Management, Products & Sales	**59,984**	49,907	49,907
bank zweiplus	**1,361**	10,122	10,122
Corporate Center	**–52,593**	–1,676	–71,859
Total	**143,215**	**146,579**	**76,396**

Gross margin on assets under management[2]

%	**2010**	2009 adjusted	2009
Private Banking, business unit Switzerland & Europe	**0.85**	0.82	0.82
Private Banking, business unit Middle East & Asia	**0.83**	0.94	0.94
Total segment Private Banking	**0.84**	**0.86**	**0.86**
Trading & Family Offices, business unit Institutional Advisory & Sales	**0.58**	0.68	0.68
Asset Management, Products & Sales, business unit Institutional Clients	**0.47**	0.52	0.52
bank zweiplus	**1.04**	1.07	1.07
Total Sarasin group	**0.70**	**0.84**	**0.84**

Assets under management[3]

million CHF	**2010**	2009
Total assets under management (period-end)	**103,363**	93,697
Acquisitions	**0**	0
Divestments	**–683**	–442
Net new money	**13,419**	12,474
Performance	**–3,070**	11,986
Increase/decrease in assets under management (%)	**10.3**	34.4

Fig. 3: Assets under management and net new money growth by client domicile[4]

(billion CHF)

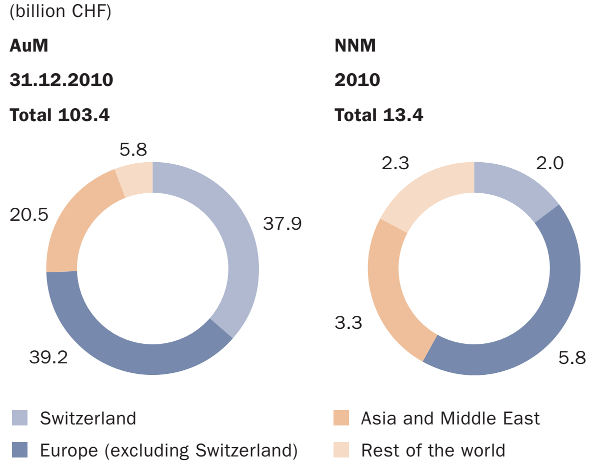
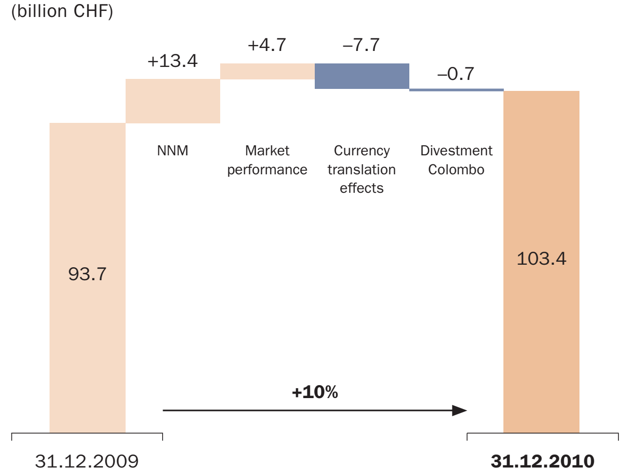


Fig. 4: Development of assets under management

(billion CHF)



Group balance sheet

1,000 CHF	**31.12.2010**	31.12.2009
Total assets	**17,505,471**	15,300,818
Due from customers	**9,457,417**	7,320,077
Due to customers	**11,850,096**	10,236,512
Shareholders' equity including minority interests	**1,271,894**	1,291,738
Shareholders' equity excluding minority interests	**1,229,423**	1,240,789

Ratios

%	**2010**	2009 adjusted	2009
Return on assets (ROA)			
– Operating income as a percentage of total assets[5]	**4.2**	4.8	4.8
– Group result as a percentage of total assets[5]	**0.8**	0.9	0.4
Cost income ratio[6]	**77.6**	77.1	77.1
Return on equity (ROE)[7]	**9.7**	9.5	4.1

%	**31.12.2010**	31.12.2009
Equity ratio[8]	**7.3**	8.4
BIS Tier 1 ratio[9]	**15.3**	16.3

Key data per employee[10]

CHF	**2010**	2009 adjusted	2009
Operating income	**435,307**	437,247	437,247
Operating expenses	**318,470**	315,865	315,865
Operating profit	**116,837**	121,382	121,382
Group result including minority interests	**78,502**	78,966	33,432

Fig. 5: Development of share price

(index 01.01.2010 = 100)

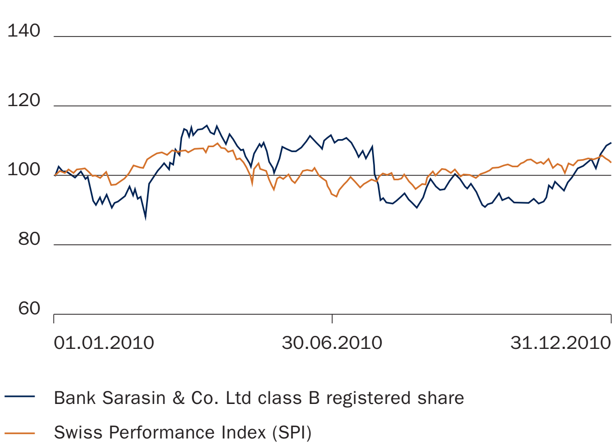
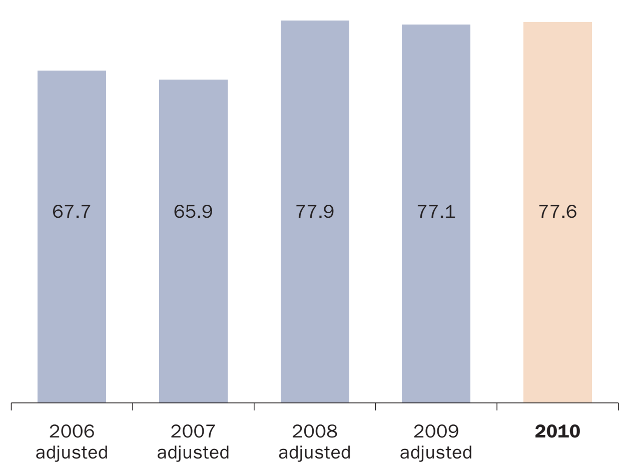


Fig. 6: Cost income ratio[6]

(in percent)



Key data per class B registered share with a nominal value of CHF 0.35

CHF	2010	2009 adjusted	2009
Operating profit	**2.9**	3.0	3.0
Group result	**1.7**	1.7	0.6

Stock market price[11]

CHF	31.12.2010	31.12.2009
End of period date	**42.60**	39.10
High	**44.60**	45.20
Low	**34.70**	21.50
Market capitalisation (period-end, million CHF)	**2,680**	2,459
Registered shareholders (period-end)	**2,163**	**2,161**

Headcount (full-time equivalents)

	31.12.2010	31.12.2009
Group	**1,642.4**	1,556.8
Of which Switzerland	**1,096.1**	1,043.0
Of which abroad	**546.3**	513.8

Client relationship managers (full-time equivalents)

Including assistance	31.12.2010	31.12.2009
Group	**433.6**	426.0
Of which Switzerland	**250.4**	242.2
Of which abroad	**183.2**	183.8

1 Bank Sarasin has adjusted the value of its 40% financial interest in NZB Holding and written down its value by CHF 70.2 million in 2009.

2 The gross margin on assets under management is presented on the basis of average assets calculated from month-end amounts.

3 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.

4 Trusts and foundations are now also allocated on the basis of the domicile of the beneficial owner. The prior-year figures reported here have been adjusted accordingly.

5 Total assets: average of two period end figures.

6 Operating expenses including depreciation and amortisation in relation to operating income.

7 Shareholders' equity before distribution of profit: average of two period end figures including minority interests.

8 Shareholders' equity including minority interests as a percentage of total assets.

9 The calculation is based on the Swiss Standardised Approach (SA-CH).

10 Headcount: Average headcount (full-time equivalents).

11 Closing price.

Foreword

Dear Shareholder

Bank Sarasin formulated its international growth strategy back in 2006, setting ambitious goals to be reached by the end of 2010. Over the last five years we have consistently implemented these plans, making selective investments in our client relationship manager teams and opening new locations. We have also continued to broaden our geographical footprint, while at the same time focusing above all on our core business of private banking and expanding our asset base. This strategy has paid off and we are delighted now to be able to enjoy the fruits of the seed that we have sown and that has flourished so much under our attentive care.

By the end of December 2010, our assets under management had not only reached, but comfortably exceeded the 100 billion mark. This performance makes us confident of being able to meet ambitious targets in the future as well.

One of our primary goals has been to increase the client assets that we manage to CHF 100 billion by 2010. With assets under management of CHF 103.4 billion on 31 December 2010, we have not only reached, but comfortably exceeded, our target. This fills us with a sense of pride and satisfaction. It also gives us confidence to set and subsequently meet ambitious targets in the future, particularly since we managed to achieve this result during a period of unpredictable turbulence worldwide. Although Bank Sarasin was not as heavily affected directly by the financial crisis as other market players, the indirect consequences – such as investor nervousness, a preference for cash and significant market volatility – were just as noticeable and equally challenging for us.

Our success, which is reflected in the very respectable annual result for 2010, is based on the excellent market position we have carved out for ourselves in recent years. In every area where we are active, Sarasin has a strong public profile and first-class reputation. The name Sarasin, which was previously only widely known in Switzerland, now has resonance at an international level. Our sustainable solutions tailored to individual clients' needs and our high quality standards make us a trustworthy and attractive partner. The successful placement of our first bond denominated in Swiss francs worth a total of CHF 350 million confirms the excellent reputation that our bank and our adopted strategy enjoy among private and institutional investors. The bond was launched successfully in a very challenging market environment and was an important step in allowing the Bank to diversify its financing activities.

The strong foundation of trust and the excellent reputation we have built are also reflected in the consistently high net new money growth achieved once again in 2010 of CHF 13.4 billion. This is equivalent to a growth rate of 14% and represents the second best result reported by Sarasin during the last five years. Only 2008 was a better year, when net new money growth came to CHF 14.5 billion. This dynamic rate of new money inflows is the driver of the increase in assets under management from CHF 93.7 billion in 2009 to CHF 103.4 billion in 2010. Thanks to a surprisingly stable environment in the second half of the year, the full-year performance was positive at CHF 4.7 billion but unfortunately the very strong performance of the Swiss franc during the same period produced negative currency translation effects of CHF 7.7 billion.

The quality of earnings in the core business has considerably improved: net interest income was 12% higher at CHF 146.9 million, reflecting the positive influence of the expanding mortgage and collateralised loan business. Following the significant expansion of the asset base in our core business, income from commission and service fee activities improved by 15% to CHF 457.5 million. By contrast, income from trading operations fell back by 42% to CHF 59.8 million. This result was heavily affected by the transactions carried out during the first half of the year in a move to hedge against rising interest rates. Other ordinary income came to CHF 26.3 million, a decline of 36% on the previous year, due to the unexpectedly high contribution made in 2009 by share price gains realised on financial investments.

Operating expenses experienced a moderate increase to CHF 505.2 million as the Group is financing its own growth path and any necessary investments. Costs remain under control. Regular review of our business cases – as a form of consistent income, risk and cost management – and implementation of high quality standards all have a positive impact. In response to the reviews of our business cases and the shift in centres of regional growth, not to mention changes in regulation, we closed down two offices in Spain during 2010 and sold our Lugano-based subsidiary, Sarasin Colombo Gestioni Patrimoniali SA, back to the founding Colombo family.

Following an increase in the headcount from 1,557 to 1,642, personnel costs were slightly higher at CHF 368.4 million. The percentage of client relationship managers (CRMs) as a proportion of the total workforce fell slightly. The target figure of around 50 additional CRMs per year was achieved in gross terms in 2010. We have once again focused on optimising the quality of our client advisors during the reporting year. The positive effect of this strategy is illustrated by the high average new money inflows for each CRM.

The expansion of our international marketing activities, as well as investments in new locations and the further refinement of our systems and processes, pushed up general administrative expenses by 7% to CHF 136.8 million. Two new locations in the Middle East – in Bahrain and Abu Dhabi – have rounded up our international network of offices since the second half of 2010. At the end of January 2011, after several months of intensive project work, the Avaloq banking system was successfully rolled out at our two Asian locations in Hong Kong and Singapore. This system lays a cost-effective foundation for future growth and enables us to exploit economies of scale. This type of investment not only provides stronger positioning in our core markets but also in the high-growth regions that are so important for private banking.

Chairman Christoph Ammann and CEO Joachim H. Straehle

Although bank zweiplus has had a very successful start as an independent product and settlement platform over the past two years, its 2010 results did not live up to expectations. An extraordinary impairment loss of CHF 8.0 million in connection with fraudulent conduct by one distribution partner in Germany was a significant drain on the company's profit. Legal proceedings have been initiated for suspected fraud. bank zweiplus has been under new management since autumn 2010 and we are confident that the new management team will succeed in further improving the efficiency of this unique product and settlement platform and launch new initiatives which will bring bank zweiplus back onto the path to growth.

The successful placement of our first bond denominated in Swiss francs worth a total of CHF 350 million confirms the excellent reputation that our bank and our adopted strategy enjoy among private and institutional investors.

As expected, the group result showed a modest increase of 2%, reaching CHF 124.5 million (2009 adjusted: CHF 121.7 million). The Board of Directors therefore intends to submit a proposal to the Annual General Meeting of Shareholders of 5 April 2011 to keep the dividend unchanged at CHF 0.90 per class B registered share. The terms of office of the directors Christian Brueckner, Hans-Rudolf Hufschmid and Peter Derendinger are due to end at the AGM of 5 April 2010. While Christian

Brueckner is not putting himself forward for re-election on grounds of age, Hans-Rudolf Hufschmid and Peter Derendinger will be proposed for re-election at the AGM.

We are still a long way from achieving our mid-term goals for improving our profitability and cost income ratio. Over the next few years we will concentrate our efforts on these goals, while at the same time continuing to follow a sustainable approach that is reflected in farsighted decisions and initiatives. During the course of 2010 we took the opportunity to reconsider our business approach and to formulate it more precisely to ensure a holistic approach that embraces economic, social and environmental criteria. For us, sustainability means acting in a way that guarantees the future orientation of our bank at any given point in time. We have consistently implemented our international growth strategy along these lines and concentrated our investments on regions with favourable long-term growth prospects. Focusing on individual national markets in Europe, the Middle East and Asia, where the Bank focuses on its onshore offering and cross-border business, is a consequence of this sustainable business philosophy. Compliance with the relevant regulations and overall conditions specific to a national market is fundamental to this approach. We see the rapidly changing regulatory environment and the substantial differences from one market to the next as an interesting challenge but at the same time they force us to focus our attention increasingly on individual markets. We will therefore concentrate on markets offering potential of at least between CHF 3 and 5 billion over the coming years.

For us, sustainability means acting in a way that guarantees the future orientation of our bank at any given point in time. We have consistently implemented our international growth strategy along these lines, and concentrated our investments on regions with favourable long-term growth prospects.

The Bank also strives to be farsighted in adapting regulations early on for the benefit of its own clients: in 2010 Sarasin was one of the first Swiss banks to introduce the EU directive MiFID (Markets in Financial Instruments Directive) for all its private clients in Switzerland. The “Know your clients” principle, as well as establishing the client’s tolerance and appetite for risk, is an integral part of our high-quality advisory session with the client. This allows the Bank to enhance its risk disclosure and gives clients greater transparency concerning the risks and opportunities that are associated with their investments. In view of these risk considerations, Bank Sarasin has also decided to withdraw from direct investments in US securities in its asset management mandates, with effect from 31 December 2010, and to recommend that its advisory clients in Switzerland should avoid or sell such direct investments. When it comes to handling undeclared client assets, Bank Sarasin also acts consistently in the interests of its customers. It was quick to adopt a respective strategy, announcing last summer that it would be avoiding undeclared client assets. The Bank is implementing selective measures in order to achieve this goal by the end of 2012.

In addition to securing the future orientation of our business model, our top priority is to consistently improve the quality of our products and services – a task that we are driving forward with the help of appropriate measures to encourage innovation and precision. The high standard that we have already achieved is borne out by a number of industry awards. For example, we have already received two awards as the best sustainable wealth manager – one from the leading British trade magazines The Banker and Professional Wealth Management, and one from the German financial publisher Fuchs Report. In Dubai we received the “Mohammed Bin Rashid Al Maktoum Business Award” in the Finance category and (for the third consecutive year) the “Best Private Bank in the Middle East”. We intend to repeat these successes in future years by consistently delivering solid, first-class products and services.

We are still cautiously optimistic about the outlook for 2011. Despite global uncertainties on the political stage and macroeconomic imbalances, we expect economic growth to pick up again and 2011 to be a good year for investments. Given this background, we plan to slightly reduce our pace of growth over the next five years so as to be able to reach our assets under management target of CHF 150 billion (performance-adjusted) in 2015. Careful management of our pace of growth will allow us to substantially boost our operating performance. Improving our profitability will be top of the agenda in the years ahead: we want to increase our gross margin considerably and cut the cost-income ratio by making further improvements in efficiency. Here it is important to achieve the right balance between geographical diversification and clearly focused marketing activities. In the medium term we are not interested in breaking into new national markets but in fully exploiting the potential available in existing markets. After our Hong Kong office received a banking licence in 2010 to become our first international branch, we expect the Singapore office to upgrade to the same branch status over the next few months. We have already announced plans to open a new office in Lucerne in the summer of 2011. To summarise, we are striving for a type of growth that is oriented towards sustainable criteria, is built upon quality, and generates attractive returns.

Careful management of our pace of growth will allow us to substantially boost our operating performance. Improving our profitability will be top of the agenda in the years ahead.

On behalf of the Board of Directors and Executive Committee, I would like to thank our clients and shareholders for the trust they have once again placed in us during the 2010 financial year and that we hope to count on for the future. We would like to extend our sincere thanks to all our employees for their hard work and dedication that they show every single day in the service of our bank to the great satisfaction of our clients, partners and shareholders. We are confident that we will continue to offer first-class products and services to our clients in 2011 and, thanks to your support, to reach the next milestones on our journey towards sustainable and profitable growth. We look forward to another successful year.

Yours sincerely

Christoph Ammann
Chairman of the Board of Directors

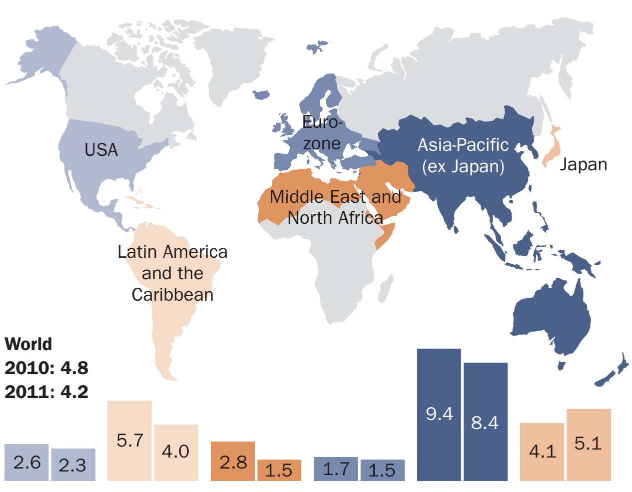
Joachim H. Straehle
Chief Executive Officer

Market climate and strategy

Back to normality

Following the global downturn in 2009, the world economy rallied again in 2010. Global GDP grew by 5.3% in the first half of 2010, although the recovery lost momentum again in many industrialised nations during the second half of the year. In the most recent edition of its World Economic Outlook, the International Monetary Fund's (IMF) estimated growth forecast for 2010, made in October of that year, was 4.8%, with 4.2% forecast for 2011. What is striking about the current position is that the global economy is proceeding at two different speeds: on the one hand the "mature" nations where the recovery is proceeding slowly, and on the other the emerging markets of Asia and Latin America where trends are sharply upwards. According to IMF economists, the muted growth in the industrialised nations is due to a high level of insecurity in the financial markets, weak real estate markets, a drop in the wealth of private households, and high unemployment. However, growth potential is also lower in comparison with the emerging market nations. For this reason the IMF anticipates positive growth of just 1.7% for the eurozone in 2010 and 1.5% in 2011. The dynamic in the Asian emerging markets is undiminished. Here, growth of 9.4% is expected for 2010 and 8.4% for 2011.

Fig. 7: Forecast economic growth for 2010 and 2011 by region
(in percent)



Source: IMF, World Economic Outlook, October 2009

The financial markets have had a rather unsettled year in 2010 even though the level of insecurity was not as bad as in 2008 and 2009. Nonetheless, the great spectres of 2009 – double-dip recession and deflation – have not materialised. One reason for this lies partly in the decisions taken by policymakers, who avoided the more serious mistakes that have generally led to double-dip recessions in the past. However, there was plenty of uncertainty in 2010. Market conditions were strongly influenced by monetary and fiscal policy coupled with fears of national bankruptcies. The focus of these fears was the "PIGS" nations – Portugal, Ireland, Greece and Spain (although the "I" may also stand for Italy). Ireland was forced to take its place alongside Greece under the shelter provided by the IMF and eurozone's EUR 750 billion bailout scheme. Portugal is still being closely watched as another potential candidate for a bailout in the spring of 2011.

The equity markets have continued their recovery from 2009, achieving new cyclical high water marks. However, because of the eurozone crisis the European equity markets performed significantly more sluggishly than the US and many Asian markets. The euro crisis in the second quarter and concerns about US growth in the third ensured a turbulent summer. Thanks to the intervention of the US Federal Reserve and US fiscal policy, investors' appetite for risk picked up significantly in the fourth quarter. Both equities and commodities achieved a positive annual performance in 2010.

Setbacks on the radar

The aftershocks of the financial crisis will continue to reverberate in 2011. Thus the first half of the year will be characterised by a constant battle between the stimulus provided by fiscal policies and the growth-inhibiting effect of debt reduction in the private sector. Economic trends in the USA will be watched with great interest. However, it is to be expected that the expansionary monetary policy will be successful and that the US economy will be in a position to benefit from it. On the other hand, the IMF doubts whether the USA will be able to stabilise its debt ratio by 2015 and has revised its growth forecasts for the USA sharply downwards: its most recent estimate was growth of 2.3% in place of its previous forecast of 2.9%. Fears about the euro will also remain virulent for the time being. The Swiss franc, the Japanese yen and the US dollar are set to benefit further from the eurozone crisis, although a significant weakening of the franc and the yen is to be expected towards the end of the year. Moderate growth and continuing record low inflation rates in the industrialised nations, coupled with the adherence of the central banks in western countries to their zero interest rate policies, mitigate against high interest rates and give little reason to forecast negative trends on the equity markets. However, tactical mood indicators and anticipated economic trends nonetheless mean that a few significant setbacks are likely on equity markets in 2011. Against this backdrop, following a muted first half of the year, the markets of the emerging economies should perform much better than stocks from industrialised countries. The general economic climate also appears positive for commodities: attractive markets include copper, nickel, platinum and gold.

Growing base for the core business: Private Banking

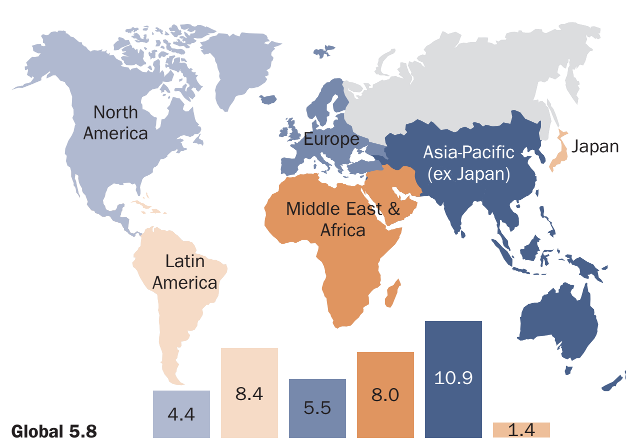
Despite the weakness of the global economy, the HNWIs (high net worth individuals, or people with net financial assets of more than USD 1 million) did well. In 2009 there were 10 million HNWIs worldwide and their financial assets rose by 19% to USD 39 trillion. The assets of ultra-HNWIs (people with net financial assets of more than USD 30 million) increased by 22% in 2009 according to the 14th annual World Wealth Report published by Merrill Lynch Global Wealth Management and Capgemini. While global growth in the number of HNWIs was generally strongest in developing countries, the concentration of HNWIs and their assets remained strongest in the USA, Japan and Germany. These countries accounted for 54% of the world's HNWIs in 2009. In Switzerland, wealthy private individuals again recorded corresponding growth in their assets. In terms of absolute figures, Switzerland is home to around 220,000 people with capital assets of more than USD 1 million. Switzerland ranks 8th in a list of 12 countries with the most millionaires. Measured in terms of the density of millionaires per square kilometre, Switzerland is in first place with 5.4, followed by Japan (4.4), Germany (2.4) and the UK (1.8).

The HNWI population in the Asia-Pacific region rose to 3 million in 2009, equalling the figure for Europe. Assets in the Asia-Pacific region grew by 31% to USD 9.7 trillion and growth in the region was led by Hong Kong and India. The World Wealth Report assumes that in future China and India will continue to grow more rapidly than the more developed economies both in terms of economic growth and HNWI growth, and are likely to record the world's strongest levels of HNWI growth.

Money flows into markets with dynamic growth

The geographical distribution of HNWI assets also shifted as HNWIs generally strive for higher yields and stronger geographical diversification of their portfolios. This will be reflected in a growth in HNWI investments in emerging market countries as investments flow into regions and markets that will record the strongest growth levels over the coming years. While HNWIs from the mature economic regions of North America and Europe will further increase their level of investment in the Asia-Pacific region in search of higher yields, Europe's HNWIs may well

Fig. 8: Outlook for HNWI global asset growth by region
(in percent)



Forecast annual average growth 2009–2014. Source: Boston Consulting Group: Global Wealth Report 2010 increase their investments in North America in order to lend stability to their portfolios.

Real estate attractive again for HNWIs

HNWI investors preferred predictable yields and cashflows over the year, borne out by the rise in investments in fixed-interest instruments from 29 to 31%. The 2010 World Wealth Report further showed that equity quotas increased from 25 to 29% with the recovery of the global equity markets, while free cash levels decreased slightly. The most conservative behaviour by HNWIs was seen among those from Latin America and Japan, where total portfolios consisted of 52% cash/bank balances or fixed-interest securities, despite rising share prices.

Investments in residential property became more attractive again in 2009 as the HNWIs displayed a preference for tangible assets and, in the light of the collapse of property prices, went on a bargain hunt. In the case of real estate assets, the proportion of residential property increased from 45 to 48% as a result of the price recovery in most parts of the world. Meanwhile, investments in commercial property declined from 28 to 27%, as the sector recorded falling rents and weaker demand with simultaneously greater supply.

Tighter regulation in evidence

Since the financial crisis, the increased uncertainty on the financial markets has made itself felt around the world in the regulatory climate. At the same time pressure continues to mount on Switzerland and other supposed tax havens. 2010 was no exception. The adoption of Article 26 of the OECD's Model Convention within the double taxation agreements announced by the Swiss Federal Council in 2009 was followed up in 2010 by the signing of a joint declaration on the assumption of negotiations in the field of taxation between Switzerland and Germany and Switzerland and the UK. On the basis of the new double taxation agreements, Switzerland will in future provide information to foreign authorities in individual cases in response to concrete and substantiated requests. On the basis of exploratory talks, the governments of Switzerland and Germany respectively the governments of Switzerland and the UK have agreed to begin negotiations in the taxation field with regard to the introduction of a flat rate withholding tax in early 2011, and to clarify any relevant matters of detail.

Another new and draconian tax law was passed in March 2010 by the USA. The Foreign Account Tax Compliance Act (FATCA) requires overseas financial institutions to provide detailed information on US account holders or a withholding tax of 30% will be applied to the proceeds from American financial products. This means that Bank Sarasin would also have to create appropriate reporting mechanisms by the time the measures come into force in 2013. Having considered the various regulatory and tax-related risks, Bank Sarasin in Switzerland has taken the general decision to no longer make direct investments in the USA itself or on the basis of a client mandate. There are sufficient indirect investment alternatives in existence to allow for corresponding investments in US securities.

Swiss wealth management highly regarded

The European Private Banking Survey 2010 from McKinsey & Company concludes that the gap between successful and unsuccessful banks has widened, with the net inflow of client assets tending towards zero. This is also because wealthy private clients are moving their money to offshore banking centres. This trend was not apparent at Bank Sarasin, however, thanks to the very high net new money inflows the Group has attracted in recent years and the dynamic growth of its cross-border business in Switzerland (see page 18). According to McKinsey & Company profits are suffering from increased competition and a sharp reduction in client activity in securities trading. Despite overall growth of 11% in managed assets, Switzerland as a financial centre saw an outflow of investor capital for the first time in 2009, of about 1%. Even so, Swiss wealth management remains highly regarded around the world, as stable cash inflows from investors from Asia, Latin America, Eastern Europe and the Middle East testify. In general, the crisis seems to have triggered a re-think on the part of many clients. It appears that they are beginning to value good advice and sound asset management once again.

Further information on the market climate in the field of sustainable investments can be found in the Sustainability chapter on page 49.

In general terms, the provision of cross-border financial services which is so important and key to Swiss private banks' operations has become ever more challenging. According to the Swiss Financial Market Supervisory Authority (FINMA), in the light of these trends it is essential that the institutions which it supervises subject their cross-border financial services provision to a rigorous analysis with regard to the applicable legal framework and the associated risks. Thus FINMA has stated in a position paper released at the end of October 2010 that the violation of overseas regulations may be relevant under Swiss regulatory law. FINMA expects institutions to ensure that their business activities are beyond reproach and to ensure their adherence to organisational provisions under regulatory law, according to which all risks must be appropriately recorded, limited and monitored. Bank Sarasin showed foresight in embarking along this road as early as 2009, implementing a new organisational and leadership structure which took greater account of the client's origin – and not the location of the client advisor. Furthermore, Bank Sarasin has always set itself the goal of informing clients in a transparent manner and providing them with professional advice, including a clear explanation of risks. For this reason, Bank Sarasin was in 2010 one of the first banks to introduce the corresponding principles enshrined in the European Union's Markets in Financial Instruments Directive (MiFID) for business, even in Switzerland.

When it comes to future regulations, one obvious consequence of the recent banking and financial crisis is the Basel III rules. Here the definition of core capital is being tightened up on the one hand, while on the other the amount of capital required for banks is being increased. The Basel III rules introduce new requirements for liquidity coverage and refinancing, a new definition of the leverage ratio and stricter rules governing core capital and the risk weighting of assets. For Bank Sarasin, the additional consequences for core capital requirements will be minimal. By contrast, the new liquidity and refinancing criteria will have significant implications for the bank, since certain liquid assets will no longer be eligible and reallocations will have to be made in the midterm. Sarasin is not affected by the "too big to fail" rules, as they only concern systemically important financial institutions in Switzerland.

Strategy still on course

As a private bank, Sarasin wants to be the first port of call for tailor-made investment solutions and personalised product advice. Its clients' individual requirements are therefore the focus of the Bank's efforts. Sarasin adapts its range of solutions to the very diverse requirements that apply in different regions. At the same time the Group is committed to sustainability – not just as a corporate philosophy but also as part of its product solutions.

The growth strategy embarked upon in 2006 is aimed at clearly positioning Sarasin as an internationally active Swiss private bank and is built on the following three cornerstones:

1. Positioning as a private bank
2. Profiling as a provider focused on the client
3. Clear geographic focal points in target markets

In pursuit of its positioning as a private bank and focus on the client, Bank Sarasin has expanded its service offering for wealthy private clients and offers comprehensive investment advice and solutions for unbankable assets such as real estate, shares in private companies, intellectual property or lifestyle assets. In March 2010 the existing Hong Kong subsidiary Sarasin Rabo Investment Management Ltd was upgraded to a branch trading under the name Bank Sarasin & Co. Ltd Hong Kong Branch; in a similar vein, the plan is to upgrade the Singapore subsidiary to a branch during the course of 2011. Other regional highlights included the subsidiary Sarasin-Alpen (Bahrain) B.S.C. (c) receiving a licence to advise wealthy clients in Bahrain and the opening of a new representative office of Bank Sarasin-Alpen (ME) Limited, Dubai, in Abu Dhabi. In July 2010 the decision was taken to wind up the Spanish subsidiary Sarasin Alén Agencia de Valores S.A., a joint venture with Alén Gestión Patrimonial, given the difficult situation in the Spanish market and the disappointing performance up till then.

Bank Sarasin is aiming for profitable growth in the midterm and has set itself the following targets for 2015: to increase assets under management to CHF 150 million (performance-adjusted), to significantly improve its gross margin and to cut its cost income ratio substantially. Despite the challenging environment, an important milestone in the growth strategy formulated back in 2006 has already been reached with assets under management exceeding the CHF 100 billion mark at the end of 2010. By contrast, the cost income ratio and gross margin have not been improved as desired. Overall, Sarasin continues to strive for sustainable growth while maintaining a solid capital base.

Bank Sarasin intends to concentrate on both onshore and cross-border business in selected markets in Europe and the growth markets of the Middle East, India and Asia, whilst ensuring compliance with all regulatory conditions and requirements applicable in specific local markets. The Sarasin Group already has a very broadly diversified business in geographical terms. At the same time Sarasin benefits from the fact that it only has a negligible amount of undeclared client assets. The Group therefore only anticipates marginal outflows of client assets and subsequently less pressure on the gross margin. No matter what happens on the regulatory front, our goal is to be rid of any undeclared client assets by the end of 2012.

Details on the Bank's strategic direction and its financial goals for the fiscal year 2011 can be found in the Foreword on page 8 onwards.

Review of business performance

2010 AuM growth target of CHF 100 billion comfortably exceeded

The mid-term growth target set in 2006 when formulating the Sarasin Group's growth strategy for increasing assets under management to CHF 100 billion was not only achieved over the past financial year but comfortably exceeded, with AuM standing at CHF 103.4 billion on 31 December 2010. This outperformance was mainly down to a consistently strong acquisition performance and a positive market performance of CHF 4.7 billion (2009: CHF 11.5 billion). Detrimental factors included the strong Swiss franc, producing negative currency translation effects of CHF 7.7 billion, and the divestment of CHF 0.7 billion on the sale of the Lugano subsidiary Sarasin Colombo Gestioni Patrimoniali SA back to the founding Colombo family. In passing the CHF 100 billion mark, the assets managed by Sarasin Group climbed to a new record in the Bank's history.

Net new money growth of 14%

Net new money inflows of CHF 13.4 billion surpassed the outstanding result of the previous year (CHF 12.5 billion). This equates to net new money growth of 14%, which is well above the defined acquisition target of 10% or CHF 9.4 billion. After a strong acquisition performance of CHF 6.4 billion in the first half of 2010, this was improved upon in the second half, with growth reaching CHF 7.0 billion. The gradual expansion of the Bank's teams of client relationship managers (CRMs) that has been ongoing since 2006 has continued to bear fruit in the past financial year. Sarasin's positioning as a sustainable Swiss private bank catering for individual solutions is winning recognition in the marketplace. The continuous expansion of the group's international presence in growth markets and in a number of more mature European target markets is also paying off.

Fig. 9: Development of assets under management
(billion CHF)

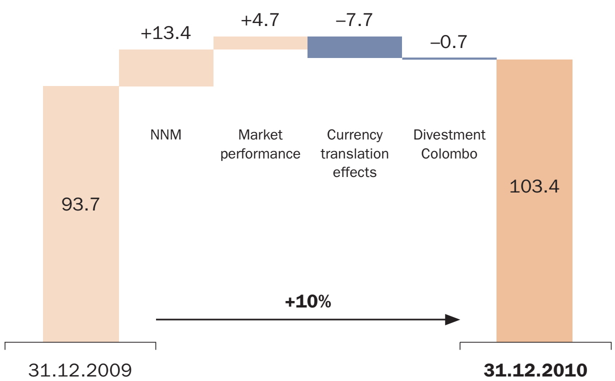
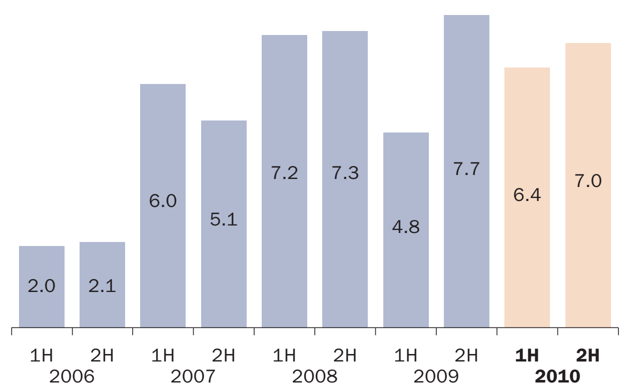


Fig. 10: Net new money growth over half-year periods
(billion CHF)



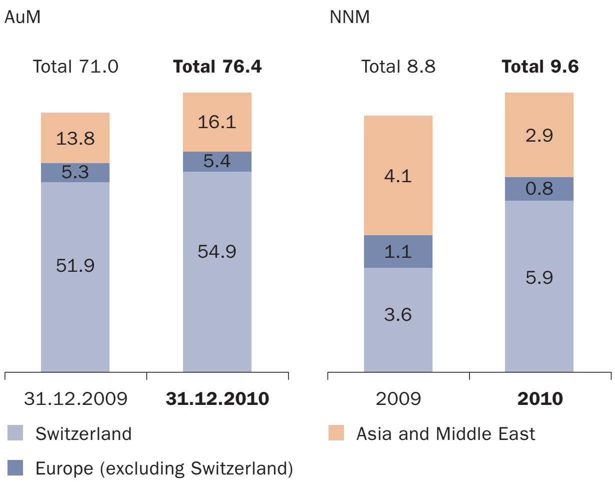
Strong growth in private client business at Swiss locations

In absolute terms, the advisors in Bank Sarasin's Swiss locations manage the largest percentage of assets in the private client business, to the tune of CHF 54.9 billion. Client assets therefore finished 6% above their level on 31 December 2009 (CHF 51.9 billion). Our locations in Asia and the Middle East also managed to grow their business base by 17% to CHF 16.1 billion. In Sarasin's European locations, assets under management rose a modest 2% to CHF 5.4 billion.

During the past financial year Sarasin's Swiss locations reported the strongest rate of growth in the private client business. Their new money inflows of CHF 5.9 billion represented a further increase of 64% on the previous year, which was already outstanding. In Asia and the Middle East, net new money growth for private clients amounted

Fig. 11: Private clients business at the Sarasin Group's different locations

(billion CHF)

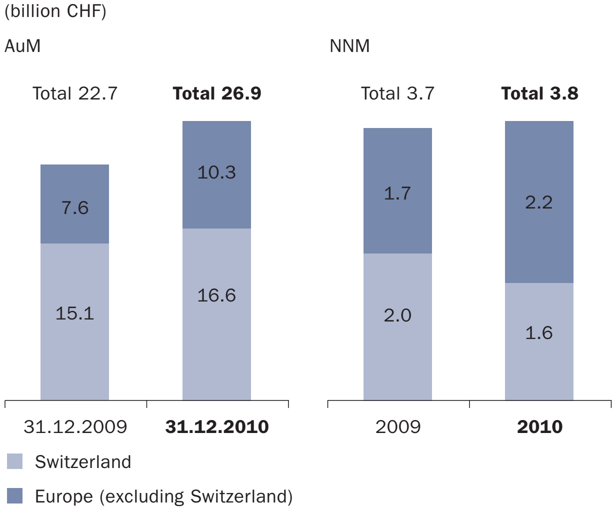


to CHF 2.9 billion, about a third lower than the previous year. In Sarasin's European locations, net new money growth in 2010 came to CHF 0.8 billion, which was also slightly off last year's level.

Bank Sarasin operates its institutional client business from its locations in Switzerland and in Europe (Frankfurt, London and Munich). The volume of assets managed for institutional clients on 31 December 2010 was CHF 26.9 billion, an increase of 18% on the previous year. In Switzerland, assets under management rose by 10%

Fig. 12: Institutional clients business at the Sarasin Group's different locations

(billion CHF)

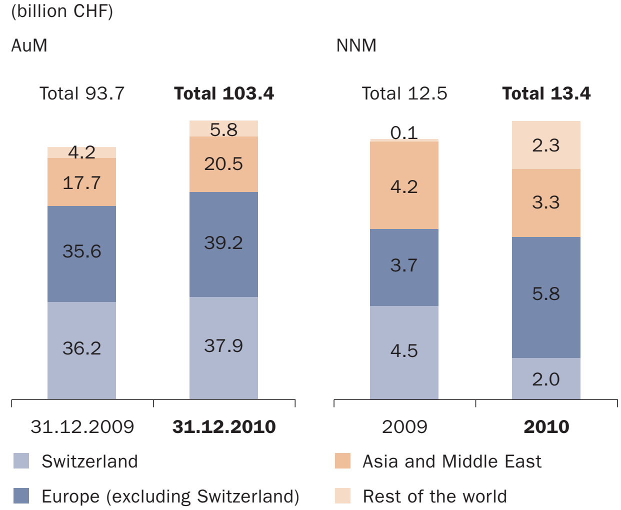


to CHF 16.6 billion. Despite significant negative currency translation effects, assets under management in Sarasin's European locations grew by 35% to CHF 10.3 billion. In the European locations, net new money growth accelerated by 36% to CHF 2.2 billion, driven especially by very strong demand for thematic investment mandates in our London office in 2010. Locations in Switzerland succeeded in acquiring institutional assets worth CHF 1.6 billion.

A breakdown of clients by domicile during the reporting period confirms the growing importance of Sarasin's international business. In absolute terms, clients domiciled in European countries (excluding Switzerland) now represent the most important market for the Sarasin Group, with assets worth CHF 39.2 billion (+10%). Business with Swiss clients follows close behind with assets under management of CHF 37.9 billion (+4%). Clients in the high-growth regions of Asia and the Middle East now have total assets of CHF 20.5 billion (+16%) under management with the Bank. European clients also produced the highest rate of net money growth in 2010, reaching CHF 5.8 billion. New money inflows from clients in Asia and the Middle East were also very impressive at CHF 3.3 billion. New inflows from Swiss clients were

Fig. 13: Assets under management and net new money growth by client domicile[1]

(billion CHF)



[1] Trusts and foundations are now also arranged by the domicile of the beneficial owner. The values reported here for the financial year 2009 have been adjusted accordingly.

Fig. 14: Development of client segments by asset size

(billion CHF)

	31.12.2010	31.12.2009
< CHF 1 million	**9.2**	10.4
CHF 1 million to CHF 5 million	**13.4**	13.2
CHF 5 million to CHF 10 million	**8.6**	7.8
> CHF 10 million	**72.2**	62.3
Total	**103.4**	**93.7**

much lower than last year at CHF 2.0 billion, while the Sarasin Group gained CHF 2.3 billion from clients whose domicile is classed as “Rest of the World”.
An analysis of segments by asset size shows the strongest growth coming once again from clients with assets of more than CHF 10 million. This trend reflects the financial strength of large institutional investors and the growing level of holdings of ultra HNWIs. The mid-sized segments (CHF 1 to 5 million and CHF 5 to 10 million) are also enjoying steady growth. This confirms that the Sarasin Group is extremely well positioned when it comes to serving very wealthy private clients.

Higher equity quota in portfolios

Growing uncertainty during the first half of the year resulted in equities being temporarily scaled back in that period to 34.8% on 30 June 2010 but by the end of the year, the quota had bounced back to 35.9%. With bonds offering not particularly attractive yields, holdings of direct investments were run down. By contrast, the exposure to investment funds in client portfolios was significantly increased while liquid assets and fiduciary investments were further reduced. The level of client funds with an asset management mandate (including in-house funds)

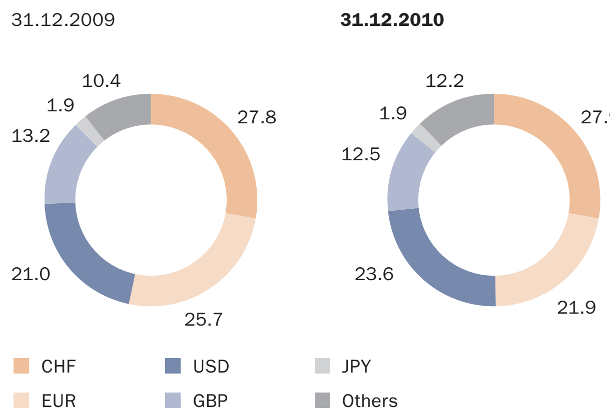
Fig. 15: Assets under management: breakdown by investment category

(in percent)

	31.12.2010	31.12.2009
Equities	**35.9**	36.5
Bonds	**19.3**	20.5
Investment funds (Sarasin and third-party funds)	**23.8**	20.2
Others	**4.9**	3.8
Cash and cash equivalents, fiduciary investments	**16.1**	19.0

Fig. 16: Assets under management: breakdown by currency

(in percent)



as a percentage of total AuM was much higher than the previous year (2009: 41.5%) and finished at the same level as at year-end 2008, at 43.4%.

The Swiss franc appreciated considerably against the euro towards the end of 2010, which prompted a corresponding shift in client portfolios. Despite continuing to lose value, the quota of client assets denominated in US dollars increased, while the proportion of assets denominated in sterling dipped slightly. The quota held in Japanese Yen remained unchanged.

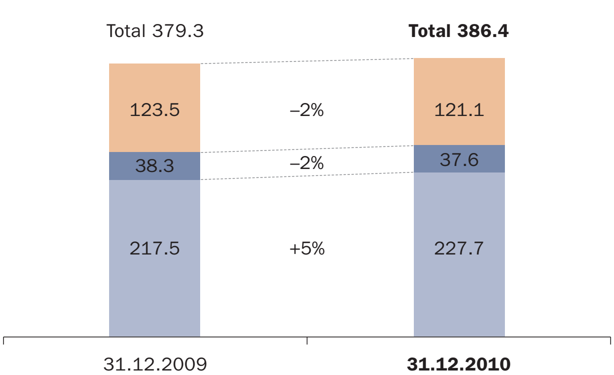
Performance-oriented HR policy

During the last financial year, the Bank’s pursuit of its growth strategy led to a 5% increase in headcount as new people were recruited to develop our mid-office and back-office operations. By contrast, there was only a small net increase in the number of CRMs: only eight new advisors (including assistants) were added, and this in turn slightly reduced the number of client advisors as a percentage of the total workforce to 26%. The planned recruitment of around 50 CRMs (gross figure) and the consistently applied performance-oriented HR policy achieved the desired further improvement in the quality of our CRM team. Professionalism, quality and an awareness of the needs of an expanding international clientele are the hallmarks of our client advisors and are vital for our consistently impressive performance in acquiring new business.

As there was only a small increase in the number of client advisors in 2010 from 426 to 434, there were also only minimal variations at the different locations of the Sarasin Group. In the private client business, most of the CRMs, of which there are 228, work in the Bank's locations in Switzerland; 121 CRMs work at locations in Asia and the Middle East; 38 CRMs at our European locations. This trend can be explained by the investment and expansion activities that Bank Sarasin has been pursuing at its international locations in recent years. When averaged out across the entire Sarasin Group, the amount of assets managed by each advisor in the private client business now comes to CHF 199.6 million, an increase of 5% on last year's figure of CHF 189.2 million. The average acquisition performance for each CRM in the private client business came to CHF 25.0 million, compared with CHF 23.4 million in the previous year.

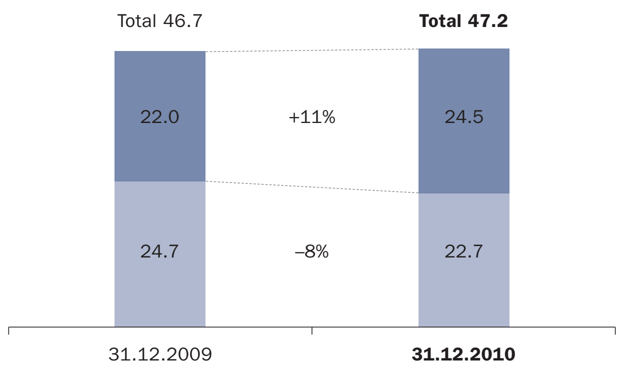
Sarasin operates its institutional client business from its locations in Switzerland, Germany and the United Kingdom. The total number of CRMs reached 47 in 2010, the same as in the previous year, but there was a shift away from the Swiss locations and towards those in Germany and the UK. The average assets under management per advisor in the institutional client business amounts to CHF 574.1 million, an increase of 16% (31.12.2009: CHF 493.9 million). The average acquisition performance for each advisor in the institutional client business came to CHF 81.6 million, a slight improvement on last year's figure (2009: CHF 80.3 million).

Fig. 17: Private clients business: Number of CRMs[1] at Sarasin Group locations
(full-time equivalents)



Switzerland
Asia and Middle East
Europe (excluding Switzerland)

Fig. 18: Institutional clients business: Number of CRMs[1] at Sarasin Group locations
(full-time equivalents)



Switzerland
Europe (excluding Switzerland)

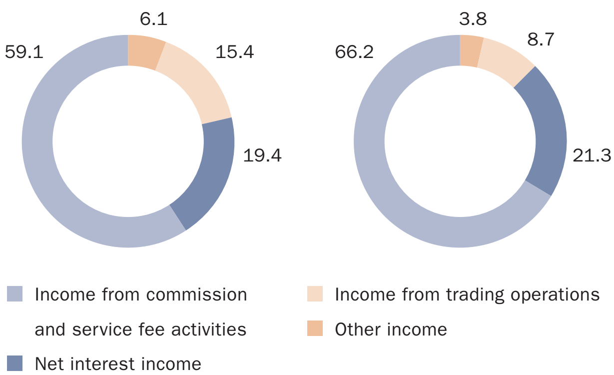
[1] Including assistants.

Earnings quality significantly improved in the core business

During the financial year 2010 Bank Sarasin's operating income rose 2% to CHF 690.6 million (2009: CHF 673.9 million). Earnings growth was fuelled by a sharp increase in net interest income of 12% to CHF 146.9 million and a 15% rise in income from commission and service fee activities to CHF 457.5 million. This encouraging improvement in the quality of earnings in the Bank's core business was offset by a 42% decline in income from trading operations to CHF 59.8 million and a 36% drop in other ordinary income to CHF 26.3 million. The decline in income from trading operations occurred mainly in the Treasury business in the first half of 2010 as a result of hedging transactions against rising interest rates and because of negative currency translation effects. These effects were much weaker during the second half of 2010. Ordinary trading activities on behalf of clients or at the Bank's own risk, along with income from trading in structured products, remained stable over the entire year and stayed around the level of 2009. Other income fell 36% to CHF 26.3 million due to lower returns on the Bank's own financial investments.

Fig. 19: Breakdown of operating income

(in percent)



Moderate rise in costs due to selective investments

Bank Sarasin's operating expenses during the reporting period showed a moderate rise of 4% to CHF 505.2 million (2009: CHF 486.8 million). Personnel costs also showed only a modest rise of 3% to reach CHF 368.4 million in 2010, mirroring the increase in the average headcount of 3%. This meant there was no change in the average personnel expenses per employee, which remained at CHF 232,200.

An increase in international marketing activities, combined with investment in new locations and the further development of systems and processes, pushed up general administrative expenses by 7% to CHF 136.8 million. Two new locations were added to the Sarasin network in the Middle East during the second half of 2010: Bahrain and Abu Dhabi. At the end of January 2011, following several months of intensive project work, the Avaloq banking system went live at Sarasin's two Asian locations in Hong Kong and Singapore. The average general administrative expenses per employee rose by 4% to CHF 86,200.

Depreciation and write-offs decreased by 7% to CHF 30.8 million, mainly because of a 20% drop in the amortisation of intangible assets to CHF 12.7 million following the sale of the subsidiary Sarasin Colombo Gestioni Patrimoniali SA. The figure for value adjustments, provisions and losses increased to CHF 11.3 million (2009 adjusted: CHF 7.5 million) mainly because of a loss event at bank zweiplus to the tune of CHF 8.0 million. The cost income ratio edged up a little to 77.6%.

Fig. 20: Headcount

(full-time equivalents)

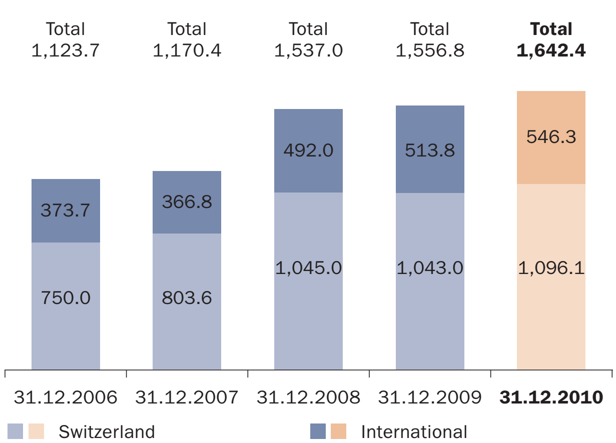


Fig. 21: CRM team as a proportion of total workforce

(in percent)

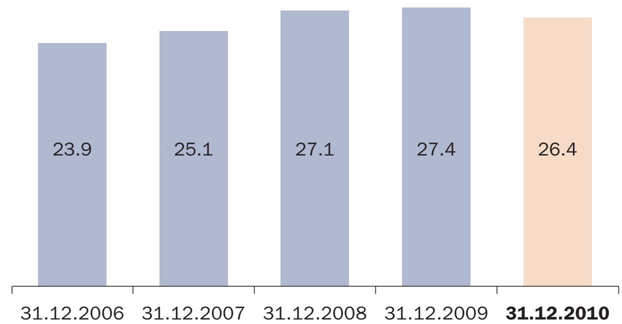
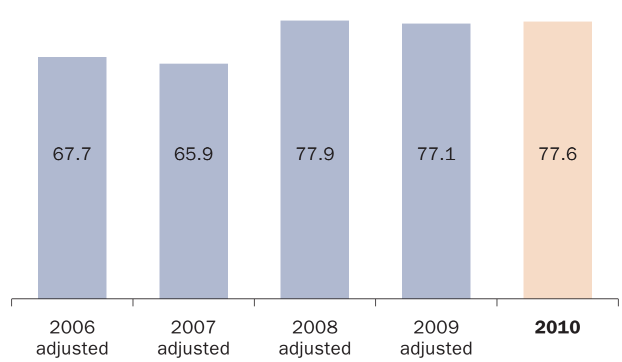


Fig. 22: Cost income ratio[1]

(in percent)



[1] Operating expenses including depreciation and amortisation divided by operating profit.

Growth creates positive momentum in the core business of Private Banking

Thanks to a steep volume-driven increase in revenues in all regions, the Private Banking segment trebled last year's result to CHF 94.5 million. The Asset Management, Products & Sales segment also posted a sharp rise of 20% attaining CHF 60.0 million. The Trading & Family Offices segment suffered from the decline in income from proprietary trading and the treasury business with the result dropping by 31% to CHF 40.0 million. A loss event resulting from fraudulent actions by a distribution partner in Germany resulted in an extraordinary write-down of CHF 8.0 million at bank zweiplus. Although the operating performance was satisfactory, the segment result of bank zweiplus declined to CHF 1.4 million. Hedging transactions against rising interest rates, book losses on financial investments and currency translation effects resulted in a segment loss of CHF 52.6 million in the Corporate Center.

Fig. 23: Result before taxes per segment

(million CHF)

	2010	2009 adjusted
Private Banking	**94.5**	30.2
Asset Management, Products & Sales	**60.0**	49.9
Trading & Family Offices	**40.0**	58.0
bank zweiplus	**1.4**	10.1
Corporate Center	**–52.6**	–1.6
Sarasin Group	**143.2**	**146.6**

More information on the Bank's segments can be found in the Segment Reporting section on page 23 onwards.

Increase in total assets

During the reporting period the total assets held on the Bank's balance sheet rose by 14% from CHF 15.3 billion to CHF 17.5 billion, mainly in connection with amounts due to (or from) clients. On the asset side, the amounts due from customers increased again by CHF 2.1 billion to reach CHF 9.5 billion at the end of 2010. Financial investments also posted an increase by CHF 0.7 billion, while amounts due from banks, along with amounts due for money market papers, trading portfolio assets, and cash were all reduced in an effort to restrict the associated counterparty risks.

On the liabilities side, the level of refinancing with other banks marginally increased by CHF 0.1 billion to CHF 2.6 billion. As the client base continued to grow, amounts due to customers rose by 16% to CHF 11.9 billion. The slight increase in demand for structured products caused a further rise in financial liabilities designated at fair value. The successful placement of Bank Sarasin's first bond denominated in Swiss francs worth a total of CHF 350 million allowed the Bank to improve the diversification of its financing arrangements. Shareholder equity was virtually unchanged at CHF 1.3 billion on 31 December 2010.

Solid capital strength – low risk exposure

The return on equity in 2010 was 9.7%, slightly better than the adjusted figure for last year. Because of the increase on the customer side of the balance sheet, the equity ratio dropped to 7.3% on 31 December 2010 (31.12.2009: 8.4%). The BIS Tier 1 ratio, defined as core capital as a percentage of risk-weighted assets, came to 15.3% at year-end 2010 (31.12.2009: 16.3%), confirming the Bank's solid capital base.

As a Swiss private bank, Sarasin places enormous importance on managing an effective system of risk management. This system is built on the integrity and risk-aware conduct of individual employees at all levels of the company, as well as on clearly defined responsibilities and competencies. Bank Sarasin's underlying reliance on a low-risk business model is a reflection of its commitment towards its customers and shareholders. Overall the Bank's risk profile is still very low despite its rapid pace of expansion. Most notably, the increase in assets under management and the associated rise in trading volumes has not resulted in a higher risk profile. Furthermore, the Bank's trading limits measured by Value at Risk (VaR) have been unchanged since 2007. The lower-than-average VaR exposure for the period 2007 – 2010 has even been consistently 10% below the defined limits.

Details of the Bank's consistently low risk exposure can be found in the Risk Report on page 56 onwards.

Segment reporting

Bank Sarasin is organised into five business segments. The first, **Private Banking,** incorporates the two business units Switzerland & Europe and Middle East & Asia. The second, **Trading & Family Offices,** encompasses two business units: Institutional Advisory & Sales and Trading. The third segment, **Asset Management, Products & Sales,** is also split into two units: Wholesale & Products and Institutional Clients. The fourth segment is **bank zweiplus ltd,** in which Bank Sarasin holds a majority stake of 57.5%; this business is fully consolidated within the Group. The **Corporate Center** is the fifth segment, which handles all the internal support functions for the Sarasin Group. Following its sale in February 2010, Sarasin Colombo Gestioni Patrimoniali SA is no longer allocated to the Private Banking segment but to the Corporate Center.

2010

1,000 CHF	Private Banking	Trading & Family Offices	Asset Management, Products & Sales	bank zweiplus	Corporate Center	**Sarasin Group**
Net interest income	105,952	19,128	347	3,385	18,109	146,921
Results from commission and service fee activities, trading operations and other ordinary results	273,541	67,361	183,560	58,121	–38,933	543,650
Operating income	**379,493**	**86,489**	**183,907**	**61,506**	**–20,824**	**690,571**
Personnel expenses	158,874	27,166	81,782	22,992	77,586	368,400
General administrative expenses	43,742	6,778	20,886	9,177	56,237	136,820
Services from or to other segments	75,303	12,719	20,092	17,286	–125,400	0
Operating expenses	**277,919**	**46,663**	**122,760**	**49,455**	**8,423**	**505,220**
Operating profit	**101,574**	**39,826**	**61,147**	**12,051**	**–29,247**	**185,351**
Depreciation and amortisation	4,524	33	1,364	1,651	23,232	30,804
Value adjustments, provisions and losses	2,588	–208	–201	9,039	114	11,332
Profit before taxes per segment	**94,462**	**40,001**	**59,984**	**1,361**	**–52,593**	**143,215**
Cost income ratio	74.4%	54.0%	67.5%	83.1%	–152.0%	77.6%
Net new money (million CHF)	6,372	756	3,847	–279	2,723	13,419
Acquisitions (million CHF)	0	0	0	0	0	0
Divestments (million CHF)	0	0	0	0	–683	–683
Performance (million CHF)	–2,680	–197	454	–141	–506	–3,070
Transfers (million CHF)	–117	264	–659	–109	621	0
Gross margin on assets under management	0.84%	n/a	0.61%	1.04%	n/a	0.70%
Proportion transaction related revenues	28.7%	72.8%	8.4%	24.2%	148.8%	24.8%

31.12.2010

Assets under management (million CHF)	46,455	9,044	32,051	5,676	10,137	103,363
Assets under management mandate (million CHF)	8,708	116	18,326	1,801	0	28,951
Impaired and non-performing loans (1,000 CHF)	2,295	0	0	9,173	47,787	59,255
Number of employees (full-time equivalents)	637.0	101.1	323.4	143.2	437.7	1,642.4
Whereof client relationship managers (full-time equivalents)	309.1	52.9	51.2	20.4	0.0	433.6

2009 adjusted

1,000 CHF	Private Banking	Trading & Family Offices	Asset Management, Products & Sales	bank zweiplus	Corporate Center	**Sarasin Group**
Net interest income	78,842	29,892	2,330	3,240	16,372	130,676
Results from commission and service fee activities, trading operations and other ordinary results	232,123	67,054	167,092	60,848	16,135	543,252
Operating income	**310,965**	**96,946**	**169,422**	**64,088**	**32,507**	**673,928**
Personnel expenses	161,196	23,219	75,091	21,985	77,350	358,841
General administrative expenses	37,396	5,045	20,080	9,849	55,631	128,001
Services from or to other segments	71,893	9,236	22,151	19,216	–122,496	0
Operating expenses	**270,485**	**37,500**	**117,322**	**51,050**	**10,485**	**486,842**
Operating profit	**40,480**	**59,446**	**52,100**	**13,038**	**22,022**	**187,086**
Depreciation and amortisation	4,514	61	2,156	1,599	24,690	33,020
Value adjustments, provisions and losses	5,737	1,388	37	1,317	–992	7,487
Profit before taxes per segment	**30,229**	**57,997**	**49,907**	**10,122**	**–1,676**	**146,579**
Cost income ratio	88.4%	38.7%	70.5%	82.1%	108.2%	77.1%
Net new money (million CHF)	7,437	1,111	3,848	–343	421	12,474
Acquisitions (million CHF)	0	0	0	0	0	0
Divestments (million CHF)	0	0	0	0	–442	–442
Performance (million CHF)	5,225	991	3,789	727	1,254	11,986
Transfers (million CHF)	–495	374	–523	11	633	0
Gross margin on assets under management	0.86%	n/a	0.69%	1.07%	n/a	0.84%
Proportion transaction related revenues	30.1%	63.6%	13.1%	23.0%	42.0%	30.5%

31.12.2009 adjusted

Assets under management (million CHF)	42,880	8,221	28,409	6,205	7,982	93,697
Assets under management mandate (million CHF)	7,701	35	15,755	1,919	683	26,093
Impaired and non-performing loans (1,000 CHF)	4,444	0	0	573	69,875	74,892
Number of employees (full-time equivalents)	618.5	85.8	295.8	135.3	421.4	1,556.8
Whereof client relationship managers (full-time equivalents)	315.4	37.5	50.7	19.4	3.0	426.0

Private Banking

Growth driven by new locations and expansion of the business base

The momentum of the Private Banking segment's current growth is reflected in the sharp rise in the segment result for the 2010 financial year: Compared with the 2009 result of CHF 30.2 million, the 2010 result trebled to CHF 94.5 million as the dynamic pace of growth achieved in the first half of 2010 continued in the second half of the year. The increase was fuelled mainly by a substantial volume-driven rise in revenues with important contributions from both business units: Switzerland & Europe and Middle East & Asia. Operating income rose by CHF 68.5 million (+22%) to reach CHF 379.5 million (2009: CHF 311.0 million). These results meant that the Private Banking segment's contribution to the Group's profit before taxes jumped to 66% (2009: 21%; 2008: 41%). The key factors behind this success are the anti-cyclical investments made in recent years in geographical diversification and further optimisation of Sarasin's network of locations, as well as the establishment and continuing expansion of a high-performance, quality-oriented team of client advisors. While personnel expenses fell slightly during the reporting period by 1% to CHF 158.9 million, general administrative expenses increased by 17% to CHF 43.7 million. This pushed up operating expenses to CHF 278.0 million (2009: CHF 270.5 million), a fairly moderate overall increase of only 3%.

Optimisation in Switzerland and Germany

Bank Sarasin has a very successful network in Switzerland spread across five locations in the major growth regions: Basel, Berne, Geneva, Lugano and Zurich. During the course of 2011 a new branch in **Lucerne** will be added to this very effective network and Markus Koch will be the manager. In recent years the client advisor teams have been steadily expanded at Sarasin's Swiss locations. During the reporting period the **Berne** location celebrated its first birthday and can look back on a very encouraging debut performance, meeting the ambitious targets set for this business case. In August 2010 Bas Rijke took over as new head of **Geneva.** He has responsibility for the market regions of the Netherlands, Belgium and France. In September Sarasin moved into a new office in Lugano city centre. The Bank has also signed a rental agreement for new office premises in Zurich. The move to a brand-new building in a prestigious site bordering Lake Zurich is scheduled for 2014.

Bank Sarasin has **continued to strengthen its presence in the German market,** following the award of a full banking licence for Germany in 2008 and the opening of a third office in Nuremberg to complement the existing locations in Frankfurt and Munich. In 2010, Bank Sarasin Germany has broken even in just the third year of trading. The Bank continues to follow its stated goal of establishing a clear profile in the private banking market as a provider of sustainable solutions for wealthy German investors. Germany is the second-biggest private banking market for the Sarasin Group after Switzerland.

Excellent quality

In terms of industry awards, Bank Sarasin received the highest grade possible, **"summa cum laude",** for the eighth consecutive year in the **Elite Report 2011.** Bank Sarasin also finished in top place as the **best sustainable wealth manager** in the latest **Fuchs Report** "Wealth management on test – Who is sustainable?".

The **Private Banking** segment is responsible for the acquisition, service and support of customers in the global private client business. Organised along the lines of target markets in specific geographic regions, the business extends to all private clients served by the Bank's Swiss locations in Basel, Berne, Geneva, Lugano and Zurich, as well as by its subsidiaries in Europe (Austria, Germany, Ireland, Poland, the UK and – up to July 2010 – Spain), the Middle East (Abu Dhabi, Bahrain, Dubai, Qatar and Oman) and Asia (Hong Kong, India and Singapore). The business segment is jointly managed by Eric G. Sarasin and Fidelis M. Goetz. On 31 December 2010, Private Banking had a headcount of 637 employees (full-time equivalents).

Sarasin & Partners LLP in London notched up another major success in the **Private Asset Management** (PAM) Awards 2010, winning two prizes in the categories **"Client Service Quality – High Net Worth"** and **"Quality & Clarity of Reporting".** The PAM Awards are well known in the UK as industry accolades for top performance in the field of Private Wealth Management.

Service offering expanded in Asia

The awarding of a banking licence to the Hong Kong office in March 2010 was an important milestone in Sarasin's strategy for future growth. **Hong Kong** has now been upgraded to **Sarasin's first international branch.** There are also plans to upgrade the licence of the Singapore location over the next few months, thereby strengthening regional marketing activities. During the past financial year Sarasin has continued to expand the range of services offered in Asia. Most notably, a new **Wealth Management Solutions** department, based in **Singapore,** was set up to produce bespoke solutions for clients. Michael Coglin was appointed **Chief Investment Officer Asia** in order to lend weight to the Asian marketing activities from his Hong Kong base. In Autumn 2010 investments in the Sarasin brand were also significantly stepped up in Asia: the image campaign for the Sarasin Group was rolled out in Asia and the brand profile in the Asian region benefited further from the sponsoring of the 8th Biennale art exhibition in Shanghai. Around 160 clients and prospects were welcomed by Sarasin at the official opening of the event.

Market presence boosted in the Middle East

Sarasin's market presence in the Middle East was further strengthened during the course of 2010. Bank Sarasin is represented in this region by its subsidiaries trading under the name Sarasin-Alpen. In addition to its subsidiaries in Dubai, Doha and Muscat, a new location in Manama, **Bahrain,** was opened at the end of August. This was followed in October by the opening of a new representative office of Bank Sarasin-Alpen (ME) Limited, Dubai, in **Abu Dhabi.** Encouragement and rewards for the initiatives came in the form of a number of awards won by Bank Sarasin-Alpen (ME) Limited, Dubai. Firstly the prestigious **"Mohammed bin Rashid Al Maktoum Business Award 2010"** in the "Finance" category and secondly Sarasin-Alpen was also named the **"Best Private Bank in the Middle East 2010"** for the third time by the Banker Middle East Industry Awards 2010. The Global Fusion series of concerts that Sarasin-Alpen has sponsored since 2005 enabled it to win the title of **"Mohammed bin Rashid Al Maktoum Patrons of the Arts".**

During the reporting period the Group's offering in **Islamic Wealth Management** was further extended such as with the arrangement of a Murabaha financing instrument worth USD 120 million by Bank Sarasin-Alpen (ME) Limited, Dubai. In line with such innovation, Bank Sarasin & Co. Ltd published its first Islamic Wealth Management Report in March 2010. This new publication, which is one of a kind, provides investors with in-depth knowledge about the various asset classes in the field of Islamic Wealth Management and gives an overview of the market trends over the past 18 months. The second, updated report will be published in the second quarter 2011.

During the reporting period, Sarasin pushed ahead with the relevant preparatory and development work in **India,** where it has set up a new subsidiary under the name of Sarasin Alpen (India) Private Limited with two offices in New Delhi and Mumbai. The new company provides financial advisory services for wealthy private clients in India and distributes selected third-party premium products, including investment funds. Shiv Khazanchi was appointed Managing Director in mid-June 2010, and is based in New Delhi.

Sale of Colombo Gestioni Patrimoniali SA and withdrawal from the Spanish market

As part of its continuing review of business cases, Bank Sarasin decided during the reporting period to sell back its **Lugano** subsidiary Sarasin Colombo Gestioni Patrimoniali SA to the founding family. This decision was taken in the light of developments in Italy's market and the regulatory environment. However, both parties will maintain their mutual business links in the years ahead.

Given the disappointing business performance and the deep economic crisis that has gripped the Spanish market, Bank Sarasin has reviewed the economic viability and development opportunities of its joint venture in **Spain,** Sarasin Alén Agencia de Valores SA, and found it to be deficient. Based on this judgement, the decision was taken to wind up the joint venture and close down the Spanish locations.

EU's MiFID directive introduced

In 2010 Sarasin introduced the EU directive MiFID (Markets in Financial Instruments Directive) in Switzerland. The introduction of MiFID helps to improve advisory standards and **transparency** as well as providing **better protection for private clients** by taking into consideration the risk tolerance and risk appetite of individual customers. For a growing number of countries bordering Switzerland, MiFID is a prerequisite for cross-border business. In some countries it is already compulsory. Bank Sarasin's decision to adopt MiFID standards should therefore be seen as a step towards European Best Practice standards.

Business flourishes at Swiss locations

Overall the Private Banking segment acquired new assets worth CHF 6.4 billion in 2010. With net new money inflows of CHF 3.5 billion, the locations in Switzerland and the rest of Europe not only maintained their solid performance but actually improved by 4% compared with the previous year. The client advisor teams at the locations in Asia and the Middle East generated net new money growth of CHF 2.9 billion, which was not quite at the levels of the previous year but is still nonetheless a good performance. Bank Sarasin remains optimistic about the attractiveness of these markets and the capabilities of its local teams of client advisors and will push ahead in pursuit of its growth targets in these regions.

As far as the valuation of clients' assets under management is concerned, the strong appreciation of the Swiss franc against other currencies has left its mark. Despite this negative impact, assets under management in Private Banking rose by 8% from the end of 2009 to reach CHF 46.5 billion. The gross margin was two basis points lower than the previous year at 84 bp. The cost income ratio fell from 88.4% (2009) to 74.4% (2010), confirming the growing profitability of the Bank's core business Private Banking.

Private Banking (Total)

1,000 CHF	**2010**	2009 adjusted	Change to 2009 CHF	Change to 2009 %
Net interest income	**105,952**	78,842	27,110	34.4
Results from commission and service fee activities, trading operations and other ordinary results	**273,541**	232,123	41,418	17.8
Operating income	**379,493**	**310,965**	**68,528**	**22.0**
Personnel expenses	**158,874**	161,196	–2,322	–1.4
General administrative expenses	**43,742**	37,396	6,346	17.0
Services from or to other segments	**75,303**	71,893	3,410	4.7
Operating expenses	**277,919**	**270,485**	**7,435**	**2.7**
Operating profit	**101,574**	**40,480**	**61,094**	**150.9**
Depreciation and amortisation	**4,524**	4,514	10	0.2
Value adjustments, provisions and losses	**2,588**	5,737	–3,149	–54.9
Profit before taxes per segment	**94,462**	**30,229**	**64,233**	**212.5**
Cost income ratio	**74.4%**	88.4%		
Net new money (million CHF)	**6,372**	7,437		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–2,680**	5,225		
Transfers (million CHF)	**–117**	–495		
Gross margin on assets under management	**0.84%**	0.86%		
Proportion transaction related revenues	**28.7%**	30.1%		

	31.12.2010	31.12.2009 adjusted	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets under management (million CHF)	**46,455**	42,880	3,575	8.3
Assets under management mandate (million CHF)	**8,708**	7,701	1,007	13.1
Impaired and non-performing loans (1,000 CHF)	**2,295**	4,444	–2,149	–48.4
Number of employees (full-time equivalents)	**637.0**	618.5	18.5	3.0
Whereof client relationship managers (full-time equivalents)	**309.1**	315.4	–6.3	–2.0

Whereof business unit Switzerland & Europe

1,000 CHF	**2010**	2009 adjusted	Change to 2009 CHF	Change to 2009 %
Operating income	**253,430**	**211,986**	**41,444**	**19.6**
Operating expenses	**179,796**	**183,525**	**–3,729**	**–2.0**
Operating profit	**73,634**	**28,461**	**45,173**	**158.7**
Depreciation and amortisation	**1,032**	1,177	–145	–12.3
Value adjustments, provisions and losses	**1,768**	3,613	–1,845	–51.1
Profit before taxes per segment	**70,834**	**23,671**	**47,163**	**199.2**
Cost income ratio	**71.4%**	87.1%		
Net new money (million CHF)	**3,474**	3,358		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–2,045**	3,215		
Transfers (million CHF)	**–150**	–387		
Gross margin on assets under management	**0.85%**	0.82%		
Proportion transaction related revenues	**23.8%**	25.4%		

	31.12.2010	31.12.2009 adjusted	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets under management (million CHF)	**30,401**	29,122	1,279	4.4
Assets under management mandate (million CHF)	**8,683**	7,679	1,004	13.1
Impaired and non-performing loans (1,000 CHF)	**645**	1,484	–839	–56.5
Number of employees (full-time equivalents)	**342.4**	335.5	6.9	2.1
Whereof client relationship managers (full-time equivalents)	**188.0**	191.9	–3.9	–2.0

Whereof business unit Middle East & Asia

1,000 CHF	2010	2009 adjusted	Change to 2009 CHF	Change to 2009 %
Operating income	**126,063**	**98,979**	**27,084**	**27.4**
Operating expenses	**98,123**	**86,960**	**11,163**	**12.8**
Operating profit	**27,940**	**12,019**	**15,921**	**132.5**
Depreciation and amortisation	**3,492**	3,337	155	4.6
Value adjustments, provisions and losses	**820**	2,124	–1,304	–61.4
Profit before taxes per segment	**23,628**	**6,558**	**17,070**	**260.3**
Cost income ratio	**80.6%**	91.2%		
Net new money (million CHF)	**2,898**	4,079		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–635**	2,010		
Transfers (million CHF)	**33**	–108		
Gross margin on assets under management	**0.83%**	0.94%		
Proportion transaction related revenues	**38.7%**	40.0%		

	31.12.2010	31.12.2009 adjusted	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets under management (million CHF)	**16,054**	13,758	2,296	16.7
Assets under management mandate (million CHF)	**25**	22	3	13.6
Impaired and non-performing loans (1,000 CHF)	**1,650**	2,960	–1,310	–44.3
Number of employees (full-time equivalents)	**294.6**	283.0	11.6	4.1
Whereof client relationship managers (full-time equivalents)	**121.1**	123.5	–2.4	–1.9

Trading & Family Offices

Lower trading income undermines overall result
During the 2010 financial year, Trading & Family Offices recorded a 31% drop in its segment result to CHF 40.0 million (2009: CHF 58.0 million). This decline was mainly down to lower income from trading operations and treasury which affected the performance of the Trading unit. Operating income declined by 11% to CHF 86.5 million overall. However, the weaker result was also attributable to costs: operating expenses rose 24% to CHF 46.7 million (2009: CHF 37.5 million). General administrative expenses rose by 34% to CHF 6.8 million due to the cost of ongoing projects. But personnel expenses were also 17% higher, reaching CHF 27.2 million in 2010. This increase reflects the recruitment of 15 advisors to the CRM team in the Institutional Advisory & Sales unit over the course of the year. As a result of these impacts, gross profit was also 33% lower, at CHF 39.8 million.

Successful business with external asset managers
The **Institutional Advisory & Sales** business unit, which incorporates business with external asset managers, Private Label Funds and also Active Advisory services, is still doing well. **International expansion,** especially in Germany, is producing positive results. One of the key focuses in implementing the group strategy is to continue to **penetrate highly regulated markets** such as the UK, the Netherlands and the Middle East. 2010 was another strong year for Private Label Fund Solutions, with further expansion of Sarasin's collaboration with the most successful asset managers in Switzerland.

At the end of December 2010 the Institutional Advisory & Sales business unit managed client assets totalling CHF 9.0 billion, an increase of 11%. As a result, the business unit increased its income by 9% to CHF 50.4 million. Operating expenses rose 25% to CHF 34.2 million largely due to the strengthening of the front office organisation and the associated increase in personnel expenses. With net new money growth of CHF 0.8 billion (–32%), the acquisition performance of the Institutional Advisory & Sales business unit was lower than the previous year. The gross margin declined from 68 to 58 basis points, mainly due to the transfer of credit clients to the Private Banking segment. The cost income ratio of this business unit is still impressively low at 67.9%.

Hedging transactions reduce Trading income
In a challenging market environment dominated by the solvency problems of a number of European countries and the weakness of the Euro, income in the **Trading unit** fell by 29% to CHF 36.1 million. While client order volumes remained virtually constant, the **hedging transactions** undertaken by the Bank against rising interest rates in the first half of the year had a damaging effect on revenues and undermined the full-year result. **Foreign currency effects** also had a negative impact on the result. Operating expenses rose 24% to CHF 12.4 million. The trading facility in precious metals which began in 2009 attracted a lot of interest from clients and is showing positive development. The **client trading service** was **expanded** further during the first half of the year and at the same time trading with Asia was harmonised, marketing efforts were stepped up in the forex business and availability extended to 21 hours a day. The service offering was also augmented in the area of interest-bearing products and solutions.

Global approach in Group Treasury
To ensure that investment opportunities and refinancing requirements within the Group are covered by optimal allocation of liquidity and refinancing resources, cash and liquidity management have now been fully integrated into Group Treasury. With this **proactive and global approach,** Group Treasury now more than satisfies the Group's growing capital requirements. These initiatives were also supported by the creation of fiduciary investments by Bank Sarasin Hong Kong and Bank Sarasin Singapore to a total amount of CHF 1 billion. Treasury was also heavily involved in the **issue of Sarasin's CHF 350 million bond.** Together with the Risk Office, Group Treasury has made significant progress in the early detection of financial mar-

The **Trading & Family Offices** segment handles the provision of advice to family offices and external asset managers at all Sarasin Group locations. It also looks after all securities transactions on behalf of the Group's clients and monitors Sarasin's liquidity and proprietary trading. The Trading & Family Offices segment is managed by Peter Wild and on 31 December 2010 had a headcount of 101 employees (full-time equivalents).

ket problems and immediate countermeasures. Higher internal cash reserves and more robust refinancing strategies have been established within the Group. Combined with proactive liquidity management, these measures allow the Sarasin Group to navigate safely through even the most turbulent waters.

Family Offices: Tapping into the potential at Sarasin's locations

The Family Offices business unit was set up in 2009 and offers its services to families with assets in excess of CHF 200 million in the following areas: Wealth Planning, Investment Services, Risk Management and Consolidation. The Bank's own products or those of third parties are tailored to these clients' individual requirements. The unit has recorded its first success and work is underway to develop a governance approach setting out the basic values and a code of conduct for the family and subsequently the basis for the family's sustainable investment strategy for the future. Bank Sarasin has identified strong demand for Family Office services, particularly in the Middle East, and now intends to exploit this potential by working closely together with local client advisors across the various Sarasin Group locations.

Trading & Family Offices (Total)

1,000 CHF	**2010**	2009 adjusted	Change to 2009 CHF	Change to 2009 %
Net interest income	**19,128**	29,892	–10,764	–36.0
Results from commission and service fee activities, trading operations and other ordinary results	**67,361**	67,054	307	0.5
Operating income	**86,489**	**96,946**	**–10,457**	**–10.8**
Personnel expenses	**27,166**	23,219	3,947	17.0
General administrative expenses	**6,778**	5,045	1,733	34.4
Services from or to other segments	**12,719**	9,236	3,483	37.7
Operating expenses	**46,663**	**37,500**	**9,163**	**24.4**
Operating profit	**39,826**	**59,446**	**–19,620**	**–33.0**
Depreciation and amortisation	**33**	61	–28	–45.4
Value adjustments, provisions and losses	**–208**	1,388	–1,596	–115.0
Profit before taxes per segment	**40,001**	**57,997**	**–17,996**	**–31.0**
Cost income ratio	**54.0%**	38.7%		
Net new money (million CHF)	**756**	1,111		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–197**	991		
Transfers (million CHF)	**264**	374		
Proportion transaction related revenues	**72.8%**	63.6%		

	31.12.2010	31.12.2009 adjusted	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets under management (million CHF)	**9,044**	8,221	823	10.0
Assets under management mandate (million CHF)	**116**	35	81	231.4
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (full-time equivalents)	**101.1**	85.8	15.3	17.8
Whereof client relationship managers (full-time equivalents)	**52.9**	37.5	15.4	41.1

Whereof business unit Institutional Advisory & Sales

1,000 CHF	**2010**	2009 adjusted	Change to 2009 CHF	Change to 2009 %
Operating income	**50,398**	**46,375**	**4,023**	**8.7**
Operating expenses	**34,231**	**27,461**	**6,770**	**24.7**
Operating profit	**16,167**	**18,914**	**–2,747**	**–14.5**
Depreciation and amortisation	**0**	0	0	
Value adjustments, provisions and losses	**–208**	498	–706	–141.8
Profit before taxes per segment	**16,375**	**18,416**	**–2,041**	**–11.1**
Cost income ratio	**67.9%**	59.2%		
Net new money (million CHF)	**785**	1,149		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–191**	957		
Transfers (million CHF)	**264**	376		
Gross margin on assets under management	**0.58%**	0.68%		
Proportion transaction related revenues	**80.2%**	72.9%		

	31.12.2010	31.12.2009 adjusted	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets under management (million CHF)	**8,990**	8,132	858	10.6
Assets under management mandate (million CHF)	**116**	35	81	231.4
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (full-time equivalents)	**52.3**	39.7	12.6	31.7
Whereof client relationship managers (full-time equivalents)	**51.3**	35.9	15.4	42.9

Whereof business unit Trading

1,000 CHF	2010	2009 adjusted	Change to 2009 CHF	Change to 2009 %
Operating income	**36,091**	**50,571**	**–14,480**	**–28.6**
Operating expenses	**12,432**	**10,039**	**2,393**	**23.8**
Operating profit	**23,659**	**40,532**	**–16,873**	**–41.6**
Depreciation and amortisation	**33**	61	–28	–45.9
Value adjustments, provisions and losses	**0**	890	–890	–100.0
Profit before taxes per segment	**23,626**	**39,581**	**–15,955**	**–40.3**
Cost income ratio	**34.5%**	20.0%		
Net new money (million CHF)	**–29**	–38		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–6**	34		
Transfers (million CHF)	**0**	–2		
Proportion transaction related revenues	**62.5%**	55.0%		

	31.12.2010	31.12.2009 adjusted	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets under management (million CHF)	**54**	89	–35	–39.3
Assets under management mandate (million CHF)	**0**	0	0	
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (full-time equivalents)	**48.8**	46.1	2.7	5.9
Whereof client relationship managers (full-time equivalents)	**1.6**	1.6	0.0	0.0

Asset Management, Products & Sales

Impressive segment result

Asset Management Products & Sales reported a segment result of CHF 60.0 million for the financial year 2010. This represents an increase of CHF 10.1 million or 20% on the prior year and was driven by very strong revenue growth. This improvement can be explained by stable margins and a larger asset base in the institutional clients business. Operating income rose by 9% to CHF 183.9 million. Operating expenses increased by 5% to CHF 122.8 million. This rise is mainly attributable to the expansion of the client advisor team in the institutional clients business and an increase in headcount. The total client assets managed by this segment increased by 13% during the reporting period and now stand at CHF 32.0 billion. The net new money acquired by the Asset Management, Products & Sales segment amounted to CHF 3.8 billion, which was once again in line with last year's encouraging level. The inflows came almost entirely from business with large institutional clients. The gross margin shrank slightly by 8 bp to 61 basis points while the cost income ratio improved to 67.5%.

Focused offering hits the mark

Three investment styles characterise the asset management offering of the Sarasin Group: **thematic, sustainable and quantitative investment.** As an innovative solutions provider of high quality tailor-made services and products, this focused product offering has proven to be very popular with investors and plays a key role in attracting new clients as well as strengthening ties with existing customers. Closer collaboration with the private clients business also improved the efficiency of the product development process and allowed the internal sales potential to be exploited more effectively. Given the demanding regulatory environment and the implementation of MiFID (Markets in Financial Services Directive), adequate **risk disclosure** for investors and **prudent risk management** will continue to be a top priority.

Bank Sarasin has more than **20 years' expertise in sustainable investment.** Not only does it continue to play a pioneer role in this area but it is currently a market leader in continental Europe. Its outstanding reputation has been confirmed by a number of prestigious industry awards from trade magazines such as "The Banker" and "Professional Wealth Management", which singled out Sarasin as the **"Best Private Bank for Socially Responsible Investing 2010".**

Institutional business continues to grow in Europe

Bank Sarasin conducts its business with institutional investors in Switzerland and at its European locations in London and Frankfurt. In Germany, Sarasin has a full banking licence through its subsidiary Bank Sarasin AG, which allows it to offer a comprehensive service to institutional investors across the entire eurozone. As a result, Bank Sarasin launched a service to Scandinavian countries in 2009 and this business has continued to do well during the course of 2010. Since December, Bank Sarasin's **institutional business** in **Germany** has been managed out of Frankfurt by Christian Mosel as new Head of Institutional Clients & Wholesale. Thanks to the thematic investment funds managed by the **London subsidiary Sarasin & Partners,** substantial new money inflows were attracted from institutional clients not only from the UK, but also on an international basis.

The **Asset Management, Products & Sales** segment provides services to institutional clients and distribution partners in the wholesale area 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. The APS segment is managed by the Chief Investment Officer (CIO), Burkhard P. Varnholt and on 31 December 2010 had a headcount of 323 employees (full-time equivalents).

Three investment styles demonstrate Bank Sarasin's strengths

Thematic investment style: The thematic approach is a fundamental investment style. This concept focuses on global investment themes that could give a boost to companies' earnings and share prices in the years ahead. The selection is concentrated on companies 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. Bank 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 Bank 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.

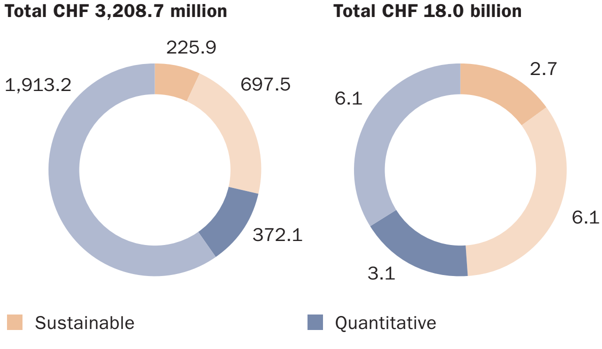
Positive performance in a challenging environment

The investment funds business performed very well during the past financial year, launching an impressive range of innovative products. Thanks to the excellent quality of the product pipeline and despite very challenging market conditions, the investment funds business achieved reasonable growth. Bank Sarasin's retail funds attracted new money inflows of CHF 3.2 billion. The total volume of assets invested in Sarasin funds rose 21% from CHF 14.9 billion at the end of 2009 to CHF 18.0 billion on 31 December 2010. Thematic funds still make up the lion's share of the funds, at 34%, followed by quantitative funds (17%) and sustainable funds (15%).

Fig. 24: Sarasin investment funds: volumes and net inflows, broken down by investment style

Net inflows 2010
Total CHF 3,208.7 million

Fund assets on 31.12.2010
Total CHF 18.0 billion



Fund range expanded further

In the field of **thematic investment funds,** Bank Sarasin managed to attract both private and institutional investors. The star performer was the family of EquiSar funds[1] which attracted substantial inflows.

The range of funds managed according to the **quantitative investment style** was expanded at the start of 2010 to include Sarasin Commodity – Dynamic[2]. This fund allows investors to exploit the unique properties of commodities. The quantitative or non-predictive investment style has been particularly effective in the challenging market environment of recent months. During the reporting period, for example, the successful family of Sarasin Commodity Funds[3] has been further expanded. In addition, Sarasin Global Return (EUR)[4] was singled out as the best fund in the Lipper Fund Awards Nordic 2010

[1] Funds in this family have a marketing licence in the following countries: Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Spain, Sweden, Switzerland and the UK.

[2] This fund has a marketing licence in Switzerland.

[3] This fund has a marketing licence in the following countries: Liechtenstein and Switzerland.

[4] This fund has a marketing licence in the following countries: Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Spain, Sweden, Switzerland and the UK.

in the category "Mixed Asset EUR Flexible – Global". The investment objective of Sarasin Global Return (EUR) is to achieve long-term asset growth, while at the same time ensuring capital preservation over the medium term. Sarasin EmergingSar – Global[1] also won several awards. It came top in the fund-of-funds awards organised by the Austrian business magazine GELD in the performance rankings over three years. This fund invests in emerging markets, namely the developing countries of Asia, Latin America, Eastern Europe and Africa.

In the range of funds using the **sustainable investment style,** the launch of Sarasin Sustainable Equity – Global Emerging Markets[2] gave investors a vehicle for accessing the growth potential of emerging markets while still adhering to sustainable principles. Another fund providing a strong focus on sustainability is Sarasin Sustainable Equity – USA[3]. This fund allows investors to participate in the significant growth potential of those US companies that make a positive contribution to sustainable social and economic development. This fund is domiciled in Luxemburg and is particularly suited to those clients who would like to withdraw from direct investments in US equities but at the same time are keen to retain some indirect investment exposure to US companies.

Another attractive product is the Sarasin Sustainable Water Fund[4], which for three years now has offered investors a comprehensive, sustainable vehicle for investing in water, a key theme for the future. Its successful track record over the past three years is an important milestone for the fund and as a result of it, it is now starting to attract the interest of large institutional investors as a suitable sustainable investment opportunity. At the end of November 2010, the fund won the Climate Change Award in the category "Water, Food, Agriculture".

From Research to Portfolio Management

In addition to the usual quarterly Global Views, regular **strategy outlooks** and other **research reports,** Bank Sarasin once again published a number of **sustainability studies**[5] during the reporting period. By consistently implementing strategic and tactical decisions and deliberately focusing on sustainability, Bank Sarasin's Portfolio Management team has been able to generate significant value for its clients. Amongst other things, this was reflected in the exceptionally strong performance of EUR and GBP mandates, which was only spoilt by adverse conditions in the foreign currency and bond markets. At the same time, however, selected structured products were deployed in a profitable way that allowed investment returns to be systematically optimised. These measures were very well received by clients, resulting in substantial inflows of funds into existing Bank Sarasin mandates and a substantial increase in the number of new mandates.

1 This fund has a marketing licence in the following countries: Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Spain, Sweden, Switzerland and the UK.

2 This fund has a marketing licence in the following countries: Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Singapore, Spain, Sweden, Switzerland and the UK.

3 This fund has a marketing licence in the following countries: Austria, Belgium, Denmark, France, Germany, Ireland, Liechtenstein, Luxembourg, Netherlands, the Singapore, Spain, Sweden, Switzerland and the UK.

4 This fund has a marketing licence in the following countries: Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Singapore, Spain, Sweden, Switzerland and the UK.

5 More information on the Bank's sustainability studies can be found in the Sustainability section on page 53.

Asset Management, Products & Sales (Total)

1,000 CHF	**2010**	2009 adjusted	Change to 2009 CHF	Change to 2009 %
Net interest income	**347**	2,330	–1,983	–85.1
Results from commission and service fee activities, trading operations and other ordinary results	**183,560**	167,092	16,468	9.9
Operating income	**183,907**	**169,422**	**14,485**	**8.5**
Personnel expenses	**81,782**	75,091	6,691	8.9
General administrative expenses	**20,886**	20,080	806	4.0
Services from or to other segments	**20,092**	22,151	–2,059	–9.3
Operating expenses	**122,760**	**117,322**	**5,438**	**4.6**
Operating profit	**61,147**	**52,100**	**9,047**	**17.4**
Depreciation and amortisation	**1,364**	2,156	–792	–36.7
Value adjustments, provisions and losses	**–201**	37	–238	–643.2
Profit before taxes per segment	**59,984**	**49,907**	**10,077**	**20.2**

Cost income ratio	**67.5%**	70.5%
Net new money (million CHF)	**3,847**	3,848
Acquisitions (million CHF)	**0**	0
Divestments (million CHF)	**0**	0
Performance (million CHF)	**454**	3,789
Transfers (million CHF)	**–659**	–523
Gross margin on assets under management	**0.61%**	0.69%
Proportion transaction related revenues	**8.4%**	13.1%

	31.12.2010	31.12.2009 adjusted	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets under management (million CHF)	**32,051**	28,409	3,642	12.8
Assets under management mandate (million CHF)	**18,326**	15,755	2,571	16.3
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (full-time equivalents)	**323.4**	295.8	27.6	9.3
Whereof client relationship managers (full-time equivalents)	**51.2**	50.7	0.5	1.0

Whereof business unit Wholesale & Products

1,000 CHF	**2010**	2009 adjusted	Change to 2009 CHF	Change to 2009 %
Operating income	**67,280**	**69,069**	**–1,789**	**–2.6**
Operating expenses	**46,654**	**48,351**	**–1,697**	**–3.5**
Operating profit	**20,626**	**20,718**	**–92**	**–0.4**
Depreciation and amortisation	**156**	143	13	9.1
Value adjustments, provisions and losses	**145**	0	145	
Profit before taxes per segment	**20,325**	**20,575**	**–251**	**–1.2**
Cost income ratio	**69.6%**	70.2%		
Net new money (million CHF)	**16**	149		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–87**	755		
Transfers (million CHF)	**–486**	–180		
Gross margin on assets under management	**1.24%**	1.31%		
Proportion transaction related revenues	**12.5%**	22.4%		

	31.12.2010	31.12.2009 adjusted	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets under management (million CHF)	**5,106**	5,663	–557	–9.8
Assets under management mandate (million CHF)	**792**	913	–121	–13.3
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (full-time equivalents)	**159.2**	152.6	6.6	4.3
Whereof client relationship managers (full-time equivalents)	**4.0**	4.0	0.0	0.0

Whereof business unit Institutional Clients

1,000 CHF	**2010**	2009 adjusted	Change to 2009 CHF	Change to 2009 %
Operating income	**116,627**	**100,353**	**16,274**	**16.2**
Operating expenses	**76,106**	**68,971**	**7,135**	**10.3**
Operating profit	**40,521**	**31,382**	**9,139**	**29.1**
Depreciation and amortisation	**1,208**	2,013	–805	–40.0
Value adjustments, provisions and losses	**–346**	37	–383	<–1,000
Profit before taxes per segment	**39,659**	**29,332**	**10,327**	**35.2**
Cost income ratio	**66.3%**	70.7%		
Net new money (million CHF)	**3,831**	3,699		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**541**	3,034		
Transfers (million CHF)	**–173**	–343		
Gross margin on assets under management	**0.47%**	0.52%		
Proportion transaction related revenues	**6.1%**	6.7%		

	31.12.2010	31.12.2009 adjusted	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets under management (million CHF)	**26,945**	22,746	4,199	18.5
Assets under management mandate (million CHF)	**17,534**	14,842	2,692	18.1
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (full-time equivalents)	**164.2**	143.2	21.0	14.7
Whereof client relationship managers (full-time equivalents)	**47.2**	46.7	0.5	1.1

bank zweiplus

Profitable despite impairment
The segment result of bank zweiplus ltd, which only started trading in 2008, reached CHF 1.4 million in 2010 (2009: CHF 10.1 million). The reduction by 87% is to a minor extent attributable to the challenging market environment in the small client business of the partners that bank zweiplus cooperates with, especially in Germany. Operating income declined by 4% to CHF 61.5 million driven by margins and volumes. But the result was affected not so much by the fall in revenues, but far more by the loss incurred by the fraudulent actions of a distribution partner in Germany. This has led to an extraordinary impairment loss of CHF 8.0 million. In addition, the result was equally affected by the consistent weakness of the euro and the strength of the Swiss franc as bank zweiplus generates around 40% of its revenues in euros but incurs almost all of its costs in Swiss francs. Operating expenses fell slightly by 3% to CHF 49.5 million (2009: CHF 51.1 million). Personnel expenses increased by 5% to CHF 23.0 million (2009: CHF 22.0 million). Net new money growth was lower than expected at CHF –0.3 billion. Total assets under management on 31 December 2010 came to CHF 5.7 billion (2009: CHF 6.2 billion), a decline of 9%. The gross margin was 104 basis points (2009: 107 basis points). The cost income ratio deteriorated slightly from 82.1% (2009) to 83.1% (2010).

Multimanager strategies with new investment experts
Multimanager strategies provided by bank zweiplus offer exceptionally **flexible asset management with selected investment specialists** so that the initially selected investment strategy or portfolio provider can be easily switched at any time, without having to change the banking relationship. bank zweiplus has continued to expand the range of investment providers competing for client business and customers can now choose from a total of six portfolio specialists. Three new specialists were added to the existing pool over the course of the past financial year: Schroder Investment Management Ltd, Bank Sarasin & Co. Ltd and Falcon Private Bank Ltd. Thanks to identical investment guidelines and fees, clients are able to compare the performance of the professionally managed strategy at any time with the strategies of other portfolio specialists. The performance of the individual investment strategies is reported monthly on the internet in a clear format.

New launch: Investment Forum and mortgage brokerage
bank zweiplus is an attractive **product and settlement platform** for financial service providers. bank zweiplus has just launched an Investment Forum, a platform designed to provide closer links with financial service providers. Through constant dialogue with these providers, bank zweiplus is able to adapt its services and develop more individual solutions. In 2010 the bank also extended its product range to include **mortgage loans** and bank zweiplus now offers loans not only to its direct clients but is also able to broker loans on behalf of selected financial service providers. These loans are always for properties in Switzerland, usually in conjunction with a securities portfolio.

Sponsoring ZSC improves brand recognition
bank zweiplus sees its sponsoring activities as part of its social commitment and responsibility. They aim to foster trust, professionalism, client proximity and efficiency, and

bank zweiplus is headquartered in Zurich and positions itself as a leading independent product and settlement platform for clients of independent financial advisors, 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 the majority shareholder of bank zweiplus with a stake of 57.5%. Since September 2010 operations have been headed by Alfred W. Moeckli, CEO of bank zweiplus. At the end of December 2010, bank zweiplus had a headcount of 143 employees (full-time equivalents).

are concentrated on projects to support young, promising sports talent all the way to becoming seasoned professionals. Hence, a parallel can be drawn between sponsoring commitments and bank zweiplus as a young bank with growth potential. Top performance can only be achieved by thorough groundwork. Against this backdrop, bank zweiplus has further expanded its **support for ice hockey** and for the 2010/2011 playing season, bank zweiplus is an official sponsor of the ZSC Lions. This sponsorship is a strategic tool for raising public awareness of the bank zweiplus brand across Switzerland. The bank's logo is prominently displayed on the match strip of the players in the first squad. At the same time bank zweiplus is also co-sponsor of the Zurich Lions youth team.

Positive outlook for 2011

After getting off to a successful start in 2008, bank zweiplus now needs to increase its efficiency and pursue a consistent growth path. For this reason bank zweiplus has trimmed down its management team and has **oriented the corporate organisation towards growth.** The management team led by CEO Alfred W. Moeckli comprises CFO Markus Aisslinger (Head of Corporate Center), Roland Gassmann (Head of Intermediaries) and Fabian Zeier (Head of Banking Services).

To boost efficiency, bank zweiplus is embarking on **four strategic projects.** Firstly, bank zweiplus intends to focus its positioning by introducing a new value proposition. Secondly, the project “next generation e-banking” will involve sweeping developments in the area of online banking. Here the aim is to build up bank zweiplus into a leading online banking platform and the initial goal is to create a function that allows accounts to be opened via the Internet as soon as possible. The entire project will run through 2011 and beyond. Thirdly, the goal of the “Process to Quality” project is to considerably improve the efficiency of the infrastructure. A comprehensive workflow tool will automate processes, ranging from HR absence notifications through to settlements in the area of account services. At the same time the introduction of pre-scanning brings bank zweiplus closer to achieving paperless processing. Finally, the interest differential business will be boosted across all maturities by offering attractive conditions and term deposits and medium-term notes will now be actively introduced.

bank zweiplus

1,000 CHF	2010	2009 adjusted	Change to 2009 CHF	Change to 2009 %
Net interest income	**3,385**	3,240	145	4.5
Results from commission and service fee activities, trading operations and other ordinary results	**58,121**	60,848	–2,727	–4.5
Operating income	**61,506**	**64,088**	**–2,582**	**–4.0**
Personnel expenses	**22,992**	21,985	1,007	4.6
General administrative expenses	**9,177**	9,849	–672	–6.8
Services from or to other segments	**17,286**	19,216	–1,930	–10.0
Operating expenses	**49,455**	**51,050**	**–1,595**	**–3.1**
Operating profit	**12,051**	**13,038**	**–987**	**–7.6**
Depreciation and amortisation	**1,651**	1,599	52	3.3
Value adjustments, provisions and losses	**9,039**	1,317	7,722	586.3
Profit before taxes per segment	**1,361**	**10,122**	**–8,761**	**–86.6**
Cost income ratio	**83.1%**	82.1%		
Net new money (million CHF)	**–279**	–343		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–141**	727		
Transfers (million CHF)	**–109**	11		
Gross margin on assets under management	**1.04%**	1.07%		
Proportion transaction related revenues	**24.2%**	23.0%		

	31.12.2010	31.12.2009 adjusted	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets under management (million CHF)	**5,676**	6,205	–529	–8.5
Assets under management mandate (million CHF)	**1,801**	1,919	–118	–6.1
Impaired and non-performing loans (1,000 CHF)	**9,173**	573	8,600	
Number of employees (full-time equivalents)	**143.2**	135.3	7.9	5.8
Whereof client relationship managers (full-time equivalents)	**20.4**	19.4	1.0	5.2

Corporate Center

Marketing, IT and HR support growth

The Corporate Center provides **important support functions** for the front office, particularly in connection with the Group's growth initiatives such as the opening of new locations or the ongoing development of existing branches. It also continuously reviews business cases. During the reporting year, for example, it was involved in the preparations for opening new locations in Bahrain and Abu Dhabi, the closure of the Spanish subsidiary, and also in the sale of Sarasin Colombo Gestioni Patrimoniali SA back to the founding family. The decision by the Executive Committee to implement the EU standard MiFID (Markets in Financial Instruments Directive) not only in its European locations, but also in Switzerland kept the Corporate Center and the IT department very busy. Other **major IT projects successfully completed** during the course of the year included the rollout of the Avaloq banking software at the Hong Kong and Singapore locations in February 2011, the introduction of an investment report with a clear new format for private clients in the booking centre of Switzerland in the middle of 2010, and the establishment of a new backup Disaster Recovery computing centre last summer.

Bank Sarasin's **brand positioning** focuses on the two key values of sustainability and Swiss Private Banking. In June 2010 Bank Sarasin launched its **new advertising campaign** where content is focused on these two brand values. The key visual mechanism is an optical illusion, or "Trompe-l'oeil", with the camera angle merging the action in the foreground and background in a provocative way. After the advertising campaign was successfully launched in the Swiss media, the campaign was rolled out in Asia in Autumn 2010. The next step is a campaign launch in Germany in 2011 and the Sarasin Group is making the necessary investments to raise its public profile in these core markets. The Bank has also continued with its well-established advertising campaign based on a distinctive mix of typographic styles on the theme of sustainability using new slogans such as: "Are you still swimming with the current? Or using it to fuel your car?". In the field of **sponsoring,** the Sarasin Group will in future focus its strategy on these two brand values and concentrate on the areas of classical music, art and charity events.

New professional development platform

Over the past few months, the Human Resources department has been focusing on a **new development and training concept,** known as the **Development Forum.** This new holistic approach offers extensive opportunities for training and continuing professional development that are linked directly to the revised internal staff appraisal tool, SaraDialog. The intranet, SaraNet Switzerland, acquired a new contemporary structure in April 2010 that fully caters for the requirements of Sarasin employees and simultaneously revised and updated its content.

The **annual reporting** provided by the Sarasin Group finished in **third place** in the **BILANZ Annual Report Ratings 2010.** With its trilogy, comprising the financial statements "Our Results", the image brochure "Portrait" and the sustainability report "Our Future", Bank Sarasin embarked on an innovative and successful direction which has been honoured in these 2010 awards.

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, Corporate Marketing, Legal & Compliance, Human Resources, Accounting & Tax, Controlling, Risk Office, Credit and Corporate Finance) on the other. Peter Sami manages the Logistics division. The Corporate Center division was managed by Matthias Hassels up to the end of April 2010. On 1 May 2010 the Bank's new Chief Financial Officer, Thomas A. Mueller, took charge of the division. On 31 December 2010, the total segment had a headcount of 438 employees (full-time equivalents).

Sarasin bond proves to be popular

In 2010, Bank Sarasin was able to place its first CHF-denominated bond, totalling CHF 350 million, successfully with private and institutional investors. The issue, which matures in 2015, was heavily oversubscribed. The bond has a coupon of 2.00% and comes in denominations of CHF 5,000. It allows Bank Sarasin to diversify its financing strategy and to benefit from the favourable market conditions that currently prevail for CHF bonds.

Segment result impaired by losses from the Bank's own financial investments

The segment loss reported by the Corporate Center at the end of December 2010 was CHF 52.6 million. The result was affected by the loss of income due to hedging transactions against interest rate movements. Operating income fell from CHF 32.5 million in the same period last year to CHF –20.8 million in 2010. Operating expenses rose sharply by 20% to CHF 8.4 million. With personnel expenses virtually unchanged and lower general administrative expenses, the Corporate Center still managed to provide higher internal services, which shows marked improvements in efficiency.

Clients' assets under management totalled CHF 10.1 billion at the end of 2010 and comprised double counts. The sale of Sarasin Colombo Gestioni Patrimoniali SA means that assets to the tune of CHF 683 million were removed from the Sarasin Group's consolidated result. The positive result for net new money inflows of CHF 2.7 billion reflected the increase in the double-counting of funds and investments from structured products.

Corporate Center

1,000 CHF	2010	2009 adjusted	Change to 2009 CHF	Change to 2009 %
Net interest income	**18,109**	16,372	1,737	10.6
Results from commission and service fee activities, trading operations and other ordinary results	**–38,933**	16,135	–55,068	–341.3
Operating income	**–20,824**	**32,507**	**–53,331**	**–164.1**
Personnel expenses	**77,586**	77,350	236	0.3
General administrative expenses	**56,237**	55,631	606	1.1
Services from or to other segments	**–125,400**	–122,496	–2,904	–2.4
Operating expenses	**8,423**	**10,485**	**–2,062**	**–19.7**
Operating profit	**–29,247**	**22,022**	**–51,269**	**–232.8**
Depreciation and amortisation	**23,232**	24,690	–1,458	–5.9
Value adjustments, provisions and losses	**114**	–992	1,106	111.5
Profit before taxes per segment	**–52,593**	**–1,676**	**–50,917**	**<–1,000**

	2010	2009 adjusted
Cost income ratio	**–152.0%**	108.2%
Net new money (million CHF)	**2,723**	421
Acquisitions (million CHF)	**0**	0
Divestments (million CHF)	**–683**	–442
Performance (million CHF)	**–506**	1,254
Transfers (million CHF)	**621**	633
Proportion transaction related revenues	**148.8%**	42.0%

	31.12.2010	31.12.2009 adjusted	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets under management (million CHF)	**10,137**	7,982	2,155	27.0
Assets under management mandate (million CHF)	**0**	683	–683	–100.0
Impaired and non-performing loans (1,000 CHF)	**47,787**	69,875	–22,088	–31.6
Number of employees (full-time equivalents)	**437.7**	421.4	16.3	3.9
Whereof client relationship managers (full-time equivalents)	**0.0**	3.0	–3.0	–100.0

Sustainability

What does Bank Sarasin mean by sustainability?
Bank Sarasin is convinced that the sustainable, commercial success of its clients represents the best basis for the sustainability of its own success. To this end, its business activity is based on holistic and sustainable thinking and action. As a maxim for decision making, we aim to achieve a sustainable balance of our commercial, social and ecological responsibility. From experience, we are convinced that this is the best way of combining the interests of our clients, our employees and our shareholders with our social responsibility.

Sustainable business management as a foundation
For 170 years, sustainability has formed the foundation of the stability of Sarasin as a Swiss private bank. Sustainability creates identity among employees and trust among customers. It allows the Sarasin Group to differentiate itself in the market and produces continuity over time and across generations. With its claim of "Sustainable Swiss Private Banking since 1841", the Sarasin Group has underlined its commitment to sustainability. In this way, the Sarasin brand is visibly interlinked with sustainability.

Structures and processes in the service of sustainability
The embedding of sustainability in every business area, at every level of the Group, is an ongoing process, coordinated by the Group's sustainability management. An internal network has been built up in support of sustainability management and in 2010 it was expanded and cooperation intensified. Sustainability managers exchange their experiences, challenges and examples of best practice in the field of sustainability through international videoconferences.

The **sustainability committee,** which has existed since 2003, chaired by Burkhard P. Varnholt, Head of the Asset Management, Products & Sales division, endeavours, as a cross-business area body, to guarantee inward initiative and commitment as well as ensure the discussion of sustainability issues at senior management level across business areas and locations. In order to achieve this objective against a background of an increasingly international focus, in spring 2010 the Sustainability Committee was extended and established on a global footing. Each business area and location of the Group with more than 15 employees is represented on the Committee by a member of top management. During the 2010 financial year, two sessions of this Committee took place through international videoconferences.

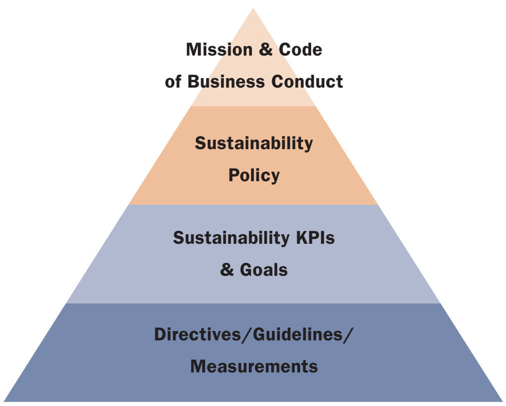
In addition, in Spring 2010 senior management introduced a **sustainability council** as a testing and monitoring committee, under the leadership of Thomas A. Müller, Chief Financial Officer and Head of the Corporate Center business division. As a preparatory committee of the Executive Committee, this body assesses all themes relevant to sustainability with regard to the achievement of objectives, opportunities for positioning, efficiency, and any conflicts between objectives or risks to reputation.

Sustainability strategy of the Sarasin Group
Bank Sarasin revised and restructured its sustainability strategy in 2010, focusing it on the definition of five key indicators and corresponding medium-term objectives.

On the basis of Sarasin's current **mission statement,** a **code of business conduct,** valid for the entire Group, was drawn up to replace previous core values. Responsible action in accordance with the code of conduct is the foundation for the continuous improvement of our services and for sustainable corporate success on every level. This code of business conduct records the principles that are to be followed by every employee of the Sarasin Group, as well as by members of the board of directors, in their business-related activities. Each employee must read the code of conduct carefully and observe the standards laid down in it. New employees must confirm this in writing.

Previous environmental and social policies have been replaced by a newly devised **sustainability policy,** subdivided into three areas: how Bank Sarasin understands itself in the context of sustainability, which sustainability objectives it will pursue and how these will be achieved.

Fig. 25: How we arrived at our sustainability strategy from the overall concept



Our understanding and our definition of Sustainability

In order to promote achievement in the field of sustainability in a focused way, five **key indicators** were identified:

> We define sustainability standards for all our business activities.
> We help clients make responsible investments.
> We build sustainable relationships with our stakeholders.
> We live up to a responsible corporate behaviour.
> We offer services in a resource-efficient way.

Measurement categories and activities for achieving our objectives over the next three to five years are drawn up by key indicator.

Sustainable asset management

In the field of sustainable investment, Bank Sarasin is a pioneer with more than 20 years' experience. The systematic concept for the evaluation of issuers of securities on the basis of ecological and social criteria has proved itself over many years: The observance of sustainability requirements can lead to greater investment success. Bank Sarasin offers institutional investors and private clients a broadly sustainable range of products for every investment need and the possibility of bespoke asset management.

The experienced Sarasin Sustainable Investment team consists of 50 employees with an average of 14 years' professional experience. On 31.12.2010, the Sarasin Group had CHF 13.4 billion of assets under sustainable management. This makes Bank Sarasin the clear market leader in Switzerland and one of the leading providers in Europe. At the end of 2010, the proportion of sustainably managed assets to total customer assets under discretionary management by the Sarasin Group (including proprietary funds) stood at 30%.

Notably since the financial crisis, the financial analysis of Bank Sarasin has attracted significantly broader support and the transparency of its investment process has proved increasingly popular. This is illustrated by the 23% increase in the number of discretionary management mandates from private clients in Switzerland over the reporting year. The associated volume rose by almost the same proportion.

Since 2009, at Bank Sarasin, sustainability has been an additional decision criterion for discretionary asset management mandates for private clients in Switzerland by default. With this consistent orientation of portfolio management towards its expertise as market leader in sustainable asset management, Bank Sarasin takes account of customer requirements for this kind of asset management.

The development of its in-house investment products also shows that investors have particular confidence in the sustainable investment approach: in 2010, for investment funds, structured products and fund-like investment solutions, the Sarasin Investment Foundation (SAST) recorded net inflows of CHF 386 million.

Fig. 26: Assets managed according to sustainable principles by the Sarasin Group

(billion CHF)

[1] Due to a data error, sustainably managed assets at 31.12.2008 had to be corrected by CHF 444 million relative to the data in the 2008 business report and sustainability report.

New sustainable investment products

The launch of the **"Sarasin Sustainable Equity – Global Emerging Markets"**[1] Fund in March 2010 represented a further milestone in the expansion of Bank Sarasin's innovative and successful investment fund range. In this way, private and institutional investors were offered unique access to the high growth potential of emerging markets, whilst taking into consideration the wider ecological and social aspects. The Fund is currently one of the few available SRI emerging market funds and benefits from two fundamental strengths of Bank Sarasin: its 20 years' experience of sustainable investment and its proven success in investing in emerging markets with quantitative investment strategies.

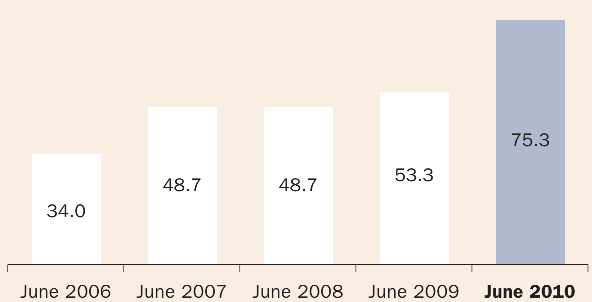
In October 2010, it launched the **"Sarasin Sustainable Equity – USA"**[2] Fund. This Fund invests in the shares of those companies headquartered in the USA or that carry out the predominant share of their business activities in the USA and contribute to a sustainable form of the economy. These companies distinguish themselves through being environmentally sound, having eco-efficient management and proactively cultivating relationships with significant stakeholder groups (e.g. employees, customers, financiers, shareholders, public sector leaders) and are chosen by Sarasin when all these indicators represent a significant component of their strategy. Accordingly, the Fund invests in those sector leaders which use the concept of sustainable development as a strategic opportunity.

During the reporting year, Bank Sarasin also issued various tracker certificates which allow investors to invest in specifically selected themes. The underlying assets were:

Current market environment: Highly attractive for sustainable investments

In 2010, the market for European sustainable funds showed a considerable 41% increase from EUR 53.3 billion (2009) to EUR 75.3 billion (2010). As a share of the overall fund market (UCITS), sustainable investment funds grew from 1.11% on the previous year to 1.34% over the same period. In this way, the continuous growth of sustainable funds in Europe was uninterrupted, in both absolute and relative terms. With a market share of 1%, even if sustainable funds still represent a niche area in the fund market, such funds are increasing in relevance every year and demonstrating more dynamism than the other sectors.

Fig. 27: Growth of sustainable investment funds in Europe
(billion EUR)



Source: Vigeo SRI Research (2010), "Green, social and ethical funds in Europe"

Outlook: Growing interest from high net worth private clients and family offices

In September 2010, Eurosif (European Sustainable Investment Forum) published the study "High Net Worth Individuals & Sustainable Investment" with the support of Bank Sarasin. The results of the study show that in the last two years, the proportion of sustainable investments in the portfolios of high net worth individuals (HNWIs) and Family Offices has grown, even though there was a dip in total assets over the same period. The study thereby demonstrates that specifically in turbulent times, sustainable investment is more attractive to investors in that it helps them to avoid risks. Eurosif estimates that at the end of 2009, the proportion of sustainable investments in the portfolios of European HNWIs stood at 11%, i.e. around EUR 730 billion. This corresponds to a growth rate of 35% over the prior two years. Eurosif also assumes that the proportion will rise to 15% by 2013 with the market growing to a size of EUR 1.2 trillion.

[1] This Fund has a distribution licence in the following countries: Austria, Belgium, Denmark, Germany, France, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Singapore, Spain, Sweden, Switzerland and United Kingdom.

[2] This Fund has a distribution licence in the following countries: Austria, Denmark, Germany, France, Ireland, Liechtenstein, Luxembourg, Netherlands, Singapore, Spain, Sweden, Switzerland and United Kingdom.

> Sarasin Composite Sustainable Telecom Basket (in EUR)[1]
> Sarasin Composite Sustainable Cloud Computing Basket (in USD)[1]
> Composite Sustainable Telecom Basket (in EUR)[1]
> North American Dynamic Sustainable Basket (in USD)[1]
> Composite Dynamic Sustainable Entrepreneurial Basket (in EUR)[1]

One particular innovation was unveiled in November 2010. A certificate was issued which for the first time allowed investors to participate in the positive performance of sustainable themes, albeit with a lower risk of loss than direct investment. The certificate, with a duration of five years, the underlying assets of which is a basket of three sustainable theme funds, offers preservation of 90% of invested capital (capital protection), has no upside cap, guarantees 50% of accrued capital gains during certain periods, and has a rule-based risk control mechanism ("CPPI"). The Constant Proportion Portfolio Insurance (CPPI) represents dynamic portfolio protection strategies which allow the investor to systematically limit risk of loss due to falling prices whilst guaranteeing the highest possible participation in rising prices. With this strategy, a minimum value (floor) is guaranteed on the one hand, while the highest possible degree of participation in Swiss and global equity markets is achieved on the other.

A commitment to sustainable development

For many years, Bank Sarasin has been committed to numerous initiatives and organisations which champion greater sustainability. In this way, it exercises its responsibility to contribute to sustainable development and participates in the dialogue with central social organisations and actors.

> Since its outset, Bank Sarasin has been a member of the **Carbon Disclosure Project** (CDP).
> As a member of the **European Sustainable Investment Forums** (Eurosif – the European umbrella association for sustainable investment), since 2004 Bank Sarasin has espoused more sustainability in financial markets.

[1] These products meet the conditions for distribution in Switzerland.

Sustainability rating of Zürcher Kantonalbank: A rating

Bank Sarasin received a positive assessment from the sustainability analysts of Zürcher Kantonalbank (ZKB). The broad range of Bank Sarasin's sustainable products significantly outperformed the sector average. Analysts gave a particularly positive evaluation for the conversion of all asset management mandates for Swiss private clients to a sustainable basis.

Source: ZKB, September 2009

> Bank Sarasin is a founder member of the **Forum for Sustainable Investment** (FNG in German), the professional association for sustainable investment in Germany, Austria and Switzerland.
> As a signatory to the **UN Principles for Responsible Investment** (PRI), Bank Sarasin has undertaken to adhere to its six basic principles, with the aid of which environmental and social aspects as well as the standards of corporate governance will be embedded in investment management.

In 2010, it again underwrote the following initiatives:

> The investor initiative of the **Emerging Markets Disclosure Project:** This promotes sustainability reporting in emerging economies. Companies in the emerging markets are still drivers of growth and investor expectations are high. Investors increasingly wish to know what the risks and opportunities of growth companies from emerging markets are with regard to sustainability.
> Carbon Disclosure Project (CDP) **Water Disclosure Initiative:** This invites large companies from water-related sectors to disclose their water consumption, the risks to the company resulting from water shortages and their strategies for dealing with water shortages.
> The investor declaration of the **UNEP FI on climate change:** Led by the Climate Change Working Group (CCWG) of the UNEP Finance Initiative, the problem of climate change will be highlighted and attention drawn to the associated role played by finance, politics and the general public.
> **Sustainable solar initiatives:** Under the leadership of the Silicon Valley Toxics Coalition (SVTC), a US environmental organisation, and Henderson Global Investors (HGI), photovoltaic companies will be encouraged

towards greater involvement in the social and ecological consequences of their business activity.
> **Swiss climate policy:** In spring 2010, Bank Sarasin and over 80 companies under the leadership of the Swiss trade association, swisscleantech, documented their support for a committed climate policy in a letter to the National Council. This letter was noted with interest and contributed to the National Council adopting a domestic reduction target for CO_2-emissions of 20% by 2020. In 2011, the law will be brought before the Council of States. Here again, Bank Sarasin will support the initiative of swisscleantech and espouse an effective CO_2 law.

Bank Sarasin is also a **founder member of Klimastiftung Schweiz** [Swiss climate foundation]. Together with 22 other partner companies, this foundation promotes sustainable climate protection and energy efficiency measures, highlighting the climate protection projects of small and medium-sized Swiss companies. By the end of 2010, Bank Sarasin had donated CHF 202,000. Bank Sarasin is also a long-standing member of the öbu [Swiss Association for Environmentally Conscious Management] network for sustainable management, the energy agency of the EnAW [Energy Agency for Industry] and the Global Footprint Network.

Developing and transferring know-how

The Sarasin Group considers that developing and transferring know-how on sustainability should represent a significant contribution to sustainable development. Each year, several studies are published by the bank's sustainability analysts. The knowledge which these contain serve different stakeholder groups, such as analysts, media representatives, non-governmental organisations (NGOs) or interested members of the public focused on basic information on the sustainability of individual sectors or technologies. In 2010, the following studies were published:
> **Country study of sovereign bonds 2010:** The world in a dilemma between prosperity and resource protection
> **Sustainability study on emerging economies:** Emerging Sustainability – Sustainability analysis of emerging market companies
> **Sustainability study on renewable energies:** Evolving from a niche to a mass market
> **Solar study 2010:** Solar industry – Entering new dimensions
> **Sustainability study on the food industry:** Food and sustainability: Will the seed bear fruit?

Since 2008, Bank Sarasin has supported the **Think Tank W.I.R.E** (Web for Interdisciplinary Research & Expertise) in conjunction with the Collegium Helveticum of the ETH and University of Zurich. W.I.R.E. is concerned with long-term trends and relevant developments in the economy, society and the life sciences. In terms of content, the think tank works independently of Bank Sarasin. Bank Sarasin uses the information and knowledge drawn up by W.I.R.E. for its stakeholder groups, in the sense of know-how transfer. In November 2010, W.I.R.E. published its latest work, "Domino – handbook for a sustainable world". "Domino" presents 210 concrete measures and ten comprehensive theses for a sustainable way of life.

New benchmarks for staff development: The Development Forum

With the Development Forum, which was established in 2010, Bank Sarasin has set new benchmarks for staff development. The programme is a comprehensive and integrated instrument for both the development, training and further education of its employees. The development architecture makes an important contribution to the development of the individual strengths of employees, to improving service quality and to strengthening the efficiency and effectiveness of the Sarasin Group.

The Development Forum highlights three development paths to meet the requirements of all employees across the Group. These are divided into the fields of specialist/expert, management/leader and customer relationship management. The basic modules, professional skills, IT-skills, social and cultural skills, as well as the potential check and interdisciplinary project teams, support these described development paths. The respective development steps are introduced or supported via the MBO instrument SaraDialog. The first pilot phase was initiated in the second half of the year; 15,815 training hours have already been successfully completed. The programme has received an extremely positive response from employees.

For many years, Bank Sarasin has provided young people at its Swiss locations with internships and hence a start to their careers. In 2010, a total of 15 interns were deployed by Bank Sarasin throughout Switzerland. In 2010 five interns successfully concluded their commercial qualification in banking, and in 2010 one intern successfully qualified as an IT specialist in systems technology.

A respectful working environment

The Sarasin Group promotes a working environment which is distinguished by its dignified and respectful interaction. No discrimination or harassment on grounds of sex, ethnic origin, religion, age, nationality, sexual orientation or other characteristics is tolerated.

Climate protection

Assuming responsibility for our climate is a part of environmental management. By comparison with last year, in 2010 total emissions of CO_2 rose slightly by 2% to 2.294 kg CO_2-equivalent per employee. The highest sources of emissions are electricity consumption and air travel. In 2010, we nevertheless succeeded in reducing electricity consumption per employee by 8% on the previous year. Besides absolute use, the form of electricity generation also plays a decisive role in determining emissions of greenhouse gases. In 2009, the locations of Frankfurt, Hong Kong and Singapore were included in reporting for the first time. In most countries, electricity production is associated with significantly higher CO_2 emissions than in Switzerland, among other things, explaining the sharp increase in greenhouse gas emissions during 2009.

In order to limit business travel and the associated admissions to the bare minimum, all locations are equipped with telephone and videoconferencing facilities. At the same time, personal contacts and customer visits are a central success factor, specifically in a service business such as private banking, and can only be replaced by telecommunications to a limited degree. The Sarasin Group strives to use the most ecologically sensible form of transport for business trips. In 2010, business travel activity per employee nevertheless rose by 20% on the previous year. This is attributable to the introduction of the Avaloq IT system at its Asian locations. This project requires on-the-ground professional support from Swiss employees and was associated with a higher level of travel activity.

Fig. 28: Sarasin Group workforce by age structure

(full-time equivalents, in percent)

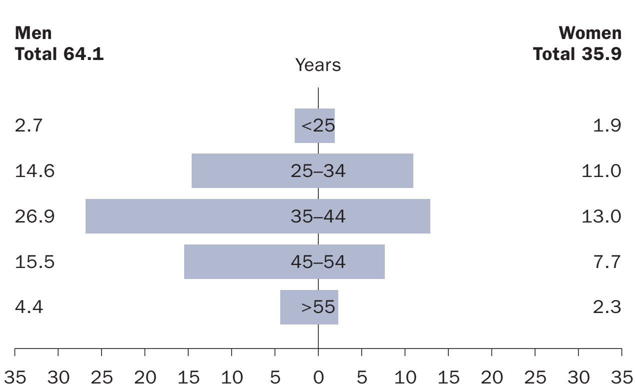


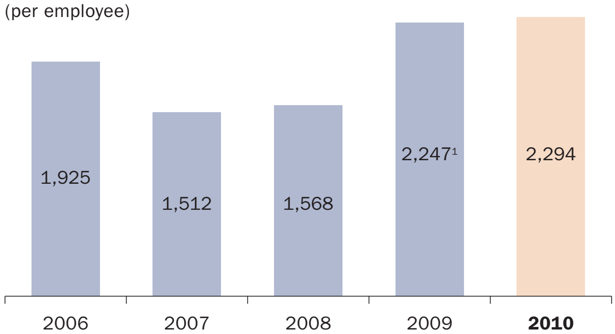
Fig 29: Sarasin Group workforce at by location 31.12.2010

(full-time equivalents)

	Men	Women	Total
Basel	412.80	153.70	566.5
Zurich	281.20	135.10	416.3
London	109.10	67.85	177.0
Singapore	57.00	62.00	119.0
Hong Kong	35.00	78.10	113.1
Geneva	47.00	37.70	84.7
Germany (Frankfurt, Nuremberg, Munich)	41.00	15.70	56.7
Dubai	20.50	14.50	35.0
Lugano	17.00	5.00	22.0
India (Mumbai, New Delhi)	7.00	2.00	9.0
Guernsey	4.20	3.80	8.0
Berne	4.90	1.70	6.6
Manama	4.00	1.50	5.5
Muscat	2.00	3.50	5.5
Doha	2.00	3.50	5.5
Warsaw	4.00	1.00	5.0
Vienna	2.00	1.00	3.0
Abu Dhabi	1.00	1.00	2.0
Dublin	1.00	1.00	2.0
Total	**1,052.7**	**589.7**	**1,642.4**

Fig. 30: Trend in greenhouse gas emissions (carbon dioxide equivalent, kg CO_2)

(per employee)

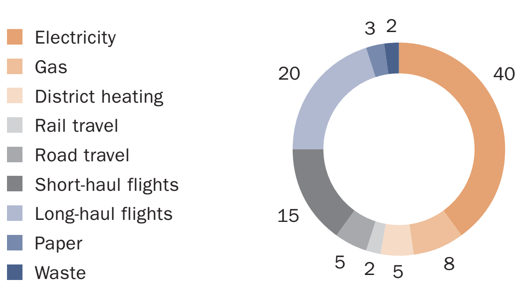


Continuously increasing recycling

The Sarasin Group has set itself the goal of exclusive use of recycled paper from 100% old paper by 2015. Over the last three years, there has been a significant increase in the recycling quota to reach 72% in 2010. In order to reduce waste volumes and also increase the recycled component of waste, Bank Sarasin has conducted an awareness-raising campaign for many years. The London location even received an award from the City of London for its efforts in reducing and recycling waste. In 2010, the quantity of waste per employee fell by a significant 17%. In 2010, the overall recycling quota stood at 60%.

Fig. 31: Share of greenhouse gas emissions by source of emission 2010

(in percent)



[1] In 2009, the reporting system perimeter was extended to the Dubai, Frankfurt, Hong Kong and Singapore locations. In 2010, Munich was also included, albeit with Dubai no longer considered due to unavailability of environmental data. For better comparability and due to missing flights (plus 900,000 km) the figures for the previous year have been adjusted.

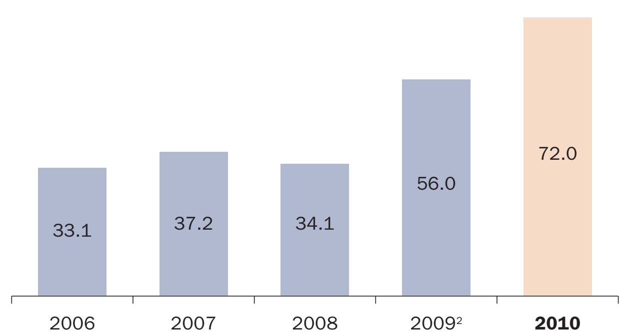
[2] In 2009 the boundaries of the reporting system were extended to locations in Frankfurt, Hong Kong and Singapore.

Bank Sarasin is CO_2-neutral – Climate protection through renewable energy in China

Wherever possible, our greenhouse gas emissions are reduced by consistent environmental management. The unavoidable CO_2 emissions of the Sarasin Group are compensated retroactively on an annual basis through the purchase of Gold-Standard-CO_2 certificates. CO_2 emissions in 2009 were compensated through a project in Jiangsu Province in China: Electricity was generated from landfill gas and fed into the local electricity network. Through this project, greenhouse gas emissions were reduced twofold. The methane gas arising from the fermentation of waste does not reach the atmosphere. In addition, renewable electricity is produced, replacing fossil fuels. The project promotes the development of environmentally friendly technologies and provides 20 secure jobs in a region which until now has hardly been industrialised.

Fig. 32: Recycled paper consumption as a percentage of total paper consumption

(in percent)



Transparent reporting on non-financial indicators

Each year, Bank Sarasin reports on how it promotes sustainability, assumes its corporate responsibility and promotes environmental protection. This chapter of the annual report is a summary of the 2010 sustainability report dedicated to the theme of "a sustainable legacy". You can find this publication on its website at www.sarasin.ch, from 5 April 2011 onwards. On request, we will also be pleased to provide you with 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 corresponding 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 the Sarasin Group demands integrity and risk-aware conduct of individual employees at every level, and stresses the importance of clearly defined responsibilities and powers.

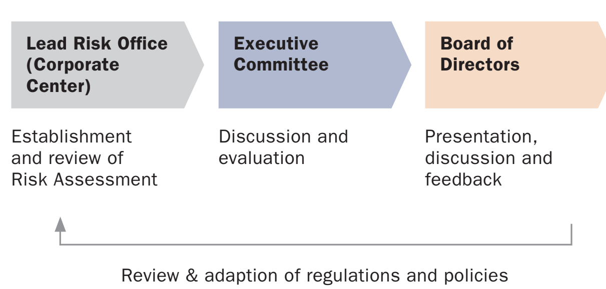
2. Risk management organisation

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.

In order to meet their responsibilities and ensure optimal risk management, the Board of Directors together with the Executive Committee carries out a comprehensive risk assessment process in addition to the regular reporting cycle. This process can be summarised in the following flow chart:



The following elements are the key elements of risk assessment:

- > An in-depth **risk profile** assesses all types of risk, both in terms of quality and quantity, based on the status quo. A detailed analysis is also performed of the associated corporate governance and the existing risk management (limitation) with reference to the plans for future business growth.
- > A detailed three-year timetable for **capital planning and development** (catering for different business performance scenarios) describes the impacts on capital adequacy over several years.
- > **Stress analyses** are also performed in order to estimate the financial impacts on capital adequacy of significant distortions in the money and capital markets.

The risk assessment findings, along with any adjustments required, are incorporated into the annual review of the Bank's regulations and directives and into the definition of a risk appetite which is expressed as a selection of different risk limits for each risk category.

To ensure holistic risk management, the Executive Committee has appointed the necessary committees to deal with risks, which on the one hand act as decision-making bodies for key issues and risks, subject to their allocated areas of responsibility. On the other hand their task is to promote risk awareness and ensure compliance with the approved risk standards.

The **Risk Committee** carries out a comprehensive assessment of all the Bank's principal risks, both current and those anticipated in future. When evaluating risk, it takes into consideration the findings and measures of the other existing committees. The **Central Credit Committee** (CCC) is in charge of managing the credit risks. The **Treasury Committee** controls and monitors the interest rate, short-term liquidity and mid to long-term refinancing risks. The **Asset and Liability Committee** (ALCO) manages the Group's financial investments, with the exception of the bond holdings looked after by the Treasury Committee for liquidity management purposes.

These committees are made up of equal numbers of members comprising representatives from different divisions, as well as from the relevant specialist units (Risk Office, Credit department and Legal & Compliance). The Risk Committee and the CCC are chaired by the Chief Financial Officer, the ALCO by the Chief Investment Officer and the Treasury Committee by the Group Treasurer. The committees meet at regular intervals.

Risk controlling is the responsibility of the Risk Office, Credit and Legal & Compliance 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 **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.

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 **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.

Risk categories

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

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

Risk management process

A clearly structured and transparent risk management process ensures that the principal risks are identified in good time and fully documented, and that they can be visualised, limited and monitored in a suitable fashion. The process is applied to all risk categories, both individually and collectively.

Especially when introducing new business transactions and new procedures, the risk management process is the basis for comprehensive assessment and rating of the risks associated with a new activity or new process. Bank Sarasin has established a clear process 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 one of the divisions (Trading & Family Offices [TFO] or Asset Management, Products & Sales [APS]), ALCO or the Treasury Committee. The Trading unit is part of the TFO division on the one hand, which is responsible for settling customer transactions and own-account trading in the spot and derivatives markets for fixed-income securities, equities, interest-rate products, precious metals and foreign currencies. But it also falls under the APS division, which is responsible for market-making in the Bank's own products (structured products, derivatives). The Treasury Committee controls and monitors the short-term liquidity and the mid to long-term refinancing risks. Last but not least, the ALCO is responsible for the management of the Group's financial investments with the exception of the bond holdings looked after by the Treasury Committee for liquidity management purposes.

Market risks from proprietary trading positions assumed by subsidiaries are only marginally important, as the sub-

Fig. 33: 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, committees and 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 **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.

sidiaries 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.

Not just the TFO and APS divisions, but also the ALCO and Treasury Committee 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.

Various types of limits as well as trading controls 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 with a defined probability not exceeded under normal market conditions. This is the standard calculation method used by the Sarasin Group for portfolio management. The VaR method applied is based on historical simulations and assumes a 97.5% 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 periodically 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. Bank Sarasin uses these analyses and trading controls 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 periodically 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) Bank Sarasin uses sensitivity and concentration limits as trading controls as well. 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 the limits or trading controls 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.

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

The Group's VaR as at 31 December 2010 came to CHF 191,000 (1 day holding period, 97.5% confidence level, one-sided). The table shows that the total VaR of the trading book averaged CHF 198,000 and over the course of the year fluctuated between CHF 97,000 and CHF 421,000. The overall VaR for trading is limited to CHF 5.1 million. The effective utilisation of limits was therefore throughout the year well below the maximum approved risk exposure.

The VaR is an adequate measure for estimating risk under normal market conditions or for linear positions. In

Fig. 34: Value-at-Risk[1] of the Sarasin Group's trading book, divided into risk factors

(1,000 CHF)

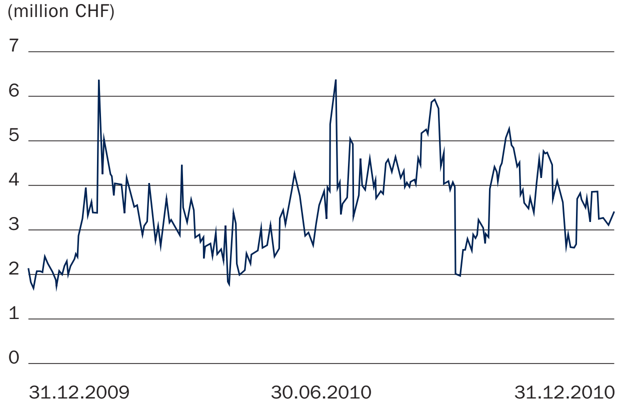
	31.12.2010	ø	min.	max.
Equities risk	58	38	5	135
Interest rate risk	22	49	2	149
Currency risk	55	149	32	441
Structured products	190	128	52	209
Diversification	134	165		
Total	**191**	**198**	**97**	**421**

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.

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. Over the course of 2010 the potential loss that can be observed on the basis of this scenario lies in a bandwidth of between CHF 1.7 million and CHF 6.4 million.

Fig. 35: Potential loss if the scenario materialises

(million CHF)



[1] Calculated in each instance on the positions at the end of the day; total includes an allowance for correlation effects between risk factors.

Fig. 36: VaR of the actively managed portfolio during the course of 2010

(million CHF)

Development of market risks in the banking book

Responsibility for managing the market risks in the banking book is shared by the Treasury Committee and ALCO. The Treasury Committee's main task is to monitor and actively manage the interest-rate, short-term liquidity and mid to long-term refinancing risks.

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 and liquid assets (approx. 80%), equities (roughly 10% on average in 2010) and alternative investments (around 10%). 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 relatively exposed to strong fluctuations.

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 and income 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 Treasury Committee is responsible for managing the Group's interest rate risk in the banking book. The Treasury Committee usually meets every two weeks, or at least once a month. It monitors the interest-rate risks in the banking book and implements hedging measures where necessary or appropriate. 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 or liabilities into that of variable positions.

The modelling of the rate-fixing for positions with a variable interest rate and indefinite term (known as non-maturing products) is performed with the help of the replication portfolio method. The basic idea is to simulate the interest rate and capital behaviour of a position using portfolios made up of a combination of market rates (benchmark portfolios) in order to minimise the variance of the margin between the client interest rate and the yield on the replicating portfolio.

Over the course of 2010 Bank Sarasin reduced the interest rate risks on its balance sheet to a minimal level by the end of the year.

Liquidity risks

Bank Sarasin's Treasury Committee is responsible for monitoring liquidity. It is composed of the Group Treasurer, the CFO, the Head of the TFO division, representatives of the specialist departments and of the Risk Office, and usually meets every two weeks. 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 its financial investments Bank Sarasin therefore keeps 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 TFO 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.

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.

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 COs and CMOs are responsible for assessing the credit risks and continuously monitoring lending exposure.

Optimising liquidity management

The turbulence that hit international money and capital markets, coupled with the press reports on the financial difficulties facing some banks, have placed stable liquidity management very high on the agenda in the eyes of the public.

Bank Sarasin's underlying conservative approach was underscored in this uncertain climate, and has made an important contribution towards safeguarding liquidity and a solid financing structure. Nevertheless, the lessons learned in the financial and economic crisis have prompted the Bank to review and further improve its liquidity management.

To reduce its dependence on the money and capital markets, the Bank has continued to increase the diversification of its refinancing sources. Bank Sarasin has focused on greater consolidation of liquidity within the Group, for example, and optimised the internal sources of refinancing. To guarantee liquidity over the medium to long term, Bank Sarasin successfully placed its own first CHF bond with private and institutional investors in the third quarter of 2010 at total CHF 350 million. Furthermore, Bank Sarasin became a member of the Swiss mortgage banks group, Pfandbriefbank schweizerischer Hypothekarinstitute AG, thereby gaining access to additional reliable sources of refinancing over the course of 2011. In the Group's financial investments, which are mainly held as a form of liquidity reserve, it was also possible to achieve a higher level of liquidity and at the same time a superior credit rating for issuers and counterparties.

The central liquidity management has also been systematically refined. The tools currently available include a liquidity preview showing the Bank's planned or expected cash flows, an early warning system for potential changes in the liquidity environment affecting the Bank, a stress analysis with notice of the survival period, and contingency measures in the event of liquidity bottlenecks.

Credit risks lie within the competence of the Board of Directors, which decides on applications for loans above a certain threshold. The Board delegates the power to decide on applications for amounts below this threshold to the Central Credit Committee (CCC), which is Bank Sarasin's highest credit body in operational terms. The CCC in turn allocates credit authority ad personam to the CCO and to the COs and CMOs respectively. The extent of the powers delegated to individual persons depends on their knowledge, ability and experience.

Reducing risks

Bank Sarasin has defined a strict policy for client lending that only allows covered loans, thereby minimising losses. 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 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 clients hold as an in-

Fig. 37: Credit exposure as at 31 December 2010

(million CHF)

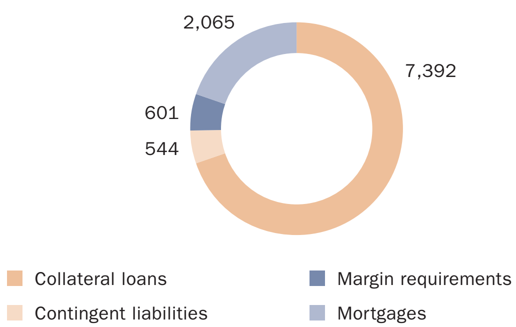
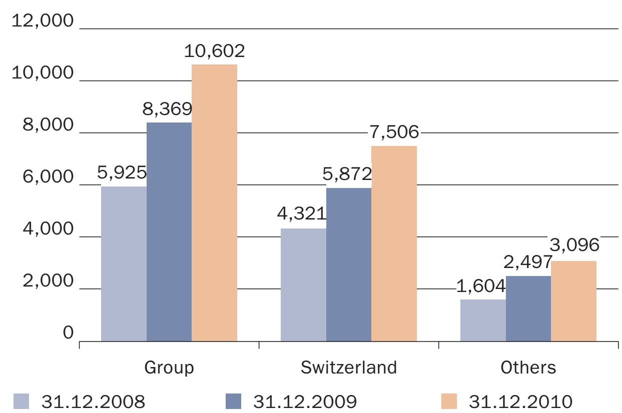


Fig. 39: Lending growth by booking centre

(million CHF)



vestment. In all cases conservative loan-to-value ratios are applied.

Collateral loans, with a volume of CHF 7.5 billion, are Bank Sarasin's most important form of lending, followed by mortgages, margin requirements and contingent liabilities. The collateral loans business grew by around CHF 1.3 billion during the reporting period. The strongest growth in relative terms was recorded in the Swiss mortgage business, where the lending volume rose by 66%.

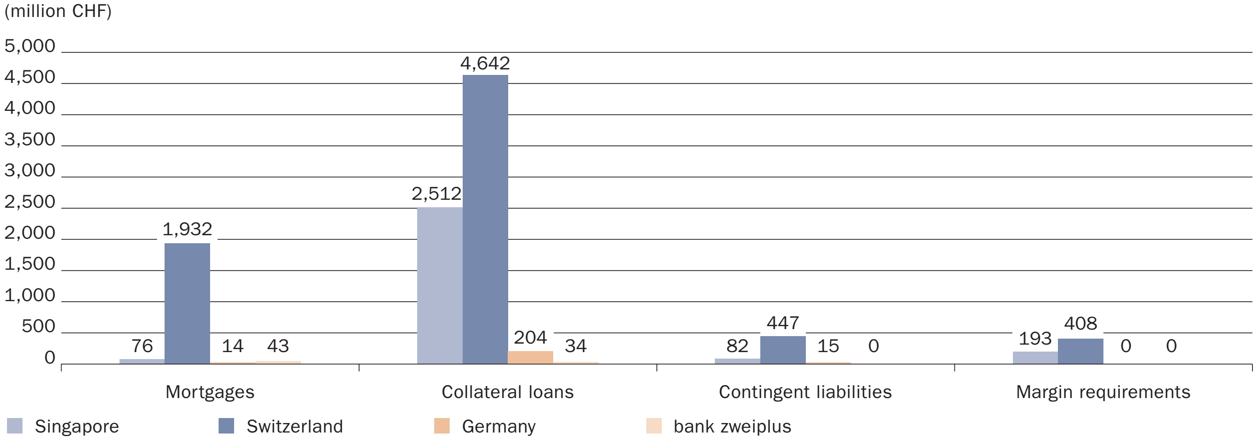
In regional terms, i.e. broken down by booking center, 70% of the credit exposure is concentrated in the Swiss booking center, while Singapore accounts for almost 30% of loans booked. Germany, and bank zweiplus, only play a very minor role.

A breakdown of the different types of credit clearly shows that the mortgage business is limited almost exclusively to Switzerland, while the collateral loans business is also quite important in Asia. Compared with the previous year, the margin requirements have increased, reflecting an increase in client activity in derivative products.

The credit exposure of the Sarasin Group has risen by 27% in the space of a year. During the course of 2010, the loan portfolio in the Swiss booking centre increased almost 30%, from CHF 5.8 billion to CHF 7.5 billion. The volume in the other booking centers rose from CHF 2.4 billion to CHF 3.1 billion over the same period, driven mainly by Asia.

Fig. 38: Lending growth (incl. contingent liabilities and margin requirements)

(million CHF)



Contingent liabilities and margin requirements are not reported under "amounts due from clients".

Business with banks

The Sarasin Group engages in business relationships on the interbank market which carry inherent direct or indirect 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. The core elements of this process are identification, analysis, approval, monitoring, taking remedial measures, and reporting.

Identification

The ex ante identification of credit risks is performed in close collaboration with the relevant front-office entities through by involving them in 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 and the duration of the risk positions entered into.

When assessing credit standing, Bank Sarasin relies, where available, on ratings provided by Moody's, Standard & Poor's, Fitch as well as 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. The credit assessment also takes into account current market information and, 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. Supported by substantial human and technological resources, all of Bank Sarasin's existing counterparties are regularly analysed, occasionally in great depth, and given an internal rating.

Approval

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. These global limits are then apportioned as required to the relevant limits users within the Rabobank Group.

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 group. The relevant Rabobank limits constitute a binding framework here. 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 from front-office units for limits are assessed in a centralised fashion by the Risk Office which may, depending on the competence level, process the applications itself or forward them to the relevant Bank Sarasin or Rabobank committees for a decision.

Monitoring, reporting and remedial action

At the parent bank level, all limits are monitored by the Risk Office. The latter provides standardised reporting on their compliance to the front-office units and also to the Head of Risk Office. At the Group level, limits are monitored daily within the local units, which provide the Risk Office with a report (for consolidation purposes) on the current positioning – 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 Bank Sarasin's Executive Committee. For information pur-

Fig. 40: Credit risk exposure to banks in 2010

(million CHF)

Rating class	No. of banks as at 31.12.2010	31.12.2009	31.03.2010	30.06.2010	30.09.2010	31.12.2010	Ø 2010
AAA	14	919	909	805	798	800	828
AA	24	645	830	868	796	764	815
A	36	1,380	1,435	1,327	1,657	1,527	1,487
BBB	10	305	331	233	103	81	187
BB	0	0	0	0	0	0	0
B	1	0	0	0	0	4	1
Lower	0	0	0	0	0	0	0
N/A	20	333	407	628	477	474	496
Total	**105**	**3,582**	**3,912**	**3,861**	**3,831**	**3,651**	**3,814**

– 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.
– Credit risks in rating class “B” are the residual positions from interbank term deposits with the Anglo Irish Bank which are due to mature in 2011. The rating of this bank has been cut sharply during the course of the financial crisis.
– The credit risks in the category “no rating” mainly comprise positions with Robeco Direct NV and margin deposits with brokers and clearing houses. Although Robeco does not have its own rating, it is a wholly owned subsidiary of Rabobank.

poses, there is a web-based portal that allows the management to view at any time the current limits and positions.

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.

Countries

In compliance with Swiss National Bank regulations, Bank Sarasin’s country risks are identified, 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 87% of the country risks belonged to the top rating category, AAA, as at 31 December 2010, based on the ratings provided by the Swiss Export Risk Insurance. These are also used to calculate Basel II capital adequacy.

5. Operational risks

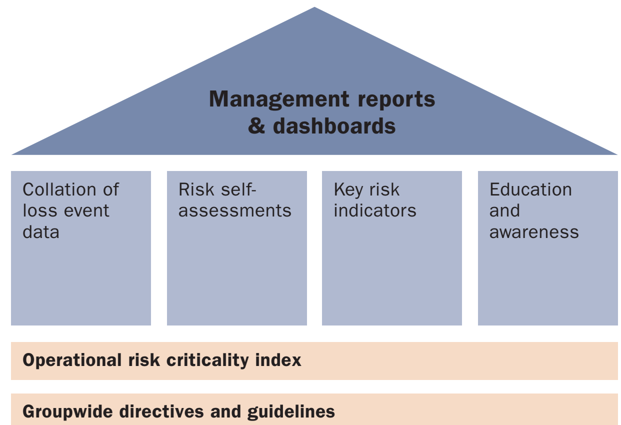
Organisational structure

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.

As a committee belonging to the Board of Directors, the Audit Committee approves the mid-term audit plan pro-

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.

Fig. 41: Operational Risk Framework and Instruments



posed 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 multilayered, interdisciplinary nature 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 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 introductory 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 area are identified, discussed and assessed by operational risk experts in cooperation with representatives from the specific function. The risk experts then evaluate and compare the overall results.

An inventory is made of all risks and deficiencies containing all findings with at least a moderate risk rating. After the self-assessment is completed, the inventory is discussed with the responsible senior management and handed over as a work tool for implementing measures and monitoring their progress. Every six months Group Operational Risk evaluates 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 managing and controlling operational risks. It is used to record and categorise Bank Sarasin's losses. The systematic recording of loss events is a cornerstone of reactive risk management. By "learning from mistakes", the data help to answer the question of how the situation, which led to the loss incident should be 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.

Key risk indicators

To provide a more forward-looking view of existing risks, Sarasin has developed "key risk indicators". Both regular self-assessment and continuous analysis of the loss event database allow efficient identification of areas requiring more intensive monitoring. The Risk Office, together with the responsible specialists and process managers for those areas, define suitable parameters as risk indicators which ensure regular monitoring of sensitive processes.

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)

The Bank has been running a project on the planning and design of the BCM which incorporates recognised best practice guidelines, especially the recommendations of the Swiss Bankers Association. BCM elements, organisation and responsibilities were regulated in a directive. After the performance of a business impact analysis in 2008 marked the first important project milestone, the main activity in 2009 has been the drafting of a risk-based business continuity strategy which defines the basic procedures the Bank must follow if critical resources are lost. For the business continuity strategy to be successfully implemented, a portfolio of risk reduction measures must be initiated first. This was approved by the Executive Committee as part of the business continuity strategy in September 2009 and is being implemented over the course of the next two years.

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

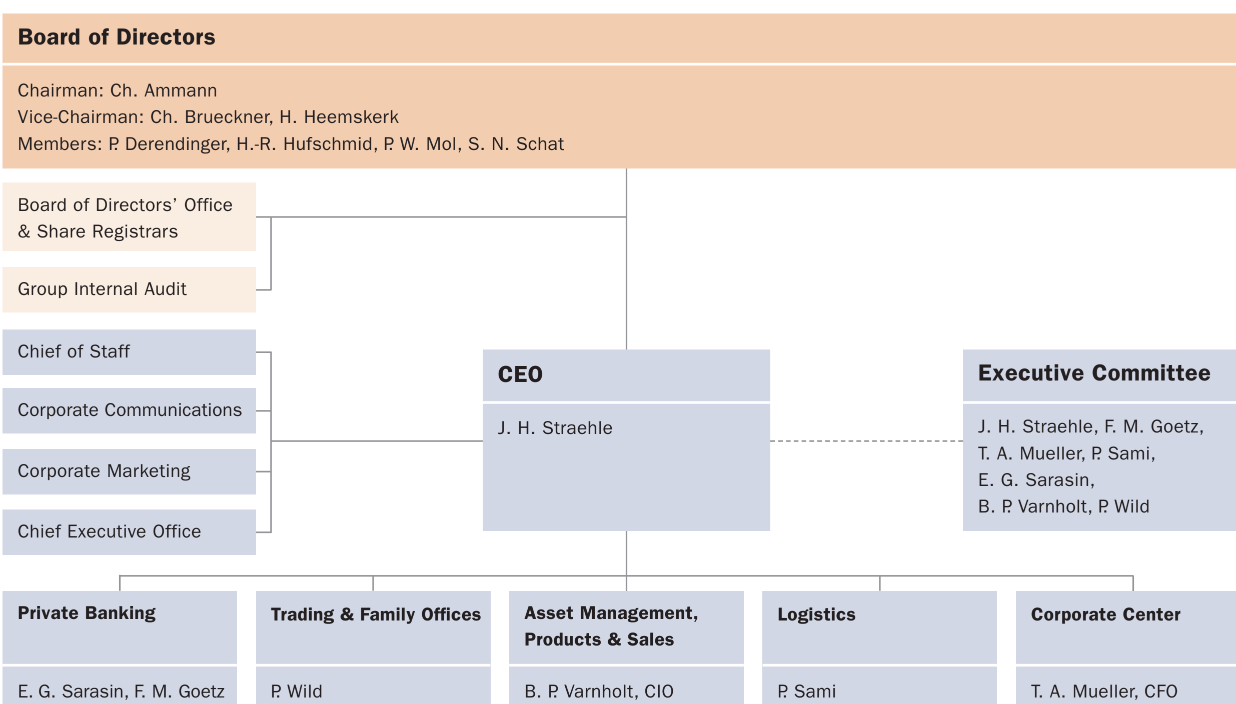
The corporate governance principles and rules followed by Bank Sarasin & Co. Ltd are laid down by the Articles of Association[1], the Regulations for Organisational Structures and Business Management[2] and the regulations of the Board's committees. They are regularly reviewed in accordance with applicable external rules and are submitted to the Board of Directors or to the General Meeting of shareholders for their approval. The Bank's principles 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 Financial Market Supervisory Authority (FINMA) for approval. In accordance with the SIX Swiss Exchange Ltd'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. 42: Operational presentation of the Group's structure (as at 31 December 2010)

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 the Segment reporting on page 158.

[1] Bank Sarasin & Co. Ltd's Articles of Association are published on the on the internet (www.sarasin.com under "About us > Corporate Governance").

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

At the Annual General Meeting of shareholders on 27 April 2010, Christoph Ammann (Chairman) and two representatives of Sarasin's majority shareholder Rabobank, Hubertus Heemskerk and Sipko N. Schat, were re-elected for another three-year term of office up to 2013.

Bank Sarasin's Board of Directors appointed Thomas A. Mueller as new Chief Financial Officer (CFO), Head of the Corporate Center division and member of the Executive Committee, with effect from 1 May 2010. He replaced Matthias Hassels, who decided to leave the Bank after 12 years in order to take on a new career challenge.

The terms of office of the directors Christian Brueckner, Hans-Rudolf Hufschmid and Peter Derendinger are due to end at the Annual General Meeting of 5 April 2011. While Christian Brueckner is not putting himself forward for re-election due to age considerations, Hans-Rudolf Hufschmid and Peter Derendinger will be proposed for re-election to the Board of Directors.

In February 2010 Bank Sarasin & Co. Ltd sold its Lugano subsidiary Sarasin Colombo Gestioni Patrimoniali SA back to the former owner, the Colombo family. Furthermore, the two Group companies Sarasin Investment Management Ltd, London, and Chiswell Associates Ltd, London were dissolved in February 2010.

In March 2010 the existing subsidiary Sarasin Rabo Investment Management Ltd in Hong Kong was upgraded to a new branch, under the name Bank Sarasin & Co. Ltd Hong Kong Branch.

In July 2010, the Spanish subsidiary Sarasin Alén Agencia de Valores S.A., a joint venture with Alén Gestión Patrimonial, was closed down. Sarasin's Board of Directors made this decision in light of the adverse market climate in Spain and the subsidiary's disappointing business performance.

In August 2010 the Sarasin Group obtained a category 2 licence from the Central Bank of Bahrain (CBB) for advisory services to wealthy private clients. The new subsidiary trades under the name Sarasin-Alpen (Bahrain) B.S.C. (c).

In October 2010 Bank Sarasin-Alpen (ME) Limited, Dubai, was granted a licence by the Central Bank of the United Arab Emirates for opening a representative office in Abu Dhabi.

In Singapore, the Sarasin Trust Company (Singapore) Limited is due to commence its operating activity in the first quarter of 2011.

Bank Sarasin & Co. Ltd plans to open a new branch office in Lucerne in the summer of 2011.

1.2 Significant shareholders

As of 31 December 2010, the following shareholders held over 3% of the voting rights in Bank Sarasin & Co. Ltd:

Rabobank

On 31 December 2010 Rabobank owned, through IPB Holding B.V., all 56,571,428 class A registered shares and 17,660,881 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 & Co. Ltd.

Bank of New York Mellon Corporation (USA)

Bank of New York Mellon Corporation (USA) announced that the bank and its group entities own 4.2 % of the voting rights of Bank Sarasin & Co. Ltd.

During the reporting period no further disclosures were made to the SIX Swiss Exchange's Issuer Reporting unit in connection with any underrun or overrun of threshold percentages as stipulated in Article 20 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA).

1.3 Cross-shareholdings

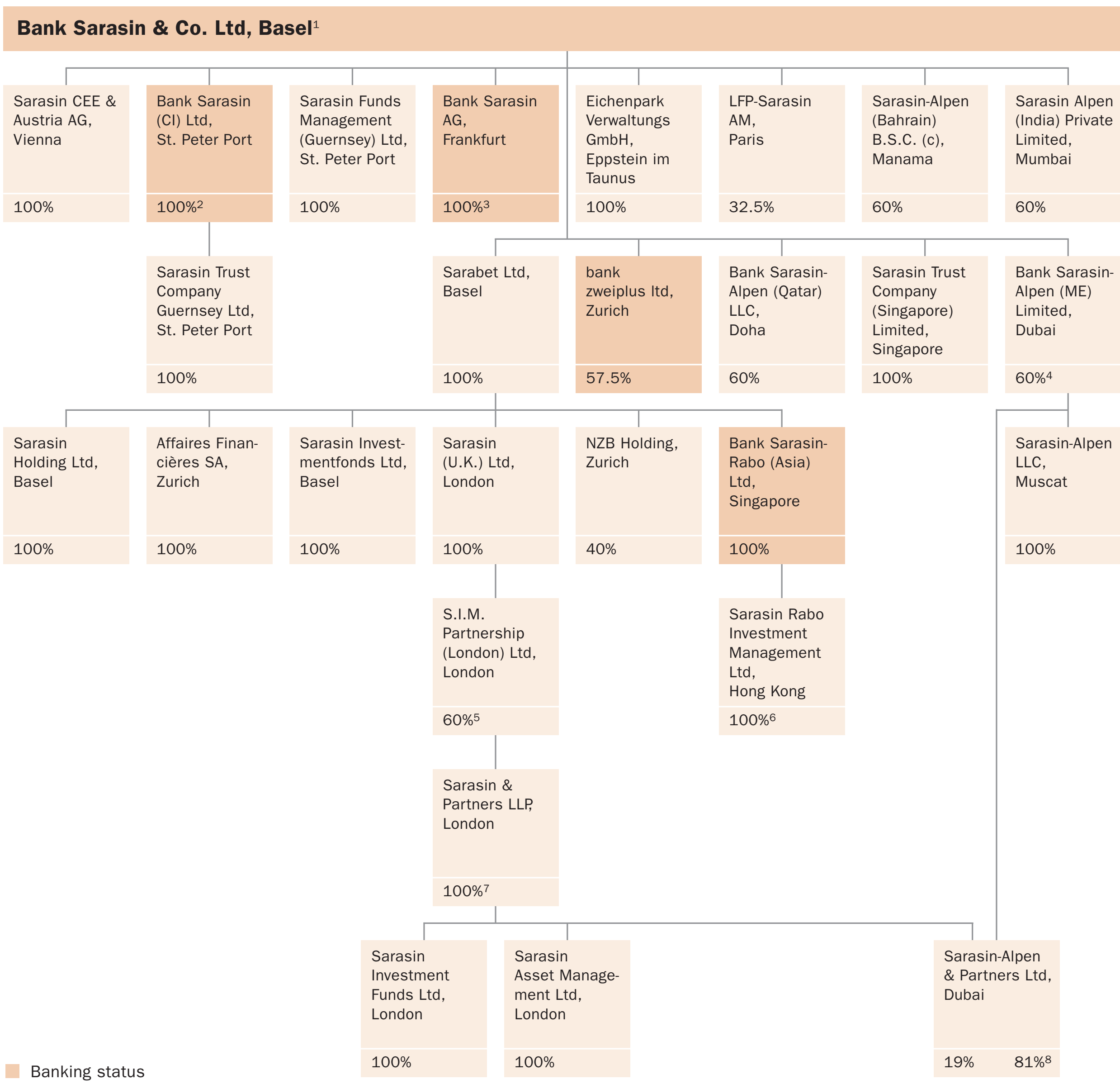
Bank Sarasin & Co. Ltd does not own any cross-shareholdings in other companies.

2. Capital structure

2.1 Capital

Details regarding Bank Sarasin & Co. Ltd's share capital can be found on page 184 in the Notes to its financial statements.

Fig. 43: Legal structure of the subsidiaries (as at 31 December 2010)



1 Basel (Head office), branches: Berne, Geneva, Lugano, Zurich, Hong Kong / representation offices: Warsaw, Vienna
2 For legal reasons, Sarabet holds one share of this company directly.
3 Frankfurt (Head office), branches: Munich, Nuremberg
4 Dubai (Head office), representation office: Abu Dhabi
5 60% of the shares are owned by Sarasin (U.K.) Ltd, 40% of shares held by management.
6 For legal reasons, Bank Sarasin & Co. Ltd holds one share of this company directly.
7 London (Head office), branch: Dublin
8 Bank Sarasin & Co. Ltd holds two shares of this company directly.

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 169 in the Notes to the consolidated financial statements (Note 7.4).

Fig. 44: Distribution of Sarasin class B registered shares

	Shareholders		Shares	
on 31 December 2010	Number	%	Number	%
Number of class B registered shares				
1–100	250	11.56	13,562	0.03
101–1,000	1,087	50.25	490,883	0.95
1,001–515,850 (≤1%)	817	37.77	11,862,745	23.00
515,851–1,031,701 (≤2%)	2	0.09	1,119,146	2.17
1,031,702–1,547,552 (≤3%)	1	0.05	1,109,082	2.15
1,547,553–2,063,403 (≤4%)	1	0.05	1,600,500	3.10
2,063,404–2,579,254 (≤5%)	3	0.14	6,816,694	13.21
>2,579,255 (>5%)	2	0.09	20,480,452	39.70
Total registered shares	2,163	100.00	43,493,064	84.31
Total unregistered shares[1]			8,092,033	15.69
Total issued shares	**2,163**	**100.00**	**51,585,097**	**100.00**

Please note: class A registered shares are not included in this table because they are not publicly listed and 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 184 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 184.

2.4 Shares and participation certificates

Details regarding the number, type and par value of shares in the company are given on page 186 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 the Articles of Association[2], 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.

[1] Shares that were not entered in the share register on 31 December 2010.

[2] Bank Sarasin & Co. Ltd's Articles of Association are published on the Internet (www.sarasin.ch under "About us > Corporate Governance").

Fig. 45: Registered shareholders: categories and distribution (Sarasin class B registered shares)

	Shareholders		Shares	
on 31 December 2010	Number	%	Number	%
Natural persons	1,886	87.19	11,064,651	21.45
Legal persons	277	12.81	32,428,413	62.86
Unregistered shares			8,092,033	15.69
Total	**2,163**	**100.00**	**51,585,097**	**100.00**
Nationality:				
Swiss	1,992	92.09	16,105,058	31.22
Other	171	7.91	27,388,006	53.09
Unregistered shares			8,092,033	15.69
Total	**2,163**	**100.00**	**51,585,097**	**100.00**

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).

2.6.2 Reasons for granting exceptions in the year under review

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

2.6.3 Rules regarding nominee registrations

There are no provisions regarding nominee registrations that diverge from the rules laid down in the 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 the Articles of Association regarding restrictions on the transferability of registered shares requires at least two thirds of the votes represented at the Annual General Meeting and an absolute majority of the par value of the registered shares represented.

2.7 Convertible bonds and options

Bank Sarasin & Co. Ltd has not issued any convertible bonds. Details regarding the options in the possession of members of the Board of Directors and the senior management can be found in the Notes to the consolidated financial statements on page 135 and 136. 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 2010 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 & Co. Ltd's Board of Directors carries out a mandate.

At the Annual General Meeting of shareholders on 27 April 2010, Christoph Ammann (Chairman) and two representatives of Sarasin's majority shareholder Rabobank, Hubertus Heemskerk and Sipko N. Schat, were re-elected for another three-year term of office up to 2013.

The terms of office of the directors Christian Brueckner, Hans-Rudolf Hufschmid and Peter Derendinger are due to end at the Annual General Meeting of 5 April 2011. While Christian Brueckner is not putting himself forward for re-election due to age considerations, Hans-Rudolf Hufschmid and Peter Derendinger will be proposed for re-election to the Board of Directors.

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 a member of the board of the VIA MAT group of companies.

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 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. From 2003 to July 2009 he was CEO of Rabobank Group. Among other he is Chairman of the Supervisory Board of Koninklijke Boskalis Westminster NV and a member of the Supervisory Board of the Stock Exchange Foundation, the Supervisory Board of Vlerick Leuven Gent Management School, the Supervisory Board of Wageningen University and Research Centre 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 AG and other unlisted 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.

From 1980 to 2002 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 the construction company 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.

Pim W. Mol

Born in 1957; Dutch citizen, lives in Haarlem, Netherlands; he has a degree in macro economics from the Free University (Vrije Universiteit) in Amsterdam and a bachelor in business administration from the Higher Business School in Amsterdam. Pim W. Mol started his career at Pierson, Heldring and Pierson, later Fortis MeesPierson, in 1987. After various research positions in Amsterdam and Paris he became managing director of MeesPierson Securities Asia in Hong Kong in 1991. He returned to the Netherlands in 1995 where he started to work for the private bank for which he became responsible in 1999. From 2002 to 2008 he was a member of the Global Management Board of Fortis Private Banking, being first responsible for all on-shore offices and later for all products and services worldwide. In July 2008 he joined Rabobank Nederland as Head of Private Banking. He is Chairman of the Board of Schretlen & Co and of Orbay. Pim W. Mol is also member of several boards of foundations, public institutions and of the Federation of Financial Planners.

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 Managing 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 Dutch and International Corporate Clients, 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 the members of the Board and the Boards of other publicly quoted companies.

3.4 Election and terms of office

The election and term of office of the Board members are governed by the Articles of Association (Article 15), which are published on the internet (www.sarasin.com under "About us > Corporate Governance").

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

Fig. 46: Term of office of current directors

Name	Director since	Term of office ends
Christoph Ammann	2002	2013
Christian Brueckner	2002	2011
Hubertus Heemskerk	2007	2013
Peter Derendinger	2008	2011
Hans-Rudolf Hufschmid	2002	2011
Pim W. Mol	2009	2012
Sipko N. Schat	2007	2013

of the Annual General Meeting 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 Annual General Meeting 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-Chairmen. Meetings take place as often as business requires and generally once a quarter. In addition, any member may request in writing that a meeting be convened (to discuss matters within the competence of the Board of Directors), provided they specify the agenda items for discussion. The Board of Directors met six times in 2010 (2009: six times). Its meetings generally last half a day. One meeting was limited to a one-hour teleconference.

As representative of the Executive Committee, Joachim Straehle, Chief Executive Officer (CEO), attended all the meetings of the Board of Directors. In 2010 there was also a one-day workshop attended by the entire Board of Directors and Executive Committee. Matthias Hassels, and subsequently Thomas A. Mueller, reported as CFOs on the Group's business performance at all Board meetings. Other division heads and business unit heads briefed the Board on various themes during the meetings over the course of the year. Representatives of the external audit firm Ernst & Young attended two meetings in 2010 to provide input on specific items of the agenda. In 2010 no other external consultants attended any Board meetings. No members of the Board of Directors attended any Executive Committee meetings during FY 2010.

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
3.5 c) Credit Panel

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 Sipko N. Schat. 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 CEO position. 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 Board members' 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 three times in 2010 (2009: four times) for an average of 1.5 hours per meeting. In 2010 the

CEO and the Head of Group Human Resources attended all the meetings. The Nomination and Compensation Committee did not engage the services of any external consultants in 2010.

b) Audit Committee

Hans-Rudolf Hufschmid chairs the Committee, of which Peter Derendinger and Pim W. Mol are members. Overall the members of the Committee fulfil the necessary requirements regarding independence and qualifications. The 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 2010 (2009: five times) for an average of 3.2 hours per meeting. The external audit firm attended four meetings to discuss certain agenda items. The CFO Matthias Hassels (and then Thomas A. Mueller) and the Head of Financial Accounting attended five and one meeting respectively to discuss various topics. The Head of Legal & Compliance attended two meetings in 2010 to discuss various topics. In addition, representatives of the Risk Office attended three meetings to discuss specific points. Finally, the Head of the Trading & Family Offices division Peter Wild attended one meeting to discuss certain agenda items, and Chairman Christoph Ammann a total of four meetings.

c) Credit Panel

The Board of Directors decides on credit applications in excess of CHF 200 million. These applications are submitted to the Board of Directors with a recommendation from the Central Credit Committee (CCC).

To facilitate efficient and rapid decision-making, the Board of Directors appoints a panel consisting of three of its members. This Credit Panel evaluates and approves the credit applications submitted by the CCC. At the next regular meeting of the Board, the Chairman provides an overview of the credit applications considered by the Credit Panel since the last Board meeting and the decisions reached. The Board then ratifies the decisions reached by the three-member panel. In the case of non-ratification, the credit relationship affected must be terminated at the earliest possible date.

Christoph Ammann chairs the Credit Panel, whose other members are Peter Derendinger and Hans-Rudolf Hufschmid. In 2010 the Credit Panel met three times (2009: three times) for an average of one hour. The Head of Group Credit attended two meetings and took the minutes at one of them. One meeting was held with the Audit Committee, with a representative from Internal Audit taking the minutes. The minutes of the third meeting were taken by the Head of the CEO's Office. The Head of Private Banking, Fidelis M. Goetz, attended one meeting. Another meeting was attended (in part) by the CEO Joachim Straehle and by the CFO Thomas A. Mueller.

3.6 Definition of areas of responsibility

Pursuant to Article 16 paragraph 5 of the 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 the Bank's website (www.sarasin.com under About us > Corporate Governance).

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 90 of the Ordinance concerning Capital Adequacy for Banks (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 CFO, the Risk Office and Group Compliance. The Board of Directors may invite the Heads of Division or Heads of Business Units 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 & Co. Ltd'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. 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

Bank Sarasin's Board of Directors appointed Thomas A. Mueller as new Chief Financial Officer, Head of the Corporate Center division and member of the Executive Committee, with effect from 1 May 2010. He replaced Matthias Hassels, who decided to leave the Bank after 12 years in order to take on a new career challenge.

Joachim H. Straehle, Chief Executive Officer (CEO)
Born in 1958; Swiss citizen; lives in Oberaegeri, Switzerland; 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, Switzerland; 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.

Thomas A. Mueller, Head of the Corporate Center Division, Chief Financial Officer (CFO)

Born 1965; Swiss citizen, lives in Zug; Master degree in economics (lic.rer.pol.) from the University of Berne, Master of Business Administration (MBA) from IMD Lausanne.
Thomas A. Mueller began his career as Head of Asset & Liability Management with Schweizerische Volksbank. After this bank's integration into Credit Suisse, he became Head of Treasury at Credit Suisse in Zurich from 1994 to 1997. In 1997 he moved to Marc Rich Holding in Zug, where he was in charge of trading in interest-rate instruments. From 2002 to 2005 he served as Chief Financial & Risk Officer with Banca del Gottardo in Lugano, where he was a member of the Executive Board. Before joining Bank Sarasin & Co. Ltd, Thomas Mueller spent three and a half years as Group Chief Financial Officer & Chief Risk Officer for Swiss Life Group. In this capacity he was a

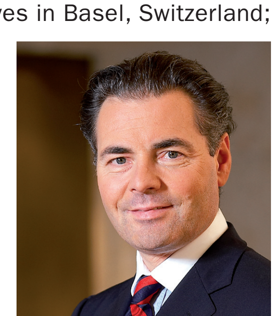
member of the Corporate Executive Board in Zurich. Since 1 May 2010 Thomas A. Mueller has been Chief Financial Officer and Head of the Corporate Center Division, and a member of Bank Sarasin & Co. Ltd's Executive Committee.

Peter Sami, Head of the Logistics Division

Born 1958, Swiss citizen, lives in Dietikon, Switzerland; 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 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 & Co. Ltd's Executive Committee 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 with 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 & Co. 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. Eric G. Sarasin has been a member of Bank Sarasin & Co. Ltd's Executive Committee since 1 January 2004. Eric G. Sarasin was Head of the Private and Institutional Clients Switzerland 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, a member of Board of Directors of Basel Zoo, a member of Board of Directors and Treasurer of GGG Breite AG, and is also active in numerous philanthropic foundations in Switzerland and abroad.

Burkhard P. Varnholt, Head of the Asset Management, Products & Sales Division, Chief Investment Officer (CIO)

Born 1968; German citizen, residing in Zurich, Switzerland; PhD in Economics from the University of St. Gall (HSG).
From 1998 until his switch to Bank Sarasin & Co. Ltd 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).

Peter Wild, Head of the Trading & Family Offices Division

Born in 1951, Swiss citizen, lives in Zumikon, Switzerland; 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 & Co. Ltd'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

Principles

The Compensation Rules of Bank Sarasin & Co. Ltd are based on the general corporate governance principles, the Regulations for Organisational Structures and Business Management and the Allocation of Competencies of Bank Sarasin & Co. Ltd. They are also guided by the principles of Circular 10/1 "Compensation Systems" issued by the Swiss Financial Market Supervisory Authority (FINMA).

Purpose and scope

Bank Sarasin & Co. Ltd's Compensation Rules are issued by the Bank's Board of Directors and govern the fundamentals of the compensation systems for the Sarasin Group, in particular its compensation philosophy, principles and policy in the light of the specific market conditions in each region and any direct interests held in subsidiary companies. The Rules are set out in this document.

On the basis of the Compensation Rules, the Bank issues a set of groupwide internal staff rules (e.g. "SaraRules") and annual Participation Plans setting out the conditions applicable in the current financial year for a bonus in the form of an allocation of shares. The elements of the compensation system are communicated to the persons concerned in a transparent manner and form an integral part of any agreements under their contract of employment.

The Compensation Rules do not provide any entitlement to bonus payments.

Basic principles and definitions

The compensation philosophy of the Sarasin Group is based on a transparent and sustainable approach to operating a performance-related compensation system. Compensation packages are based on sustainable, quantitative and qualitative performance measurement criteria which are as objective as possible, including the inherent risks, graded according to responsibility and position held. In other words, the higher the proportion of variable pay is set in the compensation packages, the greater the influence on operating business and risk trends.

The Sarasin Group's compensation systems are based on the following pay components:

- **Contractually agreed annual salary:** As well as position held and performance, ability, responsibility, training, experience and conduct are also taken into account when setting the salary. Comparisons with internal and external benchmarks are also used as a basis for setting the salary.
- **Allowances:** Allowances are granted solely in accordance with legal requirements or internal guidelines (e.g. Secondment Rules).

- > **Flat-rate expenses:** Flat-rate expenses in Switzerland have been agreed with the appropriate tax authorities.
- > **Variable pay (bonus):** Where the earnings position of the Bank or its Group companies allows, it can pay a bonus at its discretion. Bonus payments are linked to Group performance, the performance of the employee's business unit and their individual performance and achievement of targets in line with qualitative objectives such as compliance with directives and guidelines, and their attitude to risk, as well as a market comparison. In all cases, they constitute a voluntary special payment and do not give rise to an entitlement to future bonuses, even where they have been paid continuously for many years. Bonus payments can be discontinued in whole or in part at any time. This type of bonus payment can take the form of both a monetary payment and a share allocation (see below for arrangements in the Participation Plan).

In principle, no joining or severance payments are paid. This does not affect compensation payments in connection with lost bonuses from a previous employer or social plans for redundancies in the event of restructuring.

Boards of Directors receive only a fixed cash payment, graded according to position held and membership of committees.

Employees and senior executives of the Sarasin Group who hold controlling, auditing, legal, compliance and risk management posts are generally paid mainly a fixed salary in line with market rates in order to rule out any potential conflicts of interest.

Procedure for determining compensation systems in the Sarasin Group

The Board of Directors sets out the Group's compensation policy and, as part of its function as a governance, supervisory and controlling body, assumes the responsibility for its implementation. In particular, it has formed a Nomination and Compensation Committee for this purpose (NCC, for details see 3.5a) to ensure that the Board of Directors receives independent and expert support. The NCC can also call in independent experts if necessary.

The Board of Directors issues and periodically reviews the Compensation Rules and obtains information each year on the operational implementation of and trends in the compensation systems.

In accordance with the Allocation of Competencies and at the request of the NCC, the Board of Directors approves the compensation packages for the Executive Committee, the annual total pool for all variable pay and the arrangement and allocation criteria for the compensation systems in the Group.

Setting the total pool and allocation criteria for variable pay

The total pool for all variable pay is determined by the Board of Directors at the NCC's request and is based on the long-term, sustainable success of the Sarasin Group, taking into account the risks incurred and the capital costs. The amount of the total pool also ensures a balanced relationship between compensation for the Bank's shareholders and its employees. The Board of Directors may in extraordinary situations alter the defined quantitative criteria for determining the total pool (both downwards and upwards, e.g. to take account of extraordinary and one-time effects on earnings).

Variable pay awards will not be made in any year in which the Sarasin Group registers a loss. If, nevertheless, in such a case, Sarasin makes a payment to the shareholders in the form of a dividend or other rewards, employees will be awarded a reasonable sum of compensation whose payment is geared to achieving the turnaround.

Composition of the Participation Plan

The Participation Plan of the Sarasin Group governs the general conditions for awarding a bonus in the form of a share allocation. Whether, to what extent and to which employees or employee groups a bonus in the form of cash or shares is awarded is at the discretion of the Board of Directors or the bodies appointed by it for that purpose. The respective Participation Plan does not therefore justify bonus claims but sets out the terms for the share allocation where a bonus is awarded in the form of shares.

Some larger bonus payments are made in the form of compensation deferred over several years which is linked to future, sustainable growth in the Bank and involves a bonus/penalty effect depending on the attainment of performance targets. This deferred compensation is generally awarded in the form of shares in Bank Sarasin & Co. Ltd, which are only irrevocably allocated if the target is met. The basic principle applies: the higher the bonus the tighter the link to future targets.

The conditions applicable to a financial year are determined by Bank Sarasin's Board of Directors by the time of the annual individual bonus notification and are communicated to employees via the Bank Sarasin & Co. Ltd intranet or by any other appropriate means.

Setting compensation for the financial year 2010
The Board of Directors determines the size of the bonus pool based on the Group profit as at 31.12.2010, taking into consideration the attainment of targets in 2010 (assets under management, cost income ratio and gross margin).

The amount of individual bonus payments to employees (including members of the Executive Committee) is linked to their personal performance and the attainment of specified targets taking into account qualitative objectives (such as compliance with directives and guidelines), their attitude to risk and a market comparison based on the Towers Watson INbank and McLagan databases. The Towers Watson INbank database is a comprehensive source of compensation data for senior managers of leading financial service providers in Europe. The McLagan database is used for group companies in the UK and Asia.

In 2010 the ratio between the basic salary and performance-related pay for Executive Committee members was 1:2.1 (2009: 1:2.5). Since 1 January 2010, members of the Executive Committee do not receive a severance payment on termination of their contract. In the event of a change of control, one member of the Executive Committee will be governed by the rules as explained in 7.2.

The following conditions for the Participation Plan have been laid down by the Board of Directors for the financial year 2010, the same as 2009. The following values apply to Switzerland (with the exception of bank zweiplus) and may vary slightly for international entities:

- Variable pay less than CHF 100 000 will be paid in cash.
- Variable pay in excess of CHF 100 000 will be paid 50% in cash. The remaining 50% will be paid in the form of registered shares in Bank Sarasin & Co. Ltd as deferred compensation over the next four years, one quarter per year, depending on whether annual and medium-term targets have been met. The award becomes irrevocable if the target is met on a scale between 50% and 150% and therefore involves a bonus/penalty effect. If the performance target attainment is below 50%, the corresponding annual instalment will not be paid. If the performance target attainment is above 100% up to a maximum of 150%, the original deferred compensation will be increased accordingly. The deferred compensation is therefore subject to fluctuations in the Bank's share price and is also subject to the condition that the employee has not given notice to leave the company at the time of the share allocation.
- Attainment of performance targets will be measured against net new money targets, cost income ratio and gross margin of the Sarasin Group.

Compensation report, details of holdings and loans
In accordance with company law, the notes to the annual consolidated financial statements (see page 132–134) contain details of the fixed compensation paid to members of the Board of Directors and the fixed and variable compensation paid to members of the Executive Committee. Any loans received and any holdings in the Bank are also declared for both bodies.

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 two days before invitations to the Annual General Meeting are issued (see 6.5).

6.1.1 Voting-rights restrictions
Under Article 5 of the 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 71).

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 the Articles of Association
Any change in the provisions of the 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 at least two percent of the share capital may demand that a specific item be placed on the agenda. If two percent of the share capital equates to shares with a nominal value of more than CHF 1 million, the right to request an item be placed on the agenda extends to shareholders representing shares with a nominal value of CHF 1 million. 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 two days before invitations to the General Meeting of shareholders are issued. The share register is closed for registrations from the second 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 10 of the Articles of Association stipulates that invitations to a General Meeting must be sent out at least 20 calendar days in advance, the share register is closed 28 calendar days before a General Meeting.

7. Changes of control and defence measures

7.1 Duty to make an offer
The 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 & Co. Ltd, the member shall be due a redundancy payment equivalent to one and a half years' basic annual salary.

8. Audit firm (auditors)

8.1 Duration of the mandate and term of office of the lead auditor
Ernst & Young AG audits all 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 paid Ernst & Young fees totalling CHF 3,777,040 for services connected with the auditing of the 2010 financial statements whereof Bank Sarasin & Co. Ltd paid CHF 2,224,941. Ernst & Young acts as auditors for all the companies in the Sarasin Group.

8.3 Additional fees

The Sarasin Group paid Ernst & Young fees totalling CHF 707,858 for services not connected with the auditing of the 2010 financial statements. These fees break down as follows: for tax advice CHF 119,029 and for various audit-related services and transaction advice CHF 583,829. Bank Sarasin & Co. Ltd paid fees totalling CHF 535,160 to Ernst & Young whereof for tax advice CHF 27,847 and for various audit-related services and transaction advice CHF 507,313.

8.4 Information tools pertaining to the external audit

The Audit Committee of the Board of Directors holds regular discussions with the representatives of the 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 the internal control systems, in the light of the Group's risk profile.

During the 2010 financial year, representatives of the external audit firm attended four (previous year: four) Audit Committee meetings in total, as well as sitting in on two (previous year: one) Board meetings for specific agenda items.

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. The 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 relevant provisions of the Swiss Code of Obligations (Art 730a CO), i.e. the lead auditor may only perform the mandate for a maximum of seven years. He may only take the mandate back on after a three-year break. Details of the current term of the lead auditor's mandate can be found in 8.1.

The audit firm and its affiliated companies must be independent from Bank Sarasin & Co. Ltd 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, the Half-Year Report, 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 the website (www.sarasin.com) as well as in letters to shareholders, media releases, webcasts, 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 media releases by visiting the website (www.sarasin.ch/newspush_en). Users can select the topics they are most interested in. Alternatively, investors can download all media releases at any time from the 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 0.35

Ticker symbols

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

Important dates

Annual General Meeting 2011	5 April 2011
Interim results 2011	28 July 2011
Annual results 2011	23 February 2012
Annual General Meeting 2012	26 March 2012
Interim results 2012	30 July 2012

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Sarasin Group: financial statements

Consolidated income statement **88**

Consolidated comprehensive income **89**

Consolidated balance sheet **90**

Statement of changes in equity **92**

Consolidated statement of cash flows **94**

Consolidated off-balance sheet information **96**

Notes to the consolidated financial statements **97**
Accounting principles 97
Details of positions in the consolidated balance sheet and consolidated income statement 107
Transactions with related persons and companies 131
Management and staff participation schemes (share-based payment plan) 137
Risk management 138
Segment reporting 158
Other information 162

Report of the statutory auditor **172**

Consolidated income statement

1,000 CHF	Note	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Interest and discount income		**190,282**	209,067	–18,785	–9.0
Interest and dividend income from financial investments		**46,318**	37,123	9,195	24.8
Interest expenses		**89,679**	115,514	–25,835	–22.4
Net interest income	2.1	**146,921**	**130,676**	**16,245**	**12.4**
Commission income on lending activities		**5,264**	1,969	3,295	167.3
Commission income on securities and investment transactions		**495,030**	433,856	61,174	14.1
Commission income on other services		**28,207**	23,217	4,990	21.5
Commission expenses		**71,005**	60,531	10,474	17.3
Results from commission and service fee activities	2.2	**457,496**	**398,511**	**58,985**	**14.8**
Results from trading operations	2.3	**59,817**	**103,504**	**–43,687**	**–42.2**
Other ordinary results	2.4	**26,337**	**41,237**	**–14,900**	**–36.1**
of which income from investments in associates		**–1,856**	56	–1,912	
Operating income		**690,571**	**673,928**	**16,643**	**2.5**
Personnel expenses	2.5	**368,400**	358,841	9,559	2.7
General administrative expenses	2.6	**136,820**	128,001	8,819	6.9
Operating expenses		**505,220**	**486,842**	**18,378**	**3.8**
Operating profit		**185,351**	**187,086**	**–1,735**	**–0.9**
Depreciation and write-offs on property and equipment	2.7	**18,150**	17,105	1,045	6.1
Amortisation of intangible assets	2.7	**12,654**	15,915	–3,261	–20.5
Value adjustments, provisions and losses	2.8	**11,332**	77,670	–66,338	–85.4
Profit before taxes		**143,215**	**76,396**	**66,819**	**87.5**
Taxes	2.9	**18,679**	24,868	–6,189	–24.9
Group result		**124,536**	**51,528**	**73,008**	**141.7**
Attributable to:					
Shareholders of Bank Sarasin & Co. Ltd		**107,794**	37,807	69,987	185.1
Minority interests		**16,742**	13,721	3,021	22.0
Group result		**124,536**	**51,528**	**73,008**	**141.7**
Share information (CHF)					
Result per class A registered share (with voting rights)[1]		**0.35**	0.12	0.23	191.7
Result per class B registered share[1]		**1.73**	0.62	1.11	179.0
Diluted result per class A registered share[1]		**0.35**	0.12	0.23	191.7
Diluted result per class B registered share[1]		**1.73**	0.62	1.11	179.0
Dividend per class A registered share (with voting rights)[2]		**0.18**	0.18	0.00	0.0
Dividend per class B registered share[2]		**0.90**	0.90	0.00	0.0

[1] Calculation based on the weighted shares according to IFRS.

[2] Subject to approval of the annual general meeting.

Consolidated comprehensive income

1,000 CHF	2010	2009	Change to 2009 CHF	Change to 2009 %
Group result	**124,536**	**51,528**	**73,008**	**141.7**
Gains and losses "available-for-sale" financial investments:				
– Realised gains reclassified to income statement	**–2,565**	14,240	–16,805	–118.0
– Change in unrealised gains and losses	**–16,965**	19,169	–36,134	–188.5
Gains and losses from currency translation differences:				
– Realised gains/losses reclassified to income statement	**0**	–51	51	100.0
– Change in unrealised gains and losses	**–44,476**	8,094	–52,570	–649.5
Other comprehensive income (net-of-tax)	**–64,006**	**41,452**	**–105,458**	**–254.4**
Total comprehensive income	**60,530**	**92,980**	**–32,450**	**–34.9**
Attributable to:				
Shareholders of Bank Sarasin & Co. Ltd	**47,406**	77,555	–30,149	–38.9
Minority interests	**13,124**	15,425	–2,301	–14.9
Total comprehensive income	**60,530**	**92,980**	**–32,450**	**–34.9**

Consolidated balance sheet

Assets

1,000 CHF	Note	**31.12.2010**	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Cash and cash equivalents	2.13	**182,613**	371,836	–189,223	–50.9
Money market papers	2.14	**670,377**	765,874	–95,497	–12.5
Due from banks	2.15	**2,541,838**	2,848,700	–306,862	–10.8
Due from customers	2.15	**9,457,417**	7,320,077	2,137,340	29.2
Trading portfolio assets	2.17	**496,846**	620,881	–124,035	–20.0
Derivative financial instruments	2.19	**453,260**	382,387	70,873	18.5
Financial investments	2.20	**3,210,891**	2,518,393	692,498	27.5
Investments in associated companies	2.21	**36,235**	38,579	–2,344	–6.1
Property and equipment	2.22	**117,894**	119,354	–1,460	–1.2
Goodwill and other intangible assets	2.23	**147,907**	145,555	2,352	1.6
Current tax assets		**1,180**	231	949	410.8
Deferred tax assets	2.10	**6,077**	7,829	–1,752	–22.4
Accrued income and prepaid expenses		**150,871**	147,944	2,927	2.0
Other assets	2.24	**32,065**	13,178	18,887	143.3
Total assets		**17,505,471**	**15,300,818**	**2,204,653**	**14.4**
Total subordinated assets		**8,048**	7,318	730	10.0
Total due from significant shareholders		**110,132**	93,025	17,107	18.4

Liabilities and equity

1,000 CHF	Note	**31.12.2010**	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Due to banks		**2,628,260**	2,527,442	100,818	4.0
Due to customers	2.27	**11,850,096**	10,236,512	1,613,584	15.8
Trading portfolio liabilities	2.18	**17,499**	69,063	–51,564	–74.7
Derivative financial instruments	2.19	**385,671**	238,857	146,814	61.5
Financial liabilities designated at fair value	2.28	**753,832**	680,512	73,320	10.8
Debt issued	2.29	**346,467**	0	346,467	
Current tax liabilities		**9,215**	5,142	4,073	79.2
Deferred tax liabilities	2.10	**9,070**	10,894	–1,824	–16.7
Accrued expenses and deferred income		**189,786**	186,101	3,685	2.0
Other liabilities	2.30	**42,231**	49,736	–7,505	–15.1
Provisions	2.31	**1,450**	4,821	–3,371	–69.9
Total liabilities		**16,233,577**	**14,009,080**	**2,224,497**	**15.9**
Share capital	2.32	**22,015**	22,015	0	0.0
less treasury shares	2.32	**–33,033**	–26,927	–6,106	–22.7
Capital reserve		**644,556**	640,974	3,582	0.6
Retained earnings		**649,994**	668,435	–18,441	–2.8
Reserves IAS 39 (net of tax)		**–22,723**	–3,192	–19,531	–611.9
Currency translation differences		**–139,180**	–98,323	–40,857	–41.6
Group result (excluding minority interests)		**107,794**	37,807	69,987	185.1
Shareholders' equity of shareholders of Bank Sarasin & Co. Ltd		**1,229,423**	**1,240,789**	**–11,366**	**–0.9**
Minority interests in shareholders' equity (including share in profits)		**42,471**	50,949	–8,478	–16.6
Total shareholders' equity (including minority interests)		**1,271,894**	**1,291,738**	**–19,844**	**–1.5**
Total liabilities and shareholders' equity		**17,505,471**	**15,300,818**	**2,204,653**	**14.4**
Total subordinated liabilities		**0**	0	0	
Total due to significant shareholders		**592,203**	442,215	149,988	33.9

Statement of changes in equity

1,000 CHF	Share capital	Treasury shares	Capital reserve	Retained earnings
Total shareholders' equity as of 01.01.2009	**61,155**	**–43,435**	**602,340**	**668,043**
Total comprehensive income	**0**	**0**	**0**	**37,807**
Dividends paid				
Capital increase[1]	610		39,068	
Reduction in par value without outflow of cash from COTO[1]	–39,677			
Reduction in par value with outflow of cash from COTO[1]	–73			
Transaction costs from COTO[2]			–543	
Change in treasury shares		16,508		
Result on treasury shares including derivatives			–5,871	
Participation plans			5,980	
Change in scope of consolidation				
Transactions with minority shareholders				392
Total shareholders' equity as of 31.12.2009	**22,015**	**–26,927**	**640,974**	**706,242**
Total shareholders' equity as of 01.01.2010	**22,015**	**–26,927**	**640,974**	**706,242**
Total comprehensive income	**0**	**0**	**0**	**107,794**
Dividends paid				–56,159
Change in treasury shares		–6,106		
Result on treasury shares including derivatives			3,844	
Participation plans			–262	
Change in scope of consolidation				
Transactions with minority shareholders				–89
Total shareholders' equity as of 31.12.2010	**22,015**	**–33,033**	**644,556**	**757,788**

1 The shareholders' equity amounts to CHF 22.0 million as at 31 December 2009. While the issue of Cash or Title Options (COTOs) resulted in a total reduction in par value of CHF 39.8 million, the issue of additional shares at the same time generated new shareholders' equity of CHF 0.6 million and capital reserves of CHF 39.1 million. The cash settlement comes to just under CHF 0.1 million.

2 Transaction costs, which are from stamp duties and other directly attributable costs, amounts to CHF 0.5 million.

Reserves available for sale investments (net of tax)	Currency translation differences	**Total (excluding minority interests)**	Minority interests	Currency translation differences	**Total (minority interests)**	**Total**
–36,601	**–104,662**	**1,146,840**	**56,425**	**–10,062**	**46,363**	**1,193,203**
33,409	**6,339**	**77,555**	**13,721**	**1,704**	**15,425**	**92,980**
		0	–12,311		**–12,311**	**–12,311**
		39,678			**0**	**39,678**
		–39,677			**0**	**–39,677**
		–73			**0**	**–73**
		–543			**0**	**–543**
		16,508			**0**	**16,508**
		–5,871			**0**	**–5,871**
		5,980			**0**	**5,980**
		0	–97		**–97**	**–97**
		392	1,569		**1,569**	**1,961**
–3,192	**–98,323**	**1,240,789**	**59,307**	**–8,358**	**50,949**	**1,291,738**
–3,192	**–98,323**	**1,240,789**	**59,307**	**–8,358**	**50,949**	**1,291,738**
–19,531	**–40,857**	**47,406**	**16,742**	**–3,618**	**13,124**	**60,530**
		–56,159	–20,780		**–20,780**	**–76,939**
		–6,106			**0**	**–6,106**
		3,844			**0**	**3,844**
		–262			**0**	**–262**
		0			**0**	**0**
		–89	–822		**–822**	**–911**
–22,723	**–139,180**	**1,229,423**	**54,447**	**–11,976**	**42,471**	**1,271,894**

Consolidated statement of cash flows

1,000 CHF	2010	2009
Cash flow from operating activities		
Profit before income taxes (including minority interests)	**143,215**	76,396
Non cash position in group result		
Depreciation and amortisation	**30,804**	33,020
Impairment of associated companies	**0**	70,183
Value adjustments for credit risks	**2,361**	–4,419
Change in provisions	**–3,377**	–603
Change in deferred taxes	**–2,894**	6,751
Net income from investing activities / result from associated companies	**2,244**	–56
Net income from transactions with minority shareholders	**0**	–1,846
Net (increase) / decrease in assets and liabilities relating to banking activities		
Due from / to banks net	**499,291**	3,133,353
Net trading positions and replacement values, financial investments designated at fair value	**277,821**	–739,181
Due from / to customers net	**–225,335**	–454,347
Accrued income, prepaid expenses and other assets	**–145,414**	84,370
Accrued expenses, deferred income and other liabilities	**12,334**	–20,716
Due from / to money market papers	**66,642**	–418,095
Paid and withheld income taxes	**–16,728**	–26,635
Cash flow from operating activities	**640,964**	**1,738,175**
Cash flow from investing activities		
Investments in subsidiaries and associated companies	**0**	0
Increase in the share of associated companies	**0**	0
Capital increase of associated companies	**0**	–911
Disposal of subsidiaries and associated companies	**19,035**	2,753
Purchase of property, equipment and intangible assets	**–46,213**	–15,018
Disposal of property, equipment and intangible assets	**3,008**	1,826
Net (investment) / divestment of financial investments	**–905,511**	–1,239,459
Cash flow from investing activities	**–929,681**	**–1,250,809**
Cash flow from financing activities		
Purchase of treasury shares and derivatives on treasury shares	**–88,990**	–53,566
Issue and sale of treasury shares and derivatives on treasury shares	**80,220**	64,238
Issue of bonds	**346,176**	0
Dividends paid	**–76,939**	–12,311
Reduction in par value with outflow of cash from COTO	**0**	–73
Change in minority interests	**6,588**	6,961
Cash flow from financing activities	**267,055**	**5,249**
Effects of currency translation differences	**–70,883**	–2,289
Net increase / decrease in cash and cash equivalents	**–92,545**	**490,326**

1,000 CHF	**31.12.2010**	31.12.2009
Cash and cash equivalents, beginning of period	**2,075,135**	1,584,809
Cash and cash equivalents, end of period	**1,982,590**	2,075,135
Net increase / decrease in cash and cash equivalents	**–92,545**	**490,326**
Cash and cash equivalents comprise:		
Cash and cash equivalents	**182,613**	371,836
Due from banks at sight	**1,799,977**	1,703,299
Total cash and cash equivalents	**1,982,590**	**2,075,135**
Interest paid	**90,390**	125,774
Interest received	**238,778**	268,122

Consolidated off-balance sheet information

1.000 CHF	31.12.2010	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Contingent liabilities				
Credit guarantees	**460,671**	383,383	77,288	20.2
Performance guarantees	**2,079**	22,397	–20,318	–90.7
Other contingent liabilities	**81,448**	71,362	10,086	14.1
Total contingent liabilities	**544,198**	**477,142**	**67,056**	**14.1**
Irrevocable commitments				
Unused irrevocable commitments	**103,513**	137,405	–33,892	–24.7
Confirmed credits				
Other confirmed credits	**0**	0	0	
Liabilities for calls on shares and other equities	**1,427**	116	1,311	>1,000
Derivative financial instruments				
Positive replacement values	**453,260**	382,387	70,873	18.5
Negative replacement values	**385,671**	238,857	146,814	61.5
Contract volume	**21,139,633**	15,491,628	5,648,005	36.5
Fiduciary transactions				
Fiduciary deposits with other banks	**1,038,618**	1,506,397	–467,779	–31.1
Fiduciary deposits with companies in the Rabobank Group	**2,378,521**	3,652,170	–1,273,649	–34.9
Fiduciary lending	**3,944**	5,105	–1,161	–22.7
Total fiduciary transactions	**3,421,083**	**5,163,672**	**–1,742,589**	**–33.7**

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), Berne, 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 2010 the Sarasin Group had a headcount of 1,642 (full-time equivalents), 86 people or 5% more than a year earlier. 942 people worked at Bank Sarasin & Co. Ltd (the Group's parent company).
The consolidated financial statements are denominated in thousands of Swiss francs. The 2010 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 2010. The Board of Directors discussed and approved the present consolidated financial statements at its meeting on 23 February 2011.

1.2 Principles of consolidation

Fully consolidated companies

The 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 group result attributable to minority interests are shown separately in the consolidated balance sheet and income statement.

Investments in associated companies

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

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
   The 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 2010 an impairment charge of CHF 2.4 million was posted in the balance sheet for financial investments available for sale (2009: CHF 4.1 million). On 31 December 2010 the book value of financial investments available for sale was CHF 2,231 million (2009: CHF 2,028 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 2010 the book value of the recognised tax losses amounted to CHF 5.8 million (2009: CHF 7.6 million), while the book value of tax losses not recognised amounted to CHF 0 million (2009: CHF 0 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 2010 the provision set aside for pensions and similar liabilities amounted to CHF 1.3 million (2009: CHF 1.1 million). Pension liabilities amount to CHF 3.5 million (2009: CHF 2.8 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.

6. Valuation of associated companies
   The valuation of associated companies is performed using the equity method. Bank Sarasin performs a valuation every year of all the main associated companies based on the expected cash flows derived from the mid-term planning. When drawing up the mid-term planning, the management makes assumptions about future business performance. More details are provided in Note 2.21.

Recording of transactions

Purchases and sales of financial assets and liabilities are recorded in the 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

The Group financial statements are denominated in Swiss francs. Foreign currency translation takes place at closing rate method.

		2010	2009
Euro (EUR)	Year-end	**1.2505**	1.4832
	Average	**1.3820**	1.5096
US dollar (USD)	Year-end	**0.9321**	1.0338
	Average	**1.0428**	1.0868
UK pound (GBP)	Year-end	**1.4593**	1.6693
	Average	**1.6100**	1.6954
Hong Kong dollar (HKD)	Year-end	**0.1199**	0.1333
	Average	**0.1342**	0.1402
Indian rupee (INR)	Year-end	**0.0208**	0.0222
	Average	**0.0227**	0.0223

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 year-end 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 Sarasin Group that are denominated in foreign currencies are translated at the exchange rates applying on the balance sheet date. Individual items in the income statement and the 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 segment reporting is based on the "management approach". This requires that information be presented on the basis of the internal reports that are regularly used by the chief operating decision-maker in deciding how to allocate resources to the segments and in assessing their performance.

The Sarasin Group consists of five business segments: "Private Banking", "Trading & Family Offices", "Asset Management, Products & Sales", "bank zweiplus" and "Corporate Center".

The segments are based on the products and services provided to clients and reflect the organisational and management structure, and the internal reporting to management.

The individual segments are described in note 6.

Direct income and expenditure is allocated to the segments on the basis of responsibility. Transactions between the segments are recognised at the market prices charged to external clients for similar services. Income and expenditure connected with head office functions that are not directly attributable to segments are allocated to the 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 the 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 – trading portfolios, liabilities arising from trading portfolios and all derivative financial instruments
> financial assets that are available for sale
> investments held to maturity
> loans and receivables originated by the enterprise that are not held for trading purposes and that do not constitute financial assets available for sale. This category includes in particular amounts that are due from and to banks and customers.

Instruments held for trading

Financial assets or liabilities held for trading purposes are reported at fair value under the headings "trading portfolio assets" and "trading portfolio liabilities". Fair value is based on quoted market prices wherever an active market exists. Where no such market exists, the Sarasin Group relies 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 the 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, the 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 the 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 the 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 asset held to maturity is regarded as impaired if it is probable that less than the total amount owed under the contract will be recoverable. In the event of impairment, the carrying amount of an asset is reduced to its recoverable amount in profit or loss. The 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 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 the 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 the 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 initially recognised less the cumulative amortisation recognised in profit or loss.

Derivatives and hedging transactions

The Sarasin Group trades in derivatives on its own behalf as well as on behalf of clients. The options, financial futures and swaps it trades on its own account relate to structured products issued by the Sarasin Group in order to hedge the trading and investment positions and to control the 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 the Sarasin Group's risk management principles, certain derivatives constitute hedging transactions. If hedging transactions are applied ("hedge accounting"), the Sarasin Group documents the relationship between the hedging instrument and the hedged item or transaction, the nature of the risk and Sarasin Group's risk management objective and strategy. This documentation also shows how, the Sarasin Group assesses the effectiveness of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The effectiveness of the hedging relationship is always measured at inception and during the term. In each case, it must be between 80% and 125%. Otherwise, hedge accounting is discontinued and the relevant amounts recognised in profit or loss for the period within net trading income. There are three types of hedge:

1. Fair value hedge
   The changes in the fair value of the hedged item, or a portion of it, attributable to the hedged risk are recognised in the income statement together with the total change in the hedging derivative. The fair value of the hedged items is adjusted in other assets or other liabilities.

2. Cash flow hedge
   A fair value change relating to the effective portion of a derivative used to hedge exposure to variability in cash flows is recognised from inception in other comprehensive income. The amounts recognised in other comprehensive income are reclassified to profit or loss when the forecast transaction is also recognised in profit or loss.

3. Hedge of net investments in foreign operations
   A hedge of a net investment in a foreign operation has characteristics similar to those of a cash flow hedge. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income through the statement of changes in equity. The ineffective portion of the hedging instrument is required to be recognised in the income statement.

Repurchase and reverse repurchase transactions

Under these kinds of transactions, the 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 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 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. 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 Group 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 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

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

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

Intangible assets

Intangible assets include purchased software, capitalized 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
Capitalized 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 the Sarasin 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

The 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 the Sarasin Group.

The 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.

Debt instruments issued

Debt instruments issued are recognised initially at fair value less transaction costs and subsequently at amortised cost using the effective interest method. In doing so, the difference between the issue price and repayment amount is amortised over the term of the debt instrument.

Results per share

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

The 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 the 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 the Sarasin 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 Sarasin 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 2010 onwards

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 revised IFRS 3 and IAS 27 are effective for the first time for annual periods beginning on or after 1 July 2009. In the event of an acquisition or disposal, the two amended Standards may have significant effects on the consolidated financial statements compared with before their entry into force.

Other new Standards and Interpretations

> Annual improvements project (2009 publication)
  This comprises twelve amendments to Standards and Interpretations that were required to be applied for the first time in the current financial year. They did not have a significant effect on the financial statements of the Sarasin Group.

New International Financial Reporting Standards that have to be introduced by 2011 or later

New standards that have already been published or interpretations that will later become compulsory are not voluntarily applied by the 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 the balance sheet and the assessment of the operations or the presentation of the consolidated financial statements.

IFRS 9: Financial Instruments – new Standard that will replace IAS 39 starting in 2013

Bank Sarasin will not early adopt the new requirements for classifying financial instruments. Impairment, hedge accounting, financial liabilities and offsetting are still at the project stage and will appear as a final Standard in the course of 2011.

The main changes relate to a reduction in the number of measurement categories. Only two classifications are now permitted: measured at fair value or measured at amortised cost. In addition, the fair value option may only be applied in the event of an accounting mismatch. The treatment of embedded derivatives has been simplified and the entity can make an irrevocable election to report fair value changes in equity instruments that are not held for trading in other comprehensive income (OCI). Bank Sarasin is currently analysing the effects of the new provisions relating to financial instruments on Group profit and equity.

IFRIC 14: Amendments – The Limit on a Defined Benefit Asset

The amendment applies in the limited circumstances where an entity is subject to minimum funding requirements and makes prepaid contributions that satisfy those requirements. Following the amendment, an entity is now permitted to present the economic benefit of such a prepayment as an asset. The new interpretation of IFRIC 14 applies to reporting periods beginning on or after 1 January 2011.

Amendment to IAS 32 Financial Instruments: Classification of Rights Issues

The amendment to IAS 32 addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer.

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

The Interpretation explains the requirements under IFRSs when an entity settles all or part of a financial liability by issuing shares or other equity instruments. It clarifies that the equity instruments issued to a creditor to extinguish a financial liability are part of the "consideration paid". As a rule, the equity instruments are measured at fair value. If their fair value is not reliably determinable, they must be measured at the fair value of the extinguished liability. The difference between the initial measurement amount of the equity instruments issued and the carrying amount of the financial liability that is to be derecognised is recognised in profit or loss. This Interpretation is required to be applied for the first time in the first reporting period of a financial year beginning on or after 1 July 2010.

Annual improvements project (2010 publication)

The annual amendments (Improvements to IFRSs 2010) relate to various Standards and Interpretations. They are effective for the first time for annual periods beginning on or after 1 January 2011.

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

2.1 Net interest income

1,000 CHF	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Interest and similar income				
Due from banks	**48,497**	73,093	–24,596	–33.7
Loans and advances to customers	**139,772**	130,289	9,483	7.3
Interest income from money market paper	**2,013**	5,684	–3,671	–64.6
Interest and dividend income from financial investments available for sale	**31,721**	28,758	2,963	10.3
Subtotal	**222,003**	**237,824**	**–15,821**	**–6.7**
Interest and dividend income from financial investments designated at fair value	**14,597**	8,366	6,231	74.5
Total interest and discount income	**236,600**	**246,190**	**–9,590**	**–3.9**
Interest and similar expenses				
Interest expenses on amounts due to banks	**22,138**	21,049	1,089	5.2
Interest expenses on amounts due to customers	**54,857**	73,806	–18,949	–25.7
Other interest expenses	**273**	204	69	33.8
Subtotal	**77,268**	**95,059**	**–17,791**	**–18.7**
Interest expenses from financial liabilities designated at fair value	**12,411**	20,455	–8,044	–39.3
Total interest expenses	**89,679**	**115,514**	**–25,835**	**–22.4**
Total net interest income	**146,921**	**130,676**	**16,245**	**12.4**

2.2 Results from commission and service fee activities

1,000 CHF	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Commission income on lending activities	**5,264**	1,969	3,295	167.3
Transaction and brokerage fees	**107,196**	98,275	8,921	9.1
Securities deposit fees	**10,149**	8,214	1,935	23.6
Advisory and management fees	**168,209**	141,225	26,984	19.1
Underwriting	**5,145**	4,167	978	23.5
Investment fund transactions	**185,770**	162,031	23,739	14.7
Fiduciary fees	**18,561**	19,944	–1,383	–6.9
Other commission income	**28,207**	23,217	4,990	21.5
Total commission income and service fee activities	**528,501**	**459,042**	**69,459**	**15.1**
Brokerage fees paid	**25,652**	25,301	351	1.4
Other commission expenses	**45,353**	35,230	10,123	28.7
Total commission expenses and service fee activities	**71,005**	**60,531**	**10,474**	**17.3**
Total results from commission and service fee activities	**457,496**	**398,511**	**58,985**	**14.8**

2.3 Results from trading operations

1,000 CHF	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Securities	**6,058**	52,660	–46,602	–88.5
Foreign exchange and precious metals	**53,759**	50,844	2,915	5.7
Total results from trading operations	**59,817**	**103,504**	**–43,687**	**–42.2**

2.4 Other ordinary results

1 000 CHF	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Results from financial investments designated at fair value	**2,042**	4,207	–2,165	–51.5
Results from sale of financial investments available for sale	**15,184**	29,106	–13,922	–47.8
Results from hedge accounting	**–154**	0	–154	
Results from sale of group companies	**0**	1,994[1]	–1,994	–100.0
Proportion of earnings of associated companies	**–1,856**	56	–1,912	<–1,000
Real estate income	**267**	359	–92	–25.6
Other ordinary income	**12,812**	8,425	4,387	52.1
Other ordinary expenses	**1,958**	2,910	–952	–32.7
Total other ordinary results	**26,337**	**41,237**	**–14,900**	**–36.1**
Result financial investments available for sale				
Bonds and debt instruments	**9,763**	1,222	8,541	698.9
Equities and the like	**7,827**	32,008	–24,181	–75.5
Impairment losses on financial investments available for sale	**2,406**	4,124	–1,718	–41.7
Total	**15,184**	**29,106**	**–13,922**	**–47.8**

2.5 Personnel expenses

1 000 CHF	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Salaries and bonuses	**295,609**	283,955	11,654	4.1
Social benefits	**14,008** [2]	18,097	–4,089	–22.6
Contribution to retirement plans / defined benefit	**24,477**	25,051	–574	–2.3
Contribution to retirement plans / defined contribution	**5,224**	5,231	–7	–0.1
Other personnel expenses	**29,082**	26,507	2,575	9.7
Total personnel expenses	**368,400**	**358,841**	**9,559**	**2.7**

1 Disposal gain from the partial sale of LFP-Sarasin AM, Paris (previously UFG-Sarasin AM, Paris). This business is managed as an associated company as of 1 April 2009, with the Sarasin Group relinquishing responsibility for controlling.

2 The reduction in social security contributions compared with 2009 is attributable on the one hand to the reimbursement of too high insurance premiums paid in Switzerland and on the other to a reduction in the salary volume in countries with high social cost quotas compared with the salary volume in countries where social costs are much lower.

2.6 General administrative expenses

1,000 CHF	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Occupancy expenses	**27,867**	25,012	2,855	11.4
IT and telecommunication expenses	**39,999**	43,783	–3,784	–8.6
Expenses for machinery, furniture, vehicles and other equipment	**1,813**	2,270	–457	–20.1
Travel, entertainment, marketing and public relations expenses	**30,379**	24,329	6,050	24.9
Audit and consulting expenses	**21,816**	18,455	3,361	18.2
Capital tax	**4,814**	4,596	218	4.7
Other general expenses	**10,132**	9,556	576	6.0
Total general administrative expenses	**136,820**	**128,001**	**8,819**	**6.9**

2.7 Depreciation and amortisation

1 000 CHF	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Depreciation of property and equipment	**18,150**	17,105	1,045	6.1
Amortisation of intangible assets	**12,654**	15,915[1]	–3,261	–20.5
Total depreciation and amortisation	**30,804**	**33,020**	**–2,216**	**–6.7**

2.8 Value adjustments, provisions and losses

1 000 CHF	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Value adjustments for default risk	**7,662**	398	7,264	>1,000
Provisions for litigation risk	**0**	1,479	–1,479	–100.0
Losses, operational risk	**3,570**	75,736[2]	–72,166	–95.3
Other	**100**	57	43	75.4
Total value adjustments, provisions and losses	**11,332**	**77,670**	**–66,338**	**–85.4**

[1] Of this, CHF 4.4 million is attributable to goodwill impairment losses at Sarasin Colombo Gestioni Patrimoniali SA.

[2] Of which CHF 70.2 million relates to the impairment in the value of the associated company NZB.

2.9 Taxes

Income taxes

1,000 CHF	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Statement of income taxes				
Current taxes	**16,207**	22,279	–6,072	–27.3
Deferred taxes	**2,472**	2,589	–117	–4.5
Total income taxes	**18,679**	**24,868**	**–6,189**	**–24.9**
Profit before taxes	**143,215**	76,396	66,819	87.5
Expected income taxes using an assumed average rate of 16.5%[1] (27.2%)	**23,689**	20,780	2,909	14.0
Reasons for differences:				
Not recognised expenses	**701**	5,175	–4,474	–86.5
Not recognised income	**–2,198**	–223	–1,975	–885.7
Tax adjustment related to previous years	**–295**	–1,500	1,205	80.3
Equity investment income attracting tax relief	**–3,286**	–821	–2,465	–300.2
Other effects including profit from treasury shares and derivatives	**68**	1,457	–1,389	–95.3
Total effective income taxes (2010: 13.0%; 2009: 32.6%)	**18,679**	**24,868**	**–6,189**	**–24.9**

The Sarasin Group made tax payments (domestic and foreign) for the business year 2010 of CHF 16.7 million (Previous year: CHF 26.6 million).

Income tax effects relating to comprehensive income

			2010			2009
1,000 CHF	**Before tax amount**	**Tax (expense) benefit**	**Net of tax amount**	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains and losses “available-for-sale” financial investments:						
– realised gains reclassified to income statement	**–3,246**	**681**	**–2,565**	18,026	–3,786	14,240
– change in unrealised gains and losses	**–19,178**	**2,213**	**–16,965**	22,134	–2,965	19,169
Gains and losses from currency translation differences:						
– realised gains/losses reclassified to income statement	**0**	**0**	**0**	–51	0	–51
– change in unrealised gains and losses	**–44,476**	**0**	**–44,476**	8,094	0	8,094
Total	**–66,900**	**2,894**	**–64,006**	**48,203**	**–6,751**	**41,452**

[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 to the Group’s result.

2.10 Deferred taxes

1,000 CHF	**31.12.2010**	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Deferred tax assets				
Tax loss carry-forwards	**5,799**	7,611	–1,812	–23.8
Pension assets	**278**	218	60	27.5
Total deferred tax assets	**6,077**	**7,829**	**–1,752**	**–22.4**
Deferred tax liabilities				
Property, equipment and intangible assets	**374**	1,431	–1,057	–73.9
Pension liabilities	**715**	507	208	41.0
Financial instruments	**6,208**	7,934	–1,726	–21.8
Provisions and other	**1,773**	1,022	751	73.5
Total deferred tax liabilities	**9,070**	**10,894**	**–1,824**	**–16.7**
Change in deferred tax assets				
Balance at beginning of the year	**7,829**	15,879	–8,050	–50.7
Charges and releases recognised in income statement	**–606**	–8,504	7,898	92.9
Charges and releases not recognised in income statement	**–16**	507	–523	–103.2
Impact of change in deferred tax rates and currency translation differences	**–1,130**	–53	–1,077	<–1,000
Total deferred tax assets end of the year	**6,077**	**7,829**	**–1,752**	**–22.4**
Change in deferred tax liabilities				
Balance at beginning of the year	**10,894**	9,553	1,341	14.0
Charges and releases recognised in income statement	**1,865**	–5,915	7,780	131.5
Charges and releases not recognised in income statement	**–3,495**	7,258	–10,753	–148.2
Impact of change in deferred tax rates and currency translation differences	**–194**	–2	–192	<–1,000
Total deferred tax liabilities end of the year	**9,070**	**10,894**	**–1,824**	**–16.7**
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**	0	0	
Total	**0**	0	0	

2.11 Earnings per share

	2010	2009	Change to 2009 CHF	Change to 2009 %
Undiluted consolidated earnings per share				
Group result (excluding minority interests) 1,000 CHF	**107,794**	37,807	69,987	185.1
Weighted average number of shares	**62,899,383**	61,691,941	1,207,442	2.0
Of which class A registered shares (with voting rights)	**11,314,286**	11,096,703	217,583	2.0
Of which class B registered shares	**51,585,097**	50,595,238	989,859	2.0
Result per class A registered share (with voting rights) (CHF)	**0.35**	**0.12**	**0.23**	**191.7**
Weighted average number of shares (class B registered shares)	**742,375**	845,003	–102,628	–12.1
Result per class B registered share (CHF)	**1.73**	**0.62**	**1.11**	**179.0**
Diluted consolidated earnings per share				
Group result (excluding minority interests) 1,000 CHF	**107,794**	37,807	69,987	185.1
Number of shares used to compute the diluted result	**62,182,108**	60,989,137	1,192,971	2.0
Of which class A registered shares (with voting rights)	**11,314,286**	11,096,703	217,583	2.0
Of which class B registered shares	**50,867,822**	49,892,434	975,388	2.0
Diluted result per class A registered share (with voting rights) (CHF)	**0.35**	**0.12**	**0.23**	**191.7**
Diluted result per class B registered share (CHF)	**1.73**	**0.62**	**1.11**	**179.0**

2.12 Pension plans

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

Benefit arrangements in Switzerland

All members of the bank's staff in Switzerland are covered by pension arrangements provided through a pension fund and a Welfare Foundation. The pension fund is a defined benefit pension plan within the meaning of IAS 19. The Welfare Foundation mainly 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	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Fair value of plan assets	**526,599**	476,163	50,436	10.6
Defined benefit obligations	**619,386**	528,456	90,930	17.2
Funded / unfunded status	**–92,787**	**–52,293**	**–40,494**	**–77.4**
Unrecognised actuarial gains / (losses)	**94,937**	54,040	40,897	75.7
Net accrued / (prepaid) pension cost	**2,150**	**1,747**	**403**	**23.1**

Pension expenses

1,000 CHF	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Service expenses current period	**–43,431**	–44,083	652	1.5
Interest for pension liabilities	**–17,814**	–17,103	–711	–4.2
Expected net return on plan assets[1]	**22,216**	19,765	2,451	12.4
Amortisation of actuarial gains (losses) (IAS 19 §92 f.)	**–117**	0	–117	
Employee contributions	**14,669**	16,370	–1,701	–10.4
Pension expenses for defined benefit pension plans according to actuarial computation	**–24,477**	**–25,051**	**574**	**2.3**
Contribution to defined contribution pension plans	**–5,224**	–5,231	7	0.1
Total pension expenses	**–29,701**	**–30,282**	**581**	**1.9**
[1] Actual income (loss) on assets	**14,169**	44,625	–30,456	–68.2

Change in the cash value of pension liabilities

1,000 CHF	2010	2009	Change to 2009 CHF	Change to 2009 %
Benefit-related liabilities as at 01.01.	**528,456**	496,034	32,422	6.5
Interest expenses	**17,814**	17,103	711	4.2
Service expenses, current period	**43,431**	44,083	–652	–1.5
Benefits paid / benefits received	**1,049**	–58,845	59,894	101.8
Actuarial gains (losses)	**31,215**	30,081	1,134	3.8
Change in the scope of consolidation	**–2,579**	0	–2,579	
Conversion differences from foreign pension plans	**0**	0	0	
Liabilities for defined benefit pension plans as at 31.12.	**619,386**	**528,456**	**90,930**	**17.2**

Change in pension plan assets at fair value

1,000 CHF	2010	2009	Change to 2009 CHF	Change to 2009 %
Fair value of pension plan assets as at 01.01.	**476,163**	448,805	27,358	6.1
Expected return on assets	**22,216**	19,765	2,451	12.4
Employer contributions / contribution by plan participants	**39,456**	43,357	–3,901	–9.0
Benefits paid / benefits received	**1,049**	–58,845	59,894	101.8
Actuarial gains (losses)	**–10,143**	23,081	–33,224	–143.9
Change in the scope of consolidation	**–2,142**	0	–2,142	
Conversion differences from foreign pension plans	**0**	0	0	
Fair value of pension plan assets as at 31.12.	**526,599**	**476,163**	**50,436**	**10.6**

Asset allocation

%	2010 Pension fund	2009 Pension fund
Equity instruments[1]	**20.5**	27.3
Debt instruments	**42.8**	41.5
Real estate	**11.9**	11.3
Other	**24.8**	19.9

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)

%	**2010**	2009
Technical interest rate	**2.50**	3.25
Anticipated yield on assets	**4.5**	4.5
Development of salaries	**1.5**	1.5
Development of pensions	**0.25**	0.25

%	Men	Women
Probability of departure	BVG 2005	BVG 2005
at age of 20	22.5	20.8
at age of 30	12.7	15.5
at age of 40	6.9	9.8
at age of 50	4.1	6.3
at age of 60	1.6	1.6

Amounts in current and previous four reporting periods

1,000 CHF	**2010**	2009	2008	2007	2006
Fair value of plan assets of employee benefit funds	**526,599**	476,163	448,805	417,576	376,486
Cash value of pension liabilities	**619,386**	528,456	496,034	418,361	386,053
Funded / unfunded status	**–92,787**	**–52,293**	**–47,229**	**–785**	**–9,567**
Adjustments to plan obligations based on experience	**–16,225**	16,750	16,423	3,655	8,594
Adjustments to plan assets based on experience	**–10,143**	23,081	–64,542	6,080	874

Estimated contributions for the following year

Employer's contribution	**22,616**
Employee's contribution	**14,216**

2.13 Cash and cash equivalents

1,000 CHF	**31.12.2010**	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Cash on hand	**6,225**	8,740	–2,515	–28.8
Sight balances with central banks	**171,029**	354,180	–183,151	–51.7
Sight balances on postal accounts	**5,359**	8,916	–3,557	–39.9
Total cash and cash equivalent	**182,613**	**371,836**	**–189,223**	**–50.9**

2.14 Money market papers

1,000 CHF	31.12.2010	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Money market papers discountable at central banks	**665,329**	553,293	112,036	20.2
Other money market papers	**5,048**	212,581	–207,533	–97.6
Total money market papers	**670,377**	**765,874**	**–95,497**	**–12.5**

2.15 Due from banks and customers

1,000 CHF	31.12.2010	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Due from banks at sight	**1,799,977**	1,703,299	96,678	5.7
Due from banks at time	**789,492**	1,214,315	–424,823	–35.0
Valuation allowances for credit risk (Note 2.16)	**–47,631**	–68,914	21,283	30.9
Due from banks	**2,541,838**	**2,848,700**	**–306,862**	**–10.8**
Due from customers – mortgage collateral	**2,065,500**	1,241,292	824,208	66.4
Due from customers – other collateral	**7,375,452**	5,968,542	1,406,910	23.6
Due from customers – without collateral	**28,244**	114,876	–86,632	–75.4
Subtotal	**9,469,196**	**7,324,710**	**2,144,486**	**29.3**
Valuation allowances for credit risk (Note 2.16)	**–11,779**	–4,633	–7,146	–154.2
Due from customers	**9,457,417**	**7,320,077**	**2,137,340**	**29.2**

2.16 Valuation allowances for credit risk

1,000 CHF	**31.12.2010**	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Balance at beginning of year	**73,547**	77,966	–4,419	–5.7
Specific allowances	**–16,316**	–57	–16,259	<–1,000
New charges of valuation allowances for credit risk	**7,662**	973	6,689	687.5
Release of valuation allowances for credit risk	**–5,301**	–5,258	–43	–0.8
Currency translation differences and other adjustments	**–182**	–77	–105	–136.4
Balance at end of year	**59,410**	**73,547**	**–14,137**	**–19.2**
Of which valuation allowances for due from banks	**47,631**	68,914	–21,283	–30.9
Of which valuation allowances for due from customers	**11,779**	4,633	7,146	154.2
Total valuation allowances for credit risk[1]	**59,410**	**73,547**	**–14,137**	**–19.2**
Impaired loans[2]				
Impaired loans (gross)	**61,493**	89,131	–27,638	–31.0
Estimated liquidation proceeds of collateral / expected recovery value	**2,238**	14,239	–12,001	–84.3
Impaired loans (net)	**59,255**	74,892	–15,637	–20.9
Specific allowances for impaired loans	**59,410**	73,547	–14,137	–19.2
Average amount of impaired loans (gross)	**75,312**	88,393	–13,081	–14.8
Non-performing loans[3]				
Non-performing loans (gross)	**52,259**	89,062	–36,803	–41.3
Specific allowances for non-performing loans	**50,108**	73,507	–23,399	–31.8
Net amounts due	**2,151**	15,555	–13,404	–86.2
Average amount of non-performing loans (gross)	**70,661**	87,687	–17,026	–19.4

1 The individual value adjustments for credit risks are offset directly against the corresponding assets.

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	31.12.2010	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Debt instruments				
Listed	**3,611**	3,360	251	7.5
Unlisted	**758**	0	758	
Total	**4,369**	**3,360**	**1,009**	**30.0**
Equities and the like				
Listed	**412,076**	555,622	–143,546	–25.8
Unlisted	**6,230**	8,083	–1,853	–22.9
Total	**418,306**	**563,705**	**–145,399**	**–25.8**
Mutual funds				
Listed	**287**	2,609	–2,322	–89.0
Unlisted	**4,991**	556	4,435	797.7
Total	**5,278**	**3,165**	**2,113**	**66.8**
Precious metals	**68,893**	**50,651**	**18,242**	**36.0**
Total trading portfolio	**496,846**	**620,881**	**–124,035**	**–20.0**
Of which securities lent out	**27,547**	1,552	25,995	>1,000
Of which repo-eligible securities	**0**	913	–913	–100.0

2.18 Trading portfolio liabilities

1,000 CHF	31.12.2010	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Debt instruments	**0**	694	–694	–100.0
Equities and the like	**17,171**	62,245	–45,074	–72.4
Mutual funds	**0**	6,096	–6,096	–100.0
Precious metals	**328**	28	300	>1,000
Total trading portfolio liabilities	**17,499**	**69,063**	**–51,564**	**–74.7**

2.19 Derivative financial instruments

1,000 CHF	Positive replacement value 31.12.2010	Negative replacement value 31.12.2010	Contract volume 31.12.2010	Positive replacement value 31.12.2009	Negative replacement value 31.12.2009	Contract volume 31.12.2009
Interest rate instruments						
Forward contracts	**0**	**0**	**0**	0	0	0
Swaps	**6,228**	**16,398**	**1,537,311**	7,712	13,069	1,001,716
Futures	**0**	**0**	**0**	0	0	0
Options (OTC)	**0**	**0**	**0**	0	0	0
Options (exchange traded)	**0**	**0**	**0**	0	0	0
Total interest rate instruments	**6,228**	**16,398**	**1,537,311**	**7,712**	**13,069**	**1,001,716**
Of which interest rate swaps as fair value hedges	**0**	**2,919**	**121,025**	0	0	0
Foreign exchange						
Forward contracts	**140,798**	**121,205**	**8,364,099**	87,687	61,730	6,716,028
Combined interest / currency swaps	**2,198**	**2,763**	**126,805**	316	376	34,265
Futures	**0**	**0**	**0**	0	0	0
Options (OTC)	**103,561**	**103,288**	**6,966,221**	62,008	62,386	2,456,852
Options (exchange traded)	**0**	**0**	**0**	0	0	0
Total foreign exchange	**246,557**	**227,256**	**15,457,125**	**150,011**	**124,492**	**9,207,145**
Equities / indices						
Forward contracts	**0**	**0**	**0**	0	0	0
Futures	**0**	**25**	**7,839**	146	999	6,051
Options (OTC)	**198,564**	**123,254**	**3,631,300**	208,802	67,852	3,456,443
Options (exchange traded)	**0**	**16,620**	**242,484**	1,742	18,815	327,462
Total equities / indices	**198,564**	**139,899**	**3,881,623**	**210,690**	**87,666**	**3,789,956**
Precious metals						
Forward contracts	**753**	**960**	**42,624**	687	817	23,839
Futures	**0**	**0**	**0**	0	0	0
Options (OTC)	**1,158**	**1,158**	**220,950**	13,140	12,782	1,453,328
Options (exchange traded)	**0**	**0**	**0**	0	0	0
Total precious metals	**1,911**	**2,118**	**263,574**	**13,827**	**13,599**	**1,477,167**

1,000 CHF	31.12.2010 Positive replacement value	31.12.2010 Negative replacement value	31.12.2010 Contract volume	31.12.2009 Positive replacement value	31.12.2009 Negative replacement value	31.12.2009 Contract volume
Commodities						
Forward contracts	**0**	**0**	**0**	0	0	0
Futures	**0**	**0**	**0**	0	0	0
Options (OTC)	**0**	**0**	**0**	147	31	15,644
Options (exchange traded)	**0**	**0**	**0**	0	0	0
Total commodities	**0**	**0**	**0**	**147**	**31**	**15,644**
Other						
Forward contracts	**0**	**0**	**0**	0	0	0
Futures	**0**	**0**	**0**	0	0	0
Options (OTC)	**0**	**0**	**0**	0	0	0
Options (exchange traded)	**0**	**0**	**0**	0	0	0
Total other	**0**	**0**	**0**	**0**	**0**	**0**
Total derivative financial instruments	**453,260**	**385,671**	**21,139,633**	**382,387**	**238,857**	**15,491,628**

The Sarasin Group is applying fair value hedge accounting for the first time in the 2010 reporting period by using interest rate swaps to hedge its exposure to market fluctuations in the fixed-rate loan and mortgage market. Their fair values, recognised as negative fair values, amount to CHF 2.9 million and the contract volume to CHF 121 million. Hedging instruments generated a loss of CHF 0.2 million, while in the same period the hedged items yielded a gain of CHF 0.1 million.

2.20 Financial investments

Financial investments designated at fair value

1,000 CHF	**31.12.2010**	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Debt instruments				
Listed	**980,132**	489,382	490,750	100.3
Unlisted	**0**	0	0	
Total	**980,132**	**489,382**	**490,750**	**100.3**
Equities and the like				
Listed	**0**	538	–538	–100.0
Unlisted	**0**	0	0	
Total	**0**	**538**	**–538**	**–100.0**
Total financial investments designated at fair value	**980,132**	**489,920**	**490,212**	**100.1**
Of which securities lent out	**0**	0	0	
Of which repo-eligible financial investments	**960,364**	449,731	510,633	113.5

Financial investments available for sale

1,000 CHF	**31.12.2010**	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Debt instruments				
Listed	**1,952,124**	1,805,336	146,788	8.1
Unlisted	**0**	0	0	
Total	**1,952,124**	**1,805,336**	**146,788**	**8.1**
Equities and the like				
Listed	**102,703**	93,952	8,751	9.3
Unlisted	**29,282**	26,423	2,859	10.8
Total	**131,985**	**120,375**	**11,610**	**9.6**
Mutual funds				
Listed	**12,531**	3,230	9,301	288.0
Unlisted	**134,119**	99,532	34,587	34.7
Total	**146,650**	**102,762**	**43,888**	**42.7**
Total financial investments available for sale	**2,230,759**	**2,028,473**	**202,286**	**10.0**
Of which securities lent out	**475,651**	0	475,651	
Of which repo-eligible financial investments	**1,263,172**	1,193,208	69,964	5.9
Total financial investments	**3,210,891**	**2,518,393**	**692,498**	**27.5**

2.21 Investment in associates

1,000 CHF	**31.12.2010**	31.12.2009
Balance sheet of associated companies[1]		
Assets	**61,788**	65,546
Liabilities	**26,539**	27,064
Net assets	**35,249**	**38,482**
Revenue and result of associated companies[2]		
Income	**8,497**	19,104
Result after tax	**–1,856**	56[3]

On 22 January 2007, Bank Sarasin acquired a 20% interest in the existing share capital of Zurich-based NZB Holding AG (NZB). On 1 January 2008, the existing interest in NZB was increased from 20% to 40%. NZB is included in the consolidated annual financial statements as an associate and accounted for using the equity method. Given the background to the business developments in the Brokerage arm and the personnel changes at NZB, Bank Sarasin decided to adjust the value of its interest in NZB as at 31 December 2009, realising an impairment charge of CHF 70.2 million in the process. The stake in LFP-Sarasin AM (formerly UFG-Sarasin AM) was reduced from 40% to 32.5% on 1 January 2010.

1 Relates to the interests held by Bank Sarasin as at 31 December.

2 In 2009, relates to LFP-Sarasin AM, Paris, between 1 April and year-end, and to NZB Holding.

3 The result after tax corresponds to the proportion of profit for LFP-Sarasin AM. The impairment of CHF 70.2 million for the financial interest in NZB is included in the item “Value adjustments, provisions and losses”.

2.22 Property and equipment

1,000 CHF	Bank buildings	Other real estate	Furniture and machines	IT systems	2010
Historical cost					
Balance on 01.01.	76,546	4,989	107,344	58,650	**247,529**
Additions	0	0	10,310	9,881	**20,191**
Disposals / retirements	0	–4	–4,810	–1,276	**–6,090**
Change in scope of consolidation	0	0	–654	–271	**–925**
Currency translation differences	0	0	–1,406	–652	**–2,058**
Reclassifications	0	0	0	0	**0**
Balance on 31.12.	76,546	4,985	110,784	66,332	**258,647**
Accumulated depreciation and amortisation					
Balance on 01.01.	–10,318	–935	–70,141	–46,781	**–128,175**
Planned depreciation and amortisation	–1,281	–47	–9,570	–7,252	**–18,150**
Extraordinary depreciation and amortisation (impairment)	0	0	0	0	**0**
Disposals / retirements	0	4	2,499	1,117	**3,620**
Change in scope of consolidation	0	0	557	232	**789**
Currency translation differences	0	0	753	410	**1,163**
Reclassifications	0	0	0	0	**0**
Balance on 31.12.	–11,599	–978	–75,902	–52,274	**–140,753**
Net book value on 31.12.	**64,947**	**4,007**	**34,882**	**14,058**	**117,894**

1,000 CHF	Bank buildings	Other real estate	Furniture and machines	IT systems	2009
Historical cost					
Balance on 01.01.	76,546	4,989	104,083	56,528	242,146
Additions	0	0	4,560	3,236	7,796
Disposals / retirements	0	0	–1,280	–1,134	–2,414
Change in scope of consolidation	0	0	–193	–142	–335
Currency translation differences	0	0	174	162	336
Reclassifications	0	0	0	0	0
Balance on 31.12.	76,546	4,989	107,344	58,650	247,529
Accumulated depreciation and amortisation					
Balance on 01.01.	–9,036	–890	–61,447	–41,326	–112,699
Planned depreciation and amortisation	–1,282	–45	–9,165	–6,613	–17,105
Extraordinary depreciation and amortisation (impairment)	0	0	0	0	0
Disposals / retirements	0	0	386	1,129	1,515
Change in scope of consolidation	0	0	130	126	256
Currency translation differences	0	0	–45	–97	–142
Reclassifications	0	0	0	0	0
Balance on 31.12.	–10,318	–935	–70,141	–46,781	–128,175
Net book value on 31.12.	**66,228**	**4,054**	**37,203**	**11,869**	**119,354**

Additional information regarding property and equipment

1,000 CHF	**31.12.2010**	31.12.2009
Fire insurance value of real estate	**177,654**	177,002
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 31.12.2010, 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	**2010**	2009
Remaining duration up to 1 year	**20,364**	18,912
Remaining duration of 1 to 5 years	**42,749**	38,186
Remaining duration of over 5 years	**16,971**	9,815
Total minimum claims from operating leasing	**80,084**	**66,913**

Operating expenses per 31.12.2010 include CHF 29,8 million and per 31.12.2009 CHF 22,1 million from operating leases. The minimum commitments mainly result from leasing arrangements.

Future claims from operating leases

1,000 CHF	**2010**	2009
Remaining duration up to 1 year	**281**	796
Remaining duration of 1 to 5 years	**1,122**	1,113
Remaining duration of over 5 years	**0**	278
Total minimum claims from operating leasing	**1,403**	**2,187**

Operating income per 31.12.2010 includes CHF 0,3 million and per 31.12.2009 CHF 0,3 million from operating leases. This concerns income from subleasing arrangements.

2.23 Intangible assets

1,000 CHF	Software	Other intangible assets	Goodwill	**2010**
Historical cost				
Balance on 01.01.	69,129	32,190	311,733	**413,052**
Additions	26,020	2	0	**26,022**
Disposals / retirements	–1,293	0	0	**–1,293**
Change in scope of consolidation	0	–2,495	–8,334	**–10,829**
Currency translation differences	–1,116	–787	–3,660	**–5,563**
Reclassifications	0	0	0	**0**
Balance on 31.12.	92,740	28,910	299,739	**421,389**
Accumulated depreciation and amortisation				
Balance on 01.01.	–50,607	–10,683	–206,207	**–267,497**
Planned depreciation and amortisation	–10,005	–2,649	0	**–12,654**
Extraordinary depreciation and amortisation (impairment)	0	0	0	**0**
Disposals / retirements	755	0	0	**755**
Change in scope of consolidation	0	0	4,363	**4,363**
Currency translation differences	728	510	313	**1,551**
Reclassifications	0	0	0	**0**
Balance on 31.12.	–59,129	–12,822	–201,531	**–273,482**
Net book value on 31.12.	**33,611**	**16,088**	**98,208**	**147,907**

1,000 CHF	Software	Other intangible assets	Goodwill	2009
Historical cost				
Balance on 01.01.	63,296	31,709	310,462	405,467
Additions	7,222	0	0	7,222
Disposals / retirements	–1,620	0	–926	–2,546
Change in scope of consolidation	–38	0	–224	–262
Currency translation differences	269	481	2,421	3,171
Reclassifications	0	0	0	0
Balance on 31.12.	69,129	32,190	311,733	413,052
Accumulated depreciation and amortisation				
Balance on 01.01.	–43,892	–7,126	–201,637	–252,655
Planned depreciation and amortisation	–8,252	–3,299	0	–11,551
Extraordinary depreciation and amortisation (impairment)	0	0	–4,363	–4,363
Disposals / retirements	1,620	0	0	1,620
Change in scope of consolidation	17	0	0	17
Currency translation differences	–100	–258	–207	–565
Reclassifications	0	0	0	0
Balance on 31.12.	–50,607	–10,683	–206,207	–267,497
Net book value on 31.12.	**18,522**	**21,507**	**105,526**	**145,555**

Intangible assets

1,000 CHF	**31.12.2010**	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Bank Sarasin & Co. Ltd (Private Banking)	**31,820**	31,820	0	0.0
bank zweiplus ltd	**43,131**	43,131	0	0.0
S.I.M. Partnership (London) Ltd (Private Banking)	**23,257**	26,604	–3,347	–12.6
Sarasin Colombo Gestioni Patrimoniali SA (Private Banking)	**0**	3,971	–3,971	–100.0
Total	**98,208**	**105,526**	**–7,318**	**–6.9**

The goodwill for our parent company is essentially connected with the acquisition of Rabobank's former Swiss companies. Apart from goodwill, the Group does not have any other intangible assets with indefinite useful lives.

Goodwill Sarasin Colombo Gestioni Patrimoniali SA

In 2009, 10% of the stake was sold to Sarasin Colombo Gestioni Patrimoniali SA, resulting in a goodwill reduction of CHF 0.9 million. The remaining 90% shareholding was sold on 12 February 2010, which resulted in an extraordinary goodwill impairment charge of CHF 4.4 million as at 31 December 2009. This was reported under the item "Amortisation of intangible assets". The remaining goodwill and other assets & liabilities were sold off at book value.

Other goodwill items

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 other goodwill items. 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	**31.12.2010**	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Value added tax and other tax claims	**3,282**	5,839	–2,557	–43.8
Pension plan assets	**3,479**	2,819	660	23.4
Fair value adjustment from fair value hedge	**85**	0	85	
Miscellaneous other assets	**25,219**	4,520	20,699	457.9
Total other assets	**32,065**	**13,178**	**18,887**	**143.3**

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

1,000 CHF	31.12.2010 Market value	31.12.2010 Effective commitment	31.12.2009 Market value	31.12.2009 Effective commitment
Money market papers	**0**	**0**	0	0
Financial instruments	**161,416**	**122,365**	131,989	46,006
Other assets	**0**	**0**	0	0
Total pledged assets	**161,416**	**122,365**	**131,989**	**46,006**

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	31.12.2010	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Book value of claims resulting from cash deposits connected with securities borrowing and reverse repurchase transactions	**399,525**	0	399,525	
Book value of liabilities resulting from cash deposits connected with securities lending and repurchase transactions	**478,766**	0	478,766	
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	**503,198**	1,552	501,646	
Of which securities for which the unrestricted right of resale or pledging has been granted	**503,198**	1,552	501,646	
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	**548,134**	29,854	518,280	
Fair value of all such securities that have been resold or pledged	**6,852**	29,854	–23,002	–77.0

2.27 Due to customers

1,000 CHF	31.12.2010	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Due to customers in savings and investment accounts	**1,147,637**	1,058,461	89,176	8.4
Due to customers other	**10,702,459**	9,178,051	1,524,408	16.6
Total due to customers	**11,850,096**	**10,236,512**	**1,613,584**	**15.8**

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**
Categorization[1]					
Capital Protection	52,988	42,392	4,087	0	99,467
Yield Enhancement	288,701	8,399	30,733	0	327,833
Participation	52,735	74,962	158,040	40,795	326,532
Leverage	0	0	0	0	0
Total 31.12.2010	**394,424**	**125,753**	**192,860**	**40,795**	**753,832**
Total 31.12.2009	370,260	134,125	85,709	90,418	680,512

The above table shows the publicly placed structured products of the Bank with fixed interest rates between 0% and 16.6%. The banks' own positions in the amount of CHF 36.8 million (previous year CHF 58.0 million) were netted with the issued debts.

2.29 Debt issued

Year of issue	Interest rate %	Currency	Maturity	Nominal amount 1,000 CHF	**31.12.2010** 1,000 CHF	31.12.2009 1,000 CHF	Change to 31.12.2009 CHF	Change to 31.12.2009 %
2010	2.0	CHF	15.10.15	350,000	**346,467**	0	346,467	

On 15 October 2010, Bank Sarasin issued a bond with a nominal amount of CHF 350 million. This is listed on SIX Swiss Exchange under Swiss securities number 11760537. The bond is accounted for using the amortised cost method. The effective interest rate amounts to 2.23%.

2.30 Other liabilities

1,000 CHF	**31.12.2010**	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009
Value added tax and other tax liabilities	**21,160**	24,332	–3,172	–13.0
Pension plan liabilities	**1,329**	1,072	257	24.0
Miscellaneous other liabilities	**19,742**	24,332	–4,590	–18.9
Total other liabilities	**42,231**	**49,736**	**–7,505**	**–15.1**

[1] Follows the product classification system used by the "Swiss Structured Products Association".

2.31 Provisions

1,000 CHF	Restructuring provision	Other business risks	Other provisions	**2010**
Balance on 01.01.	1,768	1,073	1,980	**4,821**
Utilisation in conformity with purpose	–401	–1,073	–636	**–2,110**
New provisions charged to income statement	0	100	0	**100**
Provisions released to income statement	–1,367	0	0	**–1,367**
Recoveries	0	0	0	**0**
Reclassifications	0	0	0	**0**
Change in scope of consolidation	0	0	0	**0**
Currency translation differences	0	0	6	**6**
Balance on 31.12.	**0**	**100**	**1,350**	**1,450**
Maturity of provisions				
Within 1 year	0	0	0	**0**
Over 1 year	0	100	1,350	**1,450**

1,000 CHF	Restructuring provision	Other business risks	Other provisions	2009
Balance on 01.01.	2,003	1,014	2,436	5,453
Utilisation in conformity with purpose	–235	0	–1,042	–1,277
New provisions charged to income statement	0	59	1,479	1,538
Provisions released to income statement	0	0	–864	–864
Recoveries	0	0	0	0
Reclassifications	0	0	0	0
Change in scope of consolidation	0	0	0	0
Currency translation differences	0	0	–29	–29
Balance on 31.12.	**1,768**	**1,073**	**1,980**	**4,821**
Maturity of provisions				
Within 1 year	244	0	0	244
Over 1 year	1,524	1,073	1,980	4,577

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 1.8 million). Due to the definite continuation of the leasing arrangement, the restructuring provision can be completely written back in 2010.

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”.

2.32 Share capital and treasury shares

	Number of shares	Nominal CHF	**2010** 1,000 CHF	2009 1,000 CHF
Share capital, class A registered shares (with voting rights)	56,571,428	0,07	**3,960**	3,960
Share capital, class B registered shares	51,585,097	0,35	**18,055**	18,055
Total share capital			**22,015**	**22,015**
Authorised capital class A registered shares			**504**	504
Conditional capital class B registered shares			**2,275**	2,275

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

Treasury shares

	2010 Number of shares	**2010** 1,000 CHF	2009 Number of shares	2009 1,000 CHF
Balance at beginning of year				
Class A registered shares (with voting rights)	**0**	**0**	0	0
Class B registered shares	**814,953**	**26,927**	1,075,817	43,435
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	**2,312,618**	**88,990**	1,805,119	53,566
Sales of class B registered shares	**–2,247,965**	**–82,884**	–2,065,983	–70,074
Balance at end of year				
Class A registered shares (with voting rights)	**0**	**0**	0	0
Class B registered shares	**879,606**	**33,033**	814,953	26,927

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	2010	2009
Compensation to Members of the Board of Directors of Bank Sarasin & Co. Ltd, Basel	**2,053**	2,478
Compensation to Members of the Group Executive Board	**18,522**	13,420
Compensation to Resigned Members of the Board of Directors of Bank Sarasin & Co. Ltd, Basel	**0**	2,006
Total compensation paid	**20,575**	**17,904**
Of which short-term basic salary and variable remuneration	**13,230**	13,343
Of which short-term employers' social security contributions and pension premium payments	**1,956**	1,958
Of which lump-sum pension contributions following early retirement, Board of Directors	**0**	1,090
Of which termination benefits	**0**	0
Of which share-based payments	**5,389**	1,513
Of which other long-term benefits	**0**	0
Total compensation paid	**20,575**	**17,904**
Loans to Members of the Board of Directors		
Outstanding loans on 01.01.	**1,000**	1,000
New loans and increases in existing loans	**0**	0
Repayment of loans	**0**	0
Outstanding loans to Members of the Board of Directors on 31.12.	**1,000**	**1,000**
Loans to Members of the Group Executive Board		
Outstanding loans on 01.01.	**5,599**	1,133
New loans and increases in existing loans	**911**	4,466
Repayment of loans	**–4,505**	0
Outstanding loans to Members of the Group Executive Board on 31.12.	**2,005**	**5,599**
Total loans to governing bodies (Board of Directors and Group Executive Board)	**3,005**	**6,599**
Total receivables with related parties and companies	**967,938**	1,087,973
Total liabilities to related parties and companies	**597,852**	844,371

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 31.12.2010, our liabilities towards our benefit plans totalled CHF 6.7 million (CHF 12.7 million).

Private Equity

The items "trading portfolio assets" and "financial investments" contain 34,170 (32,791) shares in New Energies Invest Ltd with a countervalue of CHF 6.4 million (CHF 8.3 million). Bank Sarasin is the company's investment sub-advisor. Commission income amounted to CHF 0.2 million (CHF 0.3 million).

Management remuneration in accordance with the Swiss Code of Obligations

2010 CHF	Compen-sation basis cash	Compen-sation variable[1] cash	Share-based payments previous years	Social security and contribution to retirement plans (employer)	Total compen-sation
Members of the Board of Directors					
Ammann, Christoph (Chairman of the Board of Directors)	750,000	0	0	176,026	926,026
Brueckner, Christian	200,000	0	0	11,579	211,579
Hufschmid, Hans-Rudolf	200,000	0	0	13,900	213,900
Heemskerk, Hubertus	170,000	0	0	9,683	179,683
Schat, Sipko N.[2]	170,000	0	0	0	170,000
Mol, Pim W.[2]	170,000	0	0	0	170,000
Derendinger, Peter	170,000	0	0	12,004	182,004
Total Members of the Board of Directors	**1,830,000**	**0**	**0**	**223,192**	**2,053,192**
Members of the Executive Committee					
Straehle, Joachim H. (Chief Executive Officer)	1,102,040	2,000,000	1,199,793	342,113	4,643,946
Total Members of the Executive Committee[3]	**5,775,151**	**5,625,000**	**5,388,900**	**1,733,125**	**18,522,176**

1 Under the terms of the Participation Plan, the Executive Committee is entitled to receive, to the same extent as all other employees, non-binding entitlements that are dependent on achieving future targets (see page 82 “Setting compensation for the financial year 2010”). These compensation components are taken into consideration from the point of their definitive binding allocation.

2 Payment was made to the Rabobank Group, Utrecht.

3 Matthias Hassels until 31.10.10, Thomas A. Müller since 01.05.10.

Management remuneration in accordance with the Swiss Code of Obligations

2009 CHF	Compen-sation basis cash	Compen-sation variable[1] cash	Share-based payments previous years[2]	Social security and contribution to retirement plans (employer)	Total compen-sation
Members of the Board of Directors					
Ammann, Christoph (Chairman of the Board of Directors)	750,000	0	0	185,195	935,195
Merian, Peter E., until 22.04.09[3]	400,028	0	0	64,058	464,086
Brueckner, Christian	200,000	0	0	14,374	214,374
Hufschmid, Hans-Rudolf	200,000	0	0	16,696	216,696
Heemskerk, Hubertus	170,000	0	0	6,335	176,335
Schat, Sipko N.[4]	170,000	0	0	0	170,000
Mol, Pim W., since 23.04.09[4]	117,112	0	0	0	117,112
Derendinger, Peter	170,000	0	0	14,433	184,433
Total Members of the Board of Directors	**2,177,140**	**0**	**0**	**301,091**	**2,478,231**
Members of the Executive Committee					
Straehle, Joachim H. (Chief Executive Officer)	852,698	2,000,000	549,612	310,872	3,713,182
Total Members of the Executive Committee	**4,771,226**	**5,700,000**	**1,248,012**	**1,435,789**	**13,155,027**

1 Under the terms of the Participation Plan, the Executive Committee is entitled to receive, to the same extent as all other employees, non-binding entitlements that are dependent on achieving future targets. These compensation components are taken into consideration from the point of their definitive binding allocation.

2 The reporting of remuneration from participation plans in accordance with the Swiss Code of Obligations deviates from the disclosure of management compensation required by IFRS in certain points, such as the valuation rules and the recording of expenditure.

3 Since his leaving, further remuneration payable under the employment contract totalling CHF 2,006,026 was paid, including employer's social insurance and pension contributions of CHF 1,311,152.

4 Payment was made to the Rabobank Group, Utrecht.

Loans, options and shares as at 31 December 2010

2010	Loans and advances CHF	Number of shares	Compen-sation to related parties CHF	Loans to related parties CHF
Members of the Board of Directors				
Ammann, Christoph (Chairman of the Board of Directors)	1,000,000	30,000	0	0
Brueckner, Christian	0	3,600	0	0
Hufschmid, Hans-Rudolf	0	21,400	0	0
Heemskerk, Hubertus	0	0	0	0
Schat, Sipko N.	0	0	0	0
Mol, Pim W.	0	0	0	0
Derendinger, Peter	0	0	0	0
Total Members of the Board of Directors	**1,000,000**	**55,000**	**0**	**0**

No outstanding options.

Members of the Executive Committee				
Straehle, Joachim H. (Chief Executive Officer)	–	169,656	–	–
Goetz, Fidelis M.	–	47,710	–	–
Hassels, Matthias, until 31.10.10	–	–	–	–
Sarasin, Eric G.	2,005,000	58,982	–	–
Varnholt, Burkhard P.	–	20,000	–	–
Sami, Peter	–	3,000	–	–
Wild, Peter	–	0	–	–
Mueller, Thomas A., since 01.05.10	–	0	–	–
Total Members of the Executive Committee	**2,005,000**	**299,348**	**–**	**–**

No outstanding options.

Loans, options and shares as at 31 December 2009

2009	Loans and advances CHF	Number of shares	Compen-sation to related parties CHF	Loans to related parties CHF
Members of the Board of Directors				
Ammann, Christoph (Chairman of the Board of Directors)	1,000,000	36,000	0	0
Brueckner, Christian	0	3,600	0	0
Hufschmid, Hans-Rudolf	0	21,400	0	0
Heemskerk, Hubertus	0	0	0	0
Schat, Sipko N.	0	0	0	0
Mol, Pim W., since 23.04.09	0	0	0	0
Derendinger, Peter	0	0	0	0
Total Members of the Board of Directors	**1,000,000**	**61,000**	**0**	**0**

No outstanding options.

Members of the Executive Committee				
Straehle, Joachim H. (Chief Executive Officer)	3,497,000	183,567	–	–
Goetz, Fidelis M.	–	47,932	–	–
Hassels, Matthias	–	48,340	–	–
Sarasin, Eric G.	–	53,282	–	–
Varnholt, Burkhard P.	–	9,770	–	–
Sami, Peter	–	3,000	–	–
Wild, Peter, since 01.01.09	–	0	–	–
Total Members of the Executive Committee	**5,599,000**	**345,891**	**–**	**–**

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	**31.12.2010**	31.12.2009
Personnel expense from “equity-settled” payments	**9,441**	5,980

Participation plan

Equity	**31.12.2010**	31.12.2009
Shares with a vesting period as at 01.01.	**353,535**	252,062
Shares allocated during the year	**492,296**	214,604
Shares forfeited or transferred	**–162,155**	–113,131
Shares with a vesting period as at 31.12.	**683,676**	353,535
Average weighted allocation price per share (in CHF)	**34.00**	34.99
Fair value of shares outstanding at the end of the financial year (in CHF)	**29,124,598**	13,823,219

[1] A more detailed description of the programmes can be found on pages 80–82.

5. Risk management

Structure of risk management

General considerations

Assessing and taking risks is in the nature of banking. For this reason, a clearly defined, transparent and integrated risk management policy is adopted for all divisions and is adapted 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 the Bank's capital for the benefit of shareholders and other stakeholders (see also the "Risk Management" section on page 56 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 Sarasin's risk culture.

Organisation of 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 the Group's risk policy. It lays down the risk strategy, the organisational framework for risk management such as limits and systems, the maximum risk tolerance and respective responsibilities. The 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 the following committees:

The Risk Committee carries out a comprehensive assessment of all the Bank's principal risks, both current and those anticipated in future. When evaluating risk, it takes into consideration the findings and measures of the other committees. The Central Credit Committee (CCC) is in charge of managing counterparty risk. The Treasury Committee controls and manages interest rate risk, short-term liquidity risk and mid to long-term refinancing risk throughout the Group. The Asset and Liability Committee (ALCO) manages the Group's financial investments, with the exception of the bond portfolios held by the Treasury Committee for liquidity management purposes.

These committees are composed of top divisional management and staff from the various specialist areas concerned and meet at regular intervals. The Risk Committee and the Central Credit Committee (CCC) are chaired by the Chief Financial Officer (CFO), the Treasury Committee by the Global Treasurer and ALCO by the Chief Investment Officer (CIO).

The Risk Office is separate from trading activities and performs in-depth analysis of the Group's market, credit and operational risks, evaluates the potential of different opportunities and risks and, where appropriate, takes steps to adjust the Group's risk profile. It is responsible for ensuring compliance with the 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 provides individual reporting to the Board of Directors, the CEO, the appropriate committees and those charged with managing risk.

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 risks
- Credit risks including concentration of risks
- Liquidity risks
- Operational risks

Market risk

The market risk refers to the risk of a loss to the Bank due to changes in the market variables (share prices, interest rates and currency exchange rates). Depending on their investment strategy, the management of positions carrying a market risk is delegated either to one of the divisions (Trading & Family Offices or Asset Management, Products & Sales), ALCO or the Treasury Committee. Not just the divisions, but also the committees manage the associated market risks with instruments tailored to their particular requirements. These include a limits system and permanent monitoring of risk positions on the basis of quantitative approaches such as Value at Risk (VaR) or scenario analysis.

VaR limits set by the Board of Directors are primarily used to model and contain market risks. 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. The VaR is calculated on the basis of historical simulations. The quality of the VaR model is checked periodically by means of back-testing and extended where necessary. To make allowances for the different characteristics of the portfolios, these VaR limits are supplemented by suitable trading controls (such as sensitivity and concentration limits (delta, gamma, vega and nominal limits), "present value of a basis point" (PVBP) or stress limits).

The Group's VaR in the trading area amounted to CHF 0.191 million as at 31 December 2010 (1 day retention period, 97,5% confidence level). The total VaR of the trading book averaged CHF 0.198 million and over the course of the year fluctuated between CHF 0.097 million and CHF 0.421 million. The overall VaR for trading is limited to CHF 5.1 million (2009: CHF 6.1 million, with a 1 day holding period and 99% confidence level). 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 non-linear risks arise under stress conditions (e.g. hedging errors). In this area, therefore, not only are the VaR monitored but also the effects on the income statement under different stress scenarios and contained as a supplementary trading control. The positions and the extent to which the limits or trading controls are utilised are monitored both on an intraday (real time) and overnight basis. Where limits or trading controls are overrun, clear and suitable escalation procedures are defined to ensure that the limits are restored.

Standard procedures are used to calculate the capital resources required to cover market risks relating to the trading book. Interest rate risks relating to the 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 +4.9 million and a market-value effect of CHF +2.0 million, as at 31 December 2010. A parallel

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

1,000 CHF	**31.12.2010**	ø	min.	max.
Equities risk	58	38	5	135
Interest rate risk	22	49	2	149
Foreign exchange risk	55	149	32	441
Structured products	190	128	52	209
Diversification	134	165		
Total	**191**	**198**	**97**	**421**

1,000 CHF	31.12.2009	ø	min.	max.
Equities risk	83	89	7	315
Interest rate risk	12	79	9	214
Foreign exchange risk	400	206	26	776
Structured products	140	167	41	480
Diversification	–259	–254		
Total	**376**	**287**	**50**	**976**

[1] Calculated in each instance on the positions at the end of the day.

100 basis point reduction in interest rates would have an income effect of CHF –2.1 million and a market-value effect of CHF +0.8 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 the Bank 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. The lending activities are mainly limited to loans to private clients that are secured against securities or mortgages. The 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 the Sarasin Group 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. The Sarasin Group also offers its clients mortgages, mainly on owner-occupied properties. 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 is composed of the Group Treasurer, the CFO, the Head of the Trading & Family Offices division, representatives of the specialist departments and of the Risk Office, and usually meets every two weeks. 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.

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.

Especially in times of crisis, unsecured borrowing from third-party banks may turn out to be extremely difficult. In its financial investments Bank Sarasin therefore keeps significant holdings of liquid bonds 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 TFO division). Its tasks include controlling payments, planning the 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 specific area, and these are then repeatedly reviewed. The regular measurement, reporting and assessment of segment-specific risk indicators enables potential hazards to be detected well in advance. A centralised database is used to collect and analyse loss events across the entire group. An information campaign targeting all employees helps to raise awareness of risk and ensures 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	178,986	3,056	156	210	205	182,613
Money market papers	574,268	93,164	449	99	2,397	670,377
Due from banks	1,082,401	511,658	86,369	539,604	321,806	2,541,838
Due from customers	3,194,272	854,898	151,684	3,771,238	1,485,325	9,457,417
Trading portfolio assets	207,731	93,238	31,801	156,852	7,224	496,846
Derivative financial instruments	289,820	58,339	456	100,344	4,301	453,260
Financial investments	1,142,347	936,965	347,102	412,333	372,144	3,210,891
Investments in associated companies	35,051	1,184	0	0	0	36,235
Property and equipment	110,759	272	2,515	3,596	752	117,894
Goodwill and other intangible assets	119,966	174	26,620	669	478	147,907
Current tax assets	971	0	0	0	209	1,180
Deferred tax assets	278	5,799	0	0	0	6,077
Accrued income and prepaid expenses	52,663	30,251	29,179	31,363	7,415	150,871
Other assets	6,487	2,636	6,894	12,402	3,646	32,065
Total balance sheet assets per 31.12.2010	**6,996,000**	**2,591,634**	**683,225**	**5,028,710**	**2,205,902**	**17,505,471**
Claims deriving from spot and forward forex transactions	1,831,349	1,916,651	256,753	3,042,011	1,444,141	8,490,905
Claims deriving from forex options	10,716	1,177,769	906,226	2,637,957	2,233,552	6,966,220
Total assets per 31.12.2010	**8,838,065**	**5,686,054**	**1,846,204**	**10,708,678**	**5,883,595**	**32,962,596**
Total assets per 31.12.2009	7,033,727	4,752,500	1,337,827	7,922,731	4,938,346	25,985,131

1,000 CHF	CHF	EUR	GBP	USD	Other	**Total**
Liabilities						
Due to banks	592,186	374,871	73,300	1,258,511	329,392	2,628,260
Due to customers	4,912,907	1,518,413	420,825	3,762,131	1,235,820	11,850,096
Trading portfolio liabilities	11,558	5,617	0	324	0	17,499
Derivative financial instruments	230,403	42,688	1,819	106,185	4,576	385,671
Financial liabilities designated at fair value	263,598	239,648	33,196	216,148	1,242	753,832
Debt issued	346,467	0	0	0	0	346,467
Current tax liabilities	4,527	13	1,451	2,407	817	9,215
Deferred tax liabilities	7,423	0	299	1,348	0	9,070
Accrued expenses and deferred income	111,612	12,370	42,822	6,520	16,462	189,786
Other liabilities	27,904	3,465	8,204	1,586	1,072	42,231
Provisions	1,450	0	0	0	0	1,450
Total liabilities	**6,510,035**	**2,197,085**	**581,916**	**5,355,160**	**1,589,381**	**16,233,577**
Total shareholders' equity (including minority interests)	**1,212,170**	**–21,621**	**77,154**	**6,528**	**–2,337**	**1,271,894**
Total balance sheet liabilities and shareholders' equity per 31.12.2010	**7,722,205**	**2,175,464**	**659,070**	**5,361,688**	**1,587,044**	**17,505,471**
Liabilities deriving from spot and forward forex transactions	1,466,247	2,264,063	235,491	2,453,769	2,127,333	8,546,903
Liabilities deriving from forex options	10,716	1,177,759	906,162	2,639,059	2,228,527	6,962,223
Total liabilities per 31.12.2010	**9,199,168**	**5,617,286**	**1,800,723**	**10,454,516**	**5,942,904**	**33,014,597**
Total liabilities per 31.12.2009	7,399,869	4,620,631	1,314,246	7,703,674	4,974,715	26,013,135
Net position per currency per 31.12.2010	**–361,103**	**68,768**	**45,481**	**254,162**	**–59,309**	**–52,001**
Net position per currency per 31.12.2009	–366,142	131,869	23,581	219,057	–36,369	–28,004

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

Currency			**31.12.2010**			31.12.2009
	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**	**10,138**	**2,879**	+5	–4,153	2,072
USD	**+5**	**9,656**	**2,355**	+5	26,030	1,624
GBP	**+5**	**–2,933**	**388**	+5	–2,102	0

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	31.12.2010			31.12.2009		
	Increase in basis points	Sensitivity income statement 1,000 CHF	Sensitivity of equity 1,000 CHF	Increase in basis points	Sensitivity income statement 1,000 CHF	Sensitivity of equity 1,000 CHF
CHF	**+100**	**9,253**	**–9,646**	+100	–3,179	–14,198
EUR	**+100**	**2,415**	**–1,777**	+100	–2,386	–2,307
USD	**+100**	**–1,422**	**–861**	+100	4,822	–2,228
GBP	**+100**	**–24**	**–472**	+100	–761	–1,006
JPY	**+100**	**–56**	**0**	+100	186	0
Others	**+100**	**–2,678**	**–2,264**	+100	–2,541	–2,908
Total		**7,488**	**–15,020**		**–3,859**	**–22,647**

Currency	31.12.2010			31.12.2009		
	Decrease in basis points	Sensitivity income statement 1,000 CHF	Sensitivity of equity 1,000 CHF	Decrease in basis points	Sensitivity income statement 1,000 CHF	Sensitivity of equity 1,000 CHF
CHF	**–100**	**–2,921**	**8,895**	–100	941	14,708
EUR	**–100**	**–2,305**	**1,740**	–100	751	2,028
USD	**–100**	**13**	**501**	–100	–1,303	1,980
GBP	**–100**	**–144**	**333**	–100	323	986
JPY	**–100**	**–31**	**0**	–100	–57	0
Others	**–100**	**414**	**810**	–100	168	2,168
Total		**–4,974**	**12,279**		**823**	**21,870**

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 2010, net interest income would have increased by CHF 7.5 million (2009: decrease 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 increase by 100 bp, the change in shareholders’ equity comes to CHF –15.0 million as at 31 December 2010 (as at 31 December 2009: CHF –22.6 million).

5.4 Market risks: equity price risk

Market indices	**31.12.2010**		31.12.2009	
	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**	**9,658**	+10	8,111
FTSE 100	**+10**	**777**	+10	0
Euronext 100	**+10**	**3,237**	+10	1,278
S&P 500	**+10**	**855**	+10	0
Nikkei	**+10**	**0**	+10	0
Others	**+10**	**0**	+10	88

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. The calculation is based on the assumption that the Bank’s portfolios only deviate marginally from the respective indices.

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

1,000 CHF	**31.12.2010** Domestic	**31.12.2010** Foreign	31.12.2009 Domestic	31.12.2009 Foreign
Assets				
Cash and cash equivalents	**182,391**	**222**	371,811	25
Money market papers	**636,893**	**33,484**	403,140	362,734
Due from banks	**557,703**	**1,984,135**	635,033	2,213,667
Due from customers	**2,809,296**	**6,648,121**	1,833,224	5,486,853
Trading portfolio assets	**208,075**	**288,771**	191,444	429,437
Derivative financial instruments	**277,243**	**176,017**	172,447	209,940
Financial investments	**309,293**	**2,901,598**	331,681	2,186,712
Investments in associated companies	**35,051**	**1,184**	37,057	1,522
Property and equipment	**110,759**	**7,135**	109,502	9,852
Goodwill and other intangible assets	**119,965**	**27,942**	113,095	32,460
Current tax assets	**971**	**209**	2	229
Deferred tax assets	**278**	**5,799**	218	7,611
Accrued income and prepaid expenses	**54,380**	**96,491**	45,480	102,464
Other assets	**16,333**	**15,732**	2,199	10,979
Total assets	**5,318,631**	**12,186,840**	**4,246,333**	**11,054,485**
Liabilities				
Due to banks	**1,578,869**	**1,049,391**	1,041,714	1,485,728
Due to customers	**6,825,970**	**5,024,126**	5,229,829	5,006,683
Trading portfolio liabilities	**17,499**	**0**	69,063	0
Derivative financial instruments	**208,233**	**177,438**	101,011	137,846
Financial liabilities designated at fair value	**753,832**	**0**	278,562	401,950
Debt issued	**346,467**	**0**	0	0
Current tax liabilities	**4,527**	**4,688**	2,034	3,108
Deferred tax liabilities	**7,423**	**1,647**	8,614	2,280
Accrued expenses and deferred income	**113,296**	**76,490**	102,704	83,397
Other liabilities	**25,035**	**17,196**	29,239	20,497
Provisions	**1,450**	**0**	4,271	550
Total liabilities	**9,882,601**	**6,350,976**	**6,867,041**	**7,142,039**
Total shareholders' equity (including minority interests)	**1,212,170**	**59,724**	**1,216,287**	**75,451**
Total liabilities and shareholders' equity	**11,094,771**	**6,410,700**	**8,083,328**	**7,217,490**

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

	31.12.2010		31.12.2009	
	1,000 CHF	%	1,000 CHF	%
Europe				
Switzerland	**5,318,631**	**30.4**	4,246,333	27.8
Netherlands	**1,514,401**	**8.7**	1,629,548	10.7
Great Britain	**1,165,371**	**6.7**	907,073	5.9
Germany	**1,699,779**	**9.7**	1,705,235	11.1
France	**650,524**	**3.7**	662,613	4.3
Luxembourg	**276,798**	**1.5**	206,510	1.4
Ireland	**36,402**	**0.2**	142,553	0.9
Rest of Europe	**309,786**	**1.8**	350,298	2.3
Total Europe	**10,971,692**	**62.7**	**9,850,163**	**64.4**
Overseas				
Singapore	**325,808**	**1.9**	347,038	2.3
South America	**190,363**	**1.1**	193,112	1.3
United States of America	**358,134**	**2.0**	158,692	1.0
Various overseas countries	**5,659,474**	**32.3**	4,751,813	31.0
Total Overseas	**6,533,779**	**37.3**	**5,450,655**	**35.6**
Total Assets	**17,505,471**	**100.0**	**15,300,818**	**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	2,065,500	7,364,443	27,474	9,457,417
Of which mortgage loans				
– residential property	1,874,563	0	0	1,874,563
– office and business premises	190,937	0	0	190,937
Total loans per 31.12.2010	**2,065,500**	**7,364,443**	**27,474**	**9,457,417**
Total loans per 31.12.2009	1,241,292	5,968,542	110,243	7,320,077
Off-balance sheet				
Contingent liabilities	0	517,640	26,558	544,198
Irrevocable commitments	0	98,706	4,807	103,513
Other confirmed credits	0	0	0	0
Liabilities for calls on shares and other equities	0	0	1,427	1,427
Total off-balance sheet per 31.12.2010	**0**	**616,346**	**32,792**	**649,138**
Total off-balance sheet per 31.12.2009	0	589,889	24,773	614,662

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	**31.12.2010**
Due from banks	623,967	1,890,149	27,722	0	0	**2,541,838**
Loans and advances	46,913	1,137,506	10,364	8,247,708	14,926	**9,457,417**
Debt instruments	1,241,589	2,025,429	164,831	354,962	15,271	**3,802,082**
Other assets	3,681	83,182	147	76,206	26	**163,242**
Derivative financial instruments	39	210,591	7,150	234,288	1,192	**453,260**
Subtotal	**1,916,189**	**5,346,857**	**210,214**	**8,913,164**	**31,415**	**16,417,839**
Contingent liabilities	8,960	75,187	26,677	424,373	471	**535,668**
Irrevocable commitments	0	0	8,167	42,707	0	**50,874**
Liabilities for calls on shares and other equities	0	0	0	8,921	0	**8,921**
Add-ons	148	69,906	1,092	65,414	498	**137,058**
Total credit risk exposure	**1,925,297**	**5,491,950**	**246,150**	**9,454,579**	**32,384**	**17,150,360**

1,000 CHF	Central banks	Banks	Public bodies	Private and institutional investment clients	Other	31.12.2009
Due from banks	582,083	2,173,891	92,726	0	0	2,848,700
Loans and advances	88,106	1,047,019	19,846	5,510,799	654,307	7,320,077
Debt instruments	1,102,420	1,674,569	76,358	385,692	791	3,239,830
Other assets	6,607	94,803	132	77,747	4,998	184,287
Derivative financial instruments	441	189,811	459	187,443	4,233	382,387
Subtotal	**1,779,657**	**5,180,093**	**189,521**	**6,161,681**	**664,329**	**13,975,281**
Contingent liabilities	22,840	95,671	27,968	309,588	5,958	462,025
Irrevocable commitments	0	0	4,880	20,518	0	25,398
Liabilities for calls on shares and other equities	0	0	0	724	0	724
Add-ons	207	95,184	84	36,244	366	132,085
Total credit risk exposure	**1,802,704**	**5,370,948**	**222,453**	**6,528,755**	**670,653**	**14,595,513**

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	**31.12.2010**
Due from banks	812,378	1,409,359	202,759	117,342	**2,541,838**
Loans and advances	2,998,162	1,415,393	1,939,390	3,104,472	**9,457,417**
Debt instruments	803,178	2,492,383	257,491	249,030	**3,802,082**
Other assets	109,128	18,045	27,532	8,537	**163,242**
Derivative financial instruments	214,202	175,423	31,922	31,713	**453,260**
Subtotal	**4,937,048**	**5,510,603**	**2,459,094**	**3,511,094**	**16,417,839**
Contingent liabilities	252,184	137,373	59,726	86,385	**535,668**
Irrevocable commitments	50,874	0	0	0	**50,874**
Liabilities for calls on shares and other equities	8,921	0	0	0	**8,921**
Add-ons	29,164	67,552	26,799	13,543	**137,058**
Total credit risk exposure	**5,278,191**	**5,715,528**	**2,545,619**	**3,611,022**	**17,150,360**

1,000 CHF	Switzerland	Europe	Middle East and Asia	Other	31.12.2009
Due from banks	908,891	1,626,929	292,166	20,714	2,848,700
Loans and advances	1,968,175	1,374,770	1,717,940	2,259,192	7,320,077
Debt instruments	693,967	2,219,095	175,014	151,754	3,239,830
Other assets	110,771	38,155	32,007	3,354	184,287
Derivative financial instruments	173,787	169,259	19,409	19,932	382,387
Subtotal	**3,855,591**	**5,428,208**	**2,236,536**	**2,454,946**	**13,975,281**
Contingent liabilities	169,749	140,803	62,780	88,693	462,025
Irrevocable commitments	24,623	0	775	0	25,398
Liabilities for calls on shares and other equities	724	0	0	0	724
Add-ons	31,955	58,419	35,687	6,024	132,085
Total credit risk exposure	**4,082,642**	**5,627,430**	**2,335,778**	**2,549,663**	**14,595,513**

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	**31.12.2010**
Due from banks	984,525	27,722	0	0	1,529,591	**2,541,838**
Loans and advances	6,332,397	114,555	1,817,614	282,577	910,274	**9,457,417**
Debt instruments	0	0	0	0	3,802,082	**3,802,082**
Other assets	13,465	374	130	40	149,233	**163,242**
Derivative financial instruments	241,971	6,891	1	211	204,186	**453,260**
Subtotal	**7,572,358**	**149,542**	**1,817,745**	**282,828**	**6,595,366**	**16,417,839**
Contingent liabilities	312,805	21,364	2,395	262	198,842	**535,668**
Irrevocable commitments	7,072	0	140	0	43,662	**50,874**
Liabilities for calls on shares and other equities	0	0	0	0	8,921	**8,921**
Add-ons	52,360	1,082	31	0	83,585	**137,058**
Total credit risk exposure	**7,944,595**	**171,988**	**1,820,311**	**283,090**	**6,930,376**	**17,150,360**

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	31.12.2009
Due from banks	848,937	92,726	0	0	1,907,037	2,848,700
Loans and advances	5,134,825	234,556	954,165	210,641	785,890	7,320,077
Debt instruments	0	0	0	0	3,239,830	3,239,830
Other assets	7,755	2,818	19	18	173,677	184,287
Derivative financial instruments	257,735	0	0	2	124,650	382,387
Subtotal	**6,249,252**	**330,100**	**954,184**	**210,661**	**6,231,084**	**13,975,281**
Contingent liabilities	337,445	156	1,997	426	122,001	462,025
Irrevocable commitments	1,729	0	6,000	0	17,669	25,398
Liabilities for calls on shares and other equities	0	0	0	0	724	724
Add-ons	53,490	0	0	5	78,590	132,085
Total credit risk exposure	**6,641,916**	**330,256**	**962,181**	**211,092**	**6,450,068**	**14,595,513**

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	**31.12.2010**
Due from banks	440,208	1,794,384	4,254	301,112	1,880	**2,541,838**
Loans and advances	0	0	0	9,457,214	203	**9,457,417**
Debt instruments	2,198,713	938,765	205	664,399	0	**3,802,082**
Other assets	10,847	6,510	57	145,828	0	**163,242**
Derivative financial instruments	31,152	124,084	0	298,024	0	**453,260**
Subtotal	**2,680,920**	**2,863,743**	**4,516**	**10,866,577**	**2,083**	**16,417,839**
Contingent liabilities	0	0	0	535,668	0	**535,668**
Irrevocable commitments	0	0	0	50,874	0	**50,874**
Liabilities for calls on shares and other equities	0	0	0	8,921	0	**8,921**
Add-ons	17,795	39,426	0	79,837	0	**137,058**
Total credit risk exposure	**2,698,715**	**2,903,169**	**4,516**	**11,541,877**	**2,083**	**17,150,360**

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	31.12.2009
Due from banks	1,390,528	1,298,932	0	154,402	4,838	2,848,700
Loans and advances	0	0	0	7,309,331	10,746	7,320,077
Debt instruments	2,306,377	569,212	94	364,147	0	3,239,830
Other assets	9,400	8,814	0	166,073	0	184,287
Derivative financial instruments	46,406	54,513	0	281,468	0	382,387
Subtotal	**3,752,711**	**1,931,471**	**94**	**8,275,421**	**15,584**	**13,975,281**
Contingent liabilities	0	0	0	462,025	0	462,025
Irrevocable commitments	0	0	0	25,398	0	25,398
Liabilities for calls on shares and other equities	0	0	0	724	0	724
Add-ons	44,995	32,482	0	54,608	0	132,085
Total credit risk exposure	**3,797,706**	**1,963,953**	**94**	**8,818,176**	**15,584**	**14,595,513**

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
- Where applicable, qualitative indicators such as client reputation

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	**31.12.2010**
Due from banks	0	0	0	1,880	**1,880**
Loans and advances	0	0	0	203	**203**
Mortgages	0	0	0	0	**0**
Due from customers	0	0	0	203	**203**
Total	**0**	**0**	**0**	**2,083**	**2,083**

1,000 CHF	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	31.12.2009
Due from banks	0	0	0	4,838	4,838
Loans and advances	0	0	0	10,746	10,746
Mortgages	0	0	0	0	0
Due from customers	0	0	0	10,746	10,746
Total	**0**	**0**	**0**	**15,584**	**15,584**

As at 31.12.2010, 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

	31.12.2010		31.12.2009	
1,000 CHF	Impaired loans to clients (gross)	Individual value adjustments	Impaired loans to clients (gross)	Individual value adjustments
Switzerland	**99**	**77**	234	207
Europe	**9,535**	**9,354**	1,347	897
Middle East and Asia	**2,348**	**2,348**	12,152	2,680
Others	**0**	**0**	1,644	849
Total	**11,982**	**11,779**	**15,377**	**4,633**

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	3 to 12 months	1 to 5 years	Over 5 years	31.12.2010
Assets							
Cash and cash equivalents	182,613	0	0	0	0	0	**182,613**
Money market papers	2,650	0	449,450	218,277	0	0	**670,377**
Due from banks	1,754,121	5,668	631,187	52,839	98,023	0	**2,541,838**
Due from customers	378,182	0	6,993,205	1,392,308	532,871	160,851	**9,457,417**
Trading portfolio assets	496,846	0	0	0	0	0	**496,846**
Derivative financial instruments	453,260	0	0	0	0	0	**453,260**
Financial investments	278,635	0	464,983	631,207	1,790,498	45,568	**3,210,891**
Investments in associated companies	0	0	0	0	0	36,235	**36,235**
Property and equipment	0	0	0	0	0	117,894	**117,894**
Goodwill and other intangible assets	0	0	0	0	0	147,907	**147,907**
Current tax assets	1,180	0	0	0	0	0	**1,180**
Deferred tax assets	6,077	0	0	0	0	0	**6,077**
Accrued income and prepaid expenses	150,871	0	0	0	0	0	**150,871**
Other assets	32,065	0	0	0	0	0	**32,065**
Total assets	**3,736,500**	**5,668**	**8,538,825**	**2,294,631**	**2,421,392**	**508,455**	**17,505,471**
Liabilities							
Due to banks	429,961	24,507	1,679,030	398,486	96,276	0	**2,628,260**
Due to customers	5,489,905	1,280,821	3,891,445	1,151,376	35,438	1,111	**11,850,096**
Trading portfolio liabilities	17,499	0	0	0	0	0	**17,499**
Derivative financial instruments	385,671	0	0	0	0	0	**385,671**
Financial liabilities designated at fair value	0	0	64,866	329,558	318,613	40,795	**753,832**
Debt issued	0	0	0	0	346,467	0	**346,467**
Current tax liabilities	8,908	0	0	0	0	307	**9,215**
Deferred tax liabilities	5,094	0	0	0	0	3,976	**9,070**
Accrued expenses and deferred income	189,786	0	0	0	0	0	**189,786**
Other liabilities	42,231	0	0	0	0	0	**42,231**
Provisions	1,450	0	0	0	0	0	**1,450**
Total liabilities	**6,570,505**	**1,305,328**	**5,635,341**	**1,879,420**	**796,794**	**46,189**	**16,233,577**
Total shareholders' equity (including minority interests)	**107,794**	**0**	**0**	**0**	**0**	**1,164,100**	**1,271,894**
Total liabilities and shareholders' equity	**6,678,299**	**1,305,328**	**5,635,341**	**1,879,420**	**796,794**	**1,210,289**	**17,505,471**

1,000 CHF	At sight	Callable	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	31.12.2009
						Maturities	
Assets							
Cash and cash equivalents	371,836	0	0	0	0	0	371,836
Money market papers	3,140	0	624,717	138,017	0	0	765,874
Due from banks	1,652,920	15,327	693,771	316,077	118,599	52,006	2,848,700
Due from customers	392,425	0	5,140,087	1,125,823	551,306	110,436	7,320,077
Trading portfolio assets	620,881	0	0	0	0	0	620,881
Derivative financial instruments	382,387	0	0	0	0	0	382,387
Financial investments	223,674	0	202,901	339,519	1,607,399	144,900	2,518,393
Investments in associated companies	0	0	0	0	0	38,579	38,579
Property and equipment	0	0	0	0	0	119,354	119,354
Goodwill and other intangible assets	0	0	0	0	0	145,555	145,555
Current tax assets	231	0	0	0	0	0	231
Deferred tax assets	7,829	0	0	0	0	0	7,829
Accrued income and prepaid expenses	147,944	0	0	0	0	0	147,944
Other assets	13,178	0	0	0	0	0	13,178
Total assets	**3,816,445**	**15,327**	**6,661,476**	**1,919,436**	**2,277,304**	**610,830**	**15,300,818**
Liabilities							
Due to banks	594,695	192,051	1,317,092	260,643	162,961	0	2,527,442
Due to customers	4,627,121	1,437,087	3,213,594	891,726	66,984	0	10,236,512
Trading portfolio liabilities	69,063	0	0	0	0	0	69,063
Derivative financial instruments	238,857	0	0	0	0	0	238,857
Financial liabilities designated at fair value	0	0	48,570	321,690	219,835	90,417	680,512
Current tax liabilities	4,686	0	0	0	0	456	5,142
Deferred tax liabilities	6,332	0	0	0	0	4,562	10,894
Accrued expenses and deferred income	186,101	0	0	0	0	0	186,101
Other liabilities	49,736	0	0	0	0	0	49,736
Provisions	4,821	0	0	0	0	0	4,821
Total liabilities	**5,781,412**	**1,629,138**	**4,579,256**	**1,474,059**	**449,780**	**95,435**	**14,009,080**
Total shareholders' equity (including minority interests)	**37,807**	**0**	**0**	**0**	**0**	**1,253,931**	**1,291,738**
Total liabilities and shareholders' equity	**5,819,219**	**1,629,138**	**4,579,256**	**1,474,059**	**449,780**	**1,349,366**	**15,300,818**

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	**31.12.2010**
Contingent liabilities	75,985	0	95,774	340,372	24,811	7,256	**544,198**
Irrevocable commitments	17,805	0	2,208	66,763	16,737	0	**103,513**
Liabilities for calls on shares and other equities	1,427	0	0	0	0	0	**1,427**
Confirmed credit	0	0	0	0	0	0	**0**
Derivative financial instruments	0	0	10,469,576	8,695,447	1,805,108	169,502	**21,139,633**
Fiduciary transactions	2,388,347	0	510,472	308,042	214,222	0	**3,421,083**
Total	**2,483,564**	**0**	**11,078,030**	**9,410,624**	**2,060,878**	**176,758**	**25,209,854**

1,000 CHF	At sight	Callable	Maturities Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	31.12.2009
Contingent liabilities	56,993	0	78,079	260,916	70,594	10,560	477,142
Irrevocable commitments	17,729	0	4,551	74,228	40,897	0	137,405
Liabilities for calls on shares and other equities	116	0	0	0	0	0	116
Confirmed credit	0	0	0	0	0	0	0
Derivative financial instruments	0	0	9,612,972	4,594,506	1,263,717	20,433	15,491,628
Fiduciary transactions	3,481,384	0	1,209,436	201,139	271,713	0	5,163,672
Total	**3,556,222**	**0**	**10,905,038**	**5,130,789**	**1,646,921**	**30,993**	**21,269,963**

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	**31.12.2010**
Liabilities						
Due to banks	454,468	1,684,692	402,284	104,217	0	**2,645,661**
Due to customers	6,770,726	3,896,655	1,156,842	39,389	1,111	**11,864,723**
Trading portfolio liabilities[1]	17,499	0	0	0	0	**17,499**
Financial liabilities designated at fair value	0	67,313	334,909	320,609	40,795	**763,626**
Debt issued	0	0	7,000	378,000	0	**385,000**
Total undiscounted financial liabilities per 31.12.2010	**7,242,693**	**5,648,660**	**1,901,035**	**842,215**	**41,906**	**15,676,509**

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	31.12.2009
Liabilities						
Due to banks	786,746	1,322,078	270,866	182,245	0	2,561,935
Due to customers	6,064,208	3,218,698	895,998	67,466	0	10,246,370
Trading portfolio liabilities[1]	69,063	0	0	0	0	69,063
Financial liabilities designated at fair value	0	51,527	332,289	225,152	90,417	699,385
Total undiscounted financial liabilities per 31.12.2009	**6,920,017**	**4,592,303**	**1,499,153**	**474,863**	**90,417**	**13,576,753**

[1] Since trading portfolios 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 five segments “Private Banking”, “Trading & Family Offices”, “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 client business. Organised along the lines of target markets in specific geographic regions, the business extends to all private clients served by the Bank’s Swiss locations in Basel, Berne, Geneva, Lugano and Zurich, as well as by its subsidiaries in Europe (Austria, Germany, Ireland, Poland, the UK and – up to July 2010 – Spain), the Middle East (Abu Dhabi, Bahrain, Dubai, Qatar and Oman) and Asia (Hong Kong, India and Singapore). The business segment is jointly managed by Eric G. Sarasin and Fidelis M. Goetz. On 31 December 2010, Private Banking had a headcount of 637 employees (full-time equivalents).

The Trading & Family Offices segment handles the provision of advice to family offices and external asset managers at all Sarasin Group locations. It also looks after all securities transactions on behalf of the Group’s clients and monitors Sarasin’s liquidity and proprietary trading. The Trading & Family Offices segment is managed by Peter Wild and on 31 December 2010 had a headcount of 101 employees (full-time equivalents).

The Asset Management, Products & Sales segment provides services to institutional clients and distribution partners in the wholesale area 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. The APS segment is managed by the Chief Investment Officer (CIO), Burkhard P. Varnholt and on 31 December 2010 had a headcount of 323 employees (full-time equivalents).

bank zweiplus is headquartered in Zurich and positions itself as a leading independent product and settlement platform for clients of independent financial advisors, 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 the majority shareholder of bank zweiplus with a stake of 57.5%. Since September 2010 operations have been headed by Alfred W. Moeckli, CEO of bank zweiplus. At the end of December 2010, bank zweiplus had a headcount of 143 employees (full-time equivalents).

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, Corporate Marketing, Legal & Compliance, Human Resources, Accounting & Tax, Controlling, Risk Office, Credit and Corporate Finance) on the other. Peter Sami manages the Logistics division. The Corporate Center division was managed by Matthias Hassels up to the end of April 2010. On 1 May 2010 the Bank’s new Chief Financial Officer, Thomas A. Mueller, took charge of the division. On 31 December 2010, the total segment had a headcount of 438 employees (full-time equivalents). 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.

Business segment reporting

2010

1,000 CHF	Private Banking	Trading & Family Offices	Asset Manage- ment, Products & Sales	bank zweiplus	Corporate Center	**Sarasin Group**
Net interest income	105,952	19,128	347	3,385	18,109	146,921
Results from commission and service fee activities, trading operations and other ordinary results	273,541	67,361	183,560	58,121	–38,933	543,650
Operating income	**379,493**	**86,489**	**183,907**	**61,506**	**–20,824**	**690,571**
Personnel expenses	158,874	27,166	81,782	22,992	77,586	368,400
General administrative expenses	43,742	6,778	20,886	9,177	56,237	136,820
Services from or to other segments	75,303	12,719	20,092	17,286	–125,400	0
Operating expenses	**277,919**	**46,663**	**122,760**	**49,455**	**8,423**	**505,220**
Operating profit	**101,574**	**39,826**	**61,147**	**12,051**	**–29,247**	**185,351**
Depreciation and amortisation	4,524	33	1,364	1,651	23,232	30,804
Value adjustments, provisions and losses	2,588	–208	–201	9,039	114	11,332
Profit before taxes per segment	**94,462**	**40,001**	**59,984**	**1,361**	**–52,593**	**143,215**
Taxes						18,679
Group result including minority interests						**124,536**
Minority interests						16,742
Group result excluding minority interests						107,794

31.12.2010

Segment assets	13,897,893	1,077,044	146,555	804,959	1,579,020	17,505,471
Segment liabilities	9,703,579	1,255,958	2,745,647	707,165	1,821,228	16,233,577
Investments	6,652	0	0	492	39,068	46,212
Assets under management (million CHF)	46,455	9,044	32,051	5,676	10,137	103,363
Number of employees (full-time equivalents)	637.0	101.1	323.4	143.2	437.7	1,642.4

2009

1,000 CHF	Private Banking	Trading & Family Offices	Asset Management, Products & Sales	bank zweiplus	Corporate Center	**Sarasin Group**
Net interest income	78,842	29,892	2,330	3,240	16,372	130,676
Results from commission and service fee activities, trading operations and other ordinary results	232,123	67,054	167,092	60,848	16,135	543,252
Operating income	**310,965**	**96,946**	**169,422**	**64,088**	**32,507**	**673,928**
Personnel expenses	161,196	23,219	75,091	21,985	77,350	358,841
General administrative expenses	37,396	5,045	20,080	9,849	55,631	128,001
Services from or to other segments	71,893	9,236	22,151	19,216	–122,496	0
Operating expenses	**270,485**	**37,500**	**117,322**	**51,050**	**10,485**	**486,842**
Operating profit	**40,480**	**59,446**	**52,100**	**13,038**	**22,022**	**187,086**
Depreciation and amortisation	4,514	61	2,156	1,599	24,690[1]	33,020
Value adjustments, provisions and losses	5,737	1,388	37	1,317	69,191[2]	77,670
Profit before taxes per segment	**30,229**	**57,997**	**49,907**	**10,122**	**–71,859**	**76,396**
Taxes						24,868
Group result including minority interests						**51,528**
Minority interests						13,721
Group result excluding minority interests						37,807

31.12.2009

Segment assets	11,437,223	1,009,746	201,400	806,006	1,846,443	15,300,818
Segment liabilities	8,124,221	1,032,053	2,132,374	700,674	2,019,758	14,009,080
Investments	2,879	0	0	565	11,574	15,018
Assets under management (million CHF)	42,880	8,221	28,409	6,205	7,982	93,697
Number of employees (full-time equivalents)	618.5	85.8	295.8	135.3	421.4	1,556.8

The net income from associates amounted to minus CHF –1.9 million (2009: CHF 0.1 million). The carrying amount of the associates, which is presented within the segment assets, is CHF 36.2 million (31.12.2009: CHF 38.6 million). They are included in the Corporate Center.

[1] The goodwill impairment loss of CHF 4.4 million at Sarasin Colombo Gestioni Patrimoniali SA is recognised in “Amortisation of intangible assets”.
[2] An impairment loss of CHF 70.2 million at NZB is recognised in “Value adjustments, provisions and losses”.

Geographical details on segment reporting

31.12.2010

1,000 CHF	Switzerland	Europe (excluding Switzerland)	Asia	Consolidation and elimination	**Sarasin Group**
Operating income (2010)	424,020	127,618	138,933	0	**690,571**
Segment assets	13,533,306	2,129,731	5,371,177	–3,528,743	**17,505,471**
Investments	39,560	2,205	4,447	0	**46,212**

31.12.2009

Operating income (2009)	467,576	107,045	99,307	0	673,928
Segment assets	12,035,079	2,610,642	3,754,131	–3,099,034	15,300,818
Investments	12,139	1,959	920	0	15,018

The geographical segment reporting is based on the location of operations.

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, page 56 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 disclosure of the information required by FINMA Circular 2008/22 is provided in the Risk Management section (page 138 onwards), in the annex tables 5.8–5.13, as well as in this section. The information is based on Basel II regulations. 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.

million CHF	**31.12.2010** Weighted positions	31.12.2009 Weighted positions
Total risk-weighted positions	**6,608**	**6,338**
Capital resources: Tier 1	**1,008**	1,036
BIS Tier 1 ratio[1]	**15.3%**	**16.3%**

For both 2009 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 the core capital must amount to at least 4% and the total capital at least 8% of the risk-weighted assets. Sarasin Group'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 Sarasin Group exclusively comprise core capital.

Capital ratios

Risk-weighted assets increased by less than the nominal amounts. This was due, firstly, to the once again smaller increase in risk-weighted assets for counterparty risk and, secondly, to lower market risk. On 31 December 2010, the core capital amounted to CHF 1.0 billion, a reduction of CHF 28 million compared with the previous year. This change can be explained on the one hand by the decision to pay a dividend for the 2010 financial year, and on the other hand by valuation losses on "Financial investments available for sale" recognised in other comprehensive income, as well as the foreign currency losses incurred by the consolidation of international group companies (c.f. "Statement of changes in equity").

[1] The calculation is based on the Swiss Standardised Approach (SA-CH).

Capital adequacy – risk weighted assets (BIS)

1,000 CHF	Approach used	31.12.2010 Risk weighted position	31.12.2010 Capital requirement	31.12.2009 Risk weighted position	31.12.2009 Capital requirement
Required equity					
Credit risk	CH-Standard	**3,903,250**	**312,260**	**3,426,725**	**274,138**
Of which price risk relating to equity-type securities in the banking book			**35,663**		42,998
Non-counterparty-related risks	CH-Standard	**544,425**	**43,554**	**464,500**	**37,160**
Market risk	Standard	**964,750**	**77,180**	**1,256,200**	**100,496**
Of which on interest-rate instruments (general and specific market risk)	Standard		**2,241**		1,568
Of which equity-type securities	Standard		**26,980**		15,562
Of which on currencies and precious metals	Standard		**41,407**		79,821
Of which on commodities	Standard		**4,386**		2,446
Operational risk	Basis indicator	**1,195,825**	**95,666**	**1,190,275**	**95,222**
Total required equity		**6,608,250**	**528,660**	**6,337,700**	**507,016**
Eligible equity					
Cross core capital			**1,215,285**		**1,288,367**
Of which minority shareholdings			**42,471**		50,949
Of which “innovative” instruments			**0**		0
– less other components to be deducted from core capital (mainly goodwill and non-consolidated participations)			**–206,801**		–252,248
Total eligible core capital			**1,008,484**		**1,036,119**
+ 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			**1,008,484**		**1,036,119**
Ratio of eligible / required equity			**1.91**		**2.04**

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%	**31.12.2010**
Due from banks	986,491	1,480,619	0	68,847	0	5,881	0	0	0	0	**2,541,838**
Loans and advances	6,610,946	50,880	1,419,247	59,772	290,893	1,022,964	0	2,715	0	0	**9,457,417**
Debt instruments	1,240,582	1,439,078	0	834,216	11	1,821	220,761	0	63,895	1,718	**3,802,082**
Other assets	17,134	82,074	65	636	1	63,299	0	0	33	0	**163,242**
Derivative financial instruments	242,182	131,910	0	43,502	830	34,836	0	0	0	0	**453,260**
Subtotal	**9,097,335**	**3,184,561**	**1,419,312**	**1,006,973**	**291,735**	**1,128,801**	**220,761**	**2,715**	**63,928**	**1,718**	**16,417,839**
Contingent liabilities	313,068	8,742	2,275	21,363	0	190,220	0	0	0	0	**535,668**
Irrevocable commitments	7,072	8,167	140	0	0	35,495	0	0	0	0	**50,874**
Liabilities for calls on shares and other equities	0	0	0	0	0	8,921	0	0	0	0	**8,921**
Add-ons	52,360	41,456	0	19,427	593	23,222	0	0	0	0	**137,058**
Total credit risk exposure	**9,469,835**	**3,242,926**	**1,421,727**	**1,047,763**	**292,328**	**1,386,659**	**220,761**	**2,715**	**63,928**	**1,718**	**17,150,360**

1,000 CHF	0%	25%	35%	50%	75%	100%	125%	150%	250%	1,250%	31.12.2009
Due from banks	849,059	1,570,529	0	427,484	0	1,627	0	1	0	0	2,848,700
Loans and advances	5,340,591	21,919	815,530	209,740	150,825	720,773	0	60,699	0	0	7,320,077
Debt instruments	1,096,387	1,478,344	0	358,780	0	56,394	194,595	0	36,701	18,629	3,239,830
Other assets	14,136	92,067	16	2,843	356	74,822	0	0	47	0	184,287
Derivative financial instruments	257,737	81,578	0	27,443	874	14,755	0	0	0	0	382,387
Subtotal	**7,557,910**	**3,244,437**	**815,546**	**1,026,290**	**152,055**	**868,371**	**194,595**	**60,700**	**36,748**	**18,629**	**13,975,281**
Contingent liabilities	337,870	1,626	1,997	14	774	119,744	0	0	0	0	462,025
Irrevocable commitments	1,729	4,880	0	0	6,000	12,789	0	0	0	0	25,398
Liabilities for calls on shares and other equities	0	0	0	0	0	724	0	0	0	0	724
Add-ons	53,495	57,655	0	9,481	360	11,094	0	0	0	0	132,085
Total credit risk exposure	**7,951,004**	**3,308,598**	**817,543**	**1,035,785**	**159,189**	**1,012,722**	**194,595**	**60,700**	**36,748**	**18,629**	**14,595,513**

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.

1,000 CHF	**31.12.2010** Carrying value	**31.12.2010** Fair Value	**Variance**	31.12.2009 Carrying value	31.12.2009 Fair Value	Variance
Assets						
Cash and cash equivalents	**182,613**	**182,613**	**0**	371,836	371,836	0
Money market papers	**670,377**	**670,377**	**0**	765,874	765,232	–642
Due from banks	**2,541,838**	**2,546,172**	**4,334**	2,848,700	2,871,665	22,965
Due from customers	**9,457,417**	**9,527,145**	**69,728**	7,320,077	7,394,512	74,435
Trading portfolio assets	**496,846**	**496,846**	**0**	620,881	620,881	0
Derivative financial instruments	**453,260**	**453,260**	**0**	382,387	382,387	0
Financial investments designated at fair value	**980,132**	**980,132**	**0**	489,920	489,920	0
Financial investments available for sale	**2,230,759**	**2,230,759**	**0**	2,028,473	2,028,473	0
Subtotal	**17,013,242**	**17,087,304**	**74,062**	**14,828,148**	**14,924,906**	**96,758**
Liabilities						
Due to banks	**2,628,260**	**2,642,127**	**–13,867**	2,527,442	2,551,703	–24,261
Due to customers	**11,850,096**	**11,848,048**	**2,048**	10,236,512	10,242,532	–6,020
Trading portfolio liabilities	**17,499**	**17,499**	**0**	69,063	69,063	0
Derivative financial instruments	**385,671**	**385,671**	**0**	238,857	238,857	0
Financial liabilities designated at fair value	**753,832**	**753,832**	**0**	680,512	680,512	0
Debt issued	**346,467**	**354,200**	**–7,733**	0	0	0
Subtotal	**15,981,825**	**16,001,377**	**–19,552**	**13,752,386**	**13,782,667**	**–30,281**
Total variance			**54,510**			**66,477**

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.

				31.12.2010				31.12.2009
1,000 CHF	Quoted market price (level 1)	Valuation technique market observable inputs (level 2)	Valuation technique non-market observable inputs (level 3)	Total	Quoted market price (level 1)	Valuation technique market observable inputs (level 2)	Valuation technique non-market observable inputs (level 3)	Total
Assets								
Trading portfolio assets	**484,868**	**5,748**	**6,230**	**496,846**	612,242	556	8,083	620,881
Derivative financial instruments	**0**	**453,260**	**0**	**453,260**	1,888	380,499	0	382,387
Financial investments designated at fair value	**980,132**	**0**	**0**	**980,132**	489,920	0	0	489,920
Financial investments available for sale	**2,067,358**	**134,120**	**29,281**	**2,230,759**	1,902,518	99,533	26,422	2,028,473
Total assets	**3,532,358**	**593,128**	**35,511**	**4,160,997**	**3,006,568**	**480,588**	**34,505**	**3,521,661**
Liabilities								
Trading portfolio liabilities	**17,499**	**0**	**0**	**17,499**	62,967	6,096	0	69,063
Derivative financial instruments	**0**	**385,671**	**0**	**385,671**	19,814	219,043	0	238,857
Financial liabilities designated at fair value	**0**	**753,832**	**0**	**753,832**	0	680,512	0	680,512
Debt issued	**346,467**	**0**	**0**	**346,467**	0	0	0	0
Total liabilities	**363,966**	**1,139,503**	**0**	**1,503,469**	**82,781**	**905,651**	**0**	**988,432**

The next table provides an overview of those instruments which have significant unobservable inputs (classified as Level 3).

1,000 CHF	Opening balance 01.01.	Total gains/ (loss) in income statement	Total gains/ (loss) recorded in other comprehensive income	Purchases	Sales	Transfers from level 1 and level 2	Closing balance 31.12.	**31.12.2010** Total gains or losses[1]
Assets								
Trading portfolio assets	8,083	–2,036[2]	0	238	–55	0	6,230	**1,326**
Derivative financial instruments	0						0	**0**
Financial investments designated at fair value	0						0	**0**
Financial investments available for sale	26,422	0	356	2,503	0	0	29,281	**0**
Liabilities								
Trading portfolio liabilities	0	0	0	0	0	0	0	**0**
Derivative financial instruments	0	0	0	0	0	0	0	**0**
Financial liabilities designated at fair value	0	0	0	0	0	0	0	**0**

1,000 CHF	Opening balance 01.01.	Total gains/ (loss) in income statement	Total gains/ (loss) recorded in other comprehensive income	Purchases	Sales	Transfers from level 1 and level 2	Closing balance 31.12.	31.12.2009 Total gains or losses[1]
Assets								
Trading portfolio assets	8,124	–1,356[2]	0	12,089	–10,774	0	8,083	297
Derivative financial instruments	0	0	0	0	0	0	0	0
Financial investments designated at fair value	0	0	0	0	0	0	0	0
Financial investments available for sale	25,718	0	671	33	0	0	26,422	0
Liabilities								
Trading portfolio liabilities	0	0	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0	0	0
Financial liabilities designated at fair value	0	0	0	0	0	0	0	0

There were no significant shifts between the different levels during the reporting period.

[1] Total net income/expense in the current period in the income statement for portfolios held at the end of the reporting period.

[2] Presented within income from trading operations.

7.3 Client assets under management

million CHF	31.12.2010	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets invested with in-house funds	**15,892**	12,804	3,088	24.1
Assets invested under a management mandate	**28,951**	26,093	2,858	11.0
Other assets under management	**58,520**	54,800	3,720	6.8
Total assets under management	**103,363**	**93,697**	**9,666**	**10.3**
Of which double-counting[1]	**10,138**	7,298	2,840	38.9

million CHF	2010	2009	Change to 2009 CHF	Change to 2009 %
Net new money I	**13,419**	**12,474**	**945**	**7.6**
Change through partial sale of LFP-Sarasin AM, Paris	**0**	–442	442	100.0
Change through sale of Sarasin Colombo Gestioni Patrimoniali SA	**–683**	0	–683	
Net new money II	**12,736**	**12,032**	**704**	**5.9**

[1] Of which, money market instruments from structured products of CHF 0.4 billion (31.12.2009: CHF 0.4 billion) and fiduciary deposits of CHF 0.8 billion (31.12.2009: CHF 1.1 billion).

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%
Sarasin Investmentfonds AG	Basel	CHF	**4,000,000**	100%
Sarasin Holding AG	Basel	CHF	**1,454,000**	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 & 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%
Sarasin Trust Company (Singapore) Ltd	Singapore	USD	**1,000,000**	100%
Bank Sarasin AG	Frankfurt	EUR	**1,000,000**	100%
Eichenpark Kapital Verwaltungs GmbH	Eppstein im Taunus	EUR	**25,000**	100%
Sarasin Alén Agencia de Valores S.A. (in dissolution)	La Coruña	EUR	**2,000,000**	60%
Sarasin CEE & Austria AG	Vienna	EUR	**125,000**	100%
Bank Sarasin-Alpen (ME) Limited	Dubai	USD	**1,000,000**	60%
Sarasin-Alpen LLC[1]	Muscat	USD	**1,559,055**	100%
Sarasin-Alpen & Partners Ltd[2]	Dubai	USD	**2,000,000**	81%
Bank Sarasin-Alpen (Qatar) LLC	Doha	USD	**1,000,000**	60%
Sarasin-Alpen (Bahrain) BSC (c)	Manama	USD	**1,000,000**	60%
Sarasin-Alpen (India) Private Ltd[3]	Mumbai	INR	**63,649,000**	60%
Companies fully consolidated for the first time				
Sarasin Trust Company (Singapore) Ltd	Singapore			
Sarasin CEE & Austria AG	Wien			
Sarasin-Alpen (Bahrain) BSC (c)	Manama			
Associated companies				
NZB Holding	Zurich	CHF	**746,712**	40%
LFP-Sarasin AM[4]	Paris	EUR	**500,150**	32.5%

1 Capital increase of USD 0,06 million.

2 The remaining 19% of share capital are held by Sarasin & Partners LLP.

3 Capital increase of INR 43,65 million.

4 Decrease of equity interest from 40% to 32,5%.

Participations removed from the scope of consolidation	
Sarasin Colombo Gestioni Patrimoniali S.A.	Lugano
Sarasin Investment Management Ltd (in dissolution)	London
Chiswell Associates Ltd (in dissolution)	London

Change in companies' names during the year under review			
Old company name	Domicile	New company name	Domicile
UFG-Sarasin AM	Paris	LFP-Sarasin AM	Paris

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

Acquisitions

No acquisitions have taken place in 2010 and 2009.

Disposals

1,000 CHF	**31.12.2010**	31.12.2009
Fair value of the net assets sold		
Due from banks	**14,294**	0
Due from customers	**0**	1,271
Financial investments	**1,354**	1,539
Property and equipment	**136**	79
Goodwill	**3,971**	224
Other assets	**3,878**	346
Due to banks	**0**	–173
Other liabilities	**–1,852**	–1,846
Total net assets	**21,781**	**1,440**
Minority interests	**–1,781**	–97
Net assets including minority interests	**20,000**	**1,343**
Capitalised as an interest in affiliated companies	**0**	–584
Net assets sold	**20,000**	**759**
Gain from sale	**0**	1,994
Total net assets	**20,000**	**2,753**
Less:		
Disposal of cash	**965**	0
Inflow of funds from disposals	**19,035**	2,753

On 12 February 2010 the 90% shareholding in Sarasin Colombo was sold off. The resulting extraordinary goodwill impairment charge of CHF 4.4 million was already accounted for in the 2009 financial statements. On 31 March 2009, Bank Sarasin sold 52% of its subsidiary LFP-Sarasin AM, Paris, thereby reducing its interest from 92% to 40%. The selling price was CHF 2.8 million. The sale generated a disposal gain of CHF 2.0 million, which was recognised in “Other ordinary results”.

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 Bank Sarasin & Co. Ltd, which comprise the balance sheet, comprehensive income statement, income statement, statement of cash flows, statement of changes in equity and notes (pages 87 to 171) for the year ended 31 December 2010.

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 2010 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, 24 February 2011

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 31 December 2010 **174**

Income Statement for 2010 **177**

Proposal of the Board of Directors to the General Meeting of Shareholders **178**

Notes to Bank Sarasin & Co. Ltd's financial statements **179**
Information on business activities 179
Accounting principles 179
Information on the balance sheet 180
Information on off-balance sheet transactions 187
Information on the income statement 187
Compensation paid to governing bodies 187

Report of the statutory auditor **188**

Balance Sheet as at 31 December 2010

Assets

	Notes	31.12.2010	31.12.2009	Change to 31.12.2009	Change to 31.12.2009
1,000 CHF				CHF	%
Cash and equivalents		**172,348**	360,666	–188,318	–52.2
Money market papers		**542,461**	502,910	39,551	7.9
Due from banks		**1,661,051**	1,494,835	166,216	11.1
Due from customers		**5,115,962**	4,369,263	746,699	17.1
Mortgages		**2,022,622**	1,179,453	843,169	71.5
Securities and precious metals portfolios	3.4	**480,937**	570,199	–89,262	–15.7
Financial investments	3.5	**1,757,748**	1,187,368	570,380	48.0
Participations		**170,626**	184,087	–13,461	–7.3
Intangible assets		**33,981**	21,359	12,622	59.1
Property and equipment		**121,163**	114,971	6,192	5.4
Accrued income and prepaid expenses		**75,376**	79,059	–3,683	–4.7
Other assets[1]		**424,139**	348,635	75,504	21.7
Total assets		**12,578,414**	**10,412,805**	**2,165,609**	**20.8**
Total subordinated assets		**3,896**	5,307	–1,411	–26.6
Total due from associated companies and significant shareholders		**853,588**	916,815	–63,227	–6.9
[1] Including positive replacement values of		**415,930**	341,176	74,754	21.9

Liabilities and shareholders' equity

1,000 CHF	Notes	**31.12.2010**	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Due to banks		**3,932,493**	3,738,029	194,464	5.2
Due to customers in savings and investment accounts		**688,035**	601,270	86,765	14.4
Other amounts due to customers		**5,855,478**	4,431,276	1424,202	32.1
Bonds and mortgage-backed bonds	3.8	**346,336**	36,596	309,740	846.4
Accrued expenses and deferred income		**134,083**	129,207	4,876	3.8
Other liabilities[1]		**683,181**	528,830	154,351	29.2
Value adjustments and provisions	3.9	**1,350**	4,221	–2,871	–68.0
Reserves for general banking risks		**6,056**	17,692	–11,636	–65.8
Share capital	3.11	**22,015**	22,015	0	0.0
General legal reserve	3.12	**608,484**	602,933	5,551	0.9
Reserves for treasury shares		**29,944**	18,308	11,636	63.6
Retained earnings brought forward		**220,718**	167,696	53,022	31.6
Profit for the year		**50,241**	114,732	–64,491	–56.2
Total shareholders' equity	3.12	**937,458**	943,376	–5,918	–0.6
Total liabilities and shareholders' equity		**12,578,414**	**10,412,805**	**2,165,609**	**20.8**
Total due to associated companies and significant shareholders		**1,578,416**	2,130,930	–552,514	–25.9
[1] Including negative replacement values of		**663,697**	514,627	149,070	29.0

Off-balance sheet transactions

1,000 CHF	Notes	31.12.2010	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Contingent liabilities		**449,817**	406,489	43,328	10.7
Guarantee for Bank Sarasin-Rabo (Asia) Ltd		**3,511,551**	3,798,650	–287,099	–7.6
Irrevocable commitments		**28,994**	50,676	–21,682	–42.8
Liabilities for calls on shares and other equities		**1,427**	116	1,311	>1,000
Derivatives					
Contract volume		**13,988,148**	11,069,817	2,918,331	26.4
Positive replacement value		**415,930**	341,176	74,754	21.9
Negative replacement value		**663,697**	514,627	149,070	29.0
Fiduciary transactions	4	**5,124,127**	6,205,422	–1,081,295	–17.4

Income Statement for 2010

1,000 CHF	Notes	**2010**	2009	Change to 2009 CHF	Change to 2009 %
Interest income		**110,858**	111,717	–859	–0.8
Interest and dividend income from financial investments		**15,063**	16,733	–1,670	–10.0
Interest expenses		**–47,010**	–61,126	14,116	–23.1
Net interest income		**78,911**	**67,324**	**11,587**	**17.2**
Commission income on lending activities		**731**	620	111	17.9
Commission income on securities and investment transactions		**318,696**	255,902	62,794	24.5
Commission income on other services		**16,594**	16,421	173	1.1
Commission expenses		**–109,728**	–85,405	–24,323	28.5
Net income from commission and service fee activities		**226,293**	**187,538**	**38,755**	**20.7**
Net income from trading operations	5.1	**63,719**	**94,897**	**–31,178**	**–32.9**
Net income from sale of financial investments		**7,839**	39,702	–31,863	–80.3
Income from participations		**14,158**	5,777	8,381	145.1
Income from real estate		**326**	323	3	0.9
Ordinary income from other sources		**3,832**	32,150	–28,318	–88.1
Other ordinary income		**26,155**	**77,952**	**–51,797**	**–66.4**
Operating income		**395,078**	**427,711**	**–32,633**	**–7.6**
Personnel expenses		**236,946**	220,926	16,020	7.3
General administrative expenses		**74,213**	67,879	6,334	9.3
Operating expenses		**311,159**	**288,805**	**22,354**	**7.7**
Operating profit		**83,919**	**138,906**	**–54,987**	**–39.6**
Depreciation and write-offs on property and equipment		**–11,829**	–9,719	–2,110	21.7
Amortisation of other intangible assets		**–13,793**	–6,242	–7,551	121.0
Amortisation of goodwill		**–3,336**	–3,336	0	0.0
Value adjustments, provisions and losses		**–3,092**	–4,880	1,788	–36.6
Result before extraordinary items and taxes		**51,869**	**114,729**	**–62,860**	**–54.8**
Extraordinary income	5.2	**8,905**	17,137	–8,232	–48.0
Extraordinary expenses		**–3,109**	–4	–3,105	>1,000
Taxes		**–7,424**	–17,130	9,706	–56.7
Profit for the year		**50,241**	**114,732**	**–64,491**	**–56.2**

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

1,000 CHF	2010	2009
The Board of Directors proposes to the General Meeting of Shareholders on April 5, 2011		
that the profit for the 2010 financial year, consisting of:		
Profit for the year	**50,241**	114,732
Retained earnings brought forward	**220,718**	167,696
Profit as shown on the balance sheet	**270,959**	**282,428**
Be distributed as follows		
Dividend	**56,609**	56,609
Allocation to general legal reserve	**5,551**	5,551
Allocation to retained earnings brought forward	**208,799**	220,268
Profit as shown on the balance sheet	**270,959**	**282,428**

If this proposal is accepted, the following dividend, value dated April 12, 2011, will be paid for the 2010 financial year:

for class A registered shares with a nominal value of	**CHF 0.07**	
Dividend	CHF 0.18	gross per share

for class B registered shares with a nominal value of	**CHF 0.35**	
Dividend	CHF 0.90	gross per share

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

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

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

1. Information on business activities

Bank Sarasin & Co. Ltd (parent company) is a limited company that has its head office in Basel, with branches in Zurich and Hong Kong, and offices in Geneva, Lugano and Berne. The Hong Kong branch was opened on 1 January 2010 and employs 113 people. Its class B registered shares with a nominal value of CHF 0.35 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 Guernsey, London, 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 the Group financial statements as well as in the table headed "Key Data".

2. Accounting principles

2.1 General principles

The 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).

Attention is drawn to the explanations provided in the Notes to the consolidated financial statements, Note 1, and Note 7.5 "Swiss banking legislation", which set out the most important differences between IFRS and the accounting provisions applicable to banks under Swiss law. Only a few selected items will be commented on here.

2.2 Currency translation

The foreign subsidiary's assets and liabilities are translated into Swiss francs at the daily rate on the reporting date and the items in the income statement at the average rate for the period. The foreign exchange rates are disclosed in the section entitled "Group accounting principles" on page 99. Currency translation differences, resulting from the different exchange rates applied to the balance sheet and income statement, are recognised in profit or loss.

2.3 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 the Group financial statements.
Participations are valued at cost after deduction of the necessary writedowns.

2.4 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, readers are referred 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, readers are referred to the comments regarding risk management and market, credit and interest rate risks in section 5 of the notes to the 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 as well as assets subject to reservation of title

This relates exclusively to collateral deposits of securities valued at CHF 161.4 million (end 2009: CHF 132 million). At the end of the year, CHF 122.4 million (2009: CHF 46 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 Bank Sarasin's pension plans

million CHF	**31.12.2010**	31.12.2009
Liabilities to Bank Sarasin's pension plans	**6.7**	12.7

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 those 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 a coverage ratio of 103.2%. On the balance sheet date, Bank Sarasin & Co. Ltd also disposed of employer's contribution reserves totalling just under CHF 15.8 million (2009: CHF 15 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 **31.12.2010**	Renunciation of use **31.12.2010**	Creation **2010**	Balance sheet **31.12.2010**	Balance sheet 31.12.2009	Impact of employer's contribution reserves on personnel expenses **2010**	Impact of employer's contribution reserves on personnel expenses 2009
Employer's contribution reserves							
Welfare Foundation of Bank Sarasin & Co. Ltd	**15,818**	**0**	**0**	**0**	0	**0**	0

1,000 CHF	Surplus / deficit **31.12.2010**	Due to Bank **31.12.2010**	Due to Bank 31.12.2009	Impact on balance sheet **2010**	Deferred pension liabilities on **31.12.2010**	Pension expenditure **2010**	Pension expenditure 2009
Economic benefit							
Pension Fund of Bank Sarasin & Co. Ltd	**0**	**0**	0	**0**	**6,687**	**24,193**	24,165

3.4 Securities and precious metals trading portfolios

1,000 CHF	**31.12.2010**	31.12.2009
Interest-bearing securities	**7,092**	5,490
Of which listed	**3,601**	2,498
Of which unlisted	**3,491**	2,992
Equities	**406,758**	517,153
Of which treasury shares	**1,645**	18,629
Of which hedging portfolios for structured products	**298,313**	269,656
Precious metals	**67,087**	47,556
Total securities and precious metals trading portfolios	**480,937**	**570,199**
Of which securities eligible for repo transactions in accordance with liquidity regulations	**0**	913

3.5 Financial investments

	Book value	Book value	Fair Value	Fair Value
1,000 CHF	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009
Interest-bearing securities and rights	**1,514,239**	1,014,213	**1,923,494**	1,019,162
Of which valued according to the accrual method	**1,480,824**	979,083	**1,890,079**	984,032
Of which valued at the lower of cost and market	**33,415**	35,130	**33,415**	35,130
Equities	**243,509**	173,155	**247,339**	173,450
Of which treasury shares	**29,854**	11,927	**29,854**	11,927
Total financial investments	**1,757,748**	1,187,368	**2,170,833**	1,192,612
Of which securities eligible for repo transactions in accordance with liquidity regulations	**1,331,055**	768,919		

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

1,000 CHF	**31.12.2010**	31.12.2009
Claims on associated companies	**2,702**	18,095
Liabilities to associated companies	**5,649**	22,100
Loans to members of management bodies	**5,480**	6,599

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

3.7 Client assets under management

million CHF	31.12.2010	31.12.2009	Change to 31.12.2009 CHF	Change to 31.12.2009 %
Assets invested with in-house funds	**6,533**	5,739	794	13.8
Assets invested under a management mandate	**14,803**	13,874	929	6.7
Other assets under management	**40,686**	36,283	4,403	12.1
Total assets under management (including double-counting)	**62,022**	**55,896**	**6,126**	**11.0**
Of which double-counting	**4,266**	3,105	1,161	37.4
Net new money[1]	**9,842**	**6,047**	**3,795**	**62.8**

3.8 Outstanding bonds

1,000 CHF	Coupon	Maturities	Amount
Issuer			
Bank Sarasin & Co. Ltd, Basel[2]	2.00%	2010–2015	350,000
Total outstanding bonds			**350,000**

	Maturities						
	Due in less than 1 year	in 1 to 2 years	in 2 to 3 years	in 3 to 4 years	in 4 to 5 years	Over 5 years	
Issuer							
Bank Sarasin & Co. Ltd, Basel[2]					350,000		350,000
Total					350,000		**350,000**

1 A portion of the net new money inflow reported for the parent bank originates from the rebooking of existing clients from other Group entities (especially Bank Sarasin-Rabo Asia Ltd.) to the Hong Kong branch. This effect does not exist in the consolidated financial statement. Client assets managed by the Hong Kong branch totalled CHF 2.0 billion on 31 December 2010.

2 Unsubordinated bond.

3.9 Value adjustments and provisions / reserves for general banking risks

1,000 CHF	Balance 31.12.2009	Designated uses	Change in designated use	Recoveries, endangered interest currency translation differences	New amounts charged to income statement	Reversals credited to income statement	**Balance 31.12.2010**
Value adjustments and provisions							
– For default risks (credit and country risks)	70,093	–17,519				–4,173[1]	**48,401**
– For other business risks	0						**0**
Provision for restructuring	1,768	–401				–1,367	**0**
Provision for pension liabilities	0						**0**
Other provisions	2,453	–1,103					**1,350**
Total value adjustments and provisions	**74,314**	**–19,023**				**–5,540**	**49,751**
Value adjustments deducted directly from assets	–70,093						**–48,401**
Total value adjustments and provisions as per balance sheet	**4,221**						**1,350**
Reserves for general banking risks[2]	**17,692**		**–11,636**				**6,056**

3.10 Information about treasury shares

No. of units	**2010**	2009
Number traded on the SIX Swiss Exchange	**15,418,111**	15,664,939

On 31 December 2010 there were Sarasin class B shares worth CHF 31.5 million held in treasury (2009: CHF 30.6 million). Trading in treasury shares resulted in a loss of CHF 1.9 million in 2010 (2009: a profit of 4.2 million), which has been reported under trading income. Our total holding of 837,750 shares includes 16,835 shares held for hedging purposes in connection with structured products issued by us.

1 Part repayment of impaired amounts due from banks.

2 Tax has been paid on the reserves for general banking risks. The change of purpose involves the transfer to reserves for treasury shares, which are held as financial assets (see section 3.12).

3.11 Capital structure

CHF		Total nominal value	No. of units	Dividend-bearing capital
Situation as at 31.12.2010				
Share capital	class A registered shares (with voting rights)	3,960,000	56,571,428	3,960,000
	class B registered shares	18,054,784	51,585,097	18,054,784
Total share capital as at 31.12.2010		**22,014,784**	**108,156,525**	**22,014,784**
Authorised capital	class A registered shares	504,000	7,200,000	0
Of which capital increase completed		0		
Conditional capital	class B registered shares	2,275,000	6,500,000	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 1,750,000 by means of the issue of no more than 5,000,000 fully paid up class B registered shares with a par value of CHF 0.35 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 525,000 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 0.35 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 2011, increase the share capital by a maximum of CHF 504,000 through the issue of no more than 7,200,000 class A registered shares with a par value of CHF 0.07 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. Any decision on the allocation of unexercised subscription rights is made by the Board of Directors.

Significant shareholders and shareholder groups with voting rights

	31.12.2010			31.12.2009		
	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	**6,175,908**	**28.06**	**16.31**	6,175,908	28.06	16.31
Eichbaum Holding AG						
Class A shares (with voting rights)	**3,960,000**	**17.99**	**52.31**	3,960,000	17.99	52.31
Class B shares	**5,400**	**0.02**	**0.01**	5,400	0.02	0.01
Total Rabobank Nederland	**10,141,308**	**46.07**	**68.63**	**10,141,308**	**46.07**	**68.63**

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

1,000 CHF	**2010**	2009	2008	2007	2006
Shareholders' equity at beginning of year					
Paid up share capital	**22,015**	61,155	61,155	61,155	61,155
General legal reserve	**602,933**	563,866	555,916	550,718	545,519
Other reserves	**0**	0	0	0	0
Reserves for general banking risks	**17,692**	17,692	36,000	36,000	36,000
Reserves for treasury shares	**18,308**	18,308	0	0	0
Profit as shown on the balance sheet	**282,428**	167,696	311,603	91,750	87,800
Total shareholders' equity at beginning of year under review	**943,376**	**828,717**	**964,674**	**739,623**	**730,474**
+ Capital increase through the issue of COTOs[1]	**0**	39,677	0	0	0
– Reduction in par value through the issue of COTOs[1]	**0**	–39,750	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	**–56,159**	0	–81,584	–54,454	–54,535
+ Profit/loss for the year	**50,241**	114,732	–54,373	279,505	63,684
Total shareholders' equity at end of year under review	**937,458**	**943,376**	**828,717**	**964,674**	**739,623**
Of which					
Paid up share capital	**22,015**	22,015	61,155	61,155	61,155
General legal reserve	**608,484**	602,933	563,866	555,916	550,718
Other reserves	**0**	0	0	0	0
Reserves for general banking risks	**6,056**	17,692	17,692	36,000	36,000
Reserves for treasury shares	**29,944**	18,308	18,308	0	0
Profit as shown on the balance sheet	**270,959**	282,428	167,696	311,603	91,750

[1] For details of the capital increase and reduction in par value through the issue of COTOs, please refer to the "Statement of changes in equity" in the consolidated financial statements.

4 Information on off-balance sheet transactions

1,000 CHF	**31.12.2010**	31.12.2009
Fiduciary Transactions		
Fiduciary deposits with other banks	**1,027,249**	1,506,397
Fiduciary investments held with Group banks and affiliated companies	**4,092,934**	4,693,920
Fiduciary lending	**3,944**	5,105
Total	**5,124,127**	**6,205,422**

5 Information on the income statement

5.1 Net income from trading operations

1,000 CHF	**2010**	2009
Securities trading	**19,948**	63,113
Trading in interest products	**4,924**	–2,345
Trading in foreign exchange, precious metals and banknotes	**38,847**	34,129
Total	**63,719**	94,897

5.2 Extraordinary income

1,000 CHF	**2010**	2009
Reversal of restructuring provisions no longer required	**1,367**	0
Profit from the disposal of holdings	**0**	9,317
Part repayment of impaired amounts due from banks	**4,173**	4,379
Other	**3,365**	3,441
Total	**8,905**	**17,137**

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 133.

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 173 to 187) for the year ended 31 December 2010.

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 2010 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, 24 February 2011

Ernst & Young AG

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

List of figures

Fig. 1: Group result 4
Fig. 2: Net new money growth over half-year periods 4
Fig. 3: Assets under management and net new money growth by client domicile 5
Fig. 4: Development of assets under management 5
Fig. 5: Development of share price 6
Fig. 6: Cost income ratio 6
Fig. 7: Forecast economic growth for 2010 and 2011 by region 12
Fig. 8: Outlook for HNWI global asset growth by region 13
Fig. 9: Development of assets under management 17
Fig. 10: Net new money growth over half-year periods 17
Fig. 11: Private clients business at the Sarasin Group’s different locations 18
Fig. 12: Institutional clients business at the Sarasin Group’s different locations 18
Fig. 13: Assets under management and net new money growth by client domicile 18
Fig. 14: Development of client segments by asset size 19
Fig. 15: Assets under management: breakdown by investment category 19
Fig. 16: Assets under management: breakdown by currency 19
Fig. 17: Private clients business: Number of CRMs at Sarasin Group locations 20
Fig. 18: Institutional clients business: Number of CRMs at Sarasin Group locations 20
Fig. 19: Breakdown of operating income 21
Fig. 20: Headcount 21
Fig. 21: CRM team as a proportion of total workforce 21
Fig. 22: Cost income ratio 21
Fig. 23: Result before taxes per segment 22
Fig. 24: Sarasin investment funds: volumes and net inflows, broken down by investment style 38
Fig. 25: How we arrived at our sustainability strategy from the overall concept 50
Fig. 26: Assets managed according to sustainable principles by the Sarasin Group 50
Fig. 27: Growth of sustainable investment funds in Europe 51
Fig. 28: Sarasin Group workforce by age structure 54
Fig. 29: Sarasin Group workforce at by location 31.12.2010 54
Fig. 30: Trend in greenhouse gas emissions (carbon dioxide equivalent, kg CO_2) 55
Fig. 31: Share of greenhouse gas emissions by source of emission 2010 55
Fig. 32: Recycled paper consumption as a percentage of total paper consumption 55
Fig. 33: Risk management process 58
Fig. 34: Value-at-Risk of the Sarasin Group’s trading book, divided into risk factors 60
Fig. 35: Potential loss if the scenario materialises 60
Fig. 36: VaR of the actively managed portfolio during the course of 2010 60
Fig. 37: Credit exposure as at 31 December 2010 63
Fig. 38: Lending growth (incl. contingent liabilities and margin requirements) 63
Fig. 39: Lending growth by booking centre 63
Fig. 40: Credit risk exposure to banks in 2010 65
Fig. 41: Operational Risk Framework and Instruments 66
Fig. 42: Operational presentation of the Group’s structure (as at 31 December 2010) 68
Fig. 43: Legal structure of the subsidiaries (as at 31 December 2010) 70
Fig. 44: Distribution of Sarasin class B registered shares 71
Fig. 45: Registered shareholders: categories and distribution (Sarasin class B registered shares) 72
Fig. 46: Term of office of current directors 74

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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