SARASIN

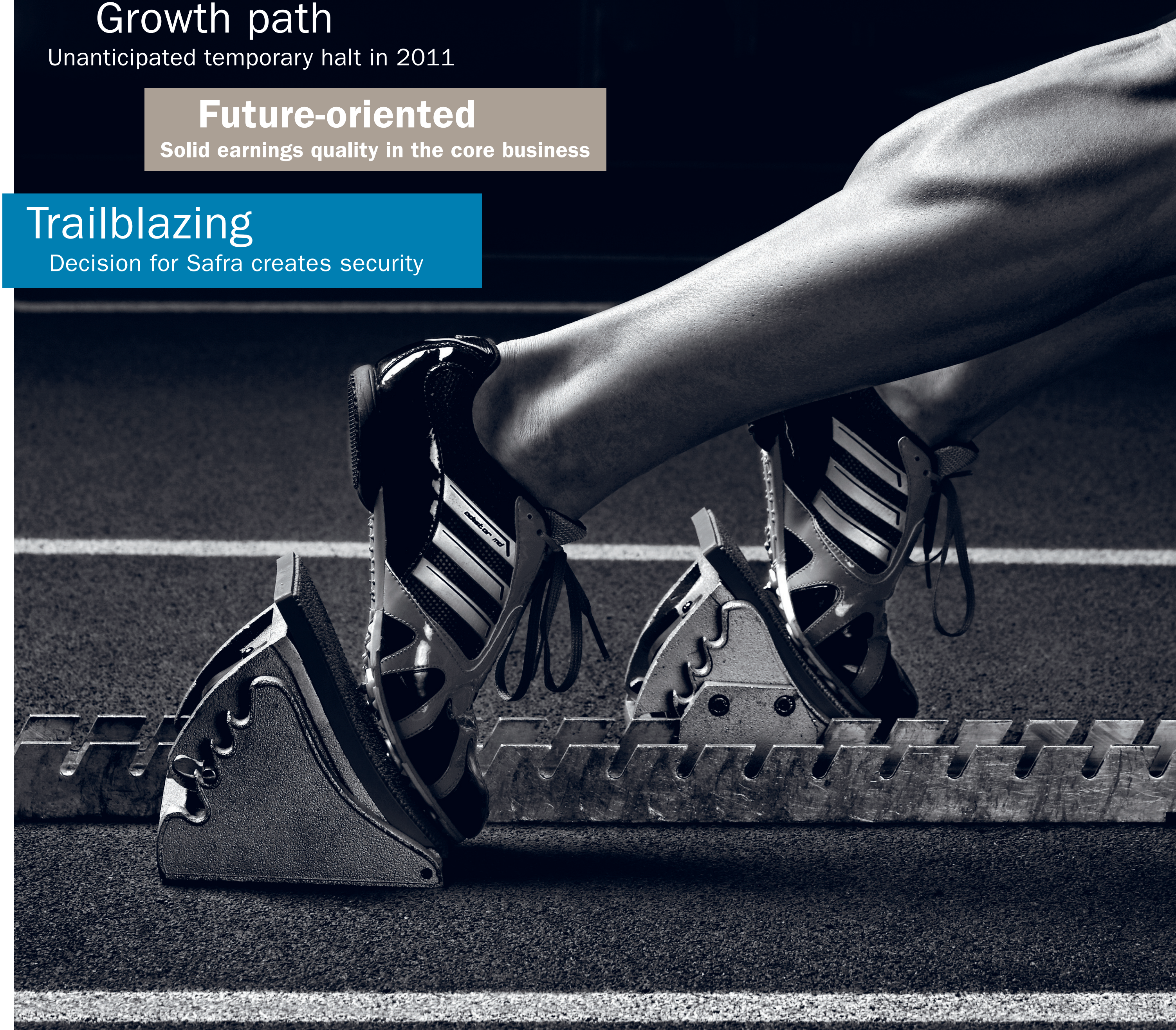
Our Results

Annual Report I 2011

Growth path
Unanticipated temporary halt in 2011

Future-oriented
Solid earnings quality in the core business

Trailblazing
Decision for Safra creates security



Sustainable Swiss Private Banking since 1841.

"SUSTAINABLE SWISS PRIVATE BANKING SINCE 1841."

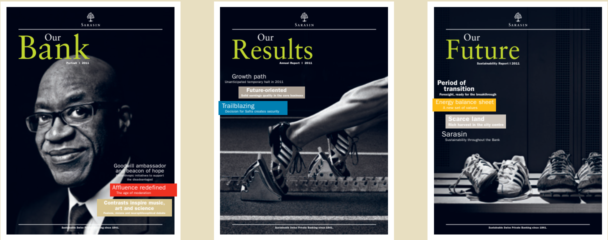
Mission Statement of the Sarasin Group

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 that 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 majority shareholder, Rabobank.

To the cover

New start after a year full of contrasts: 2011 was certainly challenging. But with the trailblazing decision for Safra as the future majority shareholder, a new course has been set. With a range of innovative solutions and Safra as its partner, the Sarasin Group is very well equipped to tackle the hurdles presented by the current paradigm shift in private banking. This intense focus is very much in the spirit of Edwin Moses, the legendary American hurdler. In the 2011 Portrait, "Our Bank", he talks about the power of sport and his mission as an ambassador of the Laureus Foundation.



The Sarasin Group'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

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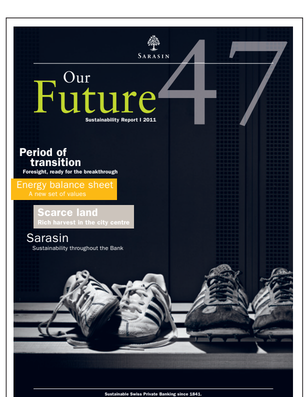


Full details of our sustainability reporting can be found in the publication “Our Future”.

The Sarasin Group is headquartered in Basel and is represented in its core markets in 25 locations worldwide.

SARASIN GROUP AT A GLANCE
Consolidated key data

Group income statement

1,000 CHF	2011 adjusted[1]	2011	2010	Change 2011 (adjusted) to 2010 %
Net interest income	**148,882**	**148,882**	146,921	1.3
Results from commission and service fee activities	**440,684**	**440,684**	457,496	–3.7
Results from trading operations	**93,803**	**93,803**	59,817	56.8
Other ordinary results	**2,836**	**2,836**	26,337	–89.2
Operating income	**686,205**	**686,205**	**690,571**	**–0.6**
Personnel expenses	**382,239**	**387,125**	368,400	3.8
General administrative expenses	**133,558**	**140,747**	136,820	–2.4
Operating expenses	**515,797**	**527,872**	**505,220**	**2.1**
Operating profit	**170,408**	**158,333**	**185,351**	**–8.1**
Depreciation and amortisation	**33,488**	**44,942**	30,804	8.7
Value adjustments, provisions and losses	**11,149**	**11,149**	11,332	–1.6
Provisions for restructuring	**0**	**629**	0	
Profit before taxes	**125,771**	**101,613**	**143,215**	**–12.2**
Taxes	**14,064**	**9,144**	18,679	–24.7
Group result including minority interests	**111,707**	**92,469**	**124,536**	**–10.3**
Group result excluding minority interests	**99,263**	**83,864**	107,794	–7.9

Fig. 1_Group result
(million CHF)

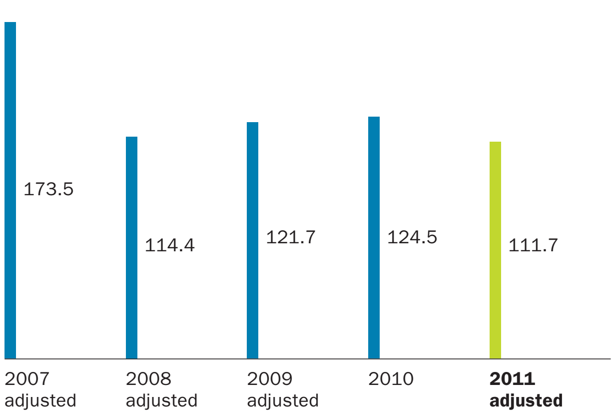
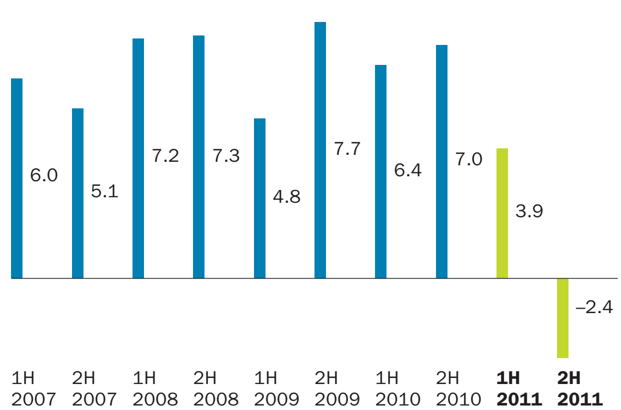


Fig. 2_Net new money growth over half-year periods
(billion CHF)



Result by segments

1,000 CHF	2011 adjusted	2011	2010
Private Banking	**88,616**	**86,101**	100,942
Trading & Family Offices	**20,454**	**20,454**	29,178
Asset Management, Products & Sales	**58,736**	**58,736**	61,508
bank zweiplus	**2,205**	**2,205**	1,361
Corporate Center	**–44,240**	**–65,883**	–49,774
Total	**125,771**	**101,613**	143,215

Gross margin on assets under management[2]

%	2011 adjusted	2011	2010
Private Banking, business unit Switzerland & Europe	**0.91**	**0.91**	0.87
Private Banking, business unit Middle East & Asia	**0.76**	**0.76**	0.83
Total segment Private Banking	**0.85**	**0.85**	0.86
Trading & Family Offices, business unit Institutional Advisory & Sales	**0.52**	**0.52**	0.58
Asset Management, Products & Sales, business unit Institutional Clients	**0.42**	**0.42**	0.45
bank zweiplus	**1.09**	**1.09**	1.04
Sarasin group	**0.68**	**0.68**	0.70

Assets under management[3]

million CHF	2011	2010
Total assets under management (period-end)	**96,403**	103,363
Net new money	**1,451**	13,419
Acquisitions	**0**	0
Divestments	**0**	–683
Performance	**–8,411**	–3,070
Increase / decrease in assets under management (%)	**–6.7**	10.3

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

(billion CHF)

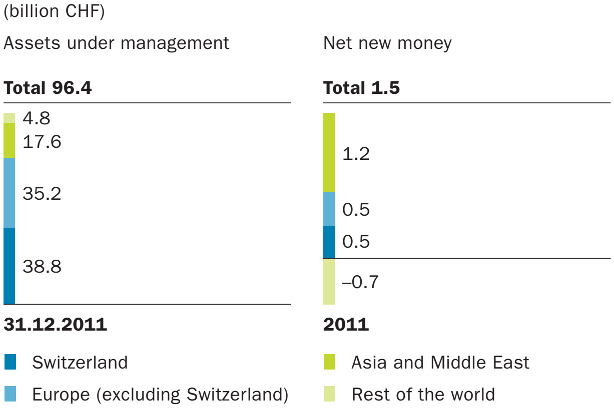
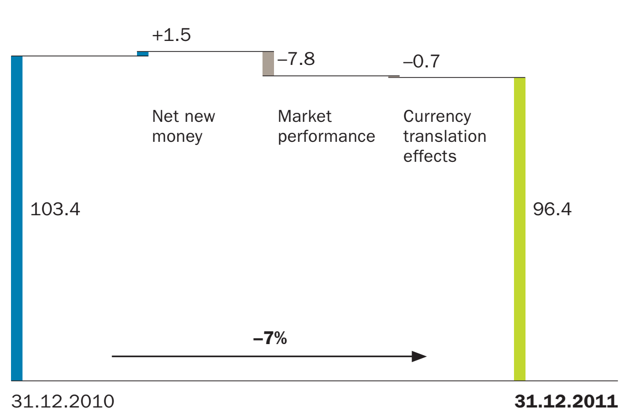


Fig. 4_Development of assets under management

(billion CHF)



Group balance sheet

1,000 CHF	**31.12.2011**	31.12.2010
Total assets	**17,495,297**	17,505,471
Due from customers	**9,932,036**	9,457,417
Due to customers	**12,618,787**	11,850,096
Shareholders' equity including minority interests	**1,267,022**	1,271,894
Shareholders' equity excluding minority interests	**1,229,573**	1,229,423

Ratios

%	**2011 adjusted**	**2011**	2010
Return on assets (ROA)			
– Operating income as a percentage of total assets[5]	**3.9**	**3.9**	4.2
– Group result as a percentage of total assets[5]	**0.6**	**0.5**	0.8
Cost income ratio[6]	**80.0**	**83.5**	77.6
Return on equity (ROE)[7]	**8.7**	**7.3**	9.7

%	**31.12.2011**	31.12.2010
Equity ratio[8]	**7.2**	7.3
BIS Tier 1 ratio[9]	**15.6**	15.3

Selected key data per employee[10]

CHF	**2011 adjusted**	**2011**	2010
Operating income	**406,326**	**406,326**	435,307
Operating expenses	**305,421**	**312,571**	318,470
Operating profit	**100,905**	**93,755**	116,837
Group result including minority interests	**66,146**	**54,754**	78,502

Fig. 5_Development of share price

(index 01.01.2011 = 100)

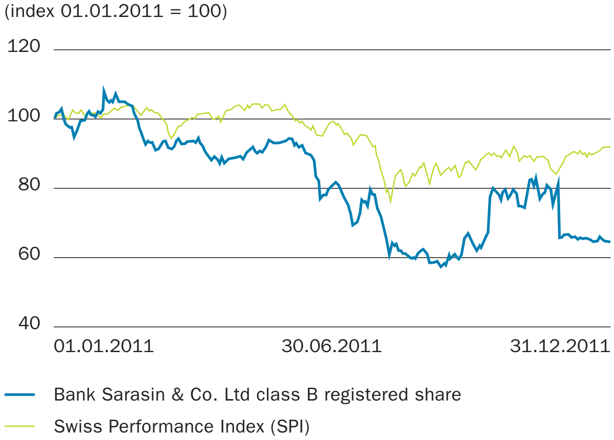
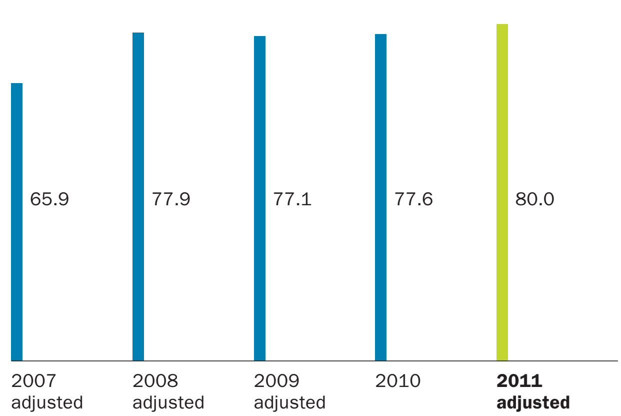


Fig. 6_Cost income ratio[6]

(percent)



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

CHF	2011 adjusted	2011	2010
Operating profit	**2.7**	**2.5**	2.9
Group result	**1.6**	**1.3**	1.7

Stock market price[11]

CHF	2011	2010
End of period date	**27.45**	42.60
High	**46.00**	44.60
Low	**24.40**	34.70
Market capitalisation (period-end, million CHF)	**1,727**	2,680
Registered shareholders (period-end)	**2,353**	**2,163**

Headcount (full-time equivalents)

	31.12.2011	31.12.2010
Group	**1,715.2**	1,642.4
Of which Switzerland	**1,119.8**	1,096.1
Of which abroad	**595.4**	546.3

Client relationship managers (full-time equivalents)

Including assistance	31.12.2011	31.12.2010
Group	**445.6**	433.6
Of which Switzerland	**242.0**	250.4
Of which abroad	**203.6**	183.2

1 To facilitate comparison of the Sarasin Group's operating performance, adjustments were made on the cost side to allow for a number of one-off effects. Internal and external expenses incurred in connection with the intended sale of Rabobank's majority stake in Sarasin came to around CHF 10 million. A restructuring in Private Banking created one-off costs of CHF 2.5 million. In addition, a decision was taken, in accordance with the principle of prudence, to completely write off the remaining intangible assets (originally to be amortised over time) for the stake in bank zweiplus ltd. This corresponds to an extraordinary impairment charge of CHF 11.5 million. This will allow ordinary write-downs to be reduced by CHF 1.3 million per year in future. There was no change to the bank zweiplus goodwill carried on the balance sheet.

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 The allocation by client domicile was updated and refined following a detailed analysis of the fundamental data. The prior year's values reported 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.

TRAILBLAZING DECISION FOR OUR FUTURE
Foreword

Dear Shareholder

2011 was a challenging year in many respects. On the one hand, political unrest swept through North African countries, as well as through the Middle East and Gulf states. We have been keeping a close eye on these developments, so that we can take any measures necessary to protect our staff in this region. The highly destructive tsunami that hit Japan and the resulting nuclear reactor disaster in Fukushima made it painfully clear to the world that just because a country is technologically advanced, it does not necessarily have everything under control. This tragic event reinforces our belief that it pays to rely on expert sustainability research that expressly seeks to avoid critical problem areas. On the other hand, investors were unnerved by the soaring US budget deficit, while the escalating eurozone crisis damaged confidence and called into question the ability of politicians to solve the enormous problem. After previous losses in 2007 and 2008, the stock market finished 2011 in the red for the third time in the space of five years. Commodity investments came under massive pressure as well. The further decline of two major currencies, the US dollar and the euro, continued to cause problems for the Swiss economy. In the autumn of 2011 the Swiss National Bank made an unprecedented intervention to halt the appreciation of the Swiss franc by setting a minimum euro exchange rate. Like all the other market participants, Bank Sarasin had to get to grips with this extremely challenging environment.

In addition to these macroeconomic developments, the Bank was kept busy in the second half of 2011 especially with another major issue affecting our future. The process of Rabobank disposing of its shareholding in Sarasin entered a final and protracted stage of decision-making. The constant media speculation and rumours created a high level of uncertainty for our clients, shareholders and employees. Quite understandably, both existing and prospective clients tended to hold off from any investment activity during such a phase. This state of affairs, over which we had very little control, undermined our net new money growth. The fact that we are still able to report solid business results is down to the strong base that we have managed to build up in recent years.

At the end of November we were finally able to announce that Rabobank had reached an agreement with Safra on the sale of its majority shareholding in Bank Sarasin. This is a very favourable outcome for Bank Sarasin. In choosing Safra, Rabobank has opted for a family of bankers and entrepreneurs with a strong capital base who is familiar with the global private banking business, has an impeccable reputation and is highly regarded within the industry. The fact that Safra fully supports our strategy and business model, guarantees our independence and is committed to preserving our internationally recognised Sarasin brand underscores its firm belief in our future potential. As a majority shareholder with a long-term view and ample capital funding, Safra creates stability and confidence for our clients as well. The wave of consolidation that has gripped the financial industry is expected to continue apace. As far as we are concerned, however, Safra's decision already gives us the security we need.

With a view to ensuring our future orientation and in the knowledge that all Swiss banks will eventually have to work through the current paradigm shift, our bank is already consistently implementing our strategy for avoiding non tax-compliant assets. We have Safra's full support in this, too. This is another area where we are one step ahead of the competition. In order to implement this strategy, our bank has set up appropriate processes designed to clarify the tax status of international clients who use Switzerland as a booking centre. This does not affect Swiss private clients because of the duty of self-declaration for all Swiss taxpayers and Switzerland's system of withholding tax. In implementing this strategy, we also take into consideration the planned agreements Switzerland has made with Germany and the UK on the introduction of a final withholding tax. Our bank therefore has a deliberate and far-sighted focus on clients who behave in a sustainable manner and wish to benefit from the future-oriented market positioning of the Sarasin Group. By avoiding clients who do not regularise the tax status of their assets in their country of domicile, Bank Sarasin deliberately steers clear of this short-sighted business segment and

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accepts any resulting asset withdrawals or reduction of profit margins.

Christoph Ammann, Chairman of the Board of Directors, and Joachim H. Straehle, CEO

Our figures reflect the adverse market climate and the extremely challenging second half of the year for Bank Sarasin. Net new money growth came to CHF 1.5 billion, a fairly modest sum compared with previous reporting periods. After recording inflows of CHF 3.9 billion during the first six months, growth was negative in the second half of 2011. Several factors were behind this trend: firstly, both existing and prospective clients waited on the sidelines to see what would happen to our shareholder structure. New money inflows therefore slowed to a trickle. Secondly, the implementation of our strategy for avoiding non tax-compliant assets inevitably triggered asset withdrawals, as expected. Furthermore, the popular initiative for a national inheritance tax is already having an effect due to a retroactive clause – even before it has come into force. By the end of 2011 a number of clients had already made over assets to the heirs. This younger generation often tends to spread their wealth across different banks, or use it for their own purposes. Finally, a number of large institutional investors decided not to renew their fixed-income investments due to the adverse market situation and withdrew their money towards the end of the year as part of their cash flow plans. The fragile state of stock markets in 2011 resulted in a clearly negative market performance of CHF 7.8 billion. Currency translation effects amounted to CHF –0.7 billion. At the end of 2011 the Sarasin Group managed assets totalling CHF 96.4 billion.

Operating income was almost the same as last year. Net interest income was 1% higher at CHF 148.9 million, while income from commission and service fee activities dipped by 4% to CHF 440.7 million. Income from trading operations rose significantly, due to the absence of any negative effects created last year by hedging transactions in treasury and exchange-rate movements. This income stood at CHF 93.8 million (+57%). Other ordinary results came to CHF 2.8 million, a decline of 89% on the previous year. However, last year's figure was boosted by one-off gains from the sale of financial investments.

To facilitate comparison of the Bank's operating performance, adjustments were made on the cost side to allow for a number of one-off effects: Internal and external expenses incurred in connection with the forthcoming sale of Rabobank's majority stake in Sarasin came to around CHF 10 million. In the context of restructuring of private banking activities one-off costs of CHF 2.5 million occurred. In addition, a decision was taken, in accordance with the principle of prudence, to completely write off the remaining intangible assets (originally to be amortised over time) for the stake in bank zweiplus ltd. This corresponds to an extraordinary impairment charge of CHF 11.5 million. This will allow ordinary write-downs to be reduced by CHF 1.3 million per year in future. There was no change to the goodwill of bank zweiplus.

The adjusted operating expenses came to CHF 515.8 million, an increase of just 2%. Despite the investments in new locations – Lucerne and Cologne – and the ongoing development of processes and systems (especially the successful rollout of Avaloq in Asia at the start of the year), general administrative expenses were trimmed by 2% to CHF 133.6 million. The increase in headcount from 1,642 to 1,715 employees pushed up personnel expenses to CHF 382.2 million (+4%). Over the course of 2011 our team of client relationship managers was expanded to 446. With our carefully planned recruitment drive and consistent performance-oriented human resources policy, we have further improved the quality of our CRM team.

"By avoiding clients who do not regularise the tax status of their assets in their country of domicile, Bank Sarasin deliberately steers clear of this short-sighted business segment and accepts any resulting asset withdrawals or reduction of profit margins."

The adjusted group result came to CHF 111.7 million (2010: CHF 124.5 million). The Board of Directors will submit a proposal to the Annual General Meeting of shareholders to allocate the entire profit to the general statutory reserve. The Board also intends to submit a proposal for an exceptional payment to be made to shareholders. This proposal will be made at an Extraordinary General Meeting to be held once the sale of Rabobank's shareholding to Safra has been completed and Safra has made its mandatory tender offer to public shareholders.

The global economy continues to face major challenges given the urgent need to further reduce high levels of debt across the world. In an environment dominated by austerity programmes to reduce debt, we basically expect the general rate of economic growth to be fairly muted, due to the resulting erosion of purchasing power in the economy. Despite the rather subdued outlook, we do not plan any fundamental change of direction. We are convinced that our focus on sustainability and tax-compliant assets will pay off in the long run and that with the backing of Safra as a well-capitalised majority shareholder we can look forward to exciting prospects. We are therefore systematically pursuing our existing strategy. Our intention is to further improve both the quality and quantity of client advisors in our Bank. Our declared goal is to recruit a total of 75 extra CRMs over the financial year 2012. We will implement our strategy for Bank Sarasin as planned and divest all clients who have not regularised the tax status of their assets by the end of 2012 – even in the knowledge that this may result in potential asset withdrawals by clients. In addition, we are continuing to push ahead with various initiatives in the cross-border business whilst ensuring compliance with all regulatory conditions and requirements applicable in specific local markets. Our growth initiatives are focused on selected markets in Europe, the Middle East and Asia with

“Our mid-term targets have not changed: by 2015 we aim to have assets under management totalling CHF 150 billion (performance-adjusted). By slightly reining in the rate of growth compared with previous years, we will be able to improve our operating result.”

potential assets under management of CHF 3 and 5 billion in the mid-term. This volume allows us to comprehensively service the market while at the same time maintaining cost efficiency.

Our mid-term targets have not changed: by 2015 we aim to have assets under management totalling CHF 150 billion (performance-adjusted). By slightly reining in the rate of growth compared with previous years, we will be able to improve our operating result. We want to considerably increase our gross margin and cut the cost income ratio by making further improvements in efficiency. Overall, Sarasin continues to strive for sustainable growth while maintaining a solid capital base.

It should be possible to close the transaction for the sale of Rabobank’s shareholding in Sarasin to the new majority shareholder Safra by the middle of the year. This is an important milestone for our Bank. Thanks to our forward-looking strategy, we are recognised in the market as a future-oriented, trustworthy and secure bank. We are confident of achieving another strong performance in 2012 thanks to our new partnership with Safra.

On behalf of the Board of Directors and Executive Committee, I would like to extend special thanks to all our employees for the tireless commitment they show every single day in the service of our Bank. During the second half of the year especially, the long period of uncertainty surrounding the change in the ownership structure raised concerns about job security and their future with Sarasin, and this must have been extremely unsettling. The past year has reaffirmed the great sense of loyalty that our staff feels towards Sarasin. They have actively campaigned for the Bank’s independence and the protection of their jobs. The strong response to the staff survey carried out in December 2011 confirmed a high level of employee satisfaction and showed that we can rely on a highly motivated team. We are delighted to be able to continue to work together to make our Bank successful, to the benefit of our clients and shareholders.

We also wish to thank our loyal clients for the trust they have placed in us during a year that was just as difficult for them. Last but not least, our thanks go to you, our valued shareholder. Your investment enables us to continue to develop our business and grow successfully in future.

Yours sincerely

Christoph Ammann
Chairman of the
Board of Directors

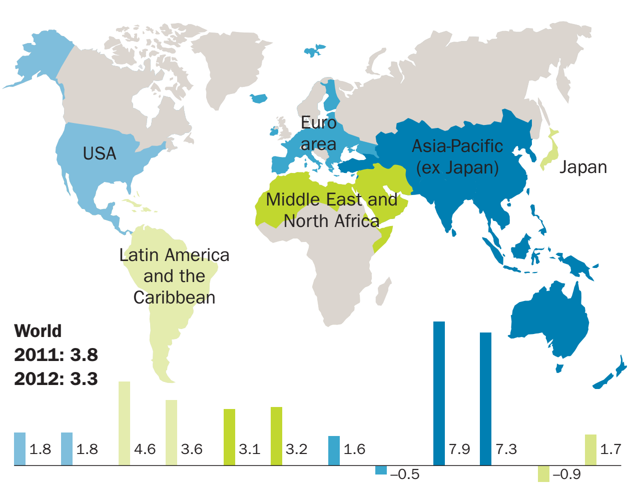
Joachim H. Straehle
Chief Executive Officer

CONTINUITY MAINTAINED DESPITE ADVERSE CONDITIONS
Market climate and strategy

Growth hampered by economic turbulence
The world economy did not pick up momentum over the course of 2011, as widely predicted, but rather the pace of growth slackened again. The financial and political risks have increased from one month to the next as the eurozone debt crisis has escalated. Economists at the International Monetary Fund (IMF) actually predict a further weakening of global economic growth in 2012, down to 3.3%. This rate will vary significantly between regions. These differences in the rate of growth seem to have become the norm. Emerging market countries continue to enjoy robust growth: the pace was a very solid 6.2% in 2011 and this is only expected to dip slightly in 2012 to 5.4%. Growth within the eurozone reached a modest 1.6% in 2011 and will slow even further during 2012. In 2011, America's economy grew by 1.8%, while Japan's contracted –0.9%. The IMF expects the US economy to maintain this growth rate in 2012, while Japan should experience an upturn. However, Japan's growth is attributable to a base effect, since growth was so badly affected in 2011 by the Fukushima disaster.

The adverse macroeconomic environment clearly left its mark on financial markets. Most asset classes suffered losses over the course of 2011. Despite showing signs of a modest recovery during the fourth quarter, equity markets did not manage to fully recover from their collapse in August 2011. After a turbulent first

Fig. 7_Forecast economic growth for 2011 and 2012 by region
(percent)



Source: IMF, World Economic Outlook Update, January 2012, Table 1.

half year in the equity markets, with political turmoil in Northern Africa and an environmental catastrophe in Japan, the escalation of the eurozone crisis and the US debt debate triggered an equities sell-off in the summer. Many share indices lost over 20% of their value within the space of a few weeks. By the end of the year, the MSCI Emerging Markets Index had posted a negative performance of –20.6%, compared with a 16.4% gain in the previous year. The MSCI World Index finished the year 8.0% in the red, compared with a 9.6% gain in 2010. Only the MSCI USA Index just managed to keep in the black, with a gain of 0.3%, but this was once again much worse than the previous year (+13.2%).

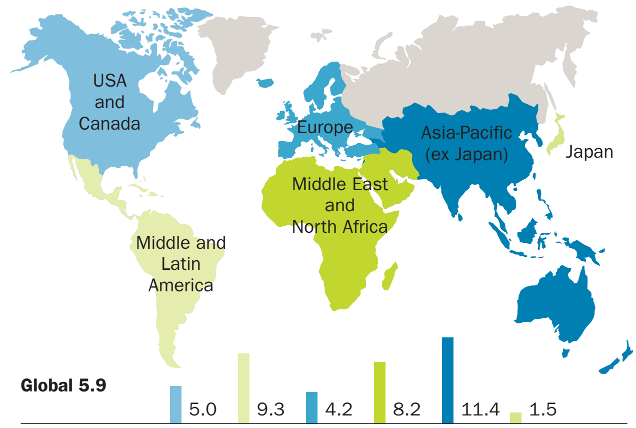
With many investors fleeing to safety in July and August 2011, the Swiss franc experienced an unprecedented phase of appreciation. In August, it almost achieved parity with the euro and also hit a record high versus the US dollar. On 6 September 2011, the Swiss National Bank had to intervene to stop this trend by taking the exceptional measure of setting an exchange rate floor of CHF 1.20 to the euro. This minimum euro exchange rate immediately triggered a correction in the USD rate, while at the same time causing a reversal in the direction of the Swiss equities market.

Interest rates remained very low throughout the reporting year. The situation on the interbank market also became more tense over the course of the year. Financial institutions became more and more wary of one another as the eurozone debt crisis continued to escalate. In December 2011, the European Central Bank (ECB) therefore decided to cut the key interest rate back down to 1%, having previously increased it to 1.5% during the summer. The ECB also flooded the money market with liquidity in the form of long-term refinancing operations (LTROs) over three years. The US Federal Reserve (Fed) also announced its intention to keep key interest rates at a low level at least until the end of 2014.

Moving into 2012, the global economy continues to face major challenges given the urgent need to further reduce high levels of debt across the world. Efforts to rein in debt will succeed if interest rates are kept lower than the rate of economic growth. The lack of real growth in industrialised countries, both in the private and public sector, needs to be compensated by investments in – and exports to – emerging economies. Demand from emerging markets should be underpinned by a looser monetary policy in 2012. As the leading economic indicators already point to another rally, the pace of growth during the first half of the year could produce a positive surprise. The biggest risk is that the eurozone debt crisis could become a stumbling block for the global economy as result of poor political judgements. If another credit crunch hits the eurozone, it could easily spread to other regions because the global financial system is so closely interconnected. However, Bank Sarasin expects that the probability of this worst-case scenario is very low. On the contrary, it expects EU politicians will manage to agree on far-reaching measures to save the eurozone. As a result, Europe's economy should be back on the road to recovery from Q2 2012 onwards. One thing that is certain is that emerging markets will play a key role as an engine of growth for the global economy.

Fig. 8_Outlook: global asset growth by region

(percent)



Forecast annual average growth 2009–2015. Source: Boston Consulting Group: Global Wealth Report 2011.

Asia overtakes Europe

At the start of 2011, the World Wealth Report produced by Merrill Lynch Global Wealth Management and Capgemini showed a moderate rise in the number of HNWIs (high net worth individuals, or people with net financial assets of more than USD 1 million). According to the report, the number of HNWIs throughout the world had risen to 10.9 million by the end of 2010, and the value of their financial assets rose by 9.7%. However, the rate of growth was only half of the one achieved in 2009 (19%). But private banking was, and still is, a growth market.

The Asia-Pacific region is now home to 3.3 million HNWIs – more than in Europe. In terms of HNWI wealth, the Asia-Pacific region already overtook Europe last year. This region now ranks in second place as the world's biggest private banking market and at the same time is enjoying an incredibly dynamic pace of growth. In fact, Hong Kong achieved the fastest growth worldwide, with the number of HNWIs soaring at 33.3% in 2010. The rate of asset growth was also higher than anywhere else in the world, reaching 35%.

For the first time India ranks among the top 12 countries with the highest population of HNWIs, according to the World Wealth Report. This confirms the trend of an accelerating shift in the world's growth centres towards new, emerging markets. 53% of HNWIs are still based in the USA, Japan or Germany. Europe as a whole is home to 3.1 million HNWIs. After growing slightly below average, the Middle East once again saw its HNWI population expand by 10.4% in 2010.

Global financial wealth will continue to grow in the years ahead; the Global Wealth Report produced by the Boston Consulting Group expects an overall increase of 5.9%. However, the Asia-Pacific region will continue to grow almost three times faster than Europe. Middle and Latin America, along with the Middle East and Africa, is also one of the regions posting the fastest growth rates.

Search for opportunities and security

The geographical distribution of HNWI assets is dictated by the need to achieve a balance between high returns and diversification. There is still a tendency towards greater geographical diversification, as observed in the previous year. HNWIs from Europe and North America are ramping up their investments in the Asia-Pacific region. As in previous years, however, HNWIs continue to invest primarily in their home region, only then considering a subsequent investment in North America. Even so, the proportion of assets invested in the home regions is steadily falling from one year to the next. The World Wealth Report predicts that this percentage will fall below 50% for Europe in 2012, while Asian HNWIs are expected to invest 57% of their assets in Asia this year. During the financial crisis of 2008 this percentage was still as high as 68%.

The macroeconomic environment and current financial policies are persuading HNWIs to find a safe home for their investments. Because of this, the proportion of HNWI investments in sustainably managed assets is growing rapidly. There is a strong case for carrying out a sustainability analysis of all investment decisions. The current eurozone crisis is another example of how a political and fiscal model that is simply not sustainable in the long term can lead to a systemic crisis. HNWIs have realised this. Giving due consideration to sustainable criteria can reduce risks in turbulent times and create opportunities.

The proportion of sustainable investment in HNWI portfolios is therefore continuously rising. In its report "High Net Worth Individuals & Sustainable Investments", the European Sustainable Investment Forum (Eurosif) put the volume of sustainable investments in Europe at EUR 729 billion, amounting to 11% of European investors' portfolios at the end of 2009. This represented a 35% increase over the figures published two years previously. Eurosif also expects this percentage to increase to 15% by 2013, bringing the total market value of sustainable investments to around EUR 1.2 trillion. As the clear market leader in Switzerland, Bank Sarasin therefore still has considerable growth potential in international markets in this core area of its business activity.

Challenges in Swiss private banking

The report published in September 2011 by the Swiss Bankers Association and the Boston Consulting Group "Banking in transition – future prospects for banking in Switzerland" highlighted two major trends that would affect Swiss private banking in future. On the one hand, the pressure on margins created by higher costs, structural changes and changing overall conditions will tend to increase further. On the other hand, the global increase in assets under management will fuel demand for private banking services, especially in emerging markets (see above).

Global demand for Swiss private banking will therefore remain strong and continue to offer numerous opportunities in the future. Here the report highlights particular promises in the provision of more comprehensive financial planning, a broader selection of complementary advice on topics such as succession planning, as well as in the business with independent asset managers whose specific offering caters for certain client needs. Personalised services and product solutions remain key.

Despite the challenging and complex environment, these opportunities make it possible to counteract the adverse conditions. Given the margin pressure, however, profits will not grow as quickly as the corresponding business volumes. Cost control will become an increasingly important topic given the relentless pressure on margins.

Successful negotiations provide legal predictability

In August 2011, Switzerland reached an agreement with both Germany and the United Kingdom of Great Britain and Northern Ireland on the introduction of a final withholding tax that would at the same time protect the financial privacy of banking clients. The Swiss Bankers Association welcomed both tax conventions. They represent important milestones for Switzerland's financial industry. The outcome of the negotiations has made it possible to protect the privacy of bank clients on the one hand, and on the other to ensure that justified tax claims are enforced.

The tax agreement enables persons domiciled in Germany or the United Kingdom to pay tax on their existing bank accounts in Switzerland retrospectively, by either making a one-off tax payment anonymously or disclosing details of their bank accounts. In future, the interest income and capital gains of German/British bank clients in Switzerland will be subject to a final withholding tax which will be collected by the Swiss authorities and forwarded to the German and British authorities. In return, the reciprocal access rights of financial service providers to cross-border markets are to be improved. State legislators in both countries still have to ratify these tax conventions. In Switzerland the tax convention will probably be put to an optional referendum and is scheduled to come into force at the start of 2013.

Forward-looking strategy

The Sarasin Group has championed sustainable Swiss private banking for over 170 years. In its efforts to be the first port of call for tailor-made investment solutions and personalised product advice, its focus is squarely on its clients' individual requirements. The Bank is adapting its range of solutions to the very diverse requirements that apply in different regions. At the same time it is committed to sustainability – not just as a corporate philosophy, but also as part of its product solutions. The Sarasin Group is keen to extend its lead as a top provider of sustainable investment solutions. In Switzerland, it is already market leader in this area.

The Sarasin Group continues to pursue its growth strategy, which is built on three cornerstones:

1. Positioning as a sustainable Swiss private bank with an international presence.
2. Profiling as a provider of investment solutions with a strong focus on the client.
3. Clear geographic focal points in target markets.

Clients benefit from a private bank's transparent and holistic investment advisory process. The independent financial research also contributes to the success of its asset management activities. The research and forecasts of the Bank's globally networked team of analysts provide the foundation for personalised and solutions-based advice. Compliance with the EU Markets in Financial Instruments Directive (MiFID) also provides additional protection and transparency for clients based in Switzerland and other countries in Europe. By opting for an asset management mandate, clients can delegate the time-consuming tasks of research, stock selection and continuous monitoring of their portfolios to the Bank's investment experts.

Bank Sarasin made an early commitment not to manage non tax-compliant assets anymore by the end of 2012. This decision was implemented as part of Sarasin's drive towards sustainability, which is a central pillar of the groupwide strategy. The Bank announced that it would only manage client assets after 2012 which are handled in accordance with the tax rules applicable in the client's country of domicile. Here, Sarasin benefits from the fact that it only has a negligible volume of undeclared client assets on deposit. It is making good progress with the implementation of this farsighted decision. The Bank is confident that a business model based on the management of tax-compliant assets is the only alternative for the future.

The Sarasin Group 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 Group already has a very broadly diversified business in geographical terms.

Proximity to the client is crucial in the world of private banking. For this reason the Sarasin Group is pushing ahead with the expansion and strengthening of its network of branches in its core markets. During the course of 2011, new offices were opened in prime locations in Cologne and Lucerne. Two more offices were opened in January 2012 in Hamburg and Hanover. The upgrading of the Singapore subsidiary into a branch office was another important stage of Sarasin's development in Asia that benefited customers in that region. Today, the Sarasin Group is represented in 26 locations worldwide.

Bank Sarasin is aiming for profitable growth over the midterm and has set itself the following targets for 2015: To increase assets under management to CHF 150 billion (performance-adjusted), to significantly improve its gross margin and to substantially cut its cost income ratio. Overall, Sarasin continues to strive for sustainable growth while maintaining a solid capital base.

The announcement in November 2011 of Safra's acquisition of Rabobank's majority shareholding in Bank Sarasin & Co. Ltd is discussed in the foreword. Details on the Group's strategic direction and its financial goals for the fiscal year 2012 can also be found in the foreword on page 8 onwards.

TEMPORARY HALT ON THE GROWTH PATH

Review of business performance

Market turbulence erodes the asset base

The adverse macroeconomic environment clearly left its mark on financial markets, resulting in a negative market performance of CHF 7.8 billion and negative currency translation effects of CHF 0.7 billion caused by the strong Swiss franc. The Sarasin Group's net new money growth was significantly weaker during the reporting period (see below) and was unable to compensate for the adverse effects of the unfavourable market environment. Total Group assets under management finished lower at the end of 2011, at CHF 96.4 billion.

Significantly weaker growth

While net new money growth in the first half of 2011 was still on target at CHF 3.9 billion, equivalent to an annualised growth rate of 8%, there were net outflows of CHF 2.4 billion in the second half of the year. As predicted, the Sarasin Group experienced some withdrawals of client funds as it continued to consistently implement its strategy for avoiding non tax-compliant assets. Furthermore, the popular initiative for a national inheritance tax has already started to have an effect due to a retroactive clause – even before it has come into force. By the end of 2011, a number of clients had already made over assets to their heirs. This younger generation often tends to spread its wealth across a number of different banks. Furthermore, a number of large institutional investors decided not to renew their fixed-term deposits due to the adverse market situation and withdrew their money towards the end of the year as part of their cash flow plans. Conversely, new clients showed reluctance to join the Sarasin Group in the second half of the year because of media speculation about Bank Sarasin's future shareholder structure. Total net new money growth for the full financial year amounted to CHF 1.5 billion, equivalent to a growth rate of 1.4%. The Sarasin Group's acquisition performance was therefore well below the set target. In 2012, the Bank expects its rate of growth to pick up again. Although there may be a certain amount of client withdrawals again in 2012 as the Sarasin Group pursues its strategy of focusing purely on tax-compliant assets, Safra's acquisition of the majority shareholding at the same time allows the Sarasin Group to further improve its already strong position as an independent Swiss private bank and continue to strengthen its client relationship manager (CRM) team; this should in turn help to attract new money from clients.

Fig. 9_Development of assets under management

(billion CHF)

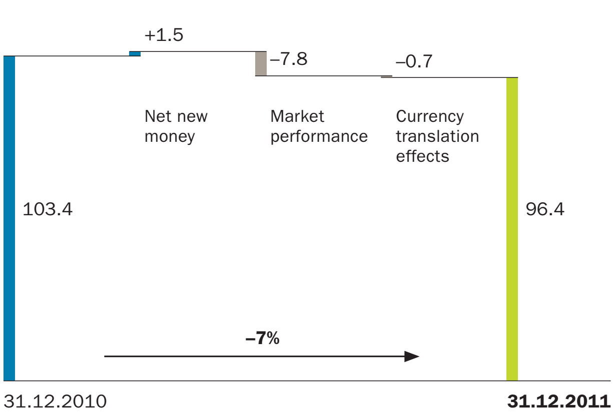
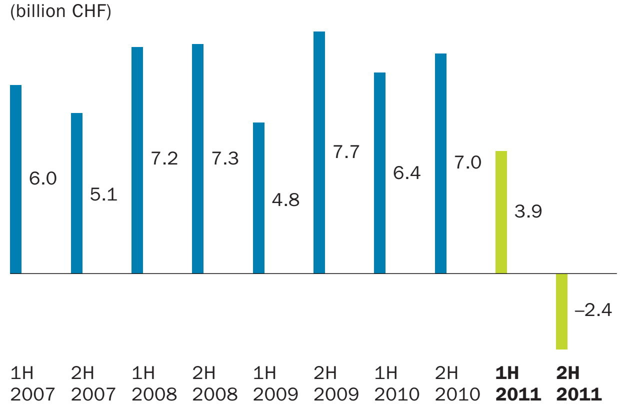


Fig. 10_Net new money growth over half-year periods

(billion CHF)



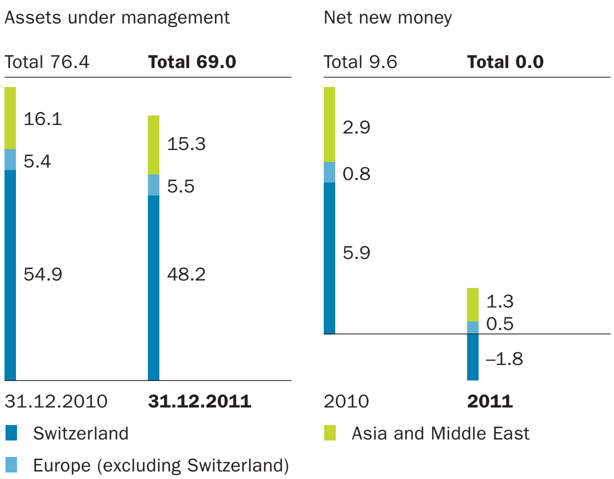
Swiss locations manage two thirds of total Group assets

In absolute terms, the advisors in Bank Sarasin's Swiss locations manage the largest percentage of assets in the private clients business, to the tune of CHF 48.2 billion. Compared with year-end 2010, however, Switzerland experienced the steepest decline of 12%. Assets managed by the European locations grew by 1% to CHF 5.5 billion, while those managed by the locations in Asia and the Middle East shrank by 5% to CHF 15.3 billion.

The Sarasin Group's locations in Europe and Asia managed to acquire substantial inflows during the first half of the year, so that their net new money inflows for the full year were positive on balance. After net new money growth was flat in the Swiss locations during the first half of the year, there were substantial outflows in the

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

(billion CHF)

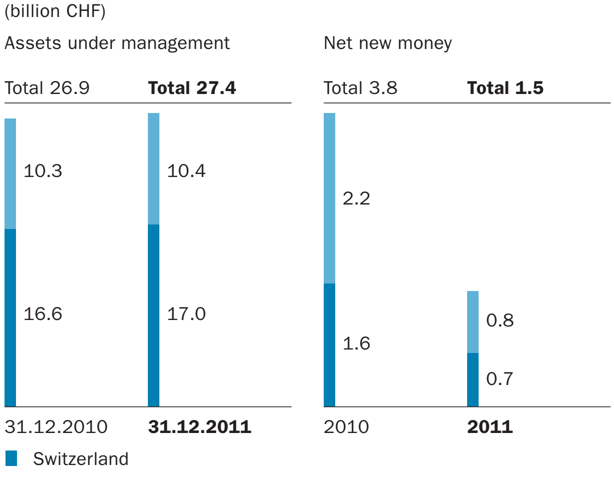


second half following the implementation of the strategy for avoiding non tax-compliant investments and the premature reaction of clients to a possible popular initiative for the introduction of a nationwide inheritance tax for Switzerland. In addition, the number of new clients acquired during the second half of 2011 fell sharply due to the uncertainty surrounding the Bank's future shareholder structure.

The Sarasin Group operates its institutional clients business from its locations in Switzerland and in Frankfurt,

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

(billion CHF)



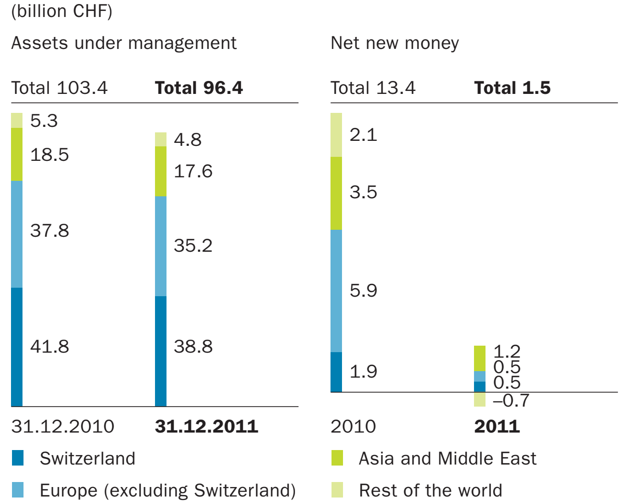
London, Munich and Vienna. The volume of assets managed for institutional clients on 31 December 2011 was CHF 27.4 billion, an increase of 2% over the previous year. All locations managed to expand their asset base despite significant currency translation effects and a negative market performance. During the reporting period, the Sarasin Group succeeded in acquiring additional institutional assets worth CHF 1.5 billion.

40% of clients domiciled in Switzerland

The importance of the Sarasin Group's international business has steadily grown in recent years, but during the reporting period there was virtually no change in the breakdown of clients by domicile. Around 40% of the Group's client base is domiciled in its home market of Switzerland. The percentage of clients domiciled in Europe (excluding Switzerland) is only slightly lower, at 37%. There has been a slight increase in the proportion of clients based in the high-growth regions of the Middle East and Asia, and this quota now stands at 18%. The percentage of clients whose domicile is classed as "rest of the world" has continued to shrink as the Sarasin Group has intensified its geographical focus on the regions of Europe, the Middle East and Asia, and now lies at 5%. The net new money growth figures also reflect this intensified focus. Net inflows

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

(billion CHF)



[1] *The allocation by client domicile was updated and refined following a detailed analysis of the fundamental data. The prior year's values reported here have been adjusted accordingly.*

Fig. 14_Development of client segments by asset size[1]

(billion CHF)

	31.12.2011	31.12.2010
< CHF 1 million	**9.3**	10.5
CHF 1 million to CHF 5 million	**12.1**	12.8
CHF 5 million to CHF 10 million	**7.7**	8.1
> CHF 10 million	**67.3**	72.0
Total	**96.4**	**103.4**

were recorded for clients from Switzerland, Europe, Asia and the Middle East, while clients from the rest of the world recorded net outflows.

An analysis of client segments by asset size reveals an unusually high volatility in the assets of large institutional investors. While the Sarasin Group has generally recorded the highest growth rates in this segment in recent years, this segment posted the steepest fall in assets in absolute terms during the reporting period. But the other segments suffered declines as well, with the steepest drop in relative terms (–11%) seen in clients with assets of less than CHF 1 million, whose proportion of total Group assets has now fallen below 10%.

Higher risks – lower equities quota

The proportion of equities in client portfolios was much lower than during the previous year. Increasing nervousness on the part of investors, as well as Bank Sarasin's adjustment of the investment strategy for mandates, triggered a relative shift away from equities towards liquid assets and fiduciary investments. The quota of bonds and investment funds remained stable. The proportion of other investment instruments fell slightly.

Fig. 15_Assets under management: breakdown by investment category

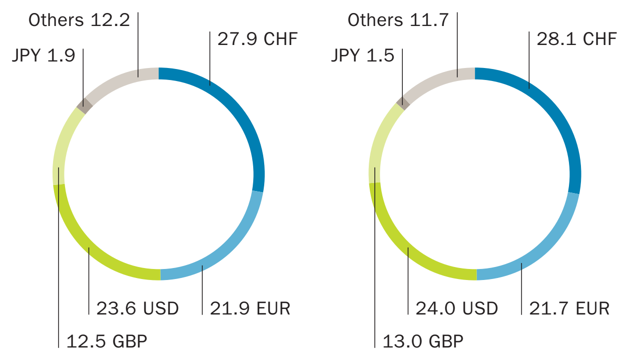
(percent)

	31.12.2011	31.12.2010
Equities	**34.6**	35.9
Bonds	**19.2**	19.3
Investment funds (Sarasin and third-party funds)	**23.8**	23.8
Others	**4.6**	4.9
Cash and cash equivalents, fiduciary investments	**17.8**	16.1

[1] *The allocation by asset size was updated and refined following a detailed analysis of the fundamental data. The prior year's values reported here have been adjusted accordingly.*

Fig. 16_Assets under management: breakdown by currency

(percent)



31.12.2010 | **31.12.2011**

The level of client funds with an asset management mandate (including in-house funds) as a percentage of total Group assets under management was slightly lower than the previous year (2010: 43.4%), and stood at 42.8%.

The Swiss franc continued to appreciate over the course of 2011, but the proportion of client assets denominated in Swiss francs only marginally increased. Despite the persistent loss in value, the proportion of client assets denominated in euros was practically unchanged. The share of client assets denominated in US dollars and pounds sterling increased. The quota held in Japanese yen and other currencies dipped slightly.

Performance-oriented human resources policy

During the past financial year the workforce continued to grow by 4%. While in Switzerland new recruits were taken on to develop the mid-office and back-office operations, the CRM team was significantly expanded abroad with the recruitment of 20 new advisors. On balance, the number of client advisors as a percentage of the total workforce shrank slightly by 0.4% down to 26.0%.

The planned recruitment of around 50 CRMs (gross figure) and the consistently applied performance-oriented human resources policy led to the desired further improvement in the quality of the CRM team. Professionalism, quality and an awareness of the needs of an expanding international clientele are the hallmarks of the client advisors and are vital for a consistently impressive performance in acquiring new business over

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

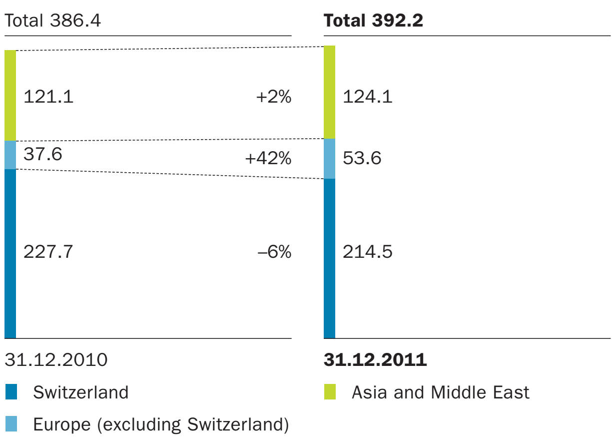
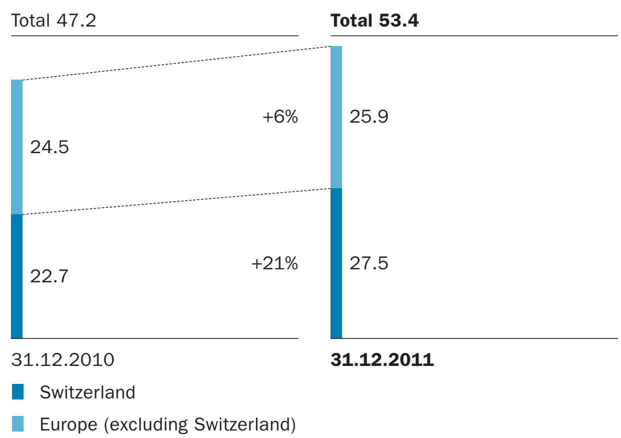


Fig. 18_Institutional clients business: number of CRMs[1] at Sarasin Group locations
(full-time equivalents)



the next few years. The total number of CRMs across all of the Sarasin Group's locations showed a net increase of 3% during the reporting period, from 434 to 446.

Aside from the overall rise, there were variations in CRM numbers according to client segment and location. As part of an efficiency drive in the private clients business, the number of CRMs at the Swiss locations was cut by 6% to 215. At the same time the CRM team at European locations showed unusually high growth of 16 advisors due to the significant expansion of the Bank's network of German locations. After a modest expansion, the CRM team at the locations in Asia and the Middle East now has 124 advisors. Averaged out across the entire Group, the amount of assets managed by each advisor in the private clients business is now CHF 177.2 million, 11% lower than last year's figure. Compared with the significantly higher value of CHF 217.9 million for assets managed by an advisor in Switzerland, the much lower values of CHF 119.6 million recorded for advisors at the European locations, and CHF 125.1 million for Asia and the Middle East, confirm the enormous growth potential still promised by the investments which the Sarasin Group has made in its international locations in recent years.

The CRM team, serving large institutional investors, increased by six advisors over the course of the reporting period, amounting to a total of 53. The team at the Swiss locations was expanded by 20%, but there was also a slight increase at other European locations. The average assets under management per advisor in the institutional clients business amounts to CHF 545.2 million. As in the private client business, this figure is significantly higher for the Swiss locations. The institutional clients business still holds substantial potential at the other European locations.

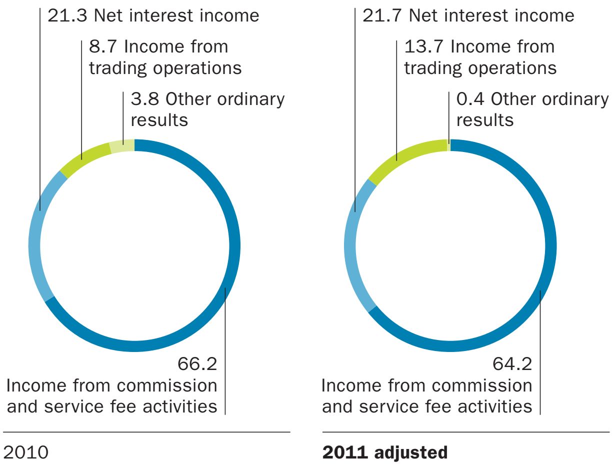
Solid earnings quality in the core business

During the reporting period the Sarasin Group's operating income was practically unchanged at CHF 686.2 million (2010: CHF 690.6 million). On balance, this operating result is therefore satisfactory, considering the sharp drop in total assets under management and the reluctance of clients to engage in any activity due to market turbulence in the second half of the year. Net interest income was 1% higher at CHF 148.9 million. Income from commission and service fee activities shrank by 4% to CHF 440.7 million. Income from trading operations rose sharply by 57% to CHF 93.8 million. This was because there was no longer any negative impact in the treasury business or proprietary trading created by hedging transactions against rising interest rates. Added to this, there were no negative currency translation effects and the income generated by subsidiaries from trading in foreign currency and currency options was higher as well. Ordinary trading activities on behalf of clients or at the Bank's own risk, along with income from trading in structured products, stayed around the level of 2010. Other ordinary results fell back 89%

[1] *Including assistants.*

Fig. 19_Breakdown of operating income

(percent)



to CHF 2.8 million, as last year's figure was boosted by one-off gains from the sale of financial investments.

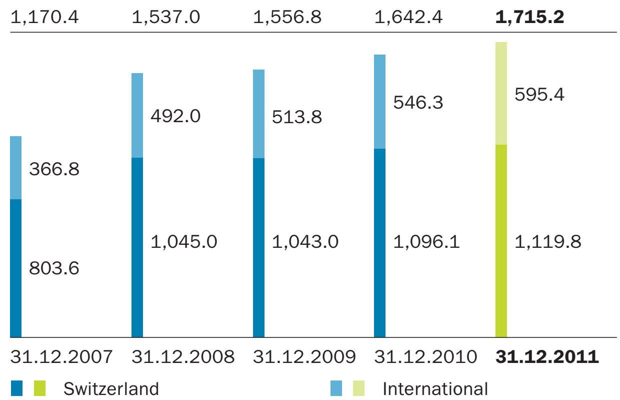
To facilitate comparison of the Sarasin Group's operating performance, adjustments were made on the cost side to allow for a number of one-off effects. Internal and external expenses incurred in connection with the intended sale of Rabobank's majority stake in Sarasin came to around CHF 10 million. A restructuring in Private Banking created one-off costs of CHF 2.5 million. In addition, a decision was taken, in accordance with the principle of prudence, to completely write off the remaining intangible assets (originally to be amortised over time) for the stake in bank zweiplus ltd. This corresponds to an extraordinary impairment charge of CHF 11.5 million. This will allow ordinary write-downs to be reduced by CHF 1.3 million per year in future. There was no change to the bank zweiplus goodwill carried on the balance sheet.

General administrative expenses lower despite opening new locations

The Sarasin Gruop's adjusted operating expenses during the reporting period showed a moderate rise of 2% to CHF 515.8 million (2010: CHF 505.2 million). Personnel expenses increased by 4%, mirroring the increase in the average headcount, to reach CHF 382.2 million (adjusted). The average adjusted figure for personnel expenses per employee decreased by 3% to CHF 226,300 (2010: CHF 232,300).

Fig. 20_Headcount

(full-time equivalents)



Despite the constant level of international marketing activities, combined with investment in new locations and the further development of systems and processes, general administrative expenses fell by 2% to CHF 133.6 million (adjusted). At the end of January 2011, following several months of intensive project work, the Avaloq banking system went live at the Sarasin Group's two Asian locations in Hong Kong and Singapore. Two new locations, one in Lucerne and the other in Cologne, were added to the Group network in late summer 2011. The average general administrative expenses per employee dropped 8% to CHF 79,100.

Depreciation and write-offs increased by 9% to CHF 33.5 million, mainly because of the investments made during the past year in various IT systems for the Group, as well as the rollout of Avaloq at the Asian locations. At CHF 11.1 million, the figure for value adjustments,

Fig. 21_CRM team as a proportion of total workforce

(percent)

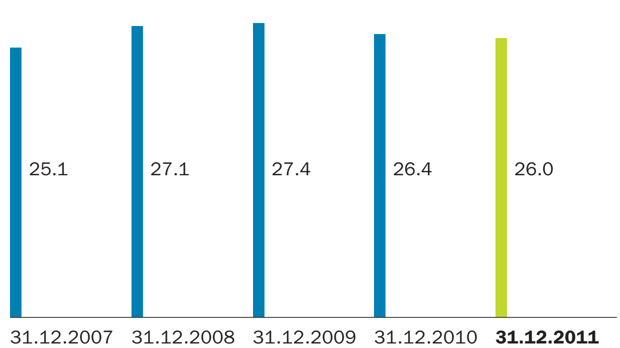
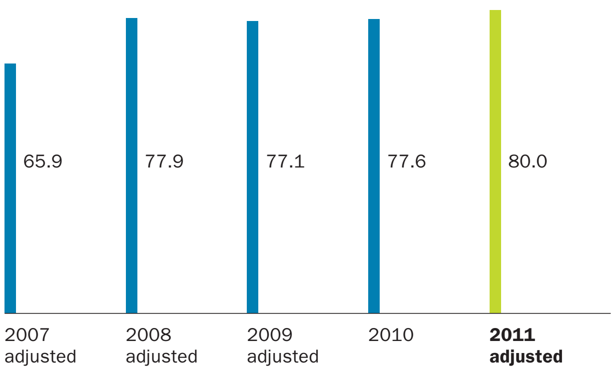


Fig. 22_Cost income ratio[1]

(percent)



provisions and losses was virtually the same as last year's CHF 11.3 million. During the reporting period, value adjustments were made to two client loans. The London subsidiary Sarasin & Partners LLP had to meet a demand for an additional payment from the UK Financial Services Compensation Scheme. In addition, losses from operational risks amounted to CHF 2.5 million. The cost income ratio increased to 80.0%.

Increase in total assets

During the reporting period the total assets held on the Group balance sheet were virtually unchanged, amounting to CHF 17.5 billion on 31 December 2011. On the assets side, the amounts due from customers increased again by CHF 0.5 billion to finish the year at CHF 9.9 billion. Trading portfolio assets also increased by CHF 0.2 billion. By contrast, financial investments decreased by CHF 0.6 billion, and amounts due for money market papers also shrank by CHF 0.1 billion.

On the liabilities side, the level of refinancing with other banks was reduced by CHF 1.0 billion to CHF 1.6 billion, but as the client base continued to grow, this was largely compensated by the amounts due to customers, which once again increased by CHF 0.8 billion to CHF 12.6 billion. The slight increase in demand for structured products caused a further rise in financial liabilities designated at fair value. Shareholders' equity was virtually unchanged at CHF 1.3 billion on 31 December 2011.

Capital base still solid

The adjusted return on equity fell by one percentage point to 8.7%. The equity ratio was virtually unchanged at 7.2% on 31 December 2011 (31.12.2010: 7.3%). The BIS Tier 1 ratio, defined as core capital as a percentage of risk-weighted assets, came to 15.6% at year-end 2011 (31.12.2010: 15.3%), confirming the Sarasin Group's solid capital base.

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

SOLID EARNINGS QUALITY IN THE CORE BUSINESS
Segment reporting

The Sarasin Group 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.

2011 adjusted

1,000 CHF	Private Banking	Trading & Family Offices	Asset Management, Products & Sales	bank zweiplus	Corporate Center	**Sarasin Group**
Net interest income	103,917	33,712	1,237	4,671	5,345	148,882
Results from commission and service fee activities, trading operations and other ordinary results	280,406	42,491	174,367	52,013	–11,954	537,323
Operating income	**384,323**	**76,203**	**175,604**	**56,684**	**–6,609**	**686,205**
Personnel expenses	157,404	27,540	82,544	23,789	90,962	382,239
General administrative expenses	36,099	6,016	24,912	9,547	56,984	133,558
Services from or to other segments	91,001	19,890	6,707	17,683	–135,281	0
Operating expenses	**284,504**	**53,446**	**114,163**	**51,019**	**12,665**	**515,797**
Operating profit	**99,819**	**22,757**	**61,441**	**5,665**	**–19,274**	**170,408**
Depreciation and amortisation	5,002	9	1,367	2,066	25,044	33,488
Value adjustments, provisions and losses	6,201	2,294	1,338	1,394	–78	11,149
Profit before taxes per segment	**88,616**	**20,454**	**58,736**	**2,205**	**–44,240**	**125,771**
Cost income ratio	75.3%	70.1%	65.8%	93.7%	–570.6%	80.0%
Net new money (million CHF)	928	509	1,158	–420	–724	1,451
Acquisitions (million CHF)	0	0	0	0	0	0
Divestments (million CHF)	0	0	0	0	0	0
Performance (million CHF)	–4,499	–768	–1,897	–444	–803	–8,411
Transfers (million CHF)	–15	80	–52	0	–13	0
Gross margin on assets under management	0.85%	n/a	0.55%	1.09%	n/a	0.68%
Proportion transaction related revenues	28.3%	61.9%	11.9%	21.1%	26.6%	27.2%

31.12.2011 adjusted

Assets under management (million CHF)	42,869	8,865	31,260	4,812	8,597	96,403
Assets under management mandate (million CHF)	8,109	157	17,986	1,425	0	27,677
Impaired and non-performing loans (1,000 CHF)	3,511	2,231	0	9,642	46,273	61,657
Number of employees (full-time equivalents)	673.3	92.7	338.3	150.8	460.1	1,715.2
Whereof client relationship managers (full-time equivalents)	312.9	50.4	55.8	26.5	0.0	445.6

2010

1,000 CHF	Private Banking	Trading & Family Offices	Asset Management, Products & Sales	bank zweiplus	Corporate Center	**Sarasin Group**
Net interest income	106,029	29,279	670	3,385	7,558	146,921
Results from commission and service fee activities, trading operations and other ordinary results	279,996	49,752	177,105	58,121	–21,324	543,650
Operating income	**386,025**	**79,031**	**177,775**	**61,506**	**–13,766**	**690,571**
Personnel expenses	156,332	27,010	85,600	22,992	76,466	368,400
General administrative expenses	40,476	6,161	24,769	9,177	56,237	136,820
Services from or to other segments	81,352	16,889	4,514	17,286	–120,041	0
Operating expenses	**278,160**	**50,060**	**114,883**	**49,455**	**12,662**	**505,220**
Operating profit	**107,865**	**28,971**	**62,892**	**12,051**	**–26,428**	**185,351**
Depreciation and amortisation	4,508	1	1,412	1,651	23,232	30,804
Value adjustments, provisions and losses	2,415	–208	–28	9,039	114	11,332
Profit before taxes per segment	**100,942**	**29,178**	**61,508**	**1,361**	**–49,774**	**143,215**
Cost income ratio	73.2%	63.3%	65.4%	83.1%	–260.7%	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	0.86%	n/a	0.59%	1.04%	n/a	0.70%
Proportion transaction related revenues	28.3%	79.6%	8.7%	24.2%	225.1%	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	93.1	331.4	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

EFFICIENCY IMPROVED IN THE HOME MARKET
Private Banking

Stable revenue growth in the core business
The consistently high contribution (71%) which Private Banking makes to group profit underlines its continuing vital importance as the Sarasin Group's core business. The 12% decline in the segment result to CHF 88.6 million is mainly attributable to higher costs. With operating income virtually the same at CHF 384.3 million, operating expenses rose 2% and value adjustments, provisions and losses by 11%. Costs for services from other segments rose sharply by 12% to CHF 91.0 million. On the other hand the minimal rise in both personnel expenses and the steep drop in general administrative expenses were the result of successful cost management. The cost income ratio deteriorated slightly from 73.2% in 2010 to 75.3%.

The CHF 4.5 billion decline in assets under management caused by negative market performance could not be compensated by net new money growth, which only amounted to CHF 0.9 billion. As a result, the total assets managed by Private Banking were 8% lower than at the same time last year, at CHF 42.9 billion. Thanks to stable revenues, the gross margin was almost unchanged at 85 basis points. During the reporting period, Private Banking further expanded its headcount and now includes 313 client relationship managers (CRMs) and 360 people working in the middle office and back office.

The **Private Banking** segment is responsible for the acquisition, service and support of customers in the global private client business. This division operates the Group's locations in Switzerland (Basel, Berne, Geneva, Lugano, Lucerne and Zurich), Europe (Germany, Ireland, Poland, United Kingdom), the Middle East (Bahrain, Oman, Qatar and United Arab Emirates) and Asia (Hong Kong, India and Singapore). The business segment is jointly managed by Eric G. Sarasin and Fidelis M. Goetz. On 31 December 2011, Private Banking had a headcount of 673 employees (full-time equivalents).

Future-oriented business model…
When servicing clients, the top priority is to continuously improve both overall efficiency and effectiveness. Further optimisation of the front office processes is also high on the agenda. With this in mind, the groupwide project Front 2.0 was launched in January 2011 to explore the use of new technologies in the advisory session as well as to identify further potential for improving existing processes. A structured and comprehensive advisory process, along with a suitably tailored service offering, is central to the Sarasin Group's understanding of sustainable private banking. Private clients benefit from Sarasin's high-calibre services, which range from investment proposals that comply with the EU's MiFID standard (Markets in Financial Instruments Directive), through to advanced e-banking solutions and sophisticated client reporting. In the months ahead, further improvements will be made as part of the project work, and the current offering of advisory services extended.

… as a major competitive advantage
The Sarasin Group first publicly announced back in July 2010 its intention to no longer manage any non tax-compliant assets by the end of 2012, and has confirmed this several times since then. Sarasin was the first Swiss private bank to adopt a consistent strategy on this issue. Numerous processes were put in place during the course of 2011 in order to implement this strategy effectively. It is confident of being able to reach its objective within the given timeframe.

With this clear and consistent positioning, the Sarasin Group not only gains a decisive competitive advantage, but also ensures its future orientation over the long term. Sarasin is confident that a business model based exclusively on tax-compliant assets is key to the long-term success of the entire Group.

The Bank concentrates on both onshore and cross-border business whilst ensuring compliance with all regulatory conditions and requirements applicable in specific local markets. Sarasin's strong international presence in selected growth markets gives it a very solid platform for the future.

Introduction of a certification for client relationship managers
In a move to put in place a groupwide standard in advisory expertise, a uniform benchmark for the specialist

skills of CRMs is to be introduced in Private Banking. This is designed to ensure a consistently high quality of advice and enhanced customer service. Advisors are only certified after they have gone through exhaustive training and passed specialist examinations. Certification will be introduced in all client segments in Switzerland during the course of 2012. The new standard will then be extended to all the Group's international locations in 2013.

In the **Elite Report** 2012 Bank Sarasin once again achieved the highest grade, **"summa cum laude",** for the ninth consecutive year. Every year the industry magazine Elite Report, published in conjunction with the German newspaper Handelsblatt, gives awards for the best asset managers in German-speaking countries. Sarasin's consistently strong showing in these awards not only reflects the high quality of the services provided, but also strengthens the Bank's faith in sustainability as a touchstone of its corporate governance and investment philosophy.

Focused growth in core European markets

Switzerland and Germany are the Bank's two most important core markets within Europe. During the reporting period, the Bank raised its presence significantly in these two key countries.

In July 2011, the Group opened its sixth Swiss location in Lucerne. The region of central Switzerland offers attractive growth opportunities for Bank Sarasin. The location is an ideal complement to the existing network. Manager Markus Koch and his regional team have moved into the renovated premises in a prime location in Lucerne city centre. The official opening celebration took place at the start of September.

In June 2011 Gianluca Grissini, who joined the bank three years ago, took over as manager of the Lugano branch. He is also responsible for the Italian market on a cross-division basis.

Bank Sarasin has significantly boosted its profile in Germany by recently opening three new locations. The first new office opened in Cologne in July 2011, with Michael Rivera in charge. With new offices opening in Hamburg and Hanover in January 2012, the Bank is now also represented in northern Germany. A new region, Northern Germany, has been created under the management of Andreas Brandt. After Bank Sarasin Germany broke even a year ago, these investments lay the foundation for the Group's further expansion in the German market.

Gross margin improved

The Switzerland & Europe business unit increased its operating income to CHF 263.6 million (2010: CHF 260.0 million). The gross margin improved by 4 basis points, from 87 to 91 basis points. Despite this encouraging revenue growth, the results of this business unit fell sharply by 10% to CHF 72.5 million. This disappointing result was mainly attributable to a 4% increase in operating expenses, a sharp rise in depreciation and amortisation, a pro rata charge in connection with a one-off additional payment demanded by the UK Financial Services Compensation Scheme from the London subsidiary Sarasin & Partners LLP, as well as the value adjustment to a client loan.

The assets of private clients managed at locations in Switzerland and Europe shrank by 9% during the reporting period to CHF 27.5 billion. Major contributing factors included the negative market performance and currency translation effects of CHF 2.4 billion. The level of new business declined in the second half of the year, leading to net money outflows of CHF 355.0 million for the full financial year, due to uncertainties surrounding the change of the Bank's majority shareholder, client withdrawals made in response to the strategy for avoiding non tax-compliant assets, and the potential acceptance of the popular initiative to introduce a nationwide inheritance tax in Switzerland.

Asia: A market in flux

Over the course of 2011 there were intensive preparations for upgrading the Singapore office into a Sarasin branch. On 1 January 2012, the Private Banking business in Singapore was transferred from Bank Sarasin-Rabo (Asia) Limited to Bank Sarasin & Co. Ltd Singapore Branch and the licence status upgraded to an offshore branch. This provides a solid platform for the Bank to further strengthen its position in the Asian market.

The service offering in Singapore was also significantly expanded during the reporting period. The new subsidiary Sarasin Trust Company (Singapore) Limited opened its doors for business at the start of the year. The subsidiary advises clients in planning and implementing trusts, as well as giving estate and succession planning advice. These services – which are set to become increasingly important worldwide as part of the extended offering in wealth management – perfectly complement Private Banking's provision of holistic investment solutions.

In championing sustainable private banking, the Sarasin Group sets itself apart from the competition in the growth regions of Asia and the Middle East as well. In Asia, demand for sustainable investment is not yet fully developed. This makes the successful launch of Sarasin Sustainable Water Fund (USD)[1], a subfund of Sarasin International Funds, SICAV, all the more impressive: it attracted a high level of subscriptions from the international locations. Interest therefore continues to grow in the products that Sarasin offers which focus on water as an investment theme of the future. At the same, the popularity of the products confirms the strong demand in Asia for sustainable investment solutions. To meet this demand, a project was launched so that private clients in Hong Kong and Singapore could in future also be offered sustainable discretionary asset management mandates that fully meet local needs and regulatory requirements. The project has already been successfully completed and mandates signed with the first clients in Asia at the end of 2011.

Further growth at locations in the Middle East and Asia

During the reporting period the Middle East & Asia business unit once again achieved net new money growth of CHF 1.3 billion. Even so, this was not enough to compensate for the negative performance effect of CHF 2.1 billion, which meant that total assets under management shrank by 5% to CHF 15.3 billion. While the revenue situation in Asia remained stable, transaction-based income and interest income fell sharply at the Middle East locations. The gross margin therefore dropped to 76 basis points (2010: 83 bp).

Despite lower operating expenses, a drop in depreciation and amortisation and lower value adjustments, provisions and losses, the result recorded in business and private clients at locations in Asia and the Middle East fell 21% to CHF 16.1 million. The cost income ratio therefore increased to 86.3%.

[1] This subfund is only licensed for public distribution in Luxembourg. In Singapore it is registered as a restricted scheme. In Switzerland this subfund is only licensed for sale to qualified investors.

Private Banking (Total)

1,000 CHF	2011 adjusted	2010	Change to 2010 CHF	Change to 2010 %
Net interest income	**103,917**	106,029	–2,112	–2.0
Results from commission and service fee activities, trading operations and other ordinary results	**280,406**	279,996	410	0.1
Operating income	**384,323**	**386,025**	**–1,702**	**–0.4**
Personnel expenses	**157,404**	156,332	1,072	0.7
General administrative expenses	**36,099**	40,476	–4,377	–10.8
Services from or to other segments	**91,001**	81,352	9,649	11.9
Operating expenses	**284,504**	**278,160**	**6,344**	**2.3**
Operating profit	**99,819**	**107,865**	**–8,046**	**–7.5**
Depreciation and amortisation	**5,002**	4,508	494	11.0
Value adjustments, provisions and losses	**6,201**	2,415	3,786	156.7
Profit before taxes per segment	**88,616**	**100,942**	**–12,326**	**–12.2**

Cost income ratio	**75.3%**	73.2%		
Net new money (million CHF)	**928**	6,372		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–4,499**	–2,680		
Transfers (million CHF)	**–15**	–117		
Gross margin on assets under management	**0.85%**	0.86%		
Proportion transaction related revenues	**28.3%**	28.3%		

	31.12.2011 adjusted	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets under management (million CHF)	**42,869**	46,455	–3,586	–7.7
Assets under management mandate (million CHF)	**8,109**	8,708	–599	–6.9
Impaired and non-performing loans (1,000 CHF)	**3,511**	2,295	1,216	53.0
Number of employees (full-time equivalents)	**673.3**	637.0	36.3	5.7
Whereof client relationship managers (full-time equivalents)	**312.9**	309.1	3.8	1.2

Whereof business unit Switzerland & Europe

1,000 CHF	2011 adjusted	2010	Change to 2010 CHF	Change to 2010 %
Operating income	**263,603**	**259,962**	**3,641**	**1.4**
Operating expenses	**183,237**	**176,666**	**6,571**	**3.7**
Operating profit	**80,366**	**83,296**	**–2,930**	**–3.5**
Depreciation and amortisation	**2,112**	1,016	1,096	107.9
Value adjustments, provisions and losses	**5,706**	1,595	4,111	257.7
Profit before taxes per segment	**72,548**	**80,685**	**–8,137**	**–10.1**
Cost income ratio	**70.3%**	68.3%		
Net new money (million CHF)	**–355**	3,474		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–2,400**	–2,045		
Transfers (million CHF)	**–114**	–150		
Gross margin on assets under management	**0.91%**	0.87%		
Proportion transaction related revenues	**21.7%**	23.2%		

	31.12.2011 adjusted	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets under management (million CHF)	**27,532**	30,401	–2,869	–9.4
Assets under management mandate (million CHF)	**8,076**	8,683	–607	–7.0
Impaired and non-performing loans (1,000 CHF)	**3,511**	645	2,866	444.3
Number of employees (full-time equivalents)	**360.8**	342.4	18.4	5.4
Whereof client relationship managers (full-time equivalents)	**188.8**	188.0	0.8	0.4

Whereof business unit Middle East & Asia

1,000 CHF	**2011 adjusted**	2010	Change to 2010 CHF	Change to 2010 %
Operating income	**120,720**	**126,063**	**–5,343**	**–4.2**
Operating expenses	**101,267**	**101,494**	**–227**	**–0.2**
Operating profit	**19,453**	**24,569**	**–5,116**	**–20.8**
Depreciation and amortisation	**2,890**	3,492	–602	–17.2
Value adjustments, provisions and losses	**495**	820	–325	–39.6
Profit before taxes per segment	**16,068**	**20,257**	**–4,189**	**–20.7**
Cost income ratio	**86.3%**	83.3%		
Net new money (million CHF)	**1,283**	2,898		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–2,099**	–635		
Transfers (million CHF)	**99**	33		
Gross margin on assets under management	**0.76%**	0.83%		
Proportion transaction related revenues	**42.7%**	38.7%		

	31.12.2011 adjusted	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets under management (million CHF)	**15,337**	16,054	–717	–4.5
Assets under management mandate (million CHF)	**33**	25	8	32.0
Impaired and non-performing loans (1,000 CHF)	**0**	1,650	–1,650	–100.0
Number of employees (full-time equivalents)	**312.5**	294.6	17.9	6.1
Whereof client relationship managers (full-time equivalents)	**124.1**	121.1	3.0	2.5

NEW INITIATIVES LAUNCHED
Trading & Family Offices

During the reporting period, Trading & Family Offices recorded a much lower segment result of CHF 20.5 million (2010: CHF 29.2 million). Operating income dropped by 4% to CHF 76.2 million, while operating expenses jumped 7% to CHF 53.4 million. The deterioration in the segment result was mainly due to the margin-led drop in revenues in the Institutional Advisory & Sales business unit, while the Trading business unit managed to post a stable result in 2011.

Arcavio Ltd. supports the Group's Multi Family Office

During the reporting period, a legally autonomous family office entity, Arcavio Ltd., was set up. Arcavio Ltd. supports the Sarasin Group's Multi Family Office. Chris Renfer is Chief Executive Officer of this legally independent company. Marcel Jaeggi has taken over his position of Chief Operating Officer of the Trading & Family Offices segment. Arcavio Ltd.'s Board of Directors comprises Peter Wild (Chairman), Fidelis M. Goetz and Eric G. Sarasin.

In future, Arcavio Ltd.'s core competencies will include giving advice on governance matters, drawing up and implementing wealth management strategies, tactical asset allocation, risk controlling, and the provision of reporting and consolidation services across different custodian banks. An advanced specialised IT system has already been installed for reporting and consolidation purposes, which is able to model client requirements quickly and professionally in the form of compelling bespoke solutions in order to cater for rapidly changing needs.

Initially, the goal is to systematically acquire and service clients in the Middle East through the local entity Bank Sarasin-Alpen (ME) Limited, Dubai. This is Arcavio Ltd.'s primary target market for family office business. At the end of the year, the first family office mandate was won for a large Arab multinational organisation, and another mandate for a family-owned company listed on the stock market. These two successes underscore the market acceptance of the service approach chosen combined with the widely recognised Sarasin brand, and confirm the strong demand for family office services in the Middle East region. With these two successes, the new business entity has already met the ambitious targets set.

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 2011 had a headcount of 93 employees (full-time equivalents).

Focused business with external asset managers

In line with the Group strategy, the focus in the business of external asset managers is on clients with declared assets in selected country markets. Targeting Europe and especially Germany, many promising opportunities have been successfully identified. Individual Latin American markets such as Argentina and Chile also offer attractive growth opportunities which the Bank intends to exploit whilst ensuring compliance with all regulatory conditions and requirements applicable in specific local markets. In Switzerland, three road shows were organised on sustainable investing which consolidated the Bank's reputation with third-party managers and family offices as a market leader in this segment. Thanks to these market initiatives, the Institutional Advisory & Sales business unit once again achieved net new money growth of CHF 0.5 billion during the reporting period. Assets under management amounted to CHF 8.8 billion on 31 December 2011.

As a result of market developments and tighter focusing, Institutional Advisory & Sales recorded a sharp margin-induced fall in income, as well as rising costs and a value adjustment on a client loan of CHF 2.3 million. The result therefore finished much lower at CHF 3.5 million (2010: 11.8 million). The cost income ratio for the business unit was 87.4%.

Stable result in Trading

One of the initiatives to improve the Group's profitability was a new strategy in the Trading segment and its implementation in the first half of 2011. Among other things, the new strategy focuses on the creation and pricing of new products, the issue and settlement of financing products and the efficient servicing of trading-oriented clients. The intention is to increase revenues and boost the pace of growth. At the same time, operational risks are reduced at Group level. To help pursue these newly defined growth targets, the composition of the trading team has been strengthened. In July 2011, Fredi Lutz took over as Head of the Trading business unit. Markus Pfaeffli is acting as his deputy.

Market-making mandates in Swiss equities were acquired as well. A successful start was also made in the business of interest rate swaps and derivatives: the first swaps have already been completed and a number of financing products launched. Last but not least, options on Bank Sarasin's share have been traded on the Eurex since January 2011.

These initiatives helped to increase revenues in the Trading business unit by 4% to CHF 29.7 million (2010: CHF 28.6 million). In the adverse market climate during the second half of the year, there was a decline in clients' trading activities, so that fewer services could be charged to the other segments. Direct costs remained under control, which meant that the Trading business unit only recorded a slightly lower segment result of CHF 17.0 million.

Structural adjustment and optimisation in Group Treasury

A Treasury Portfolio Management team has been set up within Group Treasury to prepare for the imminent introduction of Basel III. The Bank's Asset-Liability Committee (ALCO) has been integrated into the Group Treasury Committee. Amongst other things, this has led to more effective collaboration in the area of the Bank's financing. Group Treasury has developed solutions and strategies to hedge against interest-rate trends as much as possible. Since 2010, Sarasin has been a member of the Swiss mortgage banks group, Pfandbriefbank, and started issuing covered bonds in July 2011.

Trading & Family Offices (Total)

1,000 CHF	2011 adjusted	2010	Change to 2010 CHF	Change to 2010 %
Net interest income	**33,712**	29,279	4,433	15.1
Results from commission and service fee activities, trading operations and other ordinary results	**42,491**	49,752	–7,261	–14.6
Operating income	**76,203**	**79,031**	**–2,828**	**–3.6**
Personnel expenses	**27,540**	27,010	530	2.0
General administrative expenses	**6,016**	6,161	–145	–2.4
Services from or to other segments	**19,890**	16,889	3,001	17.8
Operating expenses	**53,446**	**50,060**	**3,386**	**6.8**
Operating profit	**22,757**	**28,971**	**–6,214**	**–21.4**
Depreciation and amortisation	**9**	1	8	800.0
Value adjustments, provisions and losses	**2,294**	–208	2,502	>1,000
Profit before taxes per segment	**20,454**	**29,178**	**–8,724**	**–29.9**
Cost income ratio	**70.1%**	63.3%		
Net new money (million CHF)	**509**	756		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–768**	–197		
Transfers (million CHF)	**80**	264		
Proportion transaction related revenues	**61.9%**	79.6%		

	31.12.2011 adjusted	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets under management (million CHF)	**8,865**	9,044	–179	–2.0
Assets under management mandate (million CHF)	**157**	116	41	35.3
Impaired and non-performing loans (1,000 CHF)	**2,231**	0	2,231	
Number of employees (full-time equivalents)	**92.7**	93.1	–0.4	–0.4
Whereof client relationship managers (full-time equivalents)	**50.4**	52.9	–2.5	–4.7

Whereof business unit Institutional Advisory & Sales

1,000 CHF	2011 adjusted	2010	Change to 2010 CHF	Change to 2010 %
Operating income	**46,515**	**50,398**	**–3,883**	**–7.7**
Operating expenses	**40,676**	**38,808**	**1,868**	**4.8**
Operating profit	**5,839**	**11,590**	**–5,751**	**–49.6**
Depreciation and amortisation	**0**	0	0	
Value adjustments, provisions and losses	**2,348**	–208	2,556	>1,000
Profit before taxes per segment	**3,491**	**11,798**	**–8,307**	**–70.4**
Cost income ratio	**87.4%**	77.0%		
Net new money (million CHF)	**497**	785		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–761**	–191		
Transfers (million CHF)	**80**	264		
Gross margin on assets under management	**0.52%**	0.58%		
Proportion transaction related revenues	**84.5%**	80.2%		

	31.12.2011 adjusted	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets under management (million CHF)	**8,806**	8,990	–184	–2.0
Assets under management mandate (million CHF)	**157**	116	41	35.3
Impaired and non-performing loans (1,000 CHF)	**2,231**	0	2,231	
Number of employees (full-time equivalents)	**49.6**	52.3	–2.7	–5.2
Whereof client relationship managers (full-time equivalents)	**48.6**	51.3	–2.7	–5.3

Whereof business unit Trading

1,000 CHF	2011 adjusted	2010	Change to 2010 CHF	Change to 2010 %
Operating income	**29,688**	**28,633**	**1,055**	**3.7**
Operating expenses	**12,770**	**11,252**	**1,518**	**13.5**
Operating profit	**16,918**	**17,381**	**–463**	**–2.7**
Depreciation and amortisation	**9**	1	8	800.0
Value adjustments, provisions and losses	**–54**	0	–54	
Profit before taxes per segment	**16,963**	**17,380**	**–417**	**–2.4**
Cost income ratio	**43.0%**	39.3%		
Net new money (million CHF)	**12**	–29		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–8**	–6		
Transfers (million CHF)	**0**	0		
Proportion transaction related revenues	**26.4%**	78.7%		

	31.12.2011 adjusted	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets under management (million CHF)	**59**	54	5	9.3
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)	**43.1**	40.8	2.3	5.6
Whereof client relationship managers (full-time equivalents)	**1.8**	1.6	0.2	12.5

INTERNATIONALLY RECOGNISED EXPERTISE
Asset Management, Products & Sales

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 2011 had a headcount of 338 employees (full-time equivalents).

New organisation brings more efficiency

At the start of 2011, the asset management organisation in Switzerland was restructured in order to continuously create added value for clients while at the same time optimising operational efficiency. Sustainable and quantitative asset management was integrated under the leadership of Andreas Knoerzer. Merging these two boutique services creates operational synergies and additional economies of scale. Secondly, greater use is made of the research provided by the Financial Analysis team led by Jan A. Poser, in order to improve the consistency of the investment process. In July 2011, Peter Casanova took over as Head of Equity Research at Bank Sarasin. Collaboration with Asset Management was extended with the aim of creating a consistent investment process based on the Bank's investment policy. This ensures a more robust and effective investment process. Furthermore, the client documentation was improved for both institutional and private customers.

Wider use of sustainability research

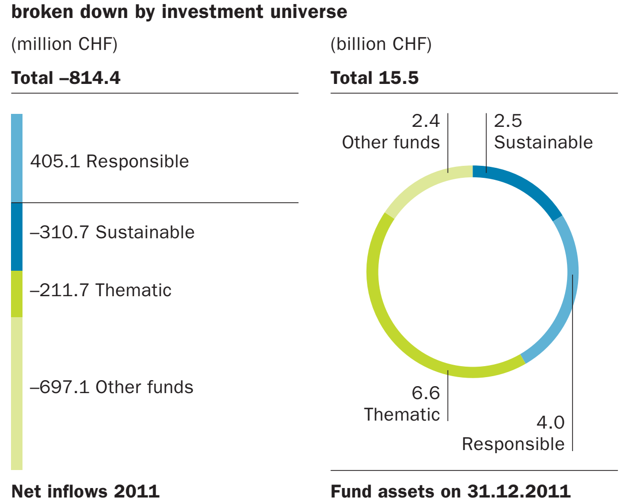
Asset Management Switzerland now also integrates the results of sustainability research into its risk management procedures for conventional asset management. As a result, a distinction is now made between a sustainable and a responsible investment universe. In the **sustainable** universe, the rigorous standards of sustainable asset management are directly applied. The portfolio is constructed strictly on the basis of the Sarasin Sustainability-Matrix®. In the **responsible** investment universe, the environmental and social risks associated with an investment are critically examined. It is acceptable for non-sustainable investment instruments to be included in the responsible universe provided the relevant sustainability risks have been judged necessary and economically viable. The responsible universe therefore provides a minimum standard for all investment products managed by Asset Management Switzerland and underpins the credibility of Bank Sarasin's sustainable investment philosophy.

As the Group's other asset management boutique, Sarasin & Partners LLP in London offers innovative investment solutions managed according to a thematic investment style. The **thematic** approach focuses on long-term, globally relevant trends and themes that could be potential growth drivers. Stock selection is not restricted to specific geographic regions, markets or sectors. The final investment decision is based purely on financial criteria.

Decline in fund volumes

Sarasin investment funds recorded net outflows of CHF 814.4 million in 2011. Because of negative market performance and currency translation effects, the total volume of Sarasin funds shrank by 14% to CHF 15.5 billion (31.12.2010: CHF 18.0 billion).

Fig. 23_Sarasin investment funds: volumes and net inflows, broken down by investment universe



Leader in sustainable investment in Germany
A number of successful acquisitions during the reporting period confirmed the lead position that Bank Sarasin has now established for itself in Germany in the field of sustainable investing. For example, it beat off very stiff competition to win a mandate to manage a sustainable retail fund marketed exclusively by a large German savings bank. During the reporting period, Bank Sarasin also won a mandate in Germany to manage the pension assets of a well-known public sector institution as part of a sustainable value preservation strategy.

International business with large institutional investors goes from strength to strength
Since August 2011, Marius Dorfmeister has been in charge of the Bank's international institutional clients business. As head of the business unit Institutional & Wholesale International, he is responsible for the markets of Benelux, Italy, Austria, Scandinavia and Central & Eastern Europe as well as the Middle East and Asia.

On 1 July 2011, the business activities of Bank Sarasin (CI) Limited were transferred across to Bank Sarasin & Co. Ltd, Guernsey Branch, which enjoys the status of a branch of Bank Sarasin & Co. Ltd. Its business activities focus mainly on the issue of structured products, the fiduciary business and investments on behalf of private clients of Sarasin & Partners LLP. The branch has now been integrated into the Asset Management, Products & Sales division.

Fund range expanded
In the summer, Bank Sarasin and Catella Real Estate AG launched the first real estate fund[1] exclusively for institutional investors investing solely in sustainable buildings in high-growth European cities. This fund targets Swiss pension funds looking for investment alternatives on international property markets. Just a few months later, the initial goals of this innovative fund were exceeded in the first closing.

In March 2011, Sarasin launched an Islamic commodities fund[1] in conjunction with Jadwa, a company specialising in Islamic investments. This fund, which is intended exclusively for qualified investors, is another milestone in the expansion of the Bank's successful range of bespoke investment funds. At the moment, this is the only Islamic commodities fund on the market which makes it a unique financial instrument.

1 *This fund does not have a licence for public distribution.*
2 *This Fund has a distribution licence in the following countries: Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Spain, Sweden, Switzerland and the UK. In Singapore it is registered as a restricted scheme.*

Outstanding record in sustainability
For its leading approach in the area of sustainable asset management, Bank Sarasin has for the second consecutive year been nominated **"Best Private Bank for Socially Responsible Investing"** by the trade magazines The Banker and Professional Wealth Management, both published by the Financial Times Group. At the end of November, the European rating agency Feri EuroRating Services AG and the news broadcaster n-tv voted Bank Sarasin the **"Best Asset Manager – Socially Responsible Investing".** These prestigious awards underline Bank Sarasin's exemplary track record in this area.

The Sarasin Sustainable Water Fund[2], a subfund of Sarasin Investmentfonds, SICAV, provides investors with a comprehensive sustainable investment opportunity in the theme of water. During the reporting year this forward-looking fund won the **Climate Change Award** in the category "Water, Food, Agriculture & Forestry Fund" for the second time. Germany's leading financial research publication Fuchsbriefe also praised this fund's performance.

More information on the theme of sustainability and the Sarasin Group's sustainable investment products can be found on page 47 onwards.

Expert opinions provided in webcasts
In his quarterly webcasts, **Market Insights,** Sarasin Group's Chief Investment Officer Burkhard P. Varnholt provides first-hand information to clients, analysts, journalists and other interested investors on current investment themes and trends. In 2012 these webcasts will now be produced on a monthly basis.

As a way of raising the public profile of the Bank's investment funds even further, a selection of **webcasts** has been available since early 2011 **on www.fundinfo.com,** Europe's leading provider of investment fund information. This opens up new opportunities, especially for Bank Sarasin's Wholesale business, to promote and market investment funds.

Bank Sarasin's specialists also offer in-depth and independent market analysis in their regular **Research and Investment Webcasts,** as well as surveys of the latest economic events and trends that are affecting financial markets. The Bank also produces its own audiocasts. Through this channel it offers clients new information and background material on the current market environment and on Sarasin's investment funds.

The growth prospects for India's stock market are very promising. While investors in global equity markets have often had a challenging time during the last 10 years, investors in India have done well. Given this backdrop, the Bank has set up a fund[1] which invests in companies belonging to the S&P CNX Nifty Index, the leading index for large cap shares listed on the National Stock Exchange of India. The fund is targeted exclusively at qualified investors.

Awards and anniversaries for successful Sarasin funds
SaraSelect[2], an equities fund which invests in the shares of small and mid cap companies domiciled in Switzerland or in Liechtenstein, celebrated its 15th anniversary during the reporting period. Sarasin FairInvest-Universal-Fonds I[3], a mixed equities and bonds fund set up for institutional investors in Germany, celebrated its 10th anniversary during the reporting period. Its sustainable investment approach has paid off: while the fund enjoys some of the rewards provided by the equities market, its risk exposure is no greater than that of a bond fund. This approach has enabled it to achieve its investment goals despite the adverse market conditions. Aside from the investment funds, the Sarasin Investment Foundation SAST celebrated its 20th anniversary during the reporting period. SAST serves numerous smaller and mid-sized pension schemes and gives them access to property investments through its subfund "Sustainable Real Estate Switzerland".

1 This fund does not have a licence for public distribution.

2 This Fund has a distribution licence in the following countries: Liechtenstein and Switzerland.

3 This Fund has a distribution licence in the following countries: Germany and Austria.

Long-term growth initiatives launched
The result reported by the Asset Management Products & Sales segment for 2011 was 5% down on last year, at CHF 58.7 million. On the one hand operating income dipped 1% to CHF 175.6 million, while on the other there was a pro rata charge to pay in connection with an additional payment demanded by the UK Financial Services Compensation Scheme. Thanks to tight cost management, operating expenses were trimmed by 1% to CHF 114.2 million, even though various growth initiatives were launched during the course of 2011 and the CRM team in the institutional business was further strengthened. The net new money inflows acquired by the Asset Management, Products & Sales segment came to CHF 1.2 billion. Total assets under management shrank by 2% to CHF 31.3 billion due to clients reallocating liquidity in the institutional business, as well as negative market performance and currency translation effects. The gross margin declined to 55 basis points, and the cost income ratio remained unchanged at 65.8%.

Asset Management, Products & Sales (Total)

1,000 CHF	**2011 adjusted**	2010	Change to 2010 CHF	Change to 2010 %
Net interest income	**1,237**	670	567	84.6
Results from commission and service fee activities, trading operations and other ordinary results	**174,367**	177,105	–2,738	–1.5
Operating income	**175,604**	**177,775**	**–2,171**	**–1.2**
Personnel expenses	**82,544**	85,600	–3,056	–3.6
General administrative expenses	**24,912**	24,769	143	0.6
Services from or to other segments	**6,707**	4,514	2,193	48.6
Operating expenses	**114,163**	**114,883**	**–720**	**–0.6**
Operating profit	**61,441**	**62,892**	**–1,451**	**–2.3**
Depreciation and amortisation	**1,367**	1,412	–45	–3.2
Value adjustments, provisions and losses	**1,338**	–28	1,366	>1,000
Profit before taxes per segment	**58,736**	**61,508**	**–2,772**	**–4.5**
Cost income ratio	**65.8%**	65.4%		
Net new money (million CHF)	**1,158**	3,847		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–1,897**	454		
Transfers (million CHF)	**–52**	–659		
Gross margin on assets under management	**0.55%**	0.59%		
Proportion transaction related revenues	**11.9%**	8.7%		

	31.12.2011 adjusted	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets under management (million CHF)	**31,260**	32,051	–791	–2.5
Assets under management mandate (million CHF)	**17,986**	18,326	–340	–1.9
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (full-time equivalents)	**338.3**	331.4	6.9	2.1
Whereof client relationship managers (full-time equivalents)	**55.8**	51.2	4.6	9.0

Whereof business unit Wholesale & Products

1,000 CHF	2011 adjusted	2010	Change to 2010 CHF	Change to 2010 %
Operating income	**60,626**	**67,680**	**–7,054**	**–10.4**
Operating expenses	**26,261**	**28,316**	**–2,055**	**–7.3**
Operating profit	**34,365**	**39,364**	**–4,999**	**–12.7**
Depreciation and amortisation	**130**	188	–58	–30.9
Value adjustments, provisions and losses	**1**	145	–144	–99.3
Profit before taxes per segment	**34,234**	**39,031**	**–4,797**	**–12.3**
Cost income ratio	**43.5%**	42.1%		
Net new money (million CHF)	**–342**	16		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–422**	–87		
Transfers (million CHF)	**–505**	–486		
Gross margin on assets under management	**1.32%**	1.24%		
Proportion transaction related revenues	**23.8%**	12.4%		

	31.12.2011 adjusted	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets under management (million CHF)	**3,838**	5,106	–1,268	–24.8
Assets under management mandate (million CHF)	**423**	792	–369	–46.6
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (full-time equivalents)	**157.5**	167.2	–9.7	–5.8
Whereof client relationship managers (full-time equivalents)	**9.0**	4.0	5.0	125.0

Whereof business unit Institutional Clients

1,000 CHF	**2011 adjusted**	2010	Change to 2010 CHF	Change to 2010 %
Operating income	**114,978**	**110,095**	**4,883**	**4.4**
Operating expenses	**87,902**	**86,567**	**1,335**	**1.5**
Operating profit	**27,076**	**23,528**	**3,548**	**15.1**
Depreciation and amortisation	**1,237**	1,224	13	1.1
Value adjustments, provisions and losses	**1,337**	–173	1,510	872.8
Profit before taxes per segment	**24,502**	**22,477**	**2,025**	**9.0**
Cost income ratio	**77.5%**	79.7%		
Net new money (million CHF)	**1,500**	3,831		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–1,475**	541		
Transfers (million CHF)	**453**	–173		
Gross margin on assets under management	**0.42%**	0.45%		
Proportion transaction related revenues	**5.5%**	6.4%		

	31.12.2011 adjusted	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets under management (million CHF)	**27,422**	26,945	477	1.8
Assets under management mandate (million CHF)	**17,563**	17,534	29	0.2
Impaired and non-performing loans (1,000 CHF)	**0**	0	0	
Number of employees (full-time equivalents)	**180.8**	164.2	16.6	10.1
Whereof client relationship managers (full-time equivalents)	**46.8**	47.2	–0.4	–0.8

CONCENTRATION ON INTERMEDIARIES
bank zweiplus

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. Bank Sarasin is the majority shareholder of bank zweiplus with a stake of 57.5%. Head of operations is Alfred W. Moeckli, CEO of bank zweiplus. At the end of December 2011, bank zweiplus had a headcount of 151 employees (full-time equivalents).

New strategic direction for bank zweiplus

In 2011, bank zweiplus set its core strategic direction for the future: it has made its market positioning clearer by concentrating exclusively on Intermediaries as its core business. It has considerably sharpened its profile by focusing consistently on a single business model and on strategic partnerships with financial service providers, asset managers and life insurers. The former Direct Clients segment will in future be served by a joint-venture company operating under the "cash" brand as an online information and financial services platform. The new company will rely exclusively on the technical facilities of bank zweiplus for order settlement. The implementation of this repositioning of bank zweiplus will take place at the same time as the joint venture with Ringier goes live during the first quarter of 2012.

With this new direction, the clear separation of the two business segments Intermediaries and Direct Clients represents an important milestone. By making this move, bank zweiplus positions itself with financial service providers, asset managers and life insurers as an ultramodern transaction execution platform with a vast pool of know-how, highly developed services and a well-proven product management capable of resolving enormous complexities with a high degree of flexibility. In addition, it does not have its own client advisors competing with its own partners, and offers excellent price-performance ratio.

A reliable banking partner

Since 1 January 2012, bank zweiplus has been involved in a cooperation with the all-lines insurer AXA Winterthur. bank zweiplus offers AXA Winterthur an efficient solution for delivering clients a customised range of banking products. It also has a cooperation in place with the Swiss life insurance company PAX, Schweizerische Lebensversicherungs-Gesellschaft AG. In addition, Swiss Life also relies on the settlement expertise of bank zweiplus, which is responsible for the management and processing of Swiss Life's Pillar 3a pension products and vested benefits account.

Multimanager strategies expanded

In 2011, the six existing investment experts in the Multimanager strategies were augmented by Vontobel Asset Management, adding to the transparent performance competition. Multimanager strategies offer exceptionally flexible asset management in that the initially selected investment strategy or portfolio provider can be easily switched at any time, without having to change the banking relationship. As asset manager and custodian bank, bank zweiplus ensures that the defined investment guidelines are complied with and executes the investment recommendations of the portfolio specialists on a monthly basis. Thanks to identical investment guidelines and fees, clients are able to compare the performances of their particular professionally managed strategy with those of other portfolio specialists at any time. The performance of the individual investment strategies is reported monthly on the Internet in a clear format.

Custodian bank activities stepped up in Germany

bank zweiplus has strengthened its Intermediaries business in Germany and expanded its sales team. The relevant processes have been refined and optimised. The purpose of this move is to position bank zweiplus in the German market even more distinctly as a Swiss custodian bank for the investment clients of German financial services providers and asset managers. This positioning is supported by the development and launch of new products such as "Investment Depot ++ Fundstars Plus", a flexible fund custody account in Switzerland featuring a large number of first-class investment funds from renowned fund companies authorised for public distribution in Germany. With the "Investment Depot ++ Fundstars Plus", independent financial advisors and asset managers in Germany can offer their clients a custodian solution in Switzerland. "Investment

Depot ++ Fundstars Plus" allows clients to determine the composition of a fund custody account that is tailored to their particular needs at any time, together with their financial advisor.

Still in profit

The ongoing financial crisis and the resulting weakness of the euro as well as the persistently challenging market climate in the small clients business segment of bank zweiplus's cooperation partners, all had a negative impact on assets under management and therefore on revenue flows as well. Performance losses of CHF 0.4 billion and net outflows of CHF 0.4 billion meant that clients' assets under management as of 31 December 2011 stood at CHF 4.8 billion (31.12.2010: CHF 5.7 billion). Despite an improvement in the gross margin to 109 basis points (2010: 104 basis points), operating income fell 8% to CHF 56.7 million.

Despite investments made in connection with the implementation of the strategic reorientation as well as the appointment of direct client advisors as part of the joint venture with Ringier, operating expenses only rose slightly to CHF 51.0 million (2010: CHF 49.5 million). bank zweiplus achieved a profit of CHF 2.2 million in 2011 (2010: CHF 1.4 million).

bank zweiplus

1,000 CHF	2011 adjusted	2010	Change to 2010 CHF	Change to 2010 %
Net interest income	**4,671**	3,385	1,286	38.0
Results from commission and service fee activities, trading operations and other ordinary results	**52,013**	58,121	–6,108	–10.5
Operating income	**56,684**	**61,506**	**–4,822**	**–7.8**
Personnel expenses	**23,789**	22,992	797	3.5
General administrative expenses	**9,547**	9,177	370	4.0
Dienstleistungen,von,oder,an,andere,Segmente	**17,683**	17,286	397	2.3
Operating expenses	**51,019**	**49,455**	**1,564**	**3.2**
Operating profit	**5,665**	**12,051**	**–6,386**	**–53.0**
Depreciation and amortisation	**2,066**	1,651	415	25.1
Value adjustments, provisions and losses	**1,394**	9,039	–7,645	–84.6
Profit before taxes per segment	**2,205**	**1,361**	**844**	**62.0**

Cost income ratio	**93.7%**	83.1%		
Net new money (million CHF)	**–420**	–279		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	0		
Performance (million CHF)	**–444**	–141		
Transfers (million CHF)	**0**	–109		
Gross margin on assets under management	**1.09%**	1.04%		
Proportion transaction related revenues	**21.1%**	24.2%		

	31.12.2011 adjusted	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets under management (million CHF)	**4,812**	5,676	–864	–15.2
Assets under management mandate (million CHF)	**1,425**	1,801	–376	–20.9
Impaired and non-performing loans (1,000 CHF)	**9,642**	9,173	469	5.1
Number of employees (full-time equivalents)	**150.8**	143.2	7.6	5.3
Whereof client relationship managers (full-time equivalents)	**26.5**	20.4	6.1	29.9

INVESTMENTS IN FUTURE-ORIENTED STRUCTURES
Corporate Center

Systematic management of every employee's professional skills
The Bank's growth strategy has placed greater demands on the professional and personal skills of its staff. Sarasin's ambitious goal of becoming the benchmark in sustainable private banking can only be achieved through systematic management of the skills of all employees over the long term. The Bank also needs to be seen as an attractive employer for motivated, talented and hard-working employees.

By introducing an integrated Human Capital Management process and applying it across the entire Group over the coming months, Sarasin will be able to analyse and exploit the capabilities of its staff in a systematic and goal-directed way that is geared to the strategy, at team, department and divisional level. The process focuses on the individual skills, performance, conduct and potential of all employees. The Development Forum, a new programme for training and continuing professional development first introduced in 2010, kicked into full gear in 2011: numerous leadership modules were held in Switzerland. At international level, training in leadership skills was introduced in Dubai. This focused in particular on cultural differences and commonalities. Workshops were held in the Asian locations as a way to assess the individual potential of individual employees and then discuss possible career development paths.

In addition, a web-based Human Capital Management application was launched to enable more effective management of holidays, absences and working hours.

The **Corporate Center** segment includes internal support functions in the areas of Logistics (IT, Operations and Facility Management) on the one hand, and the staff functions at the level of the Board of Directors (Group Internal Audit) and the Executive Committee (Corporate Communications, Corporate Marketing, Legal & Compliance, Human Resources, Accounting & Tax, Controlling, Risk Office, Credit und Corporate Finance) on the other. Peter Sami manages the Logistics division. The Corporate Center division is managed by the Group's Chief Financial Officer, Thomas A. Mueller. On 31 December 2011, the total segment had a headcount of 460 employees (full-time equivalents).

Avaloq rollout in Asia
At the start of February 2011, the Avaloq banking system was successfully rolled out in Sarasin's Singapore and Hong Kong locations. This major investment project, which has further standardised and centralised the Bank's IT capabilities, brings greater efficiency and economies of scale in both internal and external processes within the group in the area of IT services and securities settlement. This should make it possible to reduce the cost base in the foreseeable future. Clients in Asia now have access to a broader and better range of products and services. The rollout of the system in Asia is an important milestone in Sarasin's regional expansion programme.

Far-sighted measures taken for the implementation of Basel III criteria
In a draft circular published at the end of January 2011, the Swiss Financial Market Supervisory Authority (FINMA) announced new requirements for the capital buffer and capital planning in the banking sector. The new capital adequacy requirements for Bank Sarasin mean a capital ratio of 12% of the risk-weighted assets, corresponding to a capital buffer of 50%. At present, the Sarasin Group already meets these criteria. The circular came into effect on 1 July 2011, with a transitional period until the end of 2016.

In addition to the new stipulations on additional capital adequacy requirements, FINMA also demands changes in the capital planning process. Banks must demonstrate that they are able to fulfil their capital requirements for the next three years allowing for a significant deterioration in their earnings situation. The content of the capital planning must at least include the credit risks, market risks, operational risks, legal risks and reputation risks. This capital planning must be ratified annually by the Board of Directors and audit firms must pass comment on institutions' capital planning in their supervisory audit reports.

Unique positioning through sustainable Swiss private banking
In a fiercely competitive market, a unique positioning with a clear profile tailored to clients' needs plays a central role. A strong brand serves as a clear signpost for clients. Today, the Sarasin Group already commands a strong market position. Its corporate identity is based on the Bank's solid roots and values. However, these need to be strengthened further and communicated externally. Various measures were therefore drawn up by Corporate Communications and Corporate Marketing to strengthen the Sarasin brand even further and to sharpen employees' common understanding of what the brand stands for. Last but not least, a new image film was produced. This can be viewed on the Sarasin website. Selective activities to strengthen the Sarasin brand will continue during 2012.

During the reporting period, Bank Sarasin became the new national partner of Laureus Foundation Switzerland. This foundation, whose activities are centred primarily on sport carries out various projects for socially and economically deprived young people. This philanthropic commitment is in tune with the Bank's sustainable business philosophy. **More details on the sponsorship of the Laureus Foundation Switzerland and other sponsoring activities can be found in the Sustainability Report on page 45 and 47.**

Both the stipulations on the additional capital adequacy requirements and the rules on capital planning already represent major steps towards the implementation of the Basel III framework, even if it is not yet clear how the "Swiss finish" will be handled. The Bank will continue to actively monitor the implementation of the forthcoming measures in connection with Basel III.

Sale of financial stake in Neue Zürcher Bank does not affect results
In December 2011, Bank Sarasin sold its stake in Neue Zürcher Bank (NZB) back to NZB. Back in December 2009, Bank Sarasin already adjusted the value of its 40% financial interest in NZB Holding in accordance with the principle of prudence, making an impairment charge of CHF 70.2 million. The sale has no impact on the Bank's 2011 business results.

Segment posts a loss as expected due to its role as a major cost centre
The only operating income reported by the Corporate Center comes from the proceeds from investing the Bank's own capital, and from commissions from the Corporate Finance department. During the reporting period, both areas contributed to the improvement in the segment result. Losses booked as a result of technical contra-entries due to double payments of certain income from funds had a negative impact.

During the reporting period, the Corporate Center segment reported a loss, as expected, amounting to CHF 44.2 million (2010: CHF 49.8 million). Operating income stood at CHF –6.6 million (2010: CHF –13.8 million). Operating expenses were unchanged at CHF 12.7 million. The moderate rise in general administrative expenses and sharp increase in personnel expenses (+19%) – attributable to larger provisions for pension entitlements in Switzerland and additional impairments in the area of accident insurance and health insurance adjustment accounts – were passed on through the offsetting of internal services. There is no internal billing to other segments for important staff functions such as groupwide bookkeeping, communication and marketing. Depreciation and amortisation rose by 8% due to substantial investments in the Sarasin Group's IT infrastructure. Client assets, which were the result of double counting of Sarasin investment funds, amounted to CHF 8.6 billion.

Corporate Center

1,000 CHF	2011 adjusted	2010	Change to 2010 CHF	Change to 2010 %
Net interest income	**5,345**	7,558	–2,213	–29.3
Results from commission and service fee activities, trading operations and other ordinary results	**–11,954**	–21,324	9,370	43.9
Operating income	**–6,609**	**–13,766**	**7,157**	**52.0**
Personnel expenses	**90,962**	76,466	14,496	19.0
General administrative expenses	**56,984**	56,237	747	1.3
Services from or to other segments	**–135,281**	–120,041	–15,240	–12.7
Operating expenses	**12,665**	**12,662**	**3**	**0.0**
Operating profit	**–19,274**	**–26,428**	**7,154**	**27.1**
Depreciation and amortisation	**25,044**	23,232	1,812	7.8
Value adjustments, provisions and losses	**–78**	114	–192	–168.4
Profit before taxes per segment	**–44,240**	**–49,774**	**5,534**	**11.1**
Cost income ratio	**–570.6%**	–260.7%		
Net new money (million CHF)	**–724**	2,723		
Acquisitions (million CHF)	**0**	0		
Divestments (million CHF)	**0**	–683		
Performance (million CHF)	**–803**	–506		
Transfers (million CHF)	**–13**	621		
Proportion transaction related revenues	**26.6%**	225.1%		

	31.12.2011 adjusted	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets under management (million CHF)	**8,597**	10,137	–1,540	–15.2
Assets under management mandate (million CHF)	**0**	0	0	
Impaired and non-performing loans (1,000 CHF)	**46,273**	47,787	–1,514	–3.2
Number of employees (full-time equivalents)	**460.1**	437.7	22.4	5.1
Whereof client relationship managers (full-time equivalents)	**0.0**	0.0	0.0	

MINIMISE RISKS, EXPLOIT OPPORTUNITIES
Sustainability

Committed to sustainability for 170 years
Sustainability has been a firm component of the Sarasin Group's identity and stability as a Swiss private bank for 170 years. Sustainability enables the Bank to project a distinctive image on the market and creates continuity across time and generations. Sustainability is enshrined in the Sarasin Group's mission statement. In 2008, the Bank redefined itself as a bank that places particular emphasis on sustainability ("Sustainable Swiss Private Banking since 1841"). Since then, the Group has been committed to operating its core business in an even more consistently sustainable manner. It is a commitment for the future. The sustainability strategy is strictly implemented at management and operational levels, which ensures credibility.

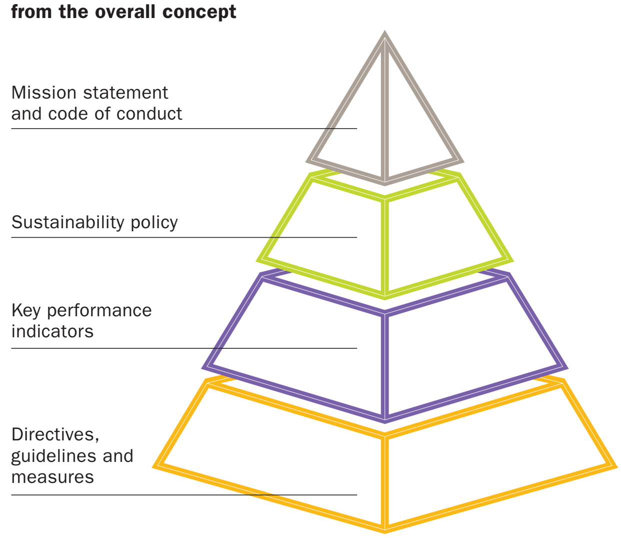
Pioneering role recognised
A number of prestigious industry awards recognise Bank Sarasin's record in living out its commitment to sustainability. In 2011 it was named "Cross-Regional Sustainable Bank of the Year" by the Financial Times and the International Finance Corporation (IFC), a member of the World Bank Group. The jury especially praised Bank Sarasin for its pioneering role in sustainable investments as well as its Group efforts to anchor sustainability across its entire international operations. For the second consecutive year Bank Sarasin was awarded the honour "Best Private Bank for Socially Responsible Investing" by the highly respected industry magazines The Banker and Professional Wealth Management.

Future-oriented strategy with clear goals
The Sarasin Group revised and restructured its sustainability strategy in 2010, focusing it on the definition of key performance indicators and corresponding medium-term targets for each one. The Sarasin Group's sustainability strategy is based on a pyramid structure.

At the top of the pyramid, Sarasin's mission statement and code of business conduct represent the key elements of its sustainability strategy. Introduced during the first quarter of 2011, the code of business conduct sets down the principles which all employees of the Sarasin Group and members of its Board of Directors must respect at all times when engaging in their business activities. The sustainability policy is the next level down. It summarises in three separate points how the Sarasin Group regards itself in the context of sustainability, which overriding objectives it pursues and how it intends to achieve them.

oekom research confirms our prime status
In 2011, the sustainability analysts at the independent rating agency oekom research once again awarded top marks to Bank Sarasin. In the current ratings, Bank Sarasin again ranked far higher than the industry average. The high proportion of assets under sustainable management was considered a particularly positive aspect. Special mention was made of Sarasin's detailed code of business conduct and the dedicated professional development program for employees as well as the Bank's efficient use of natural resources.

Fig. 24_How we arrived at our sustainability strategy from the overall concept



To implement the sustainability policy in a focused manner, the Sarasin Group has defined five key indicators with appropriate benchmarks and targets:

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

Sustainability Council and Sustainability Committee ensure that sustainability is firmly embedded
At the strategic level, the Sustainability Committee and the Sustainability Council ensure that sustainability is firmly embedded in all of the Group's divisions and at all levels. The task of the **Sustainability Council** is to assess all matters that are relevant in terms of sustainability with regard to target achievement, positioning opportunities and cost-efficiency. The **Sustainability Committee** ensures that there is engagement and a commitment to sustainability within the Group. It also deals with sustainability issues across divisions and offices at the highest management level.

Sarasin takes a holistic approach to sustainability
The Sarasin Group is convinced that the long-term prosperity of its clients represents the best basis for the consistency of its own success. To this end, its business activity is based on holistic thinking and action. As a maxim for decision-making, the Bank aims to achieve a long-lasting balance of its commercial, social and ecological responsibility. From experience, the Sarasin Group is convinced that this is the best way of combining the interests of its clients, employees and shareholders with its social responsibility.

A continuous process
Embedding sustainability in all divisions and at all levels of the Group is an ongoing process which is coordinated by the Group's **sustainability management team,** which is part of the Corporate Communications department. It is supported by the **international sustainability network.** Sustainability officers have been appointed in Basel, Dubai, Frankfurt, Geneva, Hong Kong, London, Singapore and Zurich. They are responsible for coordinating local sustainability measures and recording local sustainability indicators.

Standards approved
In 2011, the Sarasin Group set itself the goal of adopting sustainability standards for all relevant business activities. The Sarasin Group's policy on the armaments industry is a current example of the successful implementation of such a standard. The standard was approved by the Board of Directors and the Executive Committee. This means that the Sarasin Group disassociates itself from cluster bombs, biological and chemical weapons and anti-personnel mines.

Under the armaments policy now adopted, the Sarasin Group does not invest its own funds in securities of companies that are active in the domain of controversial armaments. In addition, it provides neither asset management nor advisory services regarding such companies and offers neither capital market nor mergers and acquisitions services for such companies. Nor does it accept securities from such companies as collateral for loans. The policy is available online at www.sarasin.com / Heading "Sustainability".

Focus on core business
Ensuring the sustainability of its core business is one of the Sarasin Group's top priorities. This is illustrated by the implementation of numerous farsighted, client-focused projects which help to ensure the future orientation of the Bank's business model. At the same time, the Bank defends its position as Switzerland's market leader in sustainable investments and also strives for a leading position in the principal international markets.

Taking a leadership role with its strategy for avoiding non tax-compliant assets
In the spring of 2009, the Sarasin Group opted to systematically pursue a strategy for avoiding non tax-compliant assets. The underlying rationale was the Bank's

"Were the goals achieved?"
The Bank regularly conducts internal reviews to determine the extent to which the goals have been achieved. The degree of attainment is divided into the following categories:

- ○ Goal not achieved
- ◔ Goal achievement project initiated
- ◑ Progress as planned
- ◕ Goal achievement project in end phase
- ● Goal achieved

conviction that only such a business model is oriented to the future. It focuses on the asset management of funds for which proper tax treatment is arranged by clients in their country of residence. This far-sighted decision minimises the risks for all parties involved. During the course of 2011, the Sarasin Group made consistent progress towards divesting assets whose tax status has not been regularised, and is on schedule to meet its goal by the end of 2012.

Compliant cross-border business
The Bank continues to makes selective investments in order to drive the geographical diversification of its business base in international growth markets. Here it focuses on individual country markets in Europe, the Middle East and Asia coupled with a wide range of both onshore and cross-border offerings. The Sarasin Group is well aware that more restrictive legal and regulatory frameworks place ever-greater demands on client relationship managers involved in cross-border business activities. For Sarasin, compliance with market-specific and regulatory requirements in Switzerland and in its target markets is paramount. A systematic organisational focus on the specific underlying conditions in the markets not only contributes to further enhancement of the professional quality of client relationship managers, who are free to concentrate on the unique aspects of a dedicated market, but also the minimisation of risks to the Bank itself. As part of its strategy to minimise risk and concentrate on selected markets, Bank Sarasin decided in 2008 to withdraw from the US market. This decision was implemented and finalised in 2009.

1_We define sustainability standards for all our business activities.
The goal was to put all sustainability guidelines, measures and standards for all relevant business activities into effect in 2011. With one exception, all the objectives were achieved. Sustainability will be integrated as a factor in the lending policy in 2012.

- ● Establishing a code of business conduct
- ● Integrating sustainability into the guidelines for donations
- ● Integrating sustainability into the guidelines for sponsoring and events
- ● Integrating sustainability into guidelines for procurement
- ◔ Integrating sustainability into the credit policy
- ● Establishing policies and processes for responsible investment decisions

Clients benefit from enhanced risk disclosure
Sarasin was also one of the first banks in Switzerland to introduce the EU's MiFID (Markets in Financial Instruments Directive) standards for clients in Switzerland in 2010 as a further step in its commitment towards minimising risk. The Bank is esteemed for its high-quality consultation, of which the "Know your clients" maxim and the determination of clients' risk tolerance and appetite form an integral part. Experience in 2011 demonstrates that the strategy is clearly paying off.

Sustainable and responsible investment universe
In order to expand its leading role, the decision was taken by management in early 2011, to gear the investment strategy of the Bank as a whole even more strongly towards sustainability. The appropriate adjustments have been made to the organisational structure of asset management in Switzerland in order to achieve the goal of greater consistency in the implementation of investment decisions. This is backed by an even broader and

2_We help clients make responsible investments.
The following objectives should be achieved by the end of 2012:

- ◑ Duplication of sustainable assets under management to CHF 25 billion
- ◑ International roll-out of sustainable approach
- ● Introducing innovative sustainability products to the market
- ● Maintaining market leadership in sustainable assets under management in Switzerland

more compelling sustainable product offering which includes responsibly managed solutions. In addition to sustainable products, Bank Sarasin also offers responsibly managed solutions. Investments in sustainable instruments continue to meet the stringent requirements of sustainable asset management. With responsible investing, it is possible to purchase instruments not designated as sustainable – but only after the environmental and social risks have been critically examined and monitored and then also identified as necessary and economically viable for the task. Responsible investment styles provide for a minimum standard, which at the same time underscores the credibility of Bank Sarasin's sustainability approach.

Sustainable mandates now in Asia as well
With a view towards raising the international profile of its sustainable asset management offering to private clients, the Bank launched a project in 2011 that allows it to also offer sustainable asset management mandates to clients in Hong Kong and Singapore as well as fully meet local needs and regulatory requirements. The project has already been successfully completed and mandates signed with the first clients in Asia at the end of 2011.

Bank Sarasin continues to reign as market leader in Switzerland
During the reporting period, assets managed sustainably by the Sarasin Group declined by 9% to CHF 12.3 billion as of 31 December 2011 mainly due to negative currency effects and poor equity market performance. In addition to its sustainably managed assets, responsibly managed assets (reported for the first time) stood at CHF 4.7 billion as of 31 December 2011. Sustainably managed discretionary mandates for private clients continue to enjoy strong demand among the Bank's clients in Switzerland: the number of mandates was increased by a further 5% during the reporting year. The corresponding total asset volume of sustainably managed discretionary mandates decreased by 4% as a result of negative market performance and currency effects. Measured in terms of the Sarasin Group's total client assets with asset management mandate (including proprietary funds), the proportion of responsibly managed assets stood at 11.3% as of 31 December 2011 and that of sustainably managed assets amounted to 29.7%.

At the end of 2010, the market for sustainable investments in Switzerland (investment funds, mandates and structured products) hit a new record high of CHF 42 billion, representing an increase of 23% on the previous year. In 2010 net inflows of sustainable assets averaged 4% while comparable non-sustainable Swiss funds posted net outflows of the same order of magnitude. With a market share of 27% Bank Sarasin continues to reign as market leader in sustainable investments in Switzerland.[1]

Exciting investment themes: water …
The Sarasin Group offers not only institutional investors but also private clients an innovative and sustainable product range catered to their individual investment needs while enabling them to benefit from customised management of their assets. One of the major investment themes dominating this decade is water. **Sarasin Sustainable Water Fund**[2] has been investing in this theme for four years now. The investment strategy makes cross-border and cross-sector investments in future-oriented sustainable companies covering the entire value chain of the global water market. For the second time, the fund received the Climate Change Award in the category "Water, Food, Agricul-

1 *Source: onValues (2011): Sustainable investments in Switzerland 2010.*

2 *This fund is approved for distribution in the following countries: Austria, Belgium, Denmark, France, Germany, Great Britain, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, Spain, Sweden and Switzerland. In Singapore it is registered as a restricted scheme.*

ture & Forestry Fund" from the industry magazine Investment Week and the wealth manager Holden & Partners at the end of 2011. The jury singled out the fund's unique investment selection process. In order to allow qualified investors in the international locations to invest in the Sarasin Sustainable Water Fund as well, Sarasin launched a new sub-fund in late May 2011 that is denominated in US dollars[1].

… and real estate
Many pension funds rely on a real estate focus in their portfolios. By contrast, Swiss pension funds invest in overseas real estate only to a limited extent. However, the growing shortage of opportunities in the Swiss market could change all that. Bank Sarasin and Catella Real Estate AG have joined forces to establish a real estate fund solely for institutional investors seeking new openings to diversify into international property markets. The first sustainable property fund aimed exclusively at institutional investors was launched in October 2011, with EUR 100 million fund volume investing solely in sustainable buildings in high-growth European cities. The newly launched fund will initially focus on Germany, France and the Nordic countries. The fund's management will invest primarily in office and commercial properties.

STOXX® made by Sarasin
As of March 2011, Bank Sarasin is responsible for the composition of the Stoxx® Sustainability Indices, taking the place of SAM Group. Index members are taken from the Stoxx® Europe 600 Index in line with Bank Sarasin's sustainability rating. As the sustainability ratings cover nearly all index members of the Stoxx® Europe 600 Index, the Stoxx Sustainability Indices will now be broader in scope.[2]

Relationships with stakeholders
It is important for the Sarasin Group to uphold an ongoing dialogue with all its stakeholders. For business-policy decisions made at a corporate management level, the management strives to take account of the interests of all stakeholders who are connected with the Sarasin Group. Sarasin identifies its stakeholders in line with the three pillars of its sustainability policy: "profit", "people", and "planet".

In the economic sustainability area ("profit") the demands made of the Sarasin Group come from the market participants. The focus here is upon the shareholders and analysts as well as existing and potential clients. In the social sustainability area ("people")

3_We build sustainable relationships with our stakeholders.
The following objectives should be achieved by the end of 2012:

- ◑ Establishing a continuous dialogue and engagement with external stakeholders on sustainability
- Further intensifying external communication on sustainability
- Encouraging knowledge on sustainability through own research studies and third party research projects

[1] *This fund is approved for distribution in Luxembourg and Singapore.*
[2] *The STOXX® Sustainability Indices are the intellectual property of STOXX® Limited. STOXX® makes no investment recommendations and shall not be liable for any errors or delays in the index calculation or data distribution.*

Sarasin differentiates between the employees as internal stakeholders on the one hand and external stakeholders on the other. Media professionals, suppliers and government agencies are the main external partners here. The ecological sustainability ("planet") demands made of Sarasin come largely from non-governmental organisations. The Sarasin Group wishes to intensify the active dialogue here in 2012.

Concrete examples of stakeholder dialogue, along with measures to support it, are described in the Sustainability Report 2011.

Sharing knowledge
The Sarasin Group compiles and shares knowledge about sustainability-related themes. Each year, the Sarasin Sustainability Research Team publishes studies on relevant themes and issues. The findings covered provide different stakeholders – such as analysts, media representatives, non-governmental organisations (NGOs) or an interested public audience – with basic information about the sustainability of individual sectors or technologies. In 2011, Sarasin published five sustainability studies: knowledge society as a megatrend, sustainability of sovereign bonds, healthcare in emerging markets, solar energy, and sustainability in the banking industry. In 2012, the team will be publishing a position paper or a more extensive report every month.

Sporting commitment
In April 2011, the Swiss Championships "Alpine Skiing for the Visually and Physically Handicapped" took place in St. Moritz. Volunteers from Bank Sarasin supported the entire proceedings and the event was organised by the Swiss Laureus Foundation. Bank Sarasin has been a national partner of this organisation since 2011; CEO Joachim H. Straehle is a member of the Board of Trustees. The Laureus Foundation supports projects which reduce the social challenges children and teenagers are facing, by encouraging them to participate in sporting activities, thus motivating them to cope better with their circumstances.

Sustainable corporate culture
The Sarasin Group is an attractive employer thanks to its clear positioning. The company attracts first-rate applicants both at home and abroad. The Group succeeds in winning and retaining high-performing employees thanks to its focused development programmes, strong corporate culture, convincing management personalities and competitive market-oriented salaries.

4_We live up to a responsible corporate behaviour.
The following objectives should be achieved by the end of 2012:

- ● Integrating sustainability into the MbOs (Management by Objectives)
- ◑ Implementation of a new process to manage human capital
- ◑ Groupwide rollout of the Sarasin Development Forum
- ◔ Establishing a health management concept for the staff of Bank Sarasin in Switzerland
- ◑ Further intensification of internal communication on sustainability

The headcount in the Sarasin Group grew this year by 72.8 jobs (+ 4%) to a total of 1,715.2 jobs (full-time equivalents) at year-end 2011. Sarasin conducted another employee survey across the Group in 2011 which showed a high level of satisfaction among its employees, with a score of 71 points out of a maximum of 100 points in the emotional attachment index. The groupwide fluctuation rate was 13%. In 2011, absenteeism due to illness and accidents totalled 2.2%. The proportion of female executives (in the two most senior management levels with the title of Managing Director or Executive Director) came to 12.9%.

By integrating the sustainability objectives into the staff appraisal and MbO process (SaraDialog), an important target for 2012 has already been achieved. The introduction of a groupwide code of business conduct in February 2011, provides a valuable roadmap for employees in their everyday work. The code sets down binding principles which all employees of the Sarasin Group and members of its Board of Directors must respect at all times in their business-related activities.

5_We offer services in a resource-efficient way.

Sarasin aims to meet the following targets by the end of 2015:

Indicator	Target 2015	**2011**	Status
CO_2 emissions/FTE (kg CO_2-e)	2000	**2427**	
Energy consumption/FTE (kWh)	5315	**5557**	
Water consumption/FTE (l/day)	41	**47**	
Paper consumption/FTE (kg)	101	**125**	
Proportion of recycled paper (%)	100	**72**	
Proportion of renewable energies (%)	70	**70**	

FTE = full-time equivalent employee

Development Forum

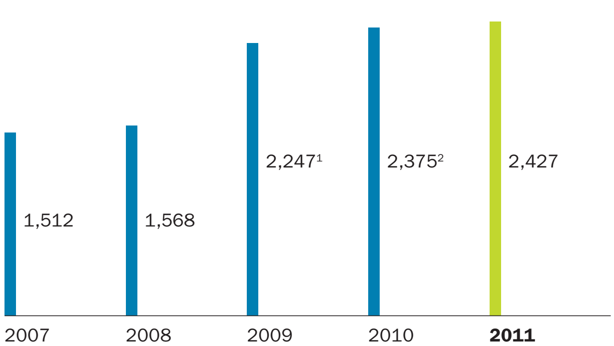
The new integrated professional development concept, the Development Forum, provides the Sarasin Group with a comprehensive, integrated solution catering for all training needs. In 2011 alone, a total of 1,095 training days were held as part of the forum – 80 percent of the management staff from the upper and middle levels attended a leadership development module. In the second half of 2011, the first leadership module was held in the Middle East in Dubai.

Sarasin is carbon-neutral

The total emission of CO_2 rose slightly in 2011 by 2% from the previous year to 2,427 kg CO_2-equivalent per employee. The largest sources of emissions are electricity consumption and air travel. In 2011, electricity consumption per employee rose slightly by 2%. The Sarasin Group has set itself the target of using only 100% recycled paper in future. In 2011, the proportion was 72%. The unavoidable CO_2 emissions are offset retroactively by the majority shareholder Rabobank. The CO_2 emissions in 2010 were offset by a wind energy project in the Jiangsu province in China.

Fig. 25_Trend in greenhouse gas emissions

(kg CO_2-equivalents per employee)



[1] *In 2009, the reporting system perimeter was extended to the Dubai, Frankfurt, Hong Kong and Singapore locations.*

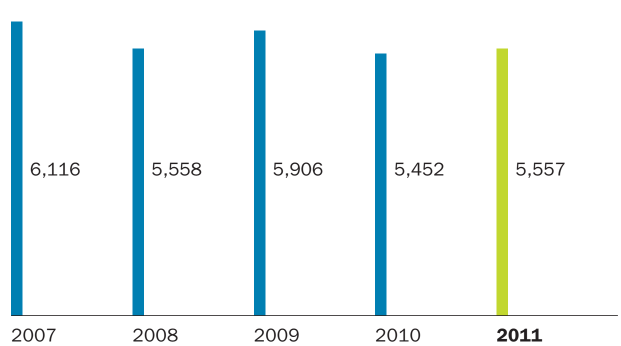
[2] *Flights adjusted due to a data error (plus 1,300,000 km).*

Taking early action to counter rising demand for electricity

The Sarasin Group regularly takes steps to improve energy efficiency. The focus is mainly on IT equipment – the largest energy consumer of financial service providers. In 2010, the Bank replaced the cooling units at the Basel head office with two new machines that were twice as efficient. In doing so, it took early action to meet the future increase in power demand resulting from higher server performance. Annual heating energy requirements depend heavily on outside temperatures during the heating period. In 2011, the winter was relatively mild. Nevertheless, in order to minimise energy requirements on cold days, an automatic heating control system has been installed in the Basel head office. This measure also contributed to a 34% reduction in

Fig. 26_Electricity consumption per employee

(kWh)



heating energy per employee to 1,010 kWh compared to the previous year.

Electricity from renewable energies
As a pioneer in environmental protection, Bank Sarasin showed its colours as early as 1993 when it installed its own photovoltaic system on the roof of its Basel head office. Each year, the system produces power for six average four-person households. In 2011, this amounted to 26,848 kilowatt hours (kWh). Renewable sources account for 70% of the electricity consumed in the Sarasin Group; at the Swiss sites, the figure is already 100%.

Transparent reporting of non-financial indicators
Every year the Sarasin Group reports on its initiatives to achieve a higher level of sustainability, fulfil its social responsibility and promote environmental protection. This chapter is a summary of the Sustainability Report 2011, whose main theme is "Contrast". This publication will be available on the Internet from 26 March 2012 onwards at www.sarasin.com. Printed copies are also available on request. The full audited GRI report on the sustainability indicators is also available on the website.

KEEPING OPEN POTENTIAL COURSES OF ACTION
Risk management

1. Risk management principles

Risk taking is an integral part 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. Managing and controlling these risks is a crucial success factor and is also a vital link in the value creation chain. Active risk management minimises undesirable risks and allows the capital to be employed more efficiently to the benefit of shareholders and all other stakeholders.

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.

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 and reputational risks (see point 5)

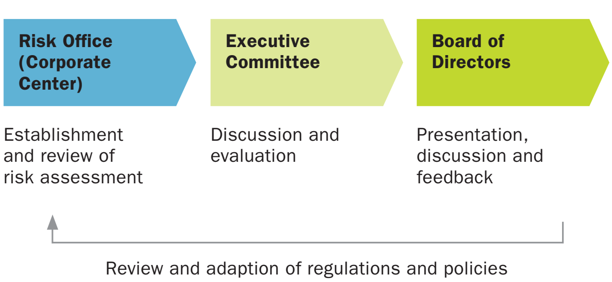
Risk culture
The quality of risk management achieved in a business is not simply a question of adhering to formal internal and external regulations. The risk awareness of the decision-makers and the development of an appropriate risk culture are equally important. Quantitative techniques, which often tend to be the focal point of analysis, are just one part of a comprehensive risk management system. The discipline and diligence of those responsible in performing their duties in the risk management process are vitally important. 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.

Economic environment
The European debt crisis was the dominant feature of 2011. As the contagion spread from Greece, the confidence of markets in the solvency of other eurozone members such as Spain, Italy and even France was badly shaken. A number of EU countries, as well as many banks, had their credit ratings cut. Even the USA saw its top credit rating cut for the first time by S&P, although this was not directly related to the euro crisis, but had more to do with domestic problems. As in the preceding financial crisis of 2008, the loss of confidence in the interbank market created a situation where banks hardly made any unsecured loans available, forcing institutions to switch to alternative financing and investment instruments. Heavy use was made here of the central banks' monetary policy instruments to try and avoid liquidity bottlenecks. One noticeable impact of the eurozone debt crisis was the dramatic appreciation of the Swiss franc versus the euro, with both currencies almost reaching parity for a short time. This prompted the Swiss National Bank to intervene and introduce – for the first time since 1978 – an exchange rate floor of CHF 1.20 per euro. In addition, the billion-dollar loss suffered by UBS following unauthorised trading by a rogue dealer fuelled discussion about tougher industry regulations and requirements.
More details on the business environment in 2012 can be found in the section market climate and strategy (page 12 onwards).

2. Risk management organisation

The **Board of Directors** carries the ultimate responsibility in Bank Sarasin's multilevel risk management organisation. Its task is 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.

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



[1] *Independent committee up to mid-2011, then integrated into the Treasury Committee.*

The key elements of risk assessment are:

> An in-depth **risk profile** that 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 to 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 in the definition of a risk appetite which is expressed as a selection of different risk limits for each risk category.

The **CEO and the Senior Management (Executive Committee)** are responsible for implementing the risk management and risk controlling principles approved by the Board of Directors. To ensure holistic risk management, the Executive Committee has appointed the necessary committees to deal with risks, which on the one hand act as decision-making bodies for key issues and risks. 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 committees. The **Central Credit Committee** (CCC) is in charge of managing the credit risks. The **Treasury Committee** controls and manages interest-rate risk, short-term liquidity risk and mid- to long-term refinancing risks. The **Asset and Liability Committee** (ALCO) manages the Bank's financial investments. In mid-2011, ALCO was abolished as an independent committee and integrated into the Treasury Committee in order to optimise the management of the Bank's financial investments, especially its liquidity holdings. 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 (up to mid-2011, when it was integrated into the Treasury Committee) 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, from an organisational perspective, independent 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 set-up 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 Audit Committee, 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 calls 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 Executive Committee, 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 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 Audit Committee.

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 of the 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 relevant units, including Logistics (IT, Operations, etc.), Legal & Compliance, Accounting and the Risk Office. The involvement of all these units at an early stage ensures comprehensive, cross-discipline assessment of every new business transaction or process and its associated risks.

3. Market and liquidity risks

Market risks

When managing market risks, a distinction is made between trading positions, where the responsibilities are delegated to the Trading & Family Offices (TFO) and Asset Management, Products & Sales (APS) divisions, and the positions in the banking book, for which ALCO and the Treasury Committee are responsible. In the area of trading, the TFO division is responsible for settling customer transactions and for proprietary trading in the spot and derivatives markets for fixed-income securities, equities, interest-rate products, precious metals and foreign currencies, while the APS division is responsible for market-making in the Bank's own structured products and derivatives. The Treasury Committee controls and monitors the Group's interest-rate risk, short-term liquidity risk and mid- to long-term refinancing risks. Last but not least, the ALCO is responsible for the management of the Group's financial investments. In mid-2011, ALCO was integrated into the Treasury Committee in order to optimise the management of the entire Group's financial investments, especially its liquidity holdings.

The **market risk** refers to the risk of a loss due to changes in the market prices of interest-rate products, currencies, foreign notes and coins, precious metals, shares and other securities as well as derivative positions on all asset classes.

Market risks from proprietary trading positions assumed by subsidiaries are only marginally important, as the subsidiaries are neither engaged in market making nor in proprietary 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.

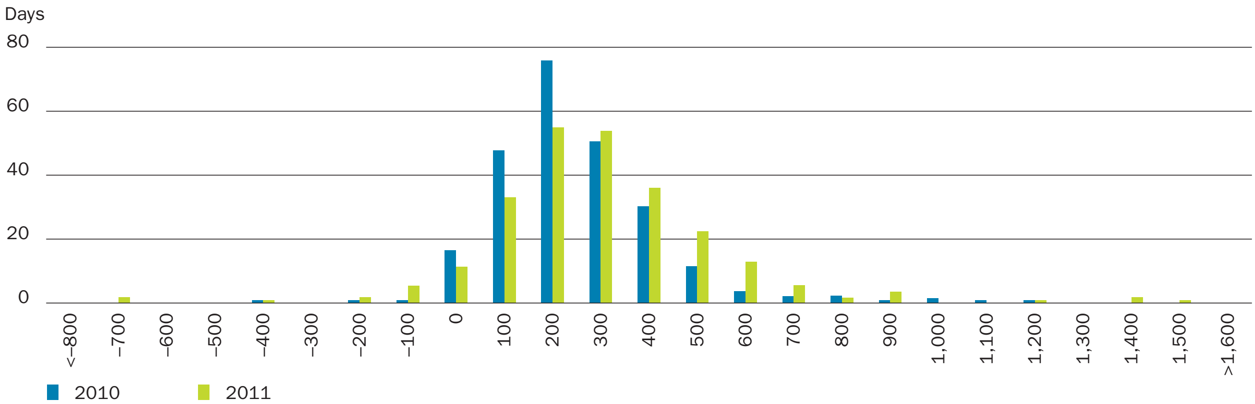
> **Scenario analyses and limits:** In order to be able to assess the market risk under any market conditions and for positions with asymmetric payout profiles (options), the scenario analysis is performed in addition to the VaR method. Its technique is based on predefined normal and extreme, but perfectly 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. This is supplemented by the use of nominal limits, primarily to facilitate the monitoring of intraday positions.

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 exceeded, clear escalation and reporting procedures are defined to ensure that the limits are restored.

Fig. 27_Distribution of daily revenues from trading activities

(1,000 CHF)



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

The Group's VaR as at 31 December 2011 came to CHF 225,000 (1 day holding period, 97.5% confidence level, one-sided). Figure 28 shows that the total VaR of the trading book averaged CHF 493,000 and over the course of the year fluctuated between CHF 163,000 and CHF 826,000. 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 distribution of the daily revenues from the parent bank's trading activities shows that the maximum losses incurred in the past year were much lower than the losses defined by means of the VaR limits. This also shows that open positions were only entered into to a minimal extent.

Fig. 28_Value at Risk[1] of the Sarasin Group's trading book, divided into risk factors

(1,000 CHF)

	31.12.2011	ø	min.	max.
Equities risk	179	64	18	204
Interest rate risk	57	88	20	230
Currency risk	99	424	54	789
Structured products	59	143	45	602
Diversification	169	227		
Total	**225**	**493**	**163**	**826**

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

The VaR is an adequate 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. 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.

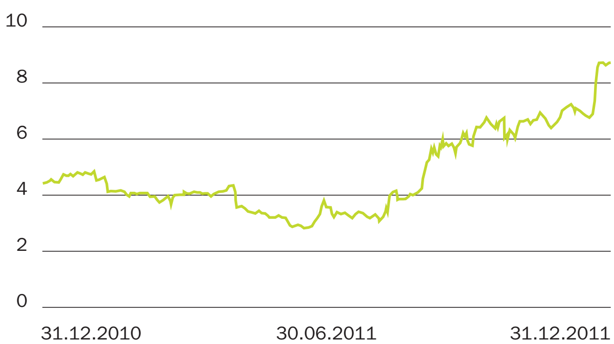
Development of market risks in the banking book

Responsibility for managing the market risks in the banking book is shared by the Treasury Committee and ALCO. In mid-2011, ALCO was integrated into the Treasury Committee in order to optimise the management of the entire Group's financial investments, as well as its liquidity. As part of this move, bonds and liquid assets were allocated to the Treasury Portfolio. The residual portfolio ("ALCO Investment Portfolio") had a volume of CHF 278 million on 31 December 2011 and mainly comprised equities (55%) as well as alternative investments (approx. 22%) and the remaining fixed-income positions (around 20%) combined. The rest comprises a euro cash position. The exclusively liquid assets are as a rule reported in the balance sheet as financial investments available for sale.

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 high equities quota and changes in the market parameters, the VaR of the ALCO portfolio is relatively exposed to strong fluctuations. Despite the rise in the VaR in the second half of the year, the limit of CHF 11 million was adhered to at all times.

Fig. 29_VaR of the actively managed portfolio during the course of 2011

(million CHF)



Interest-rate risks in the banking book

The main tasks of the **Treasury Committee** are to monitor and actively control the interest-rate risk, short-term liquidity risk and mid- to long-term refinancing risks. 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, or at least once a month. At Group level, the interest-rate risks are limited and controlled through sensitivity limits on the assets and income effect. Sub-limits 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 Treasury Committee 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 re-fixing of interest rates is to ensure that loans are refinanced with matching maturities. Interest-rate swaps are used to convert the interest-rate risk of long-term assets or liabilities into that of short-term variable positions.

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

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.

Over the course of 2011, Bank Sarasin deliberately kept its interest-rate risks on its balance sheet at a very low level.

Liquidity risks

In addition to controlling interest-rate risks, Bank Sarasin's Treasury Committee is responsible for monitoring liquidity. 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 bank, 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. Over the course of 2011, this bandwidth was increased, on the one hand in order to be prepared for further tightening of the interbank market, and on the other to cater for the increased liquidity requirement as a result of subsidiaries being integrated into the parent bank. 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.

Optimising liquidity management

The escalation of the European debt crisis with its negative consequences for the money and capital markets and the associated depreciation of the single European currency compared with the Swiss franc, significantly influenced Bank Sarasin's liquidity management in the second half of 2011 especially.

In 2011, Bank Sarasin's underlying conservative approach once again made an important contribution towards safeguarding liquidity and a solid financing structure. Back in 2010, Sarasin already made efforts to increase the diversification of its refinancing sources and reduce its dependence on the interbank market. This was in response to the pattern of conduct already observed in banks stopping unsecured loans to other banks in times of crisis. In 2011, Sarasin was able to make active use of the Pfandbriefbank schweizerischer Hypothekarinstitute AG as a refinancing source, thereby increasing its flexibility even further.

Over the course of 2011, liquidity management was also influenced by another development in the financial crisis. On 3 August 2011, the Swiss National Bank announced that it was implementing measures to combat the appreciation of the Swiss franc versus the euro. Among other things, it decided to stop issuing anymore SNB bills and to buy back outstanding securities in a move to reduce Swiss franc interest rates. But this removed a very commonly used, very secure, short-term Swiss franc investments instrument and caused a certain amount of investment plight (not just at Bank Sarasin) as the yields on other secure, and above all liquid, investments trended down towards zero, and in some cases below zero. Despite only offering a zero interest rate, the SNB giro account therefore became a safe haven for Swiss franc investments in order to safeguard the liquidity cushion prescribed by regulators.

The central liquidity management, whose tools include

> a liquidity preview showing the Bank's 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,

once again proved effective over the past year. Liquidity was assured at all times by identifying potential bottlenecks well in advance and taking appropriate measures even in challenging markets, without unduly negative consequences for the rest of Bank Sarasin's activities.

4. Credit risks

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.

4.1 Lending business with clients

Lending policy

Bank Sarasin is involved almost exclusively in asset-management-linked lending business with private clients, with particular emphasis on collateral loans and mortgages. Other types of loans also include guarantees and credit lines in connection with forward and derivative transactions. Bank Sarasin engages in this lending business in order to offer its clients competitive products and services, thereby enhancing customer satisfaction and loyalty. Bank Sarasin offers collateral loans, i.e. loans where marketable securities are pledged as collateral, on an international basis, while its mortgage lending business focuses primarily on Switzerland.

Responsibilities

The granting of loans and monitoring of credit risks is performed by independent Credit Officers (CO) and Credit Monitoring Officers (CMO). They report to the Chief Credit Officer (CCO), who in turn reports to the CFO. The COs and CMOs are responsible for assessing the credit risks and continuously monitoring lending exposure.

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

Collateral loans, with a volume of CHF 7.6 billion, are Bank Sarasin's most important form of lending, followed by mortgages, margin requirements and contingent liabilities[1]. The collateral loans business grew by around CHF 200 million during the reporting period.

Fig. 30_Lending volumes by type of credit and booking center as at 31 December 2011

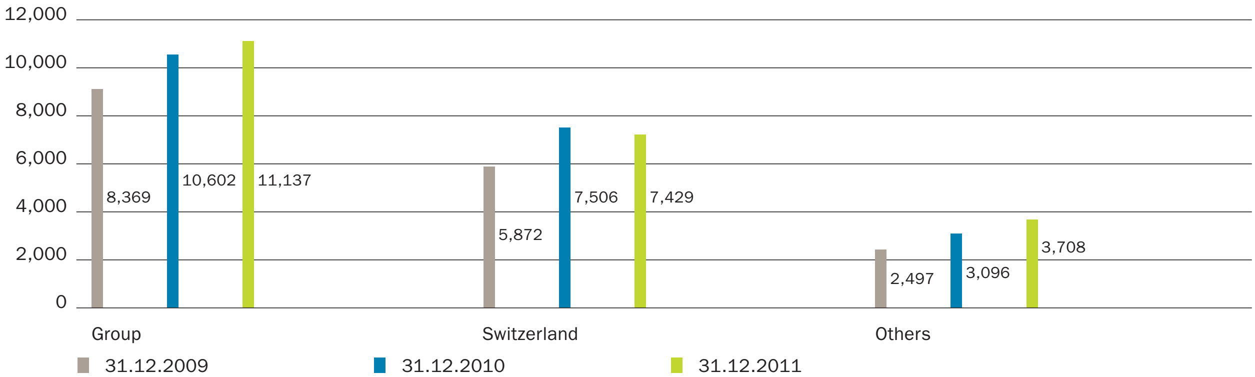
million CHF	Collateral loans	Mortgages	Margin require-ments	Contingent liabilities
Switzerland	4,272	2,264	594	299
Asia	2,996	0	214	67
Germany	303	11	0	15
bank zweiplus	31	71	0	0
Total	**7,602**	**2,346**	**808**	**381**

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

[1] Contingent liabilities contain credit guarantees and performance guarantees.

Fig. 31_Lending growth (including contingent liabilities and margin requirements)

(million CHF)



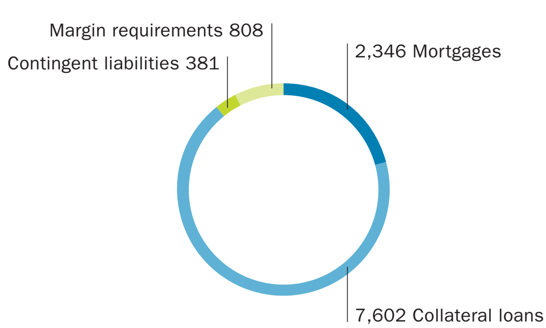
Growth in mortgages in Switzerland fell back, with volumes increasing by around CHF 300 million or 14%, compared with 66% in the previous year.

In regional terms, i.e. broken down by booking centre, 66% of the credit exposure is concentrated in the Swiss booking centre (2010: 70%), while Asia accounts for well over 30% of loans booked (2010: almost 30%). 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 risen, reflecting an increase in client activity in derivative products.

Fig. 32_Composition of loan portfolio, credit exposure

(million CHF)



31.12.2011

4.2 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 were handled in 2011 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.

The ex ante **identification** of credit risks is performed in close collaboration with the relevant front office entities 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.

The **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.

The **approvals** process for counterparty limits 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.

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 Group level,

Development of bank limits

The level of risk from business with banks increased over the course of 2011. The downgrading of the credit ratings of many European and US financial institutions by the three leading rating agencies was just one of the examples of the increased risk. To make allowances for this, more effort was made than in the past to conclude transactions with other banks on a covered basis. This affects in particular trading in derivative products as well as investment in short-term money via the Eurex repo platform rather than using the uncovered interbank market, wherever possible.

Limits for investing the Bank's own money with third-party banks were reduced to a minimum not just by Rabobank but also internally. This not only affected institutions based in the crisis-hit PIIGS countries of Portugal, Italy, Ireland, Greece and Spain, but also the big French banks. This precautionary measure was taken in order to further scale back risk exposure to such counterparties. However, there was never any need to suddenly reduce large holdings of bonds or uncovered interbank positions as part of a concerted action.

By the end of 2011, exposure to PIIGS countries and to banks based in these countries, was minimal. There was an outstanding bank loan of CHF 2 million to an Irish financial institution and sovereign bonds of Spain (CHF 1.2 million) and Italy (CHF 0.5 million).

there is daily **monitoring** of limits 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 tailored to the appropriate level not only to the Treasury Commitee, but also to Bank Sarasin's Executive Committee. For information purposes, there is a web-based portal that allows the management to view the current limits and positions at any time.

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 Executive Committee. Potential remedial measures include reducing limits, banning new business or closing open positions.

5. Operational risks and reputational risks

While market and credit risks are entered into with a view towards making a profit, operational risks are an inevitable consequence of business activity. Responsibility for managing these risks lies primarily with the Divisions and occurs by means of appropriate measures such as internal control systems as well as training employees and raising their awareness of these risks. To gain an overview of these risks and be able to control them at group level, a uniform framework is applied for operational risks across the entire Sarasin Group.

Directives and guidelines define the responsibilities of the central Risk Office as well as the tasks and competencies of the individual divisions. At the same time they serve as a guide for identifying and measuring operational risks and meeting the relevant reporting obligations.

Using the **operational risk criticality index,** all of Sarasin Group's principal entities are regularly assessed on the basis of standard criteria to ascertain the potential

Fig. 33_Credit risk exposure to banks in 2011

(million CHF)

Rating class	No. of banks as at 31.12.2011	31.12.2010	31.03.2011	30.06.2011	30.09.2011	31.12.2011	Ø 2011
AAA	13	800	808	708	693	472	670
AA	23	764	765	666	734	876	760
A	38	1,527	1,624	1,807	1,498	1,261	1,548
BBB	10	81	68	79	86	45	70
BB	0	0	11	0	0	0	3
B	0	4	0	0	0	0	0
CCC	0	0	4	0	0	0	1
n/a	30	474	478	316	519	642	489
Total	**114**	**3,651**	**3,758**	**3,577**	**3,530**	**3,297**	**3,540**

- 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.
- The cut in Rabobank's rating from "AAA" to "AA" prompted a shift in the credit risks in these two rating classes during Q4 due to the relatively high amounts due from Rabobank.
- Credit risks in rating class "CCC" were residual positions from interbank term deposits with the Anglo Irish Bank which matured in 2011 and repaid back on time.
- 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.

Fig. 34_Operational risk framework

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 to the entity in question.

The **loss event database** records and categorises the Sarasin Group's losses. The systematic recording of loss events is a cornerstone of reactive risk management and helps to improve processes and internal controls.

To provide a more forward-looking view of existing risks, Sarasin has developed **key risk indicators.** 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.

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.

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 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.

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.

Reputational risks

Because of its high public standing, its professionalism, integrity and reliability, Bank Sarasin has an excellent reputation which it needs to protect. In order to identify potential reputational risks at an early stage and take any countermeasures necessary, the Risk Office has defined a management and control process for reputational risks which has been approved by the Executive Committee. This is embedded in the Bank's existing structures and processes in the area of risk management.

Reputational risk is defined as the current or potential risk of damaging economic consequences for the Bank as a result of the relevant stakeholders having a negative perception of the Bank.

Business Continuity Management (BCM)

BCM ensures that the Bank is able to maintain or quickly restore critical business functions in the event of an internal or external crisis. The purpose of the BCM is to minimise the financial, legal and reputational damage in the event of a crisis.

Bank Sarasin's BCM is based on recognised best practice guidelines, especially the recommendations of the Swiss Bankers Association. BCM elements, organisation and responsibilities are regulated in a directive. Working with the specialist departments, the Risk Office carries out a business impact analysis and draws up a business continuity strategy which is approved by the Executive Committee. The relevant divisions are responsible for drawing up and testing the business continuity plans on a decentralised basis and in compliance with country-specific criteria.

The **business impact analysis** involves identifying business-critical processes and the underlying resources as well as identifying and describing the impacts of a failure of one or more critical resources.

The **business continuity strategy** defines the general procedures to follow when critical resources are lost and contains basic instructions on how substitute resources are to be made available.

The **business continuity plans** set down comprehensive measures for ensuring uninterrupted business activity or the swift resumption of critical processes and contains detailed instructions on procedures to follow and responsibilities when critical resources are lost.

In the event of a crisis, there is a crisis organisation led by the Head of the Logistics Division. A dedicated crisis management team is convened to handle the crisis until normal operation is resumed. The communication, organisation, dissolution, responsibilities and powers of the crisis management function are set down in the Security Manual.

COMMITTED TO TRANSPARENT STRUCTURES
Corporate Governance

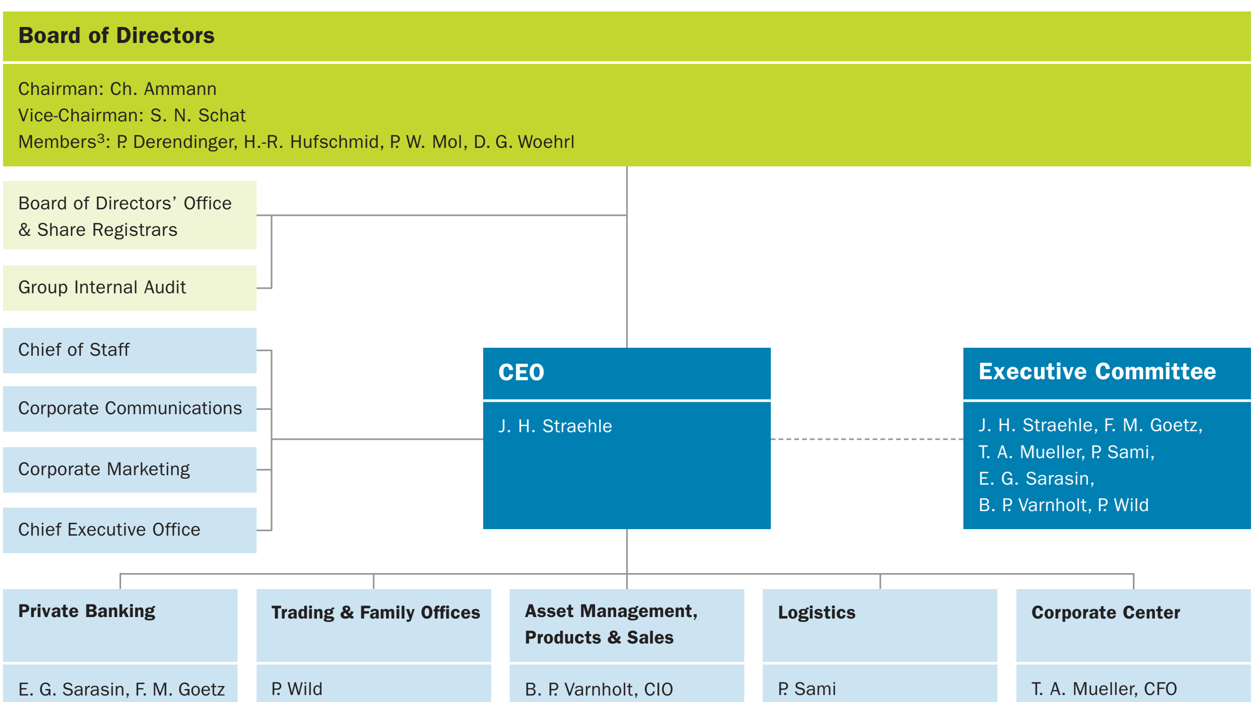
The corporate governance principles and rules followed by Bank Sarasin & Co. Ltd are laid down by the Articles of Association[1], the Regulations for Organisational Structures and Business Management[2] and the regulations of the Board's committees. They are regularly reviewed in accordance with applicable 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. 35_Operational presentation of the Group's structure (as at 31 December 2011)

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 156.

[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").

[3] One vacancy as representative of the majority shareholder.

At the Annual General Meeting of shareholders of Bank Sarasin & Co. Ltd of 6 April 2011, shareholders elected Dagmar G. Woehrl to the Board of Directors for the first time. Hans-Rudolf Hufschmid and Peter Derendinger were re-elected as board members up to 2014.

The Chairman of the Board of Directors Christoph Amman acknowledged the commendable services of Christian Brueckner who did not put himself forward for re-election due to age considerations. The Chairman also paid respects to Vice-Chairman Hubertus Heemskerk who died unexpectedly shortly before the 2011 Annual General Meeting.

Pim W. Mol's term of office as a Board member is scheduled to end at the Annual General Meeting on 26 March 2012. In view of Safra's planned acquisition of Rabobank's majority shareholding, the Board of Directors proposes Pim W. Mol for re-election for a term of office lasting only until the closing of the transaction. Elections of the representatives of the new majority shareholder Safra will be held as part of a general re-election of the Board of Directors at an Extraordinary General Meeting to be convened after the closing of the transaction.

In January 2011, the Sarasin Trust Company (Singapore) Limited was established to provide in-house trust, estate and succession planning advice.

Sarasin's new branch office in Lucerne opened its doors for business at the start of July 2011. This brings the number of Swiss locations of Bank Sarasin & Co. Ltd to six.

On 1 July 2011, the business activities of Bank Sarasin (CI) Limited were transferred across to Bank Sarasin & Co. Ltd, Guernsey Branch, which enjoys the status of a branch of Bank Sarasin & Co. Ltd. As a result of this restructuring, the subsidiaries Bank Sarasin (CI) Limited and Sarasin Funds Management (Guernsey) Ltd are going into liquidation.

In mid-July 2011, Bank Sarasin AG opened its fourth German office in the city of Cologne, continuing the successful growth strategy in this core market. In January 2012, Bank Sarasin AG was set to open a new branch in Hamburg and another one in Hanover. This will bring the number of locations in Germany up to six.

In autumn 2011, Arcavio Ltd opened its doors for business. Arcavio Ltd supports Sarasin's Multi Family Office and is an independent subsidiary of Bank Sarasin & Co. Ltd.

On 21 December 2011, Sarabet AG took over the assets and liabilities of Sarasin Holding AG through a merger process.

On 1 January 2012, the Singapore location was upgraded. The private banking business in Singapore was transferred from Bank Sarasin-Rabo (Asia) Limited (formerly Rabobank Asia Limited) to Bank Sarasin & Co. Ltd Singapore Branch and the licence status upgraded to an offshore branch.

Sarasin CEE & Austria AG, Vienna, is due to be liquidated in the course of 2012. The Vienna location will continue at the same address, but as a branch of Bank Sarasin AG, Germany, focusing on institutional business.

In December 2011, Bank Sarasin & Co. Ltd divested its shareholding in Neue Zürcher Bank (NZB) by selling it back to NZB.

bank zweiplus ag and the media company Ringier have set up a new joint venture, cash zweiplus ag, to commercialise the media brand "cash". Each partner owns a 50% stake in the joint venture, which is due to start trading in early 2012.

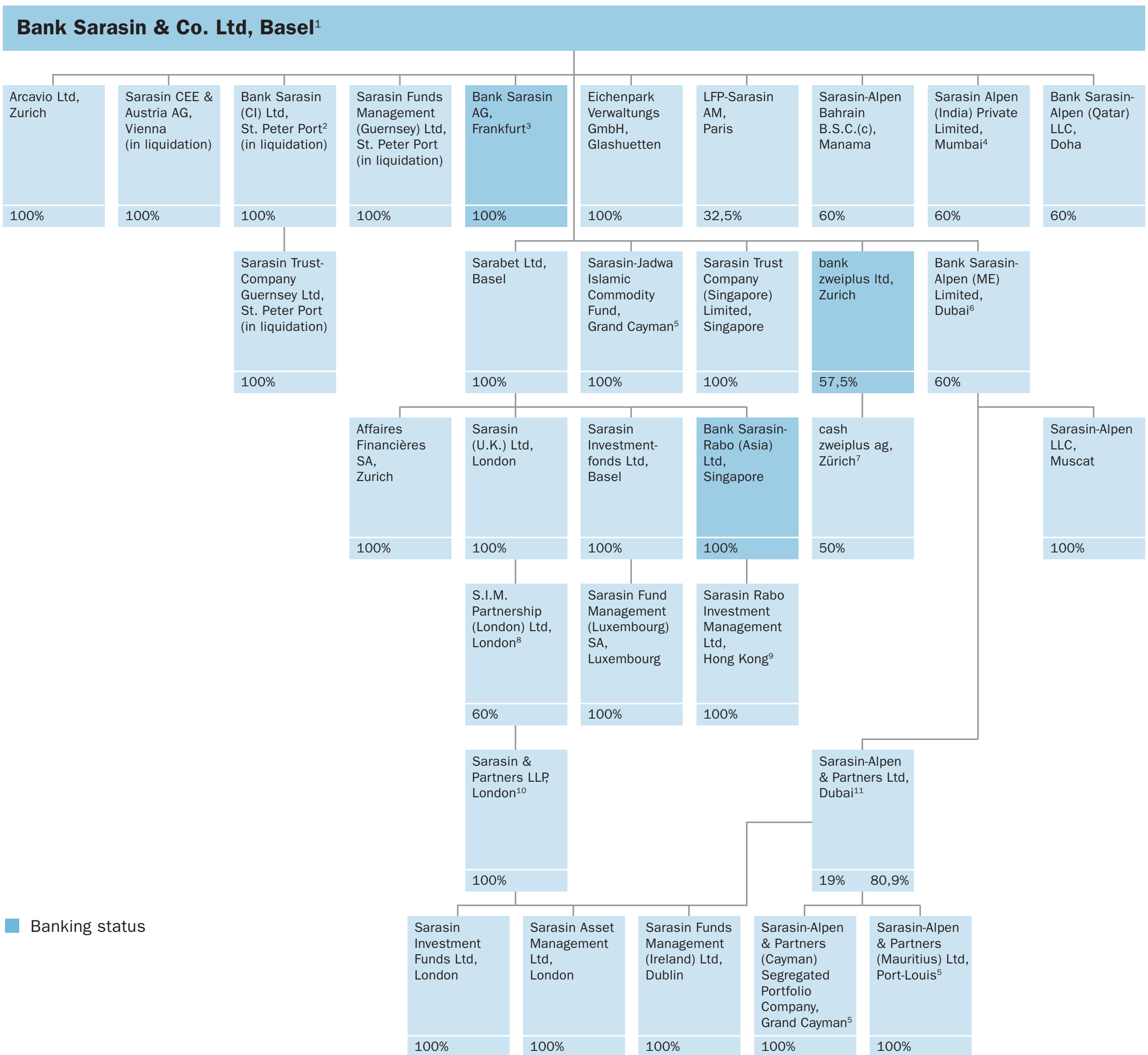
1.2 Significant shareholders

As of 31 December 2011, the following shareholders held over 3% of the voting rights in Bank Sarasin & Co. Ltd:

Rabobank
On 31 December 2011, Rabobank owned through IPB Holding B.V. all 56,571,428 class A registered shares and 17,660,983 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.

At the end of November 2011, Rabobank and Safra signed a takeover agreement under which Safra will acquire Rabobank's entire shareholding in Bank Sarasin & Co. Ltd at a price of CHF 7.20 per class A registered share and CHF 36.00 per class B registered share. The transaction still needs to be approved by the competent authorities in Switzerland and abroad. Once ap-

Fig. 36_Legal structure of the subsidiaries (as at 31 December 2011)



1 *Basel (Head office), branches: Berne, Geneva, Lucerne, Lugano, Zurich, Guernsey, Hong Kong, Singapore, representative offices: Vienna, Warsaw*

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

3 *Frankfurt (Head office), branches: Cologne, Munich, Nuremberg, as of 2012 Hamburg, Hanover.*

4 *Mumbai (Head office), branch: New Delhi.*

5 *These companies are fund constructions whose units are owned by investors. Nevertheless, they are subject to Bank Sarasin's consolidated supervision and are therefore reported here.*

6 *Dubai (Head office), representative office: Abu Dhabi.*

7 *Start of business activity expected spring 2012.*

8 *60% of the shares are owned by Sarasin (U.K.) Ltd, 40% of the shares held by management.*

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

10 *London (Head office), branch: Dublin.*

11 *Bank Sarasin & Co. Ltd holds 2 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 167 in the Notes to the consolidated financial statements (Note 7.4).

proved, the transaction can be closed. As things stand, this should happen mid of 2012. Once the transaction has been concluded, Joseph Y. Safra, Brazil, – according to the disclosure made on 3 December 2011 to the SIX Swiss Exchange's Issuer Reporting unit – holds indirectly through various companies the entire 56,571,428 class A registered shares as well as all the 17,955,996 class B registered shares.

Bank of New York Mellon Corporation (USA)
Bank of New York Mellon Corporation (USA) announced on 25 May 2011, that the bank and its group entities still own 3.68% of the voting rights of Bank Sarasin & Co. Ltd. On 23 February 2011, Bank of New York Mellon Corporation (USA) announced that it still owned 3.79% of the voting rights.

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 182 in the Notes to its financial statements.

2.2 Authorised and conditional capital in particular
Further details regarding Bank Sarasin & Co. Ltd's authorised and conditional share capital can be found on page 182 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 182 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.

Fig. 37_Distribution of Sarasin class B registered shares

on 31 December 2011	Shareholders Number	%	Shares Number	%
Number of class B registered shares				
1–100	300	12.75	15,288	0.03
101–1,000	1,231	52.32	573,361	1.11
1,001–515,850 (≤1%)	812	34.51	13,631,747	26.43
515,851–1,031,701 (≤2%)	6	0.25	5,060,549	9.81
1,031,702–1,547,552 (≤3%)	1	0.04	1,473,924	2.86
1,547,553–2,063,403 (≤4%)	1	0.04	1,731,813	3.36
2,063,404–2,579,254 (≤5%)	1	0.04	2,543,864	4.93
>2,579,255 (>5%)	1	0.04	17,645,452	34.21
Total registered shares	2,353	100.00	42,675,998	82.73
Total unregistered shares[1]			8,909,099	17.27
Total issued shares		**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).

[1] *Shares that were not entered in the share register on 31 December 2011.*

Fig. 38_Registered shareholders: categories and distribution (Sarasin class B registered shares)

	Shareholders		Shares	
on 31 December 2011	Number	%	Number	%
Natural persons	2,064	87.72	10,809,654	20.96
Legal persons	289	12.28	31,866,344	61.77
Unregistered shares			8,909,099	17.27
Total	**2,353**	**100.00**	**51,585,097**	**100.00**
Nationality:				
Swiss	2,172	92.31	16,970,559	32.90
Other	181	7.69	25,705,439	49.83
Unregistered shares			8,909,099	17.27
Total	**2,353**	**100.00**	**51,585,097**	**100.00**

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

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[1], recognition and registration in the share register as shareholders of class B registered shares may be refused in cases where:

> Despite a request from the company, the party that has acquired shares does not expressly state that they have been acquired in his or her own name and on his or her own account.
> As a result of the transaction, the person acquiring the shares would hold more than 5% of the total number of class B registered shares recorded in the Commercial Register. Shareholders and beneficiaries who cooperate to circumvent the restrictions on inclusion in the share register are regarded as a single person.
> Approval of the acquisition might prevent the company from providing the proof about the composition of its shareholders that is required under Federal legislation in Switzerland.

Exceptions may be made at the discretion of the Board of Directors, which is guided by the interests of the company when making its decision.

2.6.2 Reasons for granting exceptions in the year under review

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

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 134 and 135. There are no outstanding options granted to staff which, if exercised, would be issued from conditional capital.

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

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 2011 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 of Bank Sarasin & Co. Ltd of 6 April 2011, shareholders elected Dagmar G. Woehrl to the Board of Directors for the first time. Hans-Rudolf Hufschmid and Peter Derendinger were re-elected as board members up to 2014.

The Chairman of the Board of Directors Christoph Amman acknowledged the commendable services of Christian Brueckner who did not put himself forward for re-election due to age considerations. The Chairman also paid respects to Vice-Chairman Hubertus Heemskerk who died unexpectedly shortly before the 2011 Annual General Meeting.

Pim W. Mol's term of office as a Board member is scheduled to end at the Annual General Meeting on 26 March 2012. In view of Safra's planned acquisition of Rabobank's majority shareholding, the Board of Directors proposes Pim W. Mol for re-election for a term of office lasting only until the closing of the transaction. Elections of the representatives of the new majority shareholder Safra will be held as part of a general re-election of the Board of Directors at an Extraordinary General Meeting to be convened after the closing of the transaction.

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.

Sipko N. Schat, Vice-Chairman
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.

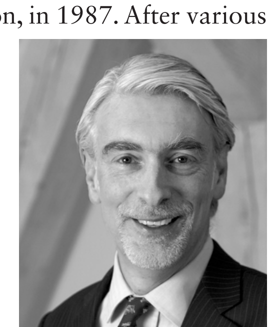
Peter Derendinger
Born 1959; Swiss citizen; lives in Wilen, Switzerland; PhD in law from the University of Fribourg, Switzerland, and LL.M. from the Northwestern University School of Law, Chicago, USA.
After starting his career working in the courts and various law firms, Peter Derendinger joined Credit 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, as well as being active in various foundations and commissions.

Pim W. Mol
Born in 1957; Dutch citizen; lives in Haarlem, the Netherlands; he has a degree in macroeconomics from the Higher Business School in Amsterdam and a bachelor in business administration from the Free University (Vrije Universiteit) 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 Director of Research in 1991 and Managing Director in 1993 of MeesPierson Securities Asia in Hong Kong. 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 onshore 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.

Dagmar G. Woehrl
Born in 1954; German citizen; lives in Nuremberg, Germany; graduated in law from the Friedrich-Alexander University of Erlangen-Nuremberg.
After graduating in law in 1987, Dagmar G. Woehrl worked as a lawyer and entrepreneur. Standing as a candidate of Germany's conservative CSU party, she was first elected to Nuremberg City Council in 1990 and subsequently to the Bundestag, Germany's national parliament, in 1994. In addition to being CDU/CSU spokesperson for economic policy, she was Parliamentary State Secretary at the Ministry for Economics & Technology from 2005 to 2009, amongst other things. At the same time, she acted as Government Liaison Officer for the Maritime Industry. Since November 2009 Dagmar G. Woehrl has been Chair of the Committee for Economic Cooperation & Development, ordinary member of the Committee on Cultural & Media Affairs deputy member of the Committee on Foreign Affairs. In addition to her political activities, Dagmar G. Woehrl also holds a broad variety of honorary posts, including Chairman of Nuremberg's Animal Protection League, member of the German UNESCO Committee and a trustee of the Emanuel Foundation. Dagmar G. Woehrl has been awarded the Federal Cross of Merit with ribbon, and the Bavarian Order of Merit.



3.2 Other activities and vested interests
See 3.1.

3.3 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 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.

Fig. 39_Term of office of current directors

Name	Director since	Term of office ends
Christoph Ammann	2002	2013
Peter Derendinger	2008	2014
Hans-Rudolf Hufschmid	2002	2014
Pim W. Mol	2009	2012
Sipko N. Schat	2007	2013
Dagmar G. Woehrl	2011	2014

3.4 Internal organisational structure

The Board of Directors is responsible for the ultimate direction of the company and the ultimate supervision and control of the way it is run, in accordance with Article 3 paragraph 2 of Switzerland's Banking Act. It lays down the Bank's objectives and the broad lines of its business policy, supervises those entrusted with the management and representation of the Bank in order to guarantee compliance with the provisions of the law, the Articles of Association and the regulations, regularly receives reports regarding the course of business and is responsible for all business that the Articles of Association and the law do not specifically reserve either for the audit company required by banking and stock exchange legislation or for the Annual General Meeting of shareholders.

Meetings of the Board of Directors are convened by its Chairman or, should he be impeded, by the Vice-Chairman. Meetings take place as often as business requires and generally once a quarter. In addition, any member may request in writing that a meeting be convened (to discuss matters within the competence of the Board of Directors), provided they specify the agenda items for discussion. The Board of Directors met seven times in 2011 (2010: six times). Its meetings generally last half a day. One meeting was limited to a teleconference lasting almost an hour.

As representative of the Executive Committee, Joachim Straehle, Chief Executive Officer (CEO), attended all the meetings of the Board of Directors, except for the teleconference. In 2011, there was also a one-day workshop attended by the entire Board of Directors and Executive Committee. Thomas A. Mueller reported as the Chief Financial Officer (CFO) on the Group's business performance at six of the 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 one meeting in 2011 to provide input on one specific item of the agenda. In 2011, no other external consultants attended any Board meetings. No members of the Board of Directors attended any Executive Committee meetings during 2011.

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:
3.4 a) Nomination and Compensation Committee
3.4 b) Audit Committee
3.4 c) Credit Panel
3.4 d) Ad-hoc Independent Directors Committee (IDC)

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
Christoph Ammann chairs this committee, whose members include Sipko N. Schat and Dagmar G. Woehrl. 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 four times in 2011 (2010: three times) for an average of 1.5 hours per meeting. In 2011, 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 2011.

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 2011 (2010: five times) for an average of 2.75 hours per meeting. The external audit firm attended four meetings to discuss certain agenda items. The CFO Thomas A. Mueller and the Head of Financial Accounting attended five respectively two meetings to discuss various topics. The Head of Legal & Compliance attended three meetings in 2011 to discuss various topics. In addition, representatives of the Risk Office attended four meetings to discuss specific points. Finally, the Head of the Trading & Family Offices division Peter Wild attended one meeting to discuss certain agenda items, as did the Head of the Products unit Nils Ossenbrink, while Chairman Christoph Ammann also attended one meeting. The Head of Group Internal Audit and his deputy (as a secretary) attended all the 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 2011, the Credit Panel met twice (2010: three times) for an average of one hour. The Head of Group Credit attended both meetings and also took the minutes at them. Both meetings were also attended by the CEO Joachim Straehle and by the CFO Thomas Mueller.

d) Ad-hoc Independent Directors Committee (IDC)
In January 2011, Bank Sarasin's Board of Directors responded to Rabobank's announcement of plans to conduct a strategic review of its majority stake in Bank Sarasin by setting up an ad-hoc Independent Directors Committee (IDC) and approving the relevant regulations.

This precautionary measure was taken because it was felt that the majority shareholder's strategic deliberations could quickly result in a situation where conflicts of interest could well arise between Rabobank and Bank Sarasin and its public shareholders as details of the various options under consideration emerged. The intention was to make sure that such potential conflicts of interest were handled correctly right from the start, in accordance with the general rules on abstention set down in the Bank's Internal Regulations for Organisational Structures and Business Management (ROBM) and the Swiss Code of Obligations (Art. 717 CO).

The IDC's task is to oversee current project work and evaluate any planning options, particularly with regard to the interests of the Bank itself and of any shareholders not involved in a hypothetical transaction. The IDC is also authorised to submit its recommendations on resolutions concerning a potential transaction to the Board of Directors, as well as providing the Board with recommendations on the information to be given to shareholders. The usual legal and supervisory rules on abstention continue to apply to the full Board of Directors.

The IDC is made up of Swiss members of the main Board Christoph Ammann, Christian Brueckner (up to the 2011 AGM), Peter Derendinger and Hans-Rudolf Hufschmid. Christoph Ammann is Chairman.

In 2011, the IDC met eleven times for around two hours on average. The Secretary to the Board of Directors attended and took the minutes at all the IDC meetings. The CEO attended partly at nine meetings to discuss certain agenda items. External consultants attended eight meetings to discuss certain agenda items.

3.5 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").

3.6 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

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 Credit Suisse 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 Pri-

vate 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, Switzerland; 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 was 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. Since July 2010 he is also sits on the Board of bank zweiplus ag and since January 2012 is a member of the Swiss Takeover Board.

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 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). Prior to joining Bank Sarasin, Varnholt spent 10 years with Credit Suisse where he was a member of the Global Executive Council. He previously held various investment banking positions with Morgan Stanley in London. Varnholt, who continues to lecture regularly at the Executive MBA Program at the University of St. Gallen, also had a distinguished academic career, teaching at the University of St Gallen, the Massachusetts Institute of Technology (MIT) and the Stern School of Business at New York University. He has published more than 100 articles and five books. A keen art lover and collector, Varnholt served as a Member of the Acquisition Committee of the Tate Modern in London. Beginning with charitable initiatives in 1999, in 2004 he established the charity "Kids of Africa – The Swiss African Orphanage" (www.kids-of-africa.com), which provides a home for orphaned and abandoned children in Uganda. In 2006 he was awarded the Swiss Re Milizpreis/Civilian Service Prize in recognition of his achievements.

Peter Wild, Head of the Trading & Family Offices Division
Born in 1951, Swiss citizen; lives in Zumikon; 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 Cantonale 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 as Head of Trading and Treasurer 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 in Bank Sarasin & Co. Ltd 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 of the Sarasin Group and involves a bonus/penalty effect depending on the attainment of performance targets. This deferred compensation is generally awarded either in the form of shares in Bank Sarasin & Co. Ltd or as a deferred cash payment, 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 2011

The Board of Directors determines the size of the bonus pool based on the Group profit as at 31.12.2011, taking into consideration the attainment of targets in 2011 (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 2011, the ratio between the basic salary and performance-related pay for Executive Committee members was 1:1.5 (2010: 1:2.1). 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.

As Safra is about to take over Rabobank's shareholding, the Board of Directors has decided to terminate the existing share participation plan and make a final cash settlement to cover outstanding entitlements from prior bonus schemes. It has also opted to make a non-binding, deferred cash payment for the financial year 2011 rather than granting entitlement to class B shares.

The following conditions apply to variable remuneration payable in the financial year 2011. The values below apply to Switzerland (with the exception of bank zweiplus) and may vary for international entities.

> Variable pay less than CHF 55,000 will be paid in cash.
> Variable pay in excess of CHF 55,000 will be paid in the form of deferred cash payments. The deferred cash payment will be paid out in equal instalments over the next two years, on condition that the employee has not given notice to leave the company at the time of payment. 50% of the annual payment is also dependent on the attainment of the business targets set for that year, and will therefore be subject to the use of a multiplier. The size of the multiplier is based on the attainment of targets for the Sarasin Group's net new money growth, cost income ratio and gross margin and is applied, linear to target attainment, at a rate of between 50% and a maximum of 150%. If the target attainment is below 50%, the payout multiplier is zero, which means that half of the deferred cash payment is forfeited.

> The portion of deferred cash payment is calculated as follows:
  a. For variable pay between CHF 55,000 and 100,000, the portion exceeding CHF 50,000 is paid out as a deferred cash payment.
  b. With variable pay in excess of CHF 100,000, 50% will be paid out as a deferred cash payment.
  c. In cases where entitlements from previous years are paid out in full as cash payments, the amount of the entire variable compensation for 2011 will as a rule be paid out as a deferred cash payment over two years.

Compensation report, details of holdings and loans
In accordance with company law, the notes to the annual consolidated financial statements (see page 131–135) 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 72).

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 3,835,563 for services connected with the auditing of the 2011 financial statements whereof Bank Sarasin & Co. Ltd paid CHF 2,293,161. 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 410,611 for services not connected with the auditing of the 2011 financial statements. These fees break down as follows: for tax advice CHF 67,987, for legal services CHF 42,571 and for various audit-related services and transaction advice CHF 300,053. In addition Bank Sarasin & Co. Ltd paid CHF 100,388 to the audit firm exclusively for various audit-related services and transaction advice.

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 2011 financial year, representatives of the external audit firm attended four (previous year: four) Audit Committee meetings in total, as well as sitting in on one (previous year: two) 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 3.4b).

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 2012	26 March 2012
Interim results 2012	30 July 2012
Annual results 2012	26 February 2013
Annual General Meeting 2013	26 March 2013
Interim results 2013	30 July 2013

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SARASIN GROUP
FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

1,000 CHF	Note	2011	2010	Change to 2010 CHF	Change to 2010 %
Interest and discount income		**179,236**	190,282	–11,046	–5.8
Interest and dividend income from financial investments		**43,924**	46,318	–2,394	–5.2
Interest expenses		**74,278**	89,679	–15,401	–17.2
Net interest income	2.1	**148,882**	**146,921**	**1,961**	**1.3**
Commission income on lending activities		**6,359**	5,264	1,095	20.8
Commission income on securities and investment transactions		**468,235**	495,030	–26,795	–5.4
Commission income on other services		**37,114**	28,207	8,907	31.6
Commission expenses		**71,024**	71,005	19	0.0
Results from commission and service fee activities	2.2	**440,684**	**457,496**	**–16,812**	**–3.7**
Results from trading operations	2.3	**93,803**	**59,817**	**33,986**	**56.8**
Other ordinary results	2.4	**2,836**	**26,337**	**–23,501**	**–89.2**
Of which income from investments in associates		**–1,530**	–1,856	326	17.6
Operating income		**686,205**	**690,571**	**–4,366**	**–0.6**
Personnel expenses	2.5	**387,125**	368,400	18,725	5.1
General administrative expenses	2.6	**140,747**	136,820	3,927	2.9
Operating expenses		**527,872**	**505,220**	**22,652**	**4.5**
Operating profit		**158,333**	**185,351**	**–27,018**	**–14.6**
Depreciation and write-offs on property and equipment	2.7	**18,408**	18,150	258	1.4
Amortisation of intangible assets	2.7	**26,534**	12,654	13,880	109.7
Value adjustments, provisions and losses	2.8	**11,149**	11,332	–183	–1.6
Provisions for restructuring	2.8	**629**	0	629	
Profit before taxes		**101,613**	**143,215**	**–41,602**	**–29.0**
Taxes	2.9	**9,144**	18,679	–9,535	–51.0
Group result		**92,469**	**124,536**	**–32,067**	**–25.7**
Attributable to:					
Shareholders of Bank Sarasin & Co. Ltd		**83,864**	107,794	–23,930	–22.2
Minority interests		**8,605**	16,742	–8,137	–48.6
Group result		**92,469**	**124,536**	**–32,067**	**–25.7**
Share information (CHF)					
Result per class A registered share (with voting rights)[1]		**0.27**	0.35	–0.08	–22.9
Result per class B registered share[1]		**1.35**	1.73	–0.38	–22.0
Diluted result per class A registered share[1]		**0.27**	0.35	–0.08	–22.9
Diluted result per class B registered share[1]		**1.35**	1.73	–0.38	–22.0
Dividend per class A registered share (with voting rights)[2]		**0.00**	0.18	–0.18	–100.0
Dividend per class B registered share[2]		**0.00**	0.90	–0.90	–100.0

[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	**2011**	2010	Change to 2010 CHF	Change to 2010 %
Group result	**92,469**	**124,536**	**–32,067**	**–25.7**
Gains and losses available for sale financial investments:				
– Realised gains reclassified to income statement	**1,811**	–2,565	4,376	170.6
– Change in unrealised gains and losses	**–24,953**	–16,965	–7,988	–47.1
Gains and losses from currency translation differences:				
– Realised gains / losses reclassified to income statement	**0**	0	0	
– Change in unrealised gains and losses	**–4,040**	–44,476	40,436	90.9
Other comprehensive income (net-of-tax)	**–27,182**	**–64,006**	**36,824**	**57.5**
Total comprehensive income	**65,287**	**60,530**	**4,757**	**7.9**
Attributable to:				
Shareholders of Bank Sarasin & Co. Ltd	**56,820**	47,406	9,414	19.9
Minority interests	**8,467**	13,124	–4,657	–35.5
Total comprehensive income	**65,287**	**60,530**	**4,757**	**7.9**

CONSOLIDATED BALANCE SHEET

Assets

1,000 CHF	Note	**31.12.2011**	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Cash and cash equivalents	2.13	**192,827**	182,613	10,214	5.6
Money market papers	2.14	**537,058**	670,377	–133,319	–19.9
Due from banks	2.15	**2,571,929**	2,541,838	30,091	1.2
Due from customers	2.15	**9,932,036**	9,457,417	474,619	5.0
Trading portfolio assets	2.17	**693,503**	496,846	196,657	39.6
Derivative financial instruments	2.19	**528,665**	453,260	75,405	16.6
Financial investments	2.20	**2,609,679**	3,210,891	–601,212	–18.7
Investments in associated companies	2.21	**1,664**	36,235	–34,571	–95.4
Property and equipment	2.22	**115,744**	117,894	–2,150	–1.8
Goodwill and other intangible assets	2.23	**131,350**	147,907	–16,557	–11.2
Current tax assets		**6,175**	1,180	4,995	423.3
Deferred tax assets	2.10	**10,922**	6,077	4,845	79.7
Accrued income and prepaid expenses		**125,798**	150,871	–25,073	–16.6
Other assets	2.24	**37,947**	32,065	5,882	18.3
Total assets		**17,495,297**	**17,505,471**	**–10,174**	**–0.1**
Total subordinated assets		**8,697**	8,048	649	8.1
Total due from significant shareholders		**75,987**	110,132	–34,145	–31.0

Liabilities and equity

1,000 CHF	Note	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Due to banks		**1,641,007**	2,628,260	–987,253	–37.6
Due to customers	2.27	**12,618,787**	11,850,096	768,691	6.5
Trading portfolio liabilities	2.18	**37,603**	17,499	20,104	114.9
Derivative financial instruments	2.19	**444,753**	385,671	59,082	15.3
Financial liabilities designated at fair value	2.28	**829,395**	753,832	75,563	10.0
Debt issued	2.29	**383,927**	346,467	37,460	10.8
Current tax liabilities		**8,997**	9,215	–218	–2.4
Deferred tax liabilities	2.10	**7,518**	9,070	–1,552	–17.1
Accrued expenses and deferred income		**196,824**	189,786	7,038	3.7
Other liabilities	2.30	**55,099**	42,231	12,868	30.5
Provisions	2.31	**4,365**	1,450	2,915	201.0
Total liabilities		**16,228,275**	**16,233,577**	**–5,302**	**0.0**
Share capital	2.32	**22,015**	22,015	0	0.0
Less treasury shares	2.32	**–22,958**	–33,033	10,075	30.5
Capital reserve		**634,011**	644,556	–10,545	–1.6
Retained earnings		**701,588**	649,994	51,594	7.9
Reserves IAS 39 (net of tax)		**–45,866**	–22,723	–23,143	–101.8
Currency translation differences		**–143,081**	–139,180	–3,901	–2.8
Group result (excluding minority interests)		**83,864**	107,794	–23,930	–22.2
Shareholders' equity of shareholders of Bank Sarasin & Co. Ltd		**1,229,573**	**1,229,423**	**150**	**0.0**
Minority interests in shareholders' equity (including share in profits)		**37,449**	42,471	–5,022	–11.8
Total shareholders' equity (including minority interests)		**1,267,022**	**1,271,894**	**–4,872**	**–0.4**
Total liabilities and shareholders' equity		**17,495,297**	**17,505,471**	**–10,174**	**–0.1**
Total subordinated liabilities		**0**	0	0	
Total due to significant shareholders		**81,715**	592,203	–510,488	–86.2

STATEMENT OF CHANGES IN EQUITY

1,000 CHF	Share capital	Treasury shares	Capital reserve	Retained earnings
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**
Total shareholders' equity as of 01.01.2011	**22,015**	**–33,033**	**644,556**	**757,788**
Total comprehensive income	**0**	**0**	**0**	**83,864**
Dividends paid				–56,110
Change in treasury shares		10,075		
Result on treasury shares including derivatives			–1,728	
Participation plans			–8,817	
Change in scope of consolidation				
Transactions with minority shareholders				–90
Total shareholders' equity as of 31.12.2011	**22,015**	**–22,958**	**634,011**	**785,452**

Reserves available for sale investments (net of tax)	Currency translation differences	**Total (excluding minority interests)**	Minority interests	Currency translation differences	**Total (minority interests)**	**Total**
–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**
–22,723	**–139,180**	**1,229,423**	**54,447**	**–11,976**	**42,471**	**1,271,894**
–23,143	**–3,901**	**56,820**	**8,605**	**–138**	**8,467**	**65,287**
		–56,110	–13,981		**–13,981**	**–70,091**
		10,075			**0**	**10,075**
		–1,728			**0**	**–1,728**
		–8,817			**0**	**–8,817**
		0			**0**	**0**
		–90	492		**492**	**402**
–45,866	**–143,081**	**1,229,573**	**49,563**	**–12,114**	**37,449**	**1,267,022**

CONSOLIDATED STATEMENT OF CASH FLOWS

1,000 CHF	2011	2010
Cash flow from operating activities		
Profit before income taxes (including minority interests)	**101,613**	143,215
Non cash position in group result		
Depreciation and amortisation	**44,942**	30,804
Value adjustments for credit risks	**3,260**	2,361
Change in provisions	**2,915**	–3,377
Change in deferred taxes	**–5,445**	–2,894
Net income from investing activities / result from associated companies	**1,673**	2,244
Net (increase) / decrease in assets and liabilities relating to banking activities		
Due from / to banks net	**–808,271**	499,291
Net trading positions and replacement values, financial investments designated at fair value	**–117,048**	277,821
Due from / to customers net	**293,113**	–225,335
Accrued income, prepaid expenses and other assets	**17,337**	–145,414
Accrued expenses, deferred income and other liabilities	**19,838**	12,334
Due from / to money market papers	**149,636**	66,642
Paid income taxes	**–15,509**	–16,728
Cash flow from operating activities	**–311,946**	**640,964**
Cash flow from investing activities		
Disposal of subsidiaries and associated companies	**32,858**	19,035
Purchase of property, equipment and intangible assets	**–26,551**	–46,213
Disposal of property, equipment and intangible assets	**137**	3,008
Net (investment) / divestment of financial investments	**551,367**	–905,511
Cash flow from investing activities	**557,811**	**–929,681**
Cash flow from financing activities		
Purchase of treasury shares and derivatives on treasury shares	**–42,041**	–88,990
Issue and sale of treasury shares and derivatives on treasury shares	**32,056**	80,220
Debt issued	**37,267**	346,176
Dividends paid	**–70,091**	–76,939
Change in minority interests	**494**	544
Other change in equity	**9,390**	6,044
Cash flow from financing activities	**–32,925**	**267,055**
Effects of currency translation differences	**–8,242**	–70,883
Net increase / decrease in cash and cash equivalents	**204,698**	**–92,545**

1,000 CHF	**31.12.2011**	31.12.2010
Cash and cash equivalents, beginning of period	**1,982,590**	2,075,135
Cash and cash equivalents, end of period	**2,187,288**	1,982,590
Net increase / decrease in cash and cash equivalents	**204,698**	**–92,545**
Cash and cash equivalents comprise:		
Cash and cash equivalents	**192,827**	182,613
Due from banks at sight	**1,994,461**	1,799,977
Total cash and cash equivalents	**2,187,288**	**1,982,590**
Interest paid	**70,459**	90,390
Interest received	**227,392**	238,778
Dividends received	**4,324**	4,206

CONSOLIDATED OFF-BALANCE SHEET INFORMATION

1,000 CHF	**31.12.2011**	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Contingent liabilities				
Credit guarantees	**378,981**	460,671	–81,690	–17.7
Performance guarantees	**2,127**	2,079	48	2.3
Other contingent liabilities	**81,966**	81,448	518	0.6
Total contingent liabilities	**463,074**	**544,198**	**–81,124**	**–14.9**
Irrevocable commitments				
Unused irrevocable commitments	**57,880**	103,513	–45,633	–44.1
Confirmed credits				
Other confirmed credits	**0**	0	0	
Liabilities for calls on shares and other equities	**1,428**	1,427	1	0.1
Derivative financial instruments				
Positive replacement values	**528,665**	453,260	75,405	16.6
Negative replacement values	**444,753**	385,671	59,082	15.3
Notional amount	**20,619,761**	21,139,633	–519,872	–2.5
Fiduciary transactions				
Fiduciary deposits with other banks	**840,200**	1,038,618	–198,418	–19.1
Fiduciary deposits with companies in the Rabobank Group	**2,136,557**	2,378,521	–241,964	–10.2
Fiduciary lending	**1,950**	3,944	–1,994	–50.6
Total fiduciary transactions	**2,978,707**	**3,421,083**	**–442,376**	**–12.9**

A listing by maturities is provided in Note 5.14.

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, Lucerne, 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 2011 the Sarasin Group had a headcount of 1,715 (full-time equivalents), 73 people or 4% more than a year earlier. The consolidated financial statements are denominated in thousands of Swiss francs. The 2011 statements were drawn up in compliance with International Financial Reporting Standards (IFRS). There has been no significant change in the application of accounting principles compared with last year.

Events since the balance sheet date

No events affecting the balance sheet or income statement are to be reported for the financial year 2011. The Board of Directors discussed and approved the present consolidated financial statements at its meeting on 15 February 2012.

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. The recoverable amount is the higher of its fair value less costs to sell and its value in use. 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. The fair value is determined either on the basis of a binding purchase agreement, an active market or a conservatively estimated sale price that would be achieved between competent business partners who are willing to enter a contract and are mutually independent, with a deduction made for selling costs. 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 2011 an impairment charge of CHF 1.0 million was posted in the balance sheet for financial investments available for sale (2010: CHF 2.4 million). On 31 December 2011 the book value of financial investments available for sale was CHF 2 044 million (2010: CHF 2 231 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 2011 the book value of the recognised tax losses amounted to CHF 5.1 million (2010: CHF 5.8 million), while the book value of tax losses not recognised amounted to CHF 0 million (2010: 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. 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.

		2011	2010
Euro (EUR)	Year-end	**1.2139**	1.2505
	Average	**1.2337**	1.3820
US dollar (USD)	Year-end	**0.9351**	0.9321
	Average	**0.8877**	1.0428
UK pound (GBP)	Year-end	**1.4532**	1.4593
	Average	**1.4223**	1.6100
Hong Kong dollar (HKD)	Year-end	**0.1204**	0.1199
	Average	**0.1140**	0.1342
Indian rupee (INR)	Year-end	**0.0176**	0.0208
	Average	**0.0189**	0.0227

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.

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'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 2011 onwards

IAS 24 revised: Related Party Disclosures
IAS 24 revised provides a partial exemption from the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government. It also clarifies the definition of a related party. The revised Standard was effective for the first time for annual 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. The changes were required to be applied for

the first time for annual periods beginning on or after 1 February 2010.

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 must have been applied to reporting periods beginning on or after 1 January 2011.

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 was 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 were effective for the first time for annual periods beginning on or after 1 January 2011.
The application of these financial accounting and reporting requirements 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 2012 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.

IAS 1: Presentation of items of other comprehensive income – amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19: Employee Benefits (revised)
This Standard no longer permits the deferred recognition of all changes in the present value of the pension obligation and the fair value of the plan assets, including the corridor approach. IAS 19 revised also mandates a net interest approach to replace the concept of expected return on plan assets and extends the disclosure requirements for defined benefit plans. The changes are effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted. Sarasin is currently examining the possible effects on the consolidated financial statements.

IAS 27: Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28: Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed in Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7: Financial Instruments – Disclosures: Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not dere-

cognised. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of and risks associated with the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

IFRS 9: Financial Instruments – Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets and financial liabilities. Sarasin is currently examining the possible effects on the consolidated financial statements.

IFRS 10: Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11: Joint Arrangements

IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly-controlled Entities – Non-monetary Contributions by Venturers". IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12: Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13: Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. Sarasin is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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

2.1 Net interest income

1,000 CHF	2011	2010	Change to 2010 CHF	Change to 2010 %
Interest and similar income				
Due from banks	**17,898**	48,497	–30,599	–63.1
Loans and advances to customers	**156,942**	139,772	17,170	12.3
Interest income from money market paper	**4,396**	2,013	2,383	118.4
Interest and dividend income from financial investments available for sale	**28,622**	31,721	–3,099	–9.8
Subtotal	**207,858**	**222,003**	**–14,145**	**–6.4**
Interest and dividend income from financial investments designated at fair value	**15,302**	14,597	705	4.8
Total interest and discount income	**223,160**	**236,600**	**–13,440**	**–5.7**
Interest and similar expenses				
Interest expenses on amounts due to banks	**12,038**	22,138	–10,100	–45.6
Interest expenses on amounts due to customers	**47,626**	54,857	–7,231	–13.2
Other interest expenses	**1,262**	273	989	362.3
Subtotal	**60,926**	**77,268**	**–16,342**	**–21.1**
Interest expenses from financial liabilities designated at fair value	**13,352**	12,411	941	7.6
Total interest expenses	**74,278**	**89,679**	**–15,401**	**–17.2**
Total net interest income	**148,882**	**146,921**	**1,961**	**1.3**

2.2 Results from commission and service fee activities

1,000 CHF	2011	2010	Change to 2010 CHF	Change to 2010 %
Commission income on lending activities	**6,359**	5,264	1,095	20.8
Transaction and brokerage fees	**89,310**	107,196	–17,886	–16.7
Securities deposit fees	**14,040**	10,149	3,891	38.3
Advisory and management fees	**172,427**	168,209	4,218	2.5
Underwriting	**4,258**	5,145	–887	–17.2
Investment fund transactions	**173,609**	185,770	–12,161	–6.5
Fiduciary fees	**14,591**	18,561	–3,970	–21.4
Other commission income	**37,114**	28,207	8,907	31.6
Total commission income and service fee activities	**511,708**	**528,501**	**–16,793**	**–3.2**
Brokerage fees paid	**26,831**	25,652	1,179	4.6
Other commission expenses	**44,193**	45,353	–1,160	–2.6
Total commission expenses and service fee activities	**71,024**	**71,005**	**19**	**0.0**
Total results from commission and service fee activities	**440,684**	**457,496**	**–16,812**	**–3.7**

2.3 Results from trading operations

1,000 CHF	2011	2010	Change to 2010 CHF	Change to 2010 %
Securities	**26,348**	6,058	20,290	334.9
Foreign exchange and precious metals	**67,455**	53,759	13,696	25.5
Total results from trading operations	**93,803**	**59,817**	**33,986**	**56.8**

2.4 Other ordinary results

1,000 CHF	2011	2010	Change to 2010 CHF	Change to 2010 %
Results from financial investments designated at fair value	**–6,918**	2,042	–8,960	–438.8
Results from sale of financial investments available for sale	**6,755**	15,184	–8,429	–55.5
Results from hedge accounting	**–111**	–154	43	27.9
Proportion of earnings of associated companies	**–1,530**	–1,856	326	17.6
Real estate income	**367**	267	100	37.5
Other ordinary income	**5,295**	12,812	–7,517	–58.7
Other ordinary expenses	**1,022**	1,958	–936	–47.8
Total other ordinary results	**2,836**	**26,337**	**–23,501**	**–89.2**
Result financial investments available for sale				
Bonds and debt instruments	**1,169**	9,763	–8,594	–88.0
Equities and the like	**6,620**	7,827	–1,207	–15.4
Impairment losses on financial investments available for sale	**1,034**	2,406	–1,372	–57.0
Total	**6,755**	**15,184**	**–8,429**	**–55.5**

2.5 Personnel expenses

1,000 CHF	2011	2010	Change to 2010 CHF	Change to 2010 %
Salaries and bonuses	**300,022**	295,609	4,413	1.5
Social benefits	**20,052**	14,008	6,044	43.1
Contribution to retirement plans / defined benefit	**28,445**	24,477	3,968	16.2
Contribution to retirement plans / defined contribution	**5,070**	5,224	–154	–2.9
Other personnel expenses	**33,536**	29,082	4,454	15.3
Total personnel expenses	**387,125**	**368,400**	**18,725**	**5.1**

2.6 General administrative expenses

1,000 CHF	**2011**	2010	Change to 2010 CHF	Change to 2010 %
Occupancy expenses	**26,216**	27,867	–1,651	–5.9
IT and telecommunication expenses	**41,785**	39,999	1,786	4.5
Expenses for machinery, furniture, vehicles and other equipment	**1,375**	1,813	–438	–24.2
Travel, entertainment, marketing and public relations expenses	**32,096**	30,379	1,717	5.7
Audit and consulting expenses	**28,462**	21,816	6,646	30.5
Capital tax	**3,726**	4,814	–1,088	–22.6
Other general expenses	**7,087**	10,132	–3,045	–30.1
Total general administrative expenses	**140,747**	**136,820**	**3,927**	**2.9**

2.7 Depreciation and amortisation

1,000 CHF	**2011**	2010	Change to 2010 CHF	Change to 2010 %
Depreciation of property and equipment	**18,408**	18,150	258	1.4
Amortisation of intangible assets	**26,534** [1]	12,654	13,880	109.7
Total depreciation and amortisation	**44,942**	**30,804**	**14,138**	**45.9**

2.8 Value adjustments, provisions and losses

1,000 CHF	**2011**	2010	Change to 2010 CHF	Change to 2010 %
Value adjustments for default risk	**5,483**	7,662	–2,179	–28.4
Provisions for litigation risk	**0**	0	0	
Losses, operational risk	**5,265**	3,570	1,695	47.5
Provisions for restructuring	**629**	0	629	
Other	**401**	100	301	301.0
Total value adjustments, provisions and losses	**11,778**	**11,332**	**446**	**3.9**

[1] *Of this, CHF 11.5 million is attributable to intangible asset impairment losses at bank zweiplus ag.*

2.9 Taxes

Income taxes

1,000 CHF	2011	2010	Change to 2010 CHF	Change to 2010 %
Statement of income taxes				
Current taxes	**10,261**	16,207	–5,946	–36.7
Deferred taxes	**–1,117**	2,472	–3,589	–145.2
Total income taxes	**9,144**	**18,679**	**–9,535**	**–51.0**
Profit before taxes	**101,613**	143,215	–41,602	–29.0
Expected income taxes using an assumed average rate of 15.1%[1] (16.5%)	**15,357**	23,689	–8,332	–35.2
Reasons for differences:				
Not recognised expenses	**701**	701	0	0.0
Not recognised income	**0**	–2,198	2,198	100.0
Profit from treasury shares and derivatives	**–961**	320	–1,281	–400.3
Tax effect on disposal of equity interest	**–2,352**	0		
Tax adjustment related to previous years	**–669**	–295	–374	–126.8
Equity investment income attracting tax relief	**–3,092**	–3,286	194	5.9
Other effects	**160**	–252	412	163.5
Total effective income taxes (2011: 9.0%; 2010: 13.0%)	**9,144**	**18,679**	**–9,535**	**–51.0**

The Sarasin Group made tax payments (domestic and foreign) for the business year 2011 of CHF 15.5 million (previous year: CHF 16.7 million).

Income tax effects relating to comprehensive income

			2011			2010
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	**2,081**	**–270**	**1,811**	–3,246	681	–2,565
– Change in unrealised gains and losses	**–31,007**	**6,054**	**–24,953**	–19,178	2,213	–16,965
Gains and losses from currency translation differences:						
– Realised gains / losses reclassified to income statement	**0**	**0**	**0**	0	0	0
– Change in unrealised gains and losses	**–4,040**	**0**	**–4,040**	–44,476	0	–44,476
Total	**–32,966**	**5,784**	**–27,182**	–66,900	2,894	–64,006

[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	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Deferred tax assets				
Property, equipment and intangible assets	**3,818** [1]	0	3,818	
Tax loss carry-forwards	**5,093**	5,799	–706	–12.2
Pension assets	**108**	278	–169	–61.2
Hedge accounting	**1,903**	0	1,903	
Total deferred tax assets	**10,922**	**6,077**	**4,845**	**79.7**
Deferred tax liabilities				
Property, equipment and intangible assets	**0**	374	–374	–100.0
Pension liabilities	**0**	715	–715	–100.0
Financial instruments	**6,136**	6,208	–72	–1.2
Provisions and other	**1,382**	1,773	–391	–22.0
Total deferred tax liabilities	**7,518**	**9,070**	**–1,552**	**–17.1**
Change in deferred tax assets				
Balance at beginning of the year	**6,077**	7,829	–1,752	–22.4
Charges and releases recognised in income statement	**–456**	–606	150	24.8
Charges and releases not recognised in income statement	**5,462**	–16	5,478	>1,000
Impact of change in deferred tax rates and currency translation differences	**–161**	–1,130	969	85.7
Total deferred tax assets end of the year	**10,922**	**6,077**	**4,845**	**79.7**
Change in deferred tax liabilities				
Balance at beginning of the year	**9,070**	10,894	–1,824	–16.7
Charges and releases recognised in income statement	**–1,573**	1,865	–3,438	–184.3
Charges and releases not recognised in income statement	**17**	–3,495	3,512	100.5
Impact of change in deferred tax rates and currency translation differences	**4**	–194	198	102.1
Total deferred tax liabilities end of the year	**7,518**	**9,070**	**–1,552**	**–17.1**
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	

[1] *In the tax statement, the buildings (including equipment) are written down uniformly. Under IFRS, the component approach was chosen, which provides for a shorter depreciation period for certain components.*

2.11 Earnings per share

	2011	2010	Change to 2010 CHF	Change to 2010 %
Undiluted consolidated earnings per share				
Undiluted group result (excluding minority interests) 1,000 CHF	**83,864**	107,794	–23,930	–22.2
Weighted average number of shares	**62,899,383**	62,899,383	0	0.0
Of which class A registered shares (with voting rights)	**11,314,286**	11,314,286	0	0.0
Of which class B registered shares	**51,585,097**	51,585,097	0	0.0
Weighted average number of shares (class B registered shares)	**618,852**	742,375	–123,522	–16.6
Undiluted number of shares	**62,280 530**	62,157,008	123,522	0.2
Result per class A registered share (with voting rights) CHF	**0.27**	**0.35**	**–0.08**	**–22.9**
Result per class B registered share CHF	**1.35**	**1.73**	**–0.38**	**–22.0**
Diluted consolidated earnings per share				
Diluted group result (excluding minority interests) 1,000 CHF	**83,864**	107,794	–23,930	–22.2
Diluted number of shares	**62,280,530**	62,182,108	98,422	0.2
Of which class A registered shares (with voting rights)	**11,314,286**	11,314,286	0	0.0
Of which class B registered shares	**50,966,245**	50,867,822	98,422	0.2
Diluted result per class A registered share (with voting rights) CHF	**0.27**	**0.35**	**–0.08**	**–22.9**
Diluted result per class B registered share CHF	**1.35**	**1.73**	**–0.38**	**–22.0**

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	2011	2010	Change to 2010 CHF	Change to 2010 %
Fair value of plan assets	**547,465**	526,599	20,866	4.0
Defined benefit obligations	**684,406**	619,386	65,020	10.5
Funded / unfunded status	**–136,941**	**–92,787**	**–44,153**	**–47.6**
Unrecognised actuarial gains / (losses)	**136,425**	94,937	41,488	43.7
Net accrued / (prepaid) pension cost	**–516**	**2,150**	**–2,666**	**–124.0**

Pension expenses

1,000 CHF	2011	2010	Change to 2010 CHF	Change to 2010 %
Service expenses current period	**–48,501**	–43,431	–5,070	–11.7
Interest for pension liabilities	**–15,868**	–17,814	1,946	10.9
Expected net return on plan assets[1]	**24,215**	22,216	1,999	9.0
Amortisation of actuarial gains (losses) (IAS 19 §92 f.)	**–3,406**	–117	–3,289	<–1,000
Employee contributions	**15,115**	14,669	446	3.0
Pension expenses for defined benefit pension plans according to actuarial computation	**–28,445**	**–24,477**	**–3,968**	**–16.2**
Contribution to defined contribution pension plans	**–5,070**	–5,224	154	2.9
Total pension expenses	**–33,515**	**–29,701**	**–3,814**	**–12.8**
[1] Actual income (loss) on assets	**–7,809**	14,169	–21,978	–155.1

Change in the cash value of pension liabilities

1,000 CHF	2011	2010	Change to 2010 CHF	Change to 2010 %
Benefit-related liabilities as at 01.01.	**619,386**	528,456	90,930	17.2
Interest expenses	**15,868**	17,814	–1,946	–10.9
Service expenses, current period	**48,501**	43,431	5,070	11.7
Benefits paid / benefits received	**–17,886**	1,049	–18,935	<–1,000
Actuarial gains (losses)	**18,537**	31,215	–12,678	–40.6
Change in the scope of consolidation	**0**	–2,579	2,579	100.0
Conversion differences from foreign pension plans	**0**	0	0	
Liabilities for defined benefit pension plans as at 31.12.	**684,406**	**619,386**	**65,020**	**10.5**

Change in pension plan assets at fair value

1,000 CHF	2011	2010	Change to 2010 CHF	Change to 2010 %
Fair value of pension plan assets as at 01.01.	**526,599**	476,163	50,436	10.6
Expected return on assets	**24,215**	22,216	1,999	9.0
Employer contributions / contribution by plan participants	**40,894**	39,456	1,438	3.6
Benefits paid / benefits received	**–17,886**	1,049	–18,935	<–1,000
Actuarial gains (losses)	**–26,357**	–10,143	–16,214	–159.9
Change in the scope of consolidation	**0**	–2,142	2,142	100.0
Conversion differences from foreign pension plans	**0**	0	0	
Fair value of pension plan assets as at 31.12.	**547,465**	**526,599**	**20,866**	**4.0**

Asset allocation

%	2011 Pension fund	2010 Pension fund
Equity instruments[1]	**18.2**	20.5
Debt instruments	**40.8**	42.8
Real estate	**16.6**	11.9
Other	**24.4**	24.8

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

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

Actuarial assumptions (Switzerland)

%	2011	2010
Technical interest rate	**2.50**	2.50
Anticipated yield on assets	**4.0**	4.5
Development of salaries	**1.0**	1.5
Development of pensions	**0.25**	0.25

%	Men	Women
Probability of departure	BVG 2010	BVG 2010
At age of 20	24.2	22.5
At age of 30	12.7	13.9
At age of 40	6.8	8.6
At age of 50	4.0	6.0
At age of 60	1.3	1.6

Amounts in current and previous four reporting periods

1,000 CHF	2011	2010	2009	2008	2007
Fair value of plan assets of employee benefit funds	**547,465**	526,599	476,163	448,805	417,576
Cash value of pension liabilities	**684,406**	619,386	528,456	496,034	418,361
Funded / unfunded status	**–136,941**	**–92,787**	**–52,293**	**–47,229**	**–785**
Adjustments to plan obligations based on experience	**2,349**	–16,225	16,750	16,423	3,655
Adjustments to plan assets based on experience	**–26,357**	–10,143	23,081	–64,542	6,080
Estimated contributions for the following year					
Employer's contribution	**24,310**				
Employee's contribution	**15,287**				

2.13 Cash and cash equivalents

1,000 CHF	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Cash on hand	**6,884**	6,225	659	10.6
Sight balances with central banks	**178,134**	171,029	7,105	4.2
Sight balances on postal accounts	**7,809**	5,359	2,450	45.7
Total cash and cash equivalent	**192,827**	**182,613**	**10,214**	**5.6**

2.14 Money market papers

1,000 CHF	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Money market papers discountable at central banks	**60,661**	665,329	–604,668	–90.9
Other money market papers	**476,397** [1]	5,048	471,349	>1,000
Total money market papers	**537,058**	**670,377**	**–133,319**	**–19.9**

2.15 Due from banks and customers

1,000 CHF	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Due from banks at sight	**1,994,461**	1,799,977	194,484	10.8
Due from banks at time	**623,355**	789,492	–166,137	–21.0
Subtotal	**2,617,816**	**2,589,469**	**28,347**	**1.1**
Valuation allowances for credit risk (Note 2.16)	**–45,887**	–47,631	1,744	3.7
Due from banks	**2,571,929**	**2,541,838**	**30,091**	**1.2**
Due from customers – mortgage collateral	**2,346,891**	2 065 500	281,391	13.6
Due from customers – other collateral	**7,547,147**	7,375,452	171,695	2.3
Due from customers – without collateral	**53,497**	28 244	25,253	89.4
Subtotal	**9,947,535**	**9,469,196**	**478,339**	**5.1**
Valuation allowances for credit risk (Note 2.16)	**–15,499**	–11,779	–3,720	–31.6
Due from customers	**9,932,036**	**9,457,417**	**474,619**	**5.0**

[1] *The “Other money market papers” mainly comprise Singapore Treasury Bills.*

2.16 Valuation allowances for credit risk

1,000 CHF	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Balance at beginning of year	**59,410**	73,547	–14,137	–19.2
Specific allowances	**–1,201**	–16,316	15,115	92.6
New charges of valuation allowances for credit risk	**5,483**	7,662	–2,179	–28.4
Release of valuation allowances for credit risk	**–2,224**	–5,301	3,077	58.0
Currency translation differences and other adjustments	**–82**	–182	100	54.9
Balance at end of year	**61,386**	**59,410**	**1,976**	**3.3**
Of which valuation allowances for due from banks	**45,887**	47,631	–1,744	–3.7
Of which valuation allowances for due from customers	**15,499**	11,779	3,720	31.6
Total valuation allowances for credit risk[1]	**61,386**	**59,410**	**1,976**	**3.3**
Impaired loans[2]				
Impaired loans (gross)	**63,529**	61,493	2,036	3.3
Estimated liquidation proceeds of collateral / expected recovery value	**1,872**	2,238	–366	–16.3
Impaired loans (net)	**61,657**	59,255	2,402	4.1
Specific allowances for impaired loans	**61,386**	59,410	1,976	3.3
Average amount of impaired loans (gross)	**62,511**	75,312	–12,801	–17.0
Non-performing loans[3]				
Non-performing loans (gross)	**53,833**	52,259	1,574	3.0
Specific allowances for non-performing loans	**51,710**	50,108	1,602	3.2
Net amounts due	**2,123**	2,151	–28	–1.3
Average amount of non-performing loans (gross)	**53,046**	70,661	–17,615	–24.9

[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	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Debt instruments				
Listed	**14,913**	3,611	11,302	313.0
Unlisted	**0**	758	–758	–100.0
Total	**14,913**	**4,369**	**10,544**	**241.3**
Equities and the like				
Listed	**505,796**	412,076	93,720	22.7
Unlisted	**5,370**	6,230	–860	–13.8
Total	**511,166**	**418,306**	**92,860**	**22.2**
Mutual funds				
Listed	**0**	287	–287	–100.0
Unlisted	**55,399**	4,991	50,408	>1,000
Total	**55,399**	**5,278**	**50,121**	**949.6**
Precious metals	**112,025**	**68,893**	**43,132**	**62.6**
Total trading portfolio	**693,503**	**496,846**	**196,657**	**39.6**
Of which securities lent out	**30,258**	27,547	2,711	9.8
Of which repo-eligible securities	**0**	0	0	

2.18 Trading portfolio liabilities

1,000 CHF	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Debt instruments	**917**	0	917	
Equities and the like	**35,475**	17,171	18,304	106.6
Mutual funds	**132**	0	132	
Precious metals	**1,079**	328	751	229.0
Total trading portfolio liabilities	**37,603**	**17,499**	**20,104**	**114.9**

2.19 Derivative financial instruments

1,000 CHF	Positive replacement value	Negative replacement value	Notional amount 31.12.2011	Positive replacement value	Negative replacement value	Notional amount 31.12.2010
Interest rate instruments						
Forward contracts	**0**	**0**	**0**	0	0	0
Swaps	**50,997**	**73,036**	**2,214,158**	6,228	16,398	1,537,311
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	**50,997**	**73,036**	**2,214,158**	**6,228**	**16,398**	**1,537,311**
Of which interest rate swaps as fair value hedges	**289**	**8,812**	**223,564**	0	2,919	121,025
Foreign exchange						
Forward contracts	**54,838**	**71,462**	**2,259,456**	140,798	121,205	8,364,100
Combined interest / currency swaps	**47,207**	**56,338**	**6,319,091**	2,198	2,763	126,805
Futures	**0**	**0**	**0**	0	0	0
Options (OTC)	**38,730**	**36,244**	**5,732,920**	103,562	103,288	6,966,221
Options (exchange traded)	**0**	**0**	**0**	0	0	0
Total foreign exchange	**140,775**	**164,044**	**14,311,467**	**246,558**	**227,256**	**15,457,125**
Equities / indices						
Forward contracts	**0**	**0**	**0**	0	0	0
Futures	**311**	**583**	**300,265**	0	25	7,839
Options (OTC)	**302,654**	**150,709**	**1,789,027**	198,564	123,254	3,631,300
Options (exchange traded)	**15,137**	**38,503**	**518,927**	0	16,620	242,484
Total equities / indices	**318,102**	**189,795**	**2,608,219**	**198,564**	**139,899**	**3,881,623**
Precious metals / commodities						
Forward contracts	**1,194**	**1,668**	**73,528**	753	960	42,624
Futures	**0**	**0**	**0**	0	0	0
Options (OTC)	**17,597**	**16,210**	**1,412,389**	1,158	1,158	220,950
Options (exchange traded)	**0**	**0**	**0**	0	0	0
Total precious metals / commodities	**18,791**	**17,878**	**1,485,917**	**1,911**	**2,118**	**263,574**
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	**528,665**	**444,753**	**20,619,761**	**453,260**	**385,671**	**21,139,633**

The Sarasin Group was 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 and variable-rate loan and mortgage market. Their fair value, recognised as positive and negative replacement values, amount to CHF 0.3 million (2010: CHF 0.0 million) and CHF 8.8 million (2010: CHF 2.9 million) with a notional amount of CHF 223.6 million (2010: CHF 121.0 million). Hedging instruments generated a loss of CHF 8.4 million (previous year: CHF 0.2 million), while in the same period the hedged items yielded a gain of CHF 8.3 million (previous year: CHF 0.1 million).

2.20 Financial investments

Financial investments designated at fair value

1,000 CHF	**31.12.2011**	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Debt instruments				
Listed	**565,813**	980,132	–414,319	–42.3
Unlisted	**0**	0	0	
Total	**565,813**	**980,132**	**–414,319**	**–42.3**
Equities and the like				
Listed	**0**	0	0	
Unlisted	**0**	0	0	
Total	**0**	**0**	**0**	
Total financial investments designated at fair value	**565,813**	**980,132**	**–414,319**	**–42.3**
Of which securities lent out	**96,122**	0	96,122	
Of which repo-eligible financial investments	**531,335**	960,364	–429,029	–44.7

Financial investments available for sale

1,000 CHF	**31.12.2011**	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Debt instruments				
Listed	**1,737,823**	1,952,124	–214,301	–11.0
Unlisted	**0**	0	0	
Total	**1,737,823**	**1,952,124**	**–214,301**	**–11.0**
Equities and the like				
Listed	**141,143**	102,703	38,440	37.4
Unlisted	**29,118**	29,282	–164	–0.6
Total	**170,261**	**131,985**	**38,276**	**29.0**
Mutual funds				
Listed	**33,795**	12,531	21,264	169.7
Unlisted	**101,987**	134,119	–32,132	–24.0
Total	**135,782**	**146,650**	**–10,868**	**–7.4**
Total financial investments available for sale	**2,043,866**	**2,230,759**	**–186,893**	**–8.4**
Of which securities lent out	**102,743**	475,651	–372,908	–78.4
Of which repo-eligible financial investments	**1,453,793**	1,263,172	190,621	15.1
Total financial investments	**2,609,679**	**3,210,891**	**–601,212**	**–18.7**

2.21 Investment in associates

1,000 CHF	**31.12.2011**	31.12.2010
Balance sheet of associated companies[1]		
Assets	**2,732**	61,788
Liabilities	**1,142**	26,539
Net assets	**1,590**	**35,249**
Revenue and result of associated companies		
Income	**3,162**	8,497
Result after tax	**–1,530**	–1,856

In December 2011 the Sarasin Group sold its 40% minority shareholding in NZB Holding back to NZB. As of 31 December 2011 the position “Participation in associated companies” now only includes the minority stake in LFP-Sarasin Asset Management SA, Paris.

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

2.22 Property and equipment

1,000 CHF	Bank buildings	Other real estate	Furniture and machines	IT systems	**2011**
Historical cost					
Balance on 01.01.	76,546	4,985	110,784	66,332	**258,647**
Additions	0	0	6,714	9,767	**16,481**
Disposals / retirements	0	0	–711	–126	**–837**
Change in scope of consolidation	0	0	0	0	**0**
Currency translation differences	0	0	24	19	**43**
Reclassifications	0	0	0	0	**0**
Balance on 31.12.	76,546	4,985	116,811	75,992	**274,334**
Accumulated depreciation and amortisation					
Balance on 01.01.	–11,599	–978	–75,902	–52,274	**–140,753**
Planned depreciation and amortisation	–1,282	–45	–9,744	–7,069	**–18,140**
Extraordinary depreciation and amortisation (impairment)	0	0	–268[1]	0	**–268**
Disposals / retirements	0	0	574	126	**700**
Change in scope of consolidation	0	0	0	0	**0**
Currency translation differences	0	0	–109	–20	**–129**
Reclassifications	0	0	0	0	**0**
Balance on 31.12.	–12,881	–1,023	–85,449	–59,237	**–158,590**
Net book value on 31.12.	**63,665**	**3,962**	**31,362**	**16,755**	**115,744**

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

Additional information regarding property and equipment

1,000 CHF	31.12.2011	31.12.2010
Fire insurance value of real estate	**179,740**	177,654
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 31.12.2011, 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	2011	2010
Remaining duration up to 1 year	**21,950**	20,364
Remaining duration of 1 to 5 years	**59,381**	42,749
Remaining duration of over 5 years	**22,385**	16,971
Total minimum commitments from operating leasing	**103,716**	**80,084**

Operating expenses per 31.12.2011 include CHF 31.8 million and per 31.12.2010 CHF 29.8 million from operating leases. The minimum commitments mainly result from leasing arrangements.

Future claims from operating leases

1,000 CHF	2011	2010
Remaining duration up to 1 year	**302**	281
Remaining duration of 1 to 5 years	**849**	1,122
Remaining duration of over 5 years	**0**	0
Total minimum claims from operating leasing	**1,151**	**1,403**

Operating income per 31.12.2011 includes CHF 0.3 million and per 31.12.2010 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	2011
Historical cost				
Balance on 01.01.	92,740	28,910	299,739	**421,389**
Additions	10,070	0	0	**10,070**
Disposals / retirements	0	–3,742[1]	0	**–3,742**
Change in scope of consolidation	0	0	0	**0**
Currency translation differences	46	–21	–107	**–82**
Reclassifications	0	0	0	**0**
Balance on 31.12.	102,856	25,147	299,632	**427,635**
Accumulated depreciation and amortisation				
Balance on 01.01.	–59,129	–12,822	–201,531	**–273,482**
Planned depreciation and amortisation	–12,487	–2,593	0	**–15,080**
Extraordinary depreciation and amortisation (impairment)	0	–11,454[2]	0	**–11,454**
Disposals / retirements	0	3,742[1]	0	**3,742**
Change in scope of consolidation	0	0	0	**0**
Currency translation differences	–28	6	11	**–11**
Reclassifications	0	0	0	**0**
Balance on 31.12.	–71,644	–23,121	–201,520	**–296,285**
Net book value on 31.12.	**31,212**	**2,026**	**98,112**	**131,350**

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] *Derecognition in other comprehensive income of fully amortised intangible assets.*

[2] *See Note 2.7.*

Intangible assets

1,000 CHF	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
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)	**23,161**	23,257	–96	–0.4
Total	**98,112**	**98,208**	**–96**	**–0.1**

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.

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 2% 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	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Value added tax and other tax claims	**5,640**	3,282	2,358	71.8
Pension plan assets	**1,412**	3,479	–2,067	–59.4
Fair value adjustment from fair value hedge	**8,512**	85	8,427	>1,000
Settlement accounts in respect of open transactions from fund business	**11,215**	6,893	4,322	62.7
Miscellaneous other assets	**11,168**	18,326	–7,158	–39.1
Total other assets	**37,947**	**32,065**	**5,882**	**18.3**

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

1,000 CHF	**31.12.2011** Market value	**31.12.2011** Effective commitment	31.12.2010 Market value	31.12.2010 Effective commitment
Financial instruments	**136,072**	**28,969**	161,416	122,365
Other assets	**75,776**	**75,776**	55,045	55,045
Total pledged assets	**211,848**	**104,745**	**216,461**	**177,410**

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	**31.12.2011**	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Book value of claims resulting from cash deposits connected with securities borrowing and reverse repurchase transactions	**292,780**	399,525	–106,745	–26.7
Book value of liabilities resulting from cash deposits connected with securities lending and repurchase transactions	**190,265**	478,766	–288,501	–60.3
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	**229,123**	503,198	–274,075	–54.5
of which securities for which the unrestricted right of resale or pledging has been granted	**229,123**	503,198	–274,075	–54.5
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	**379,728**	548,134	–168,406	–30.7
Fair value of all such securities that have been resold or pledged	**6,667**	6,852	–185	–2.7

2.27 Due to customers

1,000 CHF	**31.12.2011**	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Due to customers in savings and investment accounts	**1,239,249**	1,147,637	91,612	8.0
Due to customers other	**11,379,538**	10,702,459	677,079	6.3
Total due to customers	**12,618,787**	**11,850,096**	**768,691**	**6.5**

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	25,303	18	11,976	0	37,297
Yield Enhancement	268,116	58,901	6,148	0	333,165
Participation	106,582	33,234	159,069	69,364	368,249
Leverage	6,576	0	0	0	6,576
Other products	33,189	25,472	24,407	1,040	84,108
Total 31.12.2011	**439,766**	**117,625**	**201,600**	**70,404**	**829,395**
Total 31.12.2010	394,424	125,753	192,860	40,795	753,832

The above table shows the publicly placed structured products of the Bank with fixed interest rates between 0% and 21%. The banks' own positions in the amount of CHF 95.5 million (previous year: CHF 36.8 million) were netted with the issued debts.

2.29 Other liabilities

Year of issue	Name	Interest rate %	Currency	Maturity	Nominal amount 1,000 CHF	**31.12.2011** 1,000 CHF	31.12.2010 1,000 CHF	Change to 31.12.2010 CHF	Change to 31.12.2010 %
2010	Bond	2.0	CHF	15.10.15	350,000	**346,692**	346,467	225	0.1
2011	Mortgage-backed bonds	0.3–2.05	CHF	15.04.15–24.05.2017	36,900	**37,235**	0	37,235	
Total						**383,927**	**346,467**	**37,460**	**10.8**

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	**31.12.2011**	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Value added tax and other tax liabilities	**18,752**	21,160	–2,408	–11.4
Pension plan liabilities	**1,928**	1,329	599	45.1
Settlement accounts in respect of open transactions from fund business / intermediaries	**26,607**	16,598	10,009	60.3
Miscellaneous other liabilities	**7,812**	3,144	4,668	148.5
Total other liabilities	**55,099**	**42,231**	**12,868**	**30.5**

[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	**2011**
Balance on 01.01.	0	100	1,350	**1,450**
Utilisation in conformity with purpose	0	0	0	**0**
New provisions charged to income statement	2,515	400	0	**2,915**
Provisions released to income statement	0	0	0	**0**
Recoveries	0	0	0	**0**
Reclassifications	0	0	0	**0**
Change in scope of consolidation	0	0	0	**0**
Currency translation differences	0	0	0	**0**
Balance on 31.12.	**2,515**	**500**	**1,350**	**4,365**
Maturity of provisions				
Within 1 year	2,515	0	0	**2,515**
Over 1 year	0	500	1,350	**1,850**

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

The provision was made in connection with a restructuring in Private Banking. One-off costs amount to CHF 2.5 million. The provision amount, which is split into personnel and general administrative expenses, is expected to be written back by the end of 2012.

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	**2011** 1,000 CHF	2010 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

	2011 Number of shares	**2011** 1,000 CHF	2010 Number	2010 1,000 CHF
Balance at beginning 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
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	**1,254,105**	**42,041**	2,312,618	88,990
Sales of class B registered shares	**–1,429,356**	**–52,116**	–2,247,965	–82,884
Balance at end of year				
Class A registered shares (with voting rights)	**0**	**0**	0	0
Class B registered shares	**704,355**	**22,958**	879,606	33,033

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	2011	2010
Compensation to Members of the Board of Directors of Bank Sarasin & Co. Ltd, Basel	2,043	2,053
Compensation to Members of the Executive Committee	13,918	18,522
Compensation to Resigned Members of the Board of Directors of Bank Sarasin & Co. Ltd, Basel	0	0
Total compensation paid	**15,961**	**20,575**
Of which short-term basic salary and variable remuneration	7,441	13,230
Of which short-term employers' social security contributions and pension premium payments	1,687	1,956
Of which lump-sum pension contributions following early retirement, Board of Directors	0	0
Of which termination benefits	0	0
Of which share-based payments	6,832	5,389
Of which other long-term benefits	0	0
Total compensation paid	**15,961**	**20,575**
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 Executive Committee		
Outstanding loans on 01.01.	2,005	5,599
New loans and increases in existing loans	1,798	911
Repayment of loans	0	–4,505
Outstanding loans to Members of the Executive Committee on 31.12.	**3,803**	**2,005**
Total loans to governing bodies (Board of Directors and Executive Committee)	**4,803**	**3,005**
Total receivables with related parties and companies	734,003	967,938
Total liabilities to related parties and companies	86,382	597,852

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 31.12.2011, our liabilities towards our benefit plans totalled CHF 12.2 million (CHF 6.7 million).

Private Equity

The items "trading portfolio assets" and "financial investments" contain 34 945 (34 170) shares in New Energies Invest Ltd with a countervalue of CHF 5.5 million (CHF 6.4 million). Bank Sarasin is the company's investment sub-advisor. Commission income amounted to CHF 0.2 million (CHF 0.2 million).

Management remuneration in accordance with the Swiss Code of Obligations

2011 CHF	Compen-sation basis cash	Compen-sation variable cash	Share-based payments previous years[1]	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	166,077	916,077
Brueckner, Christian, until 05.04.2011	66,667	0	0	3,646	70,313
Woehrl, Dagmar G., since 06.04.2011	127,500	0	0	0	127,500
Hufschmid, Hans-Rudolf	270,000	0	0	18,071	288,071
Heemskerk, Hubertus, until 22.03.2011	42,500	0	0	2,287	44,787
Schat, Sipko N.[2]	170,000	0	0	0	170,000
Mol, Pim W.[2]	170,000	0	0	0	170,000
Derendinger, Peter	240,000	0	0	16,130	256,130
Total Members of the Board of Directors	**1,836,667**	**0**	**0**	**206,211**	**2,042,878**
Members of the Executive Committee					
Straehle, Joachim H. (Chief Executive Officer)	1,102,567	0	2,414,181	313,758	3,830,506
Total Members of the Executive Committee	**5,365,771**	**238,929**	**6,832,253**	**1,481,285**	**13,918,238**

1 *As Safra is about to take over Rabobank's shareholding, the Board of Directors decided in December 2011 to terminate the existing share participation plan and make a final cash settlement to cover outstanding entitlements from prior bonus schemes.*

2 *Payment was made to the Rabobank Group, Utrecht.*

Management remuneration in accordance with the Swiss Code of Obligations

2010 CHF	Compen-sation basis cash	Compen-sation variable 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.[1]	170,000	0	0	0	170,000
Mol, Pim W.[1]	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[2]	**5,775,151**	**5,625,000**	**5,388,900**	**1,733,125**	**18,522,176**

[1] *Payment was made to the Rabobank Group, Utrecht.*

[2] *Matthias Hassels until 31.10.2010, Thomas A. Mueller since 01.05.2010.*

Loans, options and shares as at 31 December 2011

2011	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
Woehrl, Dagmar G., since 06.04.2011	0	0	0	0
Hufschmid, Hans-Rudolf	0	21,400	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**	**51,400**	**0**	**0**

No outstanding options.

Members of the Executive Committee				
Straehle, Joachim H. (Chief Executive Officer)	–	327,816	–	–
Goetz, Fidelis M.	–	59,999	–	–
Sarasin, Eric G.	2,801,000	101,682	–	–
Varnholt, Burkhard P.	–	57,731	–	–
Sami, Peter	–	4,858	–	–
Wild, Peter	–	3,405	–	–
Mueller, Thomas A.	–	0	–	–
Total Members of the Executive Committee	**3,803,000**	**555,491**	**–**	**–**

No outstanding options.

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 31.10.2010	–	–	–	–
Sarasin, Eric G.	2,005,000	58,982	–	–
Varnholt, Burkhard P.	–	20,000	–	–
Sami, Peter	–	3,000	–	–
Wild, Peter	–	0	–	–
Mueller, Thomas A., since 01.05.2010	–	0	–	–
Total Members of the Executive Committee	**2,005,000**	**299,348**	**–**	**–**

No outstanding options.

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

As Safra is about to take over Rabobank's shareholding, the Board of Directors has decided to terminate the existing share participation plan and make a final cash settlement to cover entitlements from prior bonus schemes. It has also opted for a cash deferral for 2011 rather than a share-based payment.

The expense recognised for employee services received during the year

1,000 CHF	**31.12.2011**	31.12.2010
Personnel expense from "equity-settled" payments	**21,407** [1]	9,441

Participation plan

Equity	**31.12.2011**	31.12.2010
Shares with a vesting period as at 01.01.	**683,676**	353,535
Shares allocated during the year	**460,791**	492,296
Shares forfeited or transferred	**–1,115,464** [1]	–162,155
Shares with a vesting period as at 31.12.	**29,003** [2]	683,676
Average weighted allocation price per share (CHF)	**42.73**	34.00
Fair value of shares outstanding at the end of the financial year (CHF)	**796,132**	29,124,598

[1] *Sarasin immediately recognised all outstanding share-based payment programmes (entitlements) in profit or loss in accordance with IFRS 2.28 a. Employees are granted compensation in the form of a cash payment amounting to CHF 21.3 million. This will be disbursed in February 2012 and was recognised and deferred in accordance with IFRS 2.28b.*

[2] *The shares still outstanding at the end of December 2011 relate to individual Sign On programmes, which continue to qualify as share-based payment arrangements under IFRS 2.*

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, p. 55 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) managed the Group's financial investments, with the exception of the bond portfolios held by the Treasury Committee for liquidity management purposes. ALCO was integrated into the Treasury Committee in mid-2011.

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) and the Treasury Committee by the Global Treasurer.

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 Audit Committee, 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 and reputation 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 0.225 million as at 31 December 2011 (1 day retention period, 97.5% confidence level). The total VaR of the trading book averaged CHF 0.493 million and over the course of the year fluctuated between CHF 0.163 million and CHF 0.826 million. The overall VaR for trading is limited to CHF 5.1 million (2010: CHF 5.1 million, with a 1 day holding period and 97.5% 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 nonlinear risks arise under stress conditions. 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.

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

1,000 CHF	**31.12.2011**	ø	min.	max.
Equities risk	**179**	64	18	204
Interest rate risk	**57**	88	20	230
Foreign exchange risk	**99**	424	54	789
Structured products	**59**	143	45	602
Diversification	**169**	227		
Total	**225**	**493**	**163**	**826**

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**

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 +3.3 million and a market-value effect of CHF –1.3 million, as at 31 December 2011. A parallel 100 basis point reduction in interest rates would have an income effect of CHF +1.4 million and a market-value effect of CHF +8.3 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 pro-

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

ceeds 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 in 2011

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

Concentrated risks

As a rule loans are only granted on a covered basis. Amounts due from clients are generally covered by marketable and diversified securities. Bank Sarasin 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 and reputation 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.

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

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.

Reputation risks

For Bank Sarasin, reputation is essentially the stakeholders' (clients, counterparties, shareholders, investors and regulators) perception of the Bank's public standing, as well as its professionalism, integrity and reliability. Accordingly, reputation risk can be defined as the existing or potential threat of negative commercial impacts on the Bank created by the relevant stakeholders' negative perception of the Bank.

In order to identify potential reputation risks at an early stage and take any countermeasures necessary, the Risk

5.1 Market risks: balance sheet per currency

1,000 CHF	CHF	EUR	GBP	USD	Other	**Total**
Assets						
Cash and cash equivalents	188,911	3,323	164	212	217	192,827
Money market papers	26	61,929	388	116	474,599	537,058
Due from banks	794,995	794,156	89,612	519,564	373,602	2,571,929
Due from customers	3,698,076	901,570	128,181	3,599,453	1,604,756	9,932,036
Trading portfolio assets	269,101	209,992	5,756	190,298	18,356	693,503
Derivative financial instruments	221,743	195,723	1,367	101,354	8,478	528,665
Financial investments	1,461,740	622,890	155,945	263,214	105,890	2,609,679
Investments in associated companies	0	1,664	0	0	0	1,664
Property and equipment	109,397	643	2,651	1,836	1,217	115,744
Goodwill and other intangible assets	102,666	158	27,146	911	469	131,350
Current tax assets	5,947	0	182	0	46	6,175
Deferred tax assets	5,829	5,093	0	0	0	10,922
Accrued income and prepaid expenses	47,429	25,935	26,489	21,615	4,330	125,798
Other assets	16,358	3,565	10,380	1,757	5,887	37,947
Total balance sheet assets per 31.12.2011	**6,922,218**	**2,826,641**	**448,261**	**4,700,330**	**2,597,847**	**17,495,297**
Claims deriving from spot and forward forex transactions	2,173,408	1,806,974	233,603	2,915,800	1,448,762	8,578,547
Claims deriving from forex options	72,811	1,264,840	893,119	2,502,864	999,285	5,732,919
Total assets per 31.12.2011	**9,168,437**	**5,898,455**	**1,574,983**	**10,118,994**	**5,045,894**	**31,806,763**
Total assets per 31.12.2010	8,838,065	5,686,054	1,846,204	10,708,678	5,883,595	32,962,596

Office has defined a management and control process for reputation risks which has been approved by the Executive Committee. This is embedded in the Bank's existing structures and processes in the area of risk management.

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.

1,000 CHF	CHF	EUR	GBP	USD	Other	**Total**
Liabilities						
Due to banks	702,899	248,350	44,331	563,544	81,883	1,641,007
Due to customers	4,752,188	2,077,952	412,558	3,762,444	1,613,645	12,618,787
Trading portfolio liabilities	30,110	5,065	0	2,400	28	37,603
Derivative financial instruments	217,810	127,379	2,178	87,861	9,525	444,753
Financial liabilities designated at fair value	270,662	287,425	2,680	217,271	51,357	829,395
Debt issued	383,927	0	0	0	0	383,927
Current tax liabilities	3,053	170	2,283	3,416	75	8,997
Deferred tax liabilities	5,848	0	318	1,352	0	7,518
Accrued expenses and deferred income	109,888	14,845	46,078	7,454	18,559	196,824
Other liabilities	25,557	4,891	18,907	2,604	3,140	55,099
Provisions	4,365	0	0	0	0	4,365
Total liabilities	**6,506,307**	**2,766,077**	**529,333**	**4,648,346**	**1,778,212**	**16,228,275**
Total shareholders' equity (including minority interests)	**1,197,840**	**–19,760**	**59,955**	**29,352**	**–365**	**1,267,022**
Total balance sheet liabilities and shareholders' equity per 31.12.2011	**7,704,147**	**2,746,317**	**589,288**	**4,677,698**	**1,777,847**	**17,495,297**
Liabilities deriving from spot and forward forex transactions	1,788,336	1,761,544	68,898	2,629,159	2,355,072	8,603,009
Liabilities deriving from forex options	72,811	1,263,823	893,076	2,480,230	1,002,005	5,711,945
Total liabilities per 31.12.2011	**9,565,294**	**5,771,684**	**1,551,262**	**9,787,087**	**5,134,924**	**31,810,251**
Total liabilities per 31.12.2010	9,199,168	5,617,286	1,800,723	10,454,516	5,942,904	33,014,597
Net position per currency per 31.12.2011	**–396,857**	**126,771**	**23,721**	**331,907**	**–89,030**	**–3,488**
Net position per currency per 31.12.2010	–361,103	68,768	45,481	254,162	–59,309	–52,001

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

Currency			31.12.2011			31.12.2010
	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**	**–16,804**	**4,115**	+5	10,138	2,879
USD	**+5**	**17,603**	**2,795**	+5	9,656	2,355
GBP	**+5**	**–8,158**	**352**	+5	–2,933	388
EUR	**–5**	**16,804**	**–4,115**	–5	–10,138	–2,879
USD	**–5**	**–17,603**	**–2,795**	–5	–9,656	–2,355
GBP	**–5**	**8,158**	**–352**	–5	2,933	–388

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			**31.12.2011**			31.12.2010
	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**	**6,062**	**–14,424**	+100	9,253	–9,646
EUR	**+100**	**–3,165**	**–1,147**	+100	2,415	–1,777
USD	**+100**	**3,185**	**–1,714**	+100	–1,422	–861
GBP	**+100**	**–394**	**–70**	+100	–24	–472
JPY	**+100**	**19**	**0**	+100	–56	0
Other	**+100**	**–1,299**	**–1,474**	+100	–2,678	–2,264
Total		**4,408**	**–18,829**		**7,488**	**–15,020**

Currency			**31.12.2011**			31.12.2010
	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**	**–458**	**6,070**	–100	–2,921	8,895
EUR	**–100**	**3,075**	**1,172**	–100	–2,305	1,740
USD	**–100**	**–2,308**	**1,793**	–100	13	501
GBP	**–100**	**191**	**57**	–100	–144	333
JPY	**–100**	**–21**	**0**	–100	–31	0
Other	**–100**	**49**	**579**	–100	414	810
Total		**528**	**9,671**		**–4,974**	**12,279**

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 result would change if interest rates were to rise by 100 bp. In FY 2011, net result would have increased by CHF 4.4 million (2010: CHF 7.5 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 –18.8 million as at 31 December 2011 (as at 31 December 2010: CHF –15.0 million).

5.4 Market risks: equity price risk

Market indices				**31.12.2011**	
	Change in equity price basis points	Effect on equity	Change in equity price basis points	Effect on equity	Whereof realized through profit or loss
	%	1,000 CHF	%	1,000 CHF	1,000 CHF
SPI	**+10**	**12,584**	**–10**	**–12,584**	–6,037
FTSE 100	**+10**	**705**	**–10**	**–705**	0
Euronext 100	**+10**	**4,119**	**–10**	**–4,119**	–2,194
S&P 500	**+10**	**772**	**–10**	**–772**	–7

Market indices				31.12.2010	
	Change in equity price basis points	Effect on equity	Change in equity price basis points	Effect on equity	Whereof realized through profit or loss
	%	1,000 CHF	%	1,000 CHF	1,000 CHF
SPI	+10	9,658	–10	–9,658	–2,388
FTSE 100	+10	777	–10	–777	0
Euronext 100	+10	3,237	–10	–3,237	–561
S&P 500	+10	855	–10	–855	0

The share price risk is the risk that the fair value of the “Financial investments available for sale” can assume if stock market indexes fluctuate. 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	31.12.2011 Domestic	31.12.2011 Foreign	31.12.2010 Domestic	31.12.2010 Foreign
Assets				
Cash and cash equivalents	**192,598**	**229**	182,391	222
Money market papers	**1,797**	**535,261**	636,893	33,484
Due from banks	**479,496**	**2,092,433**	557,703	1,984,135
Due from customers	**3,055,039**	**6,876,997**	2,809,296	6,648,121
Trading portfolio assets	**292,788**	**400,715**	208,075	288,771
Derivative financial instruments	**196,146**	**332,519**	277,243	176,017
Financial investments	**412,513**	**2,197,166**	309,293	2,901,598
Investments in associated companies	**0**	**1,664**	35,051	1,184
Property and equipment	**109,395**	**6,349**	110,759	7,135
Goodwill and other intangible assets	**102,666**	**28,684**	119,965	27,942
Current tax assets	**5,946**	**229**	971	209
Deferred tax assets	**5,829**	**5,093**	278	5,799
Accrued income and prepaid expenses	**50,363**	**75,435**	54,380	96,491
Other assets	**19,506**	**18,441**	16,333	15,732
Total assets	**4,924,082**	**12,571,215**	**5,318,631**	**12,186,840**
Liabilities				
Due to banks	**1,176,897**	**464,110**	1,578,869	1,049,391
Due to customers	**6,921,785**	**5,697,002**	6,825,970	5,024,126
Trading portfolio liabilities	**37,603**	**0**	17,499	0
Derivative financial instruments	**169,902**	**274,851**	208,233	177,438
Financial liabilities designated at fair value	**829,395**	**0**	753,832	0
Debt issued	**383,927**	**0**	346,467	0
Current tax liabilities	**3,054**	**5,943**	4,527	4,688
Deferred tax liabilities	**5,848**	**1,670**	7,423	1,647
Accrued expenses and deferred income	**111,029**	**85,795**	113,296	76,490
Other liabilities	**24,976**	**30,123**	25,035	17,196
Provisions	**4,365**	**0**	1,450	0
Total liabilities	**9,668,781**	**6,559,494**	**9,882,601**	**6,350,976**
Total shareholders' equity (including minority interests)	**1,197,840**	**69,182**	**1,212,170**	**59,724**
Total liabilities and shareholders' equity	**10,866,621**	**6,628,676**	**11,094,771**	**6,410,700**

5.6 Credit risks: analysis of collateral

1,000 CHF	Type of collateral Mortgage	Other	Unsecured	**Total**
Loans				
Due from customers, net of value adjustments	2,346,891	7,547,147	37,999	9,932,036
Of which mortgage loans				
– Residential property	2,040,823	0	0	2,040,823
– Office and business premises	306,068	0	0	306,068
Total loans per 31.12.2011	**2,346,891**	**7,547,147**	**37,999**	**9,932,036**
Total loans per 31.12.2010	2,065,500	7,364,443	27,474	9,457,417
Off-balance sheet				
Contingent liabilities	0	435,899	27,175	463,074
Irrevocable commitments	219	51,703	5,958	57,880
Other confirmed credits	0	0	0	0
Liabilities for calls on shares and other equities	0	0	1,428	1,428
Total per 31.12.2011	**219**	**487,602**	**34,561**	**522,382**
Total per 31.12.2010	0	616,346	32,792	649,138

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

1,000 CHF	Central-banks	Banks	Public bodies	Private and institutional investment clients	Other	**31.12.2011**
Due from banks	526,669	1,884,686	4,199	156,375	0	**2,571,929**
Loans and advances	81,140	1,132,112	15,128	8,627,336	76,320	**9,932,036**
Debt instruments	734,670	1,576,794	248,476	434,415	106,334	**3,100,689**
Other assets	4,403	102,785	1,193	30,207	190	**138,778**
Derivative financial instruments	69	293,157	3,568	222,777	9,094	**528,665**
Subtotal	**1,346,951**	**4,989,534**	**272,564**	**9,471,110**	**191,938**	**16,272,097**
Contingent liabilities	5,602	77,442	23,157	351,227	4,583	**462,011**
Irrevocable commitments	0	441	8,422	9,751	137	**18,751**
Liabilities for calls on shares and other equities	0	0	0	8,923	0	**8,923**
Add-ons	414	57,636	1,580	48,988	57	**108,675**
Total credit risk exposure	**1,352,967**	**5,125,053**	**305,723**	**9,889,999**	**196,715**	**16,870,457**

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**

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.

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

1,000 CHF	Switzerland	Europe	Middle East and Asia	Americas	Other	**31.12.2011**
Due from banks	757,994	1,432,164	294,529	64,655	22,587	**2,571,929**
Loans and advances	3,188,279	1,743,725	2,000,885	2,871,032	128,115	**9,932,036**
Debt instruments	320,544	2,060,373	526,450	91,021	102,301	**3,100,689**
Other assets	91,594	23,320	16,789	5,893	1,182	**138,778**
Derivative financial instruments	140,744	307,452	56,364	16,109	7,996	**528,665**
Subtotal	**4,499,155**	**5,567,034**	**2,895,017**	**3,048,710**	**262,181**	**16,272,097**
Contingent liabilities	199,185	129,411	50,254	79,172	3,989	**462,011**
Irrevocable commitments	17,743	485	0	0	523	**18,751**
Liabilities for calls on shares and other equities	8,923	0	0	0	0	**8,923**
Add-ons	32,425	58,026	10,563	5,149	2,512	**108,675**
Total credit risk exposure	**4,757,431**	**5,754,956**	**2,955,834**	**3,133,031**	**269,205**	**16,870,457**

1,000 CHF	Switzerland	Europe	Middle East and Asia	Americas	Other	31.12.2010
Due from banks	812,378	1,409,359	202,759	107,450	9,892	2,541,838
Loans and advances	2,998,162	1,415,393	1,939,390	2,893,754	210,718	9,457,417
Debt instruments	803,178	2,492,383	257,491	129,632	119,398	3,802,082
Other assets	109,128	18,045	27,532	7,796	741	163,242
Derivative financial instruments	214,202	175,423	31,922	30,014	1,699	453,260
Subtotal	**4,937,048**	**5,510,603**	**2,459,094**	**3,168,646**	**342,448**	**16,417,839**
Contingent liabilities	252,184	137,373	59,726	81,881	4,504	535,668
Irrevocable commitments	50,874	0	0	0	0	50,874
Liabilities for calls on shares and other equities	8,921	0	0	0	0	8,921
Add-ons	29,164	67,552	26,799	10,751	2,793	137,058
Total credit risk exposure	**5,278,191**	**5,715,528**	**2,545,619**	**3,261,276**	**349,745**	**17,150,360**

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.

5.9 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	**31.12.2011**
Due from banks	937,362	4,199	0	0	1,630,368	**2,571,929**
Loans and advances	5,886,041	150,418	2,012,348	293,197	1,590,032	**9,932,036**
Debt instruments	0	0	0	0	3,100,689	**3,100,689**
Other assets	11,544	450	228	17	126,539	**138,778**
Derivative financial instruments	320,338	3,352	0	382	204,593	**528,665**
Subtotal	**7,155,285**	**158,419**	**2,012,576**	**293,596**	**6,652,221**	**16,272,097**
Contingent liabilities	292,626	18,724	1,180	563	148,918	**462,011**
Irrevocable commitments	3,594	0	565	0	14,592	**18,751**
Liabilities for calls on shares and other equities	0	0	0	0	8,923	**8,923**
Add-ons	33,384	1,504	0	37	73,750	**108,675**
Total credit risk exposure	**7,484,889**	**178,647**	**2,014,321**	**294,196**	**6,898,404**	**16,870,457**

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**

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.

5.10 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	**31.12.2011**
Due from banks	200,221	1,195,733	0	1,174,103	1,872	**2,571,929**
Loans and advances	0	0	0	9,931,765	271	**9,932,036**
Debt instruments	2,168,782	662,861	980	268,066	0	**3,100,689**
Other assets	13,573	8,173	4	117,028	0	**138,778**
Derivative financial instruments	23,219	65,738	0	439,708	0	**528,665**
Subtotal	**2,405,795**	**1,932,505**	**984**	**11,930,670**	**2,143**	**16,272,097**
Contingent liabilities	0	0	0	462,011	0	**462,011**
Irrevocable commitments	0	0	0	18,751	0	**18,751**
Liabilities for calls on shares and other equities	0	0	0	8,923	0	**8,923**
Add-ons	21,631	34,044	0	53,000	0	**108,675**
Total credit risk exposure	**2,427,426**	**1,966,549**	**984**	**12,473,355**	**2,143**	**16,870,457**

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**

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.

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

1,000 CHF	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	**31.12.2011**
Due from banks	0	0	0	1,872	**1,872**
Loans and advances	0	0	0	271	**271**
Mortgages	0	0	0	0	**0**
Due from customers	0	0	0	271	**271**
Total	**0**	**0**	**0**	**2,143**	**2,143**

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**

The table shows the assets that are overdue but not impaired on the reporting date. As at 31.12.2011, there are no financial investments that are overdue or impaired and whose conditions have been renegotiated.

5.12 Credit risks: presentation of impaired loans to clients by geographical area

		31.12.2011		31.12.2010
1,000 CHF	Impaired loans to clients (gross)	Individual value adjustments	Impaired loans to clients (gross)	Individual value adjustments
Switzerland	**68**	**48**	99	77
Europe	**12,879**	**12,628**	9,535	9,354
Middle East and Asia	**606**	**606**	2,348	2,348
Others	**2,217**	**2,217**	0	0
Total	**15,770**	**15,499**	**11,982**	**11,779**

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.

5.13 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	31.12.2011
Assets							
Cash and cash equivalents	192,827	0	0	0	0	0	**192,827**
Money market papers	1,797	0	532,855	2,406	0	0	**537,058**
Due from banks	1,950,348	38,186	479,506	58,150	45,739	0	**2,571,929**
Due from customers	536,642	742,181	6,702,272	1,048,227	669,944	232,770	**9,932,036**
Trading portfolio assets	693,503	0	0	0	0	0	**693,503**
Derivative financial instruments	528,665	0	0	0	0	0	**528,665**
Financial investments	306,044	0	122,661	632,758	1,476,572	71,644	**2,609,679**
Investments in associated companies	0	0	0	0	0	1,664	**1,664**
Property and equipment	0	0	0	0	0	115,744	**115,744**
Goodwill and other intangible assets	0	0	0	0	0	131,350	**131,350**
Current tax assets	6,175	0	0	0	0	0	**6,175**
Deferred tax assets	10,922	0	0	0	0	0	**10,922**
Accrued income and prepaid expenses	125,798	0	0	0	0	0	**125,798**
Other assets	27,023	0	0	0	10,924	0	**37,947**
Total assets	**4,379,744**	**780,367**	**7,837,294**	**1,741,541**	**2,203,179**	**553,172**	**17,495,297**
Liabilities							
Due to banks	424,782	20,308	799,004	324,090	72,823	0	**1,641,007**
Due to customers	6,934,546	1,053,107	3,841,842	764,703	22,454	2,135	**12,618,787**
Trading portfolio liabilities	37,603	0	0	0	0	0	**37,603**
Derivative financial instruments	444,753	0	0	0	0	0	**444,753**
Financial liabilities designated at fair value	13,121	0	120,422	306,223	319,225	70,404	**829,395**
Debt issued	0	0	0	0	369,467	14,460	**383,927**
Current tax liabilities	8,116	0	0	0	0	881	**8,997**
Deferred tax liabilities	7,405	0	0	0	0	113	**7,518**
Accrued expenses and deferred income	196,824	0	0	0	0	0	**196,824**
Other liabilities	55,099	0	0	0	0	0	**55,099**
Provisions	4,365	0	0	0	0	0	**4,365**
Total liabilities	**8,126,614**	**1,073,415**	**4,761,268**	**1,395,016**	**783,969**	**87,993**	**16,228,275**
Total shareholders' equity (including minority interests)	**83,864**	**0**	**0**	**0**	**0**	**1,183,158**	**1,267,022**
Total liabilities and shareholders' equity	**8,210,478**	**1,073,415**	**4,761,268**	**1,395,016**	**783,969**	**1,271,151**	**17,495,297**

1,000 CHF	At sight	Callable	Within 3 months	3 to 12 months	1 to 5 years	Maturities 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**

5.14 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	31.12.2011
Contingent liabilities	89,104	0	60,797	281,776	19,806	11,591	**463,074**
Irrevocable commitments	16,844	0	21,889	16,901	2,246	0	**57,880**
Liabilities for calls on shares and other equities	1,428	0	0	0	0	0	**1,428**
Confirmed credit	0	0	0	0	0	0	**0**
Derivative financial instruments	3,150	0	12,273,146	6,330,182	1,884,696	128,587	**20,619,761**
Fiduciary transactions	1,927,861	0	751,382	209,242	90,222	0	**2,978,707**
Total	**2,038,387**	**0**	**13,107,214**	**6,838,101**	**1,996,970**	**140,178**	**24,120,850**

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**

5.15 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	31.12.2011
Liabilities						
Due to banks	445,090	803,112	326,153	76,125	0	**1,650,480**
Due to customers	7,987,653	3,848,542	769,860	25,994	2,135	**12,634,184**
Trading portfolio liabilities[1]	37,603	0	0	0	0	**37,603**
Financial liabilities designated at fair value	13,121	121,848	311,516	323,258	70,404	**840,147**
Debt issued	0	0	7,489	392,243	14,545	**414,277**
Total undiscounted financial liabilities per 31.12.2011	**8,483,467**	**4,773,502**	**1,415,018**	**817,620**	**87,084**	**15,576,691**

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	31.12.2010
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 31.12.2011	**7,242,693**	**5,648,660**	**1,901,035**	**842,215**	**41,906**	**15,676,509**

[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 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.

The Private Banking segment is responsible for the acquisition, service and support of customers in the global private client business. This division operates the Groups's locations in Switzerland (Basel, Berne, Geneva, Lugano, Lucerne and Zurich), Europe (Germany, Ireland, Poland, the UK), the Middle East (Bahrain, Oman, Qatar and United Arab Emirates) and Asia (Hong Kong, India and Singapore). The business segment is jointly managed by Eric G. Sarasin and Fidelis M. Goetz. On 31 December 2011, Private Banking had a headcount of 673 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 2011 had a headcount of 93 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 2011 had a headcount of 338 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. Bank Sarasin is the majority shareholder of bank zweiplus with a stake of 57.5%. Head of operations is Alfred W. Moeckli, CEO of bank zweiplus. At the end of December 2011, bank zweiplus had a headcount of 151 employees (full-time equivalents).

The Corporate Center segment includes internal support functions in the areas of Logistics (IT, Operations and Facility Management) on the one hand, and the staff functions at the level of the Board of Directors (Group Internal Audit) and the Executive Committee (Corporate Communications, Corporate Marketing, Legal & Compliance, Human Resources, Accounting & Tax, Controlling, Risk Office, Credit und Corporate Finance) on the other. Peter Sami manages the Logistics division. The Corporate Center division is managed by the Group's Chief Financial Officer, Thomas A. Mueller. On 31 December 2011, the total segment had a headcount of 460 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

2011

1,000 CHF	Private Banking	Trading & Family Offices	Asset Management, Products & Sales	bank zweiplus	Corporate Center	**Sarasin Group**
Net interest income	103,917	33,712	1,237	4,671	5,345	148,882
Results from commission and service fee activities, trading operations and other ordinary results	280,406	42,491	174,367	52,013	–11,954	537,323
Operating income	**384,323**	**76,203**	**175,604**	**56,684**	**–6,609**	**686,205**
Personnel expenses	159,290	27,540	82,544	23,789	93,962	387,125
General administrative expenses	36,099	6,016	24,912	9,547	64,173	140,747
Services from or to other segments	91,001	19,890	6,707	17,683	–135,281	0
Operating expenses	**286,390**	**53,446**	**114,163**	**51,019**	**22,854**	**527,872**
Operating profit	**97,933**	**22,757**	**61,441**	**5,665**	**–29,463**	**158,333**
Depreciation and amortisation	5,002	9	1,367	2,066	36,498[1]	44,942
Value adjustments, provisions and losses	6,830	2,294	1,338	1,394	–78	11,778
Profit before taxes per segment	**86,101**	**20,454**	**58,736**	**2,205**	**–65,883**	**101,613**
Taxes						9,144
Group result including minority interests						**92,469**
Minority interests						8,605
Group result excluding minority interests						83,864

31.12.2011

Segment assets	14,724,165	1,174,323	126,013	790,622	680,174	17,495,297
Segment liabilities	10,706,588	1,561,885	2,577,959	703,609	678,234	16,228,275
Investments	5,694	0	0	434	20,423	26,551
Assets under management (million CHF)	42,869	8,865	31,260	4,812	8,597	96,403
Number of employees (full-time equivalents)	673.2	92.7	338.3	150.8	460.1	1,715.1

[1] *This position includes an impairment charge of CHF 11.5 million on the intangible assets of bank zweiplus ltd. Taking this impairment charge into account, bank zweiplus' segment result comes to CHF –9.3 million.*

2010

1,000 CHF	Private Banking	Trading & Family Offices	Asset Manage-ment, Products & Sales	bank zweiplus	Corporate Center	**Sarasin Group**
Net interest income	106,029	29,279	670	3,385	7,558	146,921
Results from commission and service fee activities, trading operations and other ordinary results	279,996	49,752	177,105	58,121	–21,324	543,650
Operating income	**386,025**	**79,031**	**177,775**	**61,506**	**–13,766**	**690,571**
Personnel expenses	156,332	27,010	85,600	22,992	76,466	368,400
General administrative expenses	40,476	6,161	24,769	9,177	56,237	136,820
Services from or to other segments	81,352	16,889	4,514	17,286	–120,041	0
Operating expenses	**278,160**	**50,060**	**114,883**	**49,455**	**12,662**	**505,220**
Operating profit	**107,865**	**28,971**	**62,892**	**12,051**	**–26,428**	**185,351**
Depreciation and amortisation	4,508	1	1,412	1,651	23,232	30,804
Value adjustments, provisions and losses	2,415	–208	–28	9,039	114	11,332
Profit before taxes per segment	**100,942**	**29,178**	**61,508**	**1,361**	**–49,774**	**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	93.1	331.4	143.2	437.7	1,642.4

The net income from associates amounted to minus CHF –1.5 million (2010: CHF –1.9 million). The carrying amount of the associates, which is presented within the segment assets, is CHF 1.7 million (31.12.2010: CHF 36.2 million). They are included in the Corporate Center.

Restatement of the segment information in the Annual Report 2010

There have been a number of changes in the segment reporting due to the organisational restructuring of individual areas of responsibility and adjusted methodology in allocating income and cost components. To ensure that meaningful comparisons are possible, the previous year's values have been adjusted accordingly (restatement). These restatements essentially concern the following elements:

> Organisational restructuring of the subsidiary Bank Sarasin (CI) Limited, Guernsey, which is mainly involved in product-specific refinancing, from the Trading unit in the Trading & Family Offices segment to the Wholesale & Products unit in the Asset Management, Products & Sales segment.

> Consistent delegation of responsibility to Group Treasury for net interest income. As a result, transfer of parts of the Treasury result and the bank's own bond portfolio from the Corporate Center segment to the Global Treasury department, which is part of the Trading unit in the Trading & Family Offices segment.

> The introduction of new concepts for allocating costs more effectively to their point of origin results in higher cost allocation for internal product services from the Asset Management, Products & Sales segments to the other front office areas and to a different split of the London companies.

Compared with the published Annual Report 2010 and the Half Year Report 2010 the following changes have arisen in relation to the segment results:

Impact of the restatement on the segment result

1,000 CHF	Private Banking	Trading & Family Offices	Asset Management, Products & Sales	bank zweiplus	Corporate Center	**Sarasin Group**
Profit before taxes per segment 1H 2010	**141**	**–7,072**	**3,682**	**0**	**3,249**	**0**
Profit before taxes per segment 2H 2010	**6,339**	**–3,751**	**–2,158**	**0**	**–430**	**0**
Profit before taxes per segment 2010	**6,480**	**–10,823**	**1,524**	**0**	**2,819**	**0**

Geographical details on segment reporting

31.12.2011

1,000 CHF	Switzerland	Europe (excluding Switzerland)	Asia	Consolidation and elimination	**Sarasin Group**
Operating income (2011)	432,120	133,356	120,728	0	**686,204**
Segment assets	13,186,911	2,801,249	5,465,554	–3,958,417	**17,495,297**
Investments	20,856	3,814	1,880	0	**26,550**

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

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, p. 55 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 137 onwards), in the annex tables 5.7–5.12, 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	**31.12.2011** Weighted positions	31.12.2010 Weighted positions
Total risk-weighted positions	**7,257**	**6,608**
Capital resources: Tier 1	**1,136**	1,008
BIS Tier 1 ratio[1]	**15.6%**	**15.3%**

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. Bank Sarasin's target for its core capital ratio is within a range of 12% to 14%. Both the total capital and core capital of the Sarasin Group have at all times significantly exceeded the minimum requirements stipulated by BIS and FINMA. The eligible assets of the Sarasin Group exclusively comprise core capital.

Capital ratios

Compared with last year there has been an increase in the risk-weighted assets, especially for loans and bonds, which meant that the corresponding capital requirement for credit risks rose from CHF 312 million to CHF 348 million. The increase in holdings of trading portfolio assets and derivatives caused an increase in the equity required for market risks, which rose from CHF 77 million to CHF 92 million. Core capital increased from CHF 1,008 million to CHF 1,136 million. This increase is mainly attributable to retained earnings and lower deductions for depreciation and amortisation on intangible assets, and on the sale of associated shareholdings, as well as lower deductions due to the switch to the Accounting Rules for Swiss Banks (RVV). A negative effect was created by the CHF 23 million higher losses from available for sale (AFS) securities positions and dividend payments to minorities.

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

Capital adequacy – risk-weighted assets (BIS)

1,000 CHF	Approach used	31.12.2011 Risk-weighted position	31.12.2011 Capital requirement	31.12.2010 Risk-weighted position	31.12.2010 Capital requirement
Required equity					
Credit risk	CH-Standard	**4,349,463**	**347,957**	**3,903,250**	**312,260**
Of which price risk relating to equity-type securities in the banking book			**48,967**		35,663
Non-counterparty-related risks	CH-Standard	**520,288**	**41,623**	**544,425**	**43,554**
Market risk	Standard	**1,148,938**	**91,915**	**964,750**	**77,180**
Of which on interest-rate instruments (general and specific market risk)	Standard		**11,859**		2,241
Of which equity-type securities	Standard		**25,358**		26,980
Of which on currencies and precious metals	Standard		**49,689**		41,407
Of which on commodities	Standard		**4,591**		4,386
Operational risk	Basis indicator	**1,238,363**	**99,069**	**1,195,825**	**95,666**
Total required equity		**7,257,050**	**580,564**	**6,608,250**	**528,660**
Eligible equity					
Cross core capital (after distribution of profit)			**1,267,022**		1,215,285
Of which minority shareholdings			**37,449**		42,471
Of which "innovative" instruments			**0**		0
– Less other components to be deducted from core capital (mainly goodwill and non-consolidated participations)			**–131,413**		–206,801
Total eligible core capital			**1,135,609**		**1,008,484**
+ 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			**1,135,609**		**1,008,484**
Ratio of eligible / required equity			**1.96**		**1.91**

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%	**31.12.2011**
Due from banks	984,104	1,575,507	0	10,691	0	1,627	0	0	0	0	**2,571,929**
Loans and advances	6,336,735	78,947	1,717,283	70,993	296,235	1,425,058	0	6,785	0	0	**9,932,036**
Debt instruments	734,173	1,425,761	0	622,570	0	1,527	233,323	0	71,739	11,596	**3,100,689**
Other assets	15,869	100,158	225	1,175	4	21,248	0	23	76	0	**138,778**
Derivative financial instruments	320,752	77,439	0	80,803	3,652	46,019	0	0	0	0	**528,665**
Subtotal	**8,391,633**	**3,257,812**	**1,717,508**	**786,232**	**299,891**	**1,495,479**	**233,323**	**6,808**	**71,815**	**11,596**	**16,272,097**
Contingent liabilities	293,190	19,938	1,180	15,111	0	132,592	0	0	0	0	**462,011**
Irrevocable commitments	3,594	8,422	565	0	0	6,170	0	0	0	0	**18,751**
Liabilities for calls on shares and other equities	0	0	0	0	0	8,923	0	0	0	0	**8,923**
Add-ons	33,420	45,250	0	12,318	4	17,683	0	0	0	0	**108,675**
Total credit risk exposure	**8,721,837**	**3,331,422**	**1,719,253**	**813,661**	**299,895**	**1,660,847**	**233,323**	**6,808**	**71,815**	**11,596**	**16,870,457**

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**

7.2 Financial Instruments

Fair value of financial instruments

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

1,000 CHF	31.12.2011 Carrying value	31.12.2011 Fair value	Variance	31.12.2010 Carrying value	31.12.2010 Fair value	Variance
Assets						
Cash and cash equivalents	**192,827**	**192,827**	**0**	182,613	182,613	0
Money market papers	**537,058**	**537,058**	**0**	670,377	670,377	0
Due from banks	**2,571,929**	**2,574,531**	**2,602**	2,541,838	2,546,172	4,334
Due from customers	**9,932,036**	**10,028,668**	**96,632**	9,457,417	9,527,145	69,728
Trading portfolio assets	**693,503**	**693,503**	**0**	496,846	496,846	0
Derivative financial instruments	**528,665**	**528,665**	**0**	453,260	453,260	0
Financial investments designated at fair value	**565,813**	**565,813**	**0**	980,132	980,132	0
Financial investments available for sale	**2,043,866**	**2,043,866**	**0**	2,230,759	2,230,759	0
Subtotal	**17,065,697**	**17,164,931**	**99,234**	**17,013,242**	**17,087,304**	**74,062**
Liabilities						
Due to banks	**1,641,007**	**1,647,662**	**–6,655**	2,628,260	2,642,127	–13,867
Due to customers	**12,618,787**	**12,620,451**	**–1,664**	11,850,096	11,848,048	2,048
Trading portfolio liabilities	**37,603**	**37,603**	**0**	17,499	17,499	0
Derivative financial instruments	**444,753**	**444,753**	**0**	385,671	385,671	0
Financial liabilities designated at fair value	**829,395**	**829,395**	**0**	753,832	753,832	0
Debt issued	**383,927**	**388,127**	**–4,200**	346,467	354,200	–7,733
Subtotal	**15,955,472**	**15,967,991**	**–12,519**	**15,981,825**	**16,001,377**	**–19,552**
Total variance			**86,715**			**54,510**

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.

				31.12.2011				31.12.2010
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	**632,734**	**55,399**	**5,370**	**693,503**	484,868	5,748	6,230	496,846
Derivative financial instruments	**15,448**	**513,217**	**0**	**528,665**	0	453,260	0	453,260
Financial investments designated at fair value	**565,813**	**0**	**0**	**565,813**	980,132	0	0	980,132
Financial investments available for sale	**1,912,761**	**101,987**	**29,118**	**2,043,866**	2,067,358	134,119	29,282	2,230,759
Total assets	**3,126,756**	**670,603**	**34,488**	**3,831,847**	**3,532,358**	**593,127**	**35,512**	**4,160,997**
Liabilities								
Trading portfolio liabilities	**37,471**	**132**	**0**	**37,603**	17,499	0	0	17,499
Derivative financial instruments	**39,086**	**405,668**	**0**	**444,753**	0	385,671	0	385,671
Financial liabilities designated at fair value	**0**	**829,395**	**0**	**829,395**	0	753,832	0	753,832
Debt issued	**0**	**383,927**	**0**	**383,927**	0	346,467	0	346,467
Total liabilities	**76,557**	**1,619,122**	**0**	**1,695,678**	**17,499**	**1,485,970**	**0**	**1,503,469**

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

1,000 CHF	Opening balance 01.01.2011	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 **31.12.2011**
Assets							
Trading portfolio assets	6,230	–941[1]	0	81	0	0	**5,370**
Derivative financial instruments	0						**0**
Financial investments designated at fair value	0						**0**
Financial investments available for sale	29,282	–875	670	41	0	0	**29,118**
Liabilities							
Trading portfolio liabilities	0	0	0	0	0	0	**0**
Derivative financial instruments	0	0	0	0	0	0	**0**
Financial liabilities designated at fair value	0	0	0	0	0	0	**0**

1,000 CHF	Opening balance 01.01.2010	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 31.12.2010
Assets							
Trading portfolio assets	8,023	–2,036[1]	0	238	–55	0	6,230
Derivative financial instruments	0	0	0	0	0	0	0
Financial investments designated at fair value	0	0	0	0	0	0	0
Financial investments available for sale	26,423	0	356	2,503	0	0	29,282
Liabilities							
Trading portfolio liabilities	0	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0	0
Financial liabilities designated at fair value	0	0	0	0	0	0	0

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

[1] *Presented within income from trading operations.*

7.3 Client assets under management

million CHF	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets invested with in-house funds	**13,599**	15,892	–2,293	–14.4
Assets invested under a management mandate	**27,677**	28,951	–1,274	–4.4
Other assets under management	**55,127**	58,520	–3,393	–5.8
Total assets under management	**96,403**	**103,363**	**–6,960**	**–6.7**
Of which double-counting[1]	**8,597**	10,138	–1,541	–15.2

million CHF	2011	2010	Change to 2010 CHF	Change to 2010 %
Net new money I	**1,451**	**13,419**	**–11,968**	**–89.2**
Change through sale of Sarasin Colombo Gestioni Patrimoniali SA	**0**	–683	683	100.0
Net new money II	**1,451**	**12,736**	**–11,285**	**–88.6**

[1] *Of which, money market instruments from structured products of CHF 0.5 billion (31.12.2010: CHF 0.4 billion) and fiduciary deposits of CHF 0.8 billion (31.12.2010: CHF 0.8 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.[1]	Zurich	CHF	**100,000**	100%
Sarasin Investmentfonds AG	Basel	CHF	**4,000,000**	100%
Sarasin Fund Management (Luxembourg) SA	Luxembourg	EUR	**1,500,000**	100%
Arcavio AG	Zurich	CHF	**500,000**	100.0%
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%
Sarasin Funds Management (Ireland) Ltd	Dublin	GBP	**500,000**	100%
Bank Sarasin (CI) Ltd (in dissolution)[2]	St. Peter Port	GBP	**2,000**	100%
Sarasin Trust Company Guernsey Ltd (in dissolution)	St. Peter Port	USD	**100,000**	100%
Sarasin Funds Management (Guernsey) Ltd (in dissolution)	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	Glashuetten	EUR	**25,000**	100%
Sarasin CEE & Austria AG[3]	Vienna	EUR	**225,000**	100%
Bank Sarasin-Alpen (ME) Ltd	Dubai	USD	**1,000,000**	60%
Sarasin-Alpen LLC	Muscat	USD	**1,559,055**	100%
Sarasin-Alpen & Partners Ltd[4]	Dubai	USD	**2,000,000**	81%
Bank Sarasin-Alpen (Qatar) LLC	Doha	USD	**1,000,000**	60%
Sarasin-Alpen (Bahrain) BSC (c)[5]	Manama	USD	**1,500,000**	60%
Sarasin-Alpen (India) Private Ltd[6]	Mumbai	INR	**107,149,000**	60%
Companies fully consolidated for the first time				
Arcavio AG	Zurich			
Sarasin Fund Management (Luxembourg) SA	Luxembourg			
Sarasin Funds Management (Ireland) Ltd	Dublin			
Associated companies				
LFP-Sarasin AM	Paris	EUR	**500,150**	32.5%
Participations removed from the scope of consolidation				
Sarasin Alén Agencia de Valores S.A. (in dissolution)	La Coruña			
Merged companies				
Sarasin Holding Ltd was absorbed into Sarabet Ltd as per 1 December 2011.				

1 *Capital decrease of CHF 0.9 million.*

2 *Capital decrease of GBP 14.998 million.*

3 *Capital increase of EUR 0.1 million.*

4 *The remaining 19% are held by Sarasin & Partners LLP, London.*

5 *Capital increase of USD 0.5 million.*

6 *Capital increase of INR 43.5 million.*

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 ordinary results".

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 2011 and 2010.

Disposals

1,000 CHF	**31.12.2011**	31.12.2010
Fair value of the net assets sold		
Due from banks		14,294
Due from customers		0
Financial investments		1,354
Property and equipment		136
Goodwill		3,971
Other assets		3,878
Due to banks		0
Other liabilities		–1,852
Total net assets		**21,781**
Minority interests		–1,781
Net assets including minority interests		**20,000**
Capitalised as an interest in affiliated companies		0
Net assets sold		**20,000**
Gain from sale		0
Total net assets		**20,000**
Less:		
Disposal of cash		965
Inflow of funds from disposals		19,035

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.

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 169) for the year ended 31 December 2011.

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 2011 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, 22 February 2012

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 2011

Assets

1,000 CHF	Notes	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Cash and equivalents		**183,035**	172,348	10,687	6.2
Money market papers		**160,402**	542,461	–382,059	–70.4
Due from banks		**2,284,571**	1,661,051	623,520	37.5
Due from customers		**4,730,521**	5,115,962	–385,441	–7.5
Mortgages		**2,264,438**	2,022,622	241,816	12.0
Securities and precious metals portfolios	3.4	**659,314**	480,937	178,377	37.1
Financial investments	3.5	**2,058,379**	1,757,748	300,631	17.1
Participations		**125,547**	170,626	–45,079	–26.4
Intangible assets		**27,107**	33,981	–6,874	–20.2
Property and equipment		**122,775**	121,163	1,612	1.3
Accrued income and prepaid expenses		**78,162**	75,376	2,786	3.7
Other assets[1]		**520,159**	424,139	96,020	22.6
Total assets		**13,214,410**	**12,578,414**	**635,996**	**5.1**
Total subordinated assets		**15,662**	3,896	11,766	302.0
Total due from associated companies and significant shareholders		**817,507**	853,588	–36,081	–4.2
[1] Including positive replacement values of		**510,995**	415,930	95,065	22.9

Liabilities and shareholders' equity

1,000 CHF	Notes	**31.12.2011**	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Due to banks		**2,305,581**	3,932,493	–1,626,912	–41.4
Due to customers in savings and investment accounts		**845,712**	688,035	157,677	22.9
Other amounts due to customers		**7,807,617**	5,855,478	1,952,139	33.3
Bonds and mortgage-backed bonds	3.8	**383,713**	346,336	37,377	10.8
Accrued expenses and deferred income		**127,173**	134,083	–6,910	–5.2
Other liabilities[1]		**818,486**	683,181	135,305	19.8
Value adjustments and provisions	3.9	**3,960**	1,350	2,610	193.3
Reserves for general banking risks		**20,323**	6,056	14,267	235.6
Share capital	3.11	**22,015**	22,015	0	0.0
General legal reserve	3.12	**74,300**	608,484	–534,184	–87.8
General statutory reserve from capital increases	3.12	**539,735**	0	539,735	
Reserves for treasury shares		**15,677**	29,944	–14,267	–47.6
Retained earnings brought forward		**209,298**	220,718	–11,420	–5.2
Profit for the year		**40,820**	50,241	–9,421	–18.8
Total shareholders' equity	3.12	**922,168**	937,458	–15,290	–1.6
Total liabilities and shareholders' equity		**13,214,410**	**12,578,414**	**635,996**	**5.1**
Total due to associated companies and significant shareholders		**789,419**	1,578,416	–788,997	–50.0
[1] Including negative replacement values of		**804,024**	663,697	140,327	21.1

Off-balance sheet transactions

1,000 CHF	Notes	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Contingent liabilities		**383,382**	449,817	–66,435	–14.8
Guarantee for Bank Sarasin-Rabo (Asia) Ltd		**3,115,699**	3,511,551	–395,852	–11.3
Irrevocable commitments		**30,733**	28,994	1,739	6.0
Liabilities for calls on shares and other equities		**1,428**	1,427	1	0.1
Derivatives					
Notional amount		**13,814,264**	13,988,148	–173,884	–1.2
Positive replacement value		**510,995**	415,930	95,065	22.9
Negative replacement value		**804,024**	663,697	140,327	21.1
Fiduciary transactions	4	**3,376,059**	5,124,127	–1,748,068	–34.1

INCOME STATEMENT FOR 2011

1,000 CHF	Notes	**2011**	2010	Change to 2010 CHF	Change to 2010 %
Interest income		**123,860**	110,858	13,002	11.7
Interest and dividend income from financial investments		**20,647**	15,063	5,584	37.1
Interest expenses		**–49,961**	–47,010	–2,951	6.3
Net interest income		**94,546**	**78,911**	**15,635**	**19.8**
Commission income on lending activities		**1,138**	731	407	55.7
Commission income on securities and investment transactions		**278,202**	318,696	–40,494	–12.7
Commission income on other services		**67,820**	16,594	51,226	308.7
Commission expenses		**–100,681**	–109,728	9,047	–8.2
Net income from commission and service fee activities		**246,479**	**226,293**	**20,186**	**8.9**
Net income from trading operations	5.1	**75,814**	**63,719**	**12,095**	**19.0**
Net income from sale of financial investments		**7,971**	7,839	132	1.7
Income from participations		**23,827**	14,158	9,669	68.3
Income from real estate		**328**	326	2	0.6
Ordinary income from other sources		**–11,239**	3,832	–15,071	–393.3
Other ordinary income		**20,887**	**26,155**	**–5,268**	**–20.1**
Operating income		**437,726**	**395,078**	**42,648**	**10.8**
Personnel expenses		**259,966**	236,946	23,020	9.7
General administrative expenses		**90,564**	74,213	16,351	22.0
Operating expenses		**350,530**	**311,159**	**39,371**	**12.7**
Operating profit		**87,196**	**83,919**	**3,277**	**3.9**
Depreciation and write-offs on property and equipment		**–12,237**	–11,829	–408	3.4
Amortisation of other intangible assets		**–10,793**	–13,793	3,000	–21.8
Amortisation of goodwill		**–3,318**	–3,336	18	–0.5
Value adjustments, provisions and losses		**–7,859**	–3,092	–4,767	154.2
Result before extraordinary items and taxes		**52,989**	**51,869**	**1,120**	**2.2**
Extraordinary income	5.2	**2,801**	8,905	–6,104	–68.5
Extraordinary expenses	5.3	**–11,202**	–3,109	–8,093	260.3
Taxes		**–3,768**	–7,424	3,656	–49.2
Profit for the year		**40,820**	**50,241**	**–9,421**	**–18.8**

PROPOSAL OF THE BOARD OF DIRECTORS TO THE GENERAL MEETING OF SHAREHOLDERS

1,000 CHF	2011	2010
The Board of Directors proposes to the General Meeting of Shareholders on 26 March 2012		
that the profit for the 2011 financial year, consisting of:		
Profit for the year	**40,820**	50,241
Retained earnings brought forward	**209,298**	220,718
Profit as shown on the balance sheet	**250,118**	**270,959**
Be distributed as follows		
Dividend	**0**	56,609
Allocation to general legal reserve	**0**	5,551
Allocation to retained earnings brought forward	**250,118**	208,799
Profit as shown on the balance sheet	**250,118**	**270,959**

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, Hong Kong and St. Peter Port (Guernsey), and offices in Geneva, Lugano, Berne und Lucerne. The Guernsey branch was opened on 1 July 2011 and employs 7 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 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 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 write-downs.

2.3 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.

2.4 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 136.1 million (end 2010: CHF 161.4 million). At the end of the year, CHF 29 million (2010: CHF 122.4 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	31.12.2011	31.12.2010
Liabilities to Bank Sarasin's pension plans	12.2	6.7

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 100%. On the balance sheet date, Bank Sarasin & Co. Ltd also disposed of employer's contribution reserves totalling just under CHF 14.8 million (2010: CHF 15.8 million). The funds concerned are invested with the welfare foundation. Bank Sarasin & Co Ltd does not renounce their possible future use.

In line with FINMA Circular 08/2 and with particular respect to the available employer's contribution reserves, Bank Sarasin & Co. Ltd's balance sheet does not reflect any potential positive economic impact on its assets in the future.

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

1,000 CHF	Nominal value 31.12.2011	Renunciation of use 31.12.2011	Creation 2011	Balance sheet 31.12.2011	Balance sheet 31.12.2010	Impact of employer's contribution reserves on personnel expenses 2011	Impact of employer's contribution reserves on personnel expenses 2010
Employer's contribution reserves							
Foundation of Bank Sarasin & Co. Ltd	14,750	0	0	0	0	0	0

1,000 CHF	Surplus / deficit 31.12.2011	Due to Bank 31.12.2011	Due to Bank 31.12.2010	Impact on balance sheet 2011	Deferred pension liabilities on 31.12.2011	Pension expenditure 2011	Pension expenditure 2010
Economic benefit							
Fund of Bank Sarasin & Co. Ltd	0	0	0	0	12,226	22,577	24,193

3.4 Securities and precious metals trading portfolios

1,000 CHF	31.12.2011	31.12.2010
Interest-bearing securities	**13,996**	7,092
Of which listed	**8,289**	3,601
Of which unlisted	**5,707**	3,491
Equities	**536,715**	406,758
Of which treasury shares	**5,868**	1,645
Of which hedging portfolios for structured products	**320,080**	298,313
Precious metals	**108,603**	67,087
Total securities and precious metals trading portfolios	**659,314**	**480,937**
Of which securities eligible for repo transactions in accordance with liquidity regulations	**0**	0

3.5 Financial investments

	Book value	Book value	Fair value	Fair value
1,000 CHF	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
Interest-bearing securities and rights	**1,815,914**	1,514,239	**1,810,583**	1,923,494
Of which valued according to the accrual method	**1,772,381**	1,480,824	**1,767,050**	1,890,079
Of which valued at the lower of cost and market	**43,533**	33,415	**43,533**	33,415
Equities	**242,465**	243,509	**246,282**	247,339
Of which treasury shares	**11,529**	29,854	**11,529**	29,854
Total financial investments	**2,058,379**	**1,757,748**	**2,056,865**	**2,170,833**
Of which securities eligible for repo transactions in accordance with liquidity regulations	**1,638,798**	1,331,055		

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

1,000 CHF	31.12.2011	31.12.2010
Claims on associated companies	**22,187**	2,702
Liabilities to associated companies	**3,173**	5,649
Loans to members of management bodies	**4,803**	5,480

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

3.7 Client assets under management

million CHF	31.12.2011	31.12.2010	Change to 31.12.2010 CHF	Change to 31.12.2010 %
Assets in collective investment instruments	**5,897**	6,533	–636	–9.7
Assets invested under a management mandate	**13,758**	14,803	–1,045	–7.1
Other assets under management	**37,701**	40,686	–2,985	–7.3
Total assets under management (including double-counting)	**57,356**	**62,022**	**–4,666**	**–7.5**
Of which double-counting	**3,800**	4,266	–466	–10.9
Net new money	**428**	**9,842**[1]	**–9,414**	**–95.7**

3.8 Bonds and mortgage-backed bonds

1,000 CHF	Weighted interest rate	Maturities	Amount
Issuer			
Bank Sarasin & Co. Ltd, Basel[2]	2.00%	2015	350,000
Mortgage-backed bonds[2]	1.55%	2015–2017	36,900
Total			**386,900**

	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
Mortgage-backed bonds[2]				4,500	17,900	14,500	36,900
Total				**354,500**	**17,900**	**14,500**	**386,900**

[1] *A portion of the net new money inflow reported for the parent bank in 2010 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 bonds and mortgage-backed bonds.*

3.9 Value adjustments and provisions / reserves for general banking risks

1,000 CHF	Balance 31.12.2010	Designated uses	Change in designated use	Recoveries, endangered interest currency translation differences	New amounts charged to income statement	Reversals credited to income statement	**Balance 31.12.2011**
Value adjustments and provisions							
– For deferred taxes	0				95		**95**
– For default risks (credit and country risks)	48,401			124	4,962	–1,743[1]	**51,744**
– For other business risks	0						**0**
Provision for restructuring	0				2,515[2]		**2,515**
Provision for pension liabilities	0						**0**
Other provisions	1,350						**1,350**
Total value adjustments and provisions	**49,751**	**0**	**0**	**124**	**7,572**	**–1,743**	**55,704**
Value adjustments deducted directly from assets	–48,401						**–51,744**
Total value adjustments and provisions as per balance sheet	**1,350**						**3,960**
Reserves for general banking risks[3]	**6,056**		**14,267**				**20,323**

3.10 Information about treasury shares

No. of units	**2011**	2010
Number traded on the SIX Swiss Exchange	**24,268,349**	15,418,111

On 31 December 2011 there were Sarasin class B shares worth CHF 17.4 million held in treasury (2010: CHF 31.5 million). Trading in treasury shares resulted in a loss of CHF 1.4 million in 2011 (2010: a loss of 1.9 million), which has been reported under trading income. Our total holding of 633,778 shares includes 14,117 shares held for hedging purposes in connection with structured products issued by us.

[1] *Part repayment of impaired amounts due from banks.*

[2] *The provision for restructuring includes restructuring costs of CHF 0.6 million and personnel expenses of CHF 1.9 million.*

[3] *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		31.12.2011 Total nominal value	No. of units	Dividend-bearing capital	31.12.2010 Total nominal value	No. of units	Dividend-bearing capital
Share capital	Class A registered shares (with voting rights)	**3,960,000**	**56,571,428**	**3,960,000**	3,960,000	56,571,428	3,960,000
	Class B registered shares	**18,054,784**	**51,585,097**	**18,054,784**	18,054,784	51,585,097	18,054,784
Total share capital		**22,014,784**	**108,156,525**	**22,014,784**	**22,014,784**	**108,156,525**	**22,014,784**
Authorised capital	Class A registered shares	**504,000**	**7,200,000**	**0**	504,000	7,200,000	0
Of which capital increase completed		**0**			0		
Conditional capital	Class B registered shares	**2,275,000**	**6,500,000**	**0**	2,275,000	6,500,000	0
Of which capital increase completed		**0**			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 2013, 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

			31.12.2011			31.12.2010
	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	**6,175,944**	**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	**10,141,344**	**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	**2011**	2010	2009	2008	2007
Shareholders' equity at beginning of year					
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
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
Total shareholders' equity at beginning of year under review	**937,458**	**943,376**	**828,717**	**964,674**	**739,623**
+ Capital increase through the issue of COTOs			39,677	0	0
– Reduction in par value through the issue of COTOs			–39,750	0	0
+ Agio			0	0	0
+ Transfer to reserves for general banking risks			0	0	0
– Previous year's dividend	**–56,110**	–56,159	0	–81,584	–54,454
+ Profit / loss for the year	**40,820**	50,241	114,732	–54,373	279,505
Total shareholders' equity at end of year under review	**922,168**	**937,458**	**943,376**	**828,717**	**964,674**
Of which					
Paid up share capital	**22,015**	22,015	22,015	61,155	61,155
General legal reserve	**74,300**	608,484	602,933	563,866	555,916
General statutory reserve from capital increases	**539,735**	0	0	0	0
Other reserves	**0**	0	0	0	0
Reserves for general banking risks	**20,323**	6,056	17,692	17,692	36,000
Reserves for treasury shares	**15,677**	29,944	18,308	18,308	0
Profit as shown on the balance sheet	**250,118**	270,959	282,428	167,696	311,603

4 Information on off-balance sheet transactions

1,000 CHF	31.12.2011	31.12.2010
Fiduciary Transactions		
Fiduciary deposits with other banks	**838,809**	1,027,249
Fiduciary investments held with Group banks and affiliated companies	**2,535,300**	4,092,934
Fiduciary lending	**1,950**	3,944
Total	**3,376,059**	**5,124,127**

5 Information on the income statement

5.1 Net income from trading operations

1,000 CHF	2011	2010
Securities trading	**33,637**	19,948
Trading in interest products	**706**	4,924
Trading in foreign exchange, precious metals and banknotes	**41,471**	38,847
Total	**75,814**	**63,719**

5.2 Extraordinary income

1,000 CHF	2011	2010
Reversal of restructuring provisions no longer required	**0**	1,367
Part repayment of impaired amounts due from banks	**1,744**	4,173
Other	**1,057**	3,365
Total	**2,801**	**8,905**

5.3 Extraordinary expenses

1,000 CHF	2011	2010
Loss from the disposal of holdings	**11,202**	3,109
Total	**11,202**	**3,109**

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 132.

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 171 to 185) for the year ended 31 December 2011.

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 2011 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.

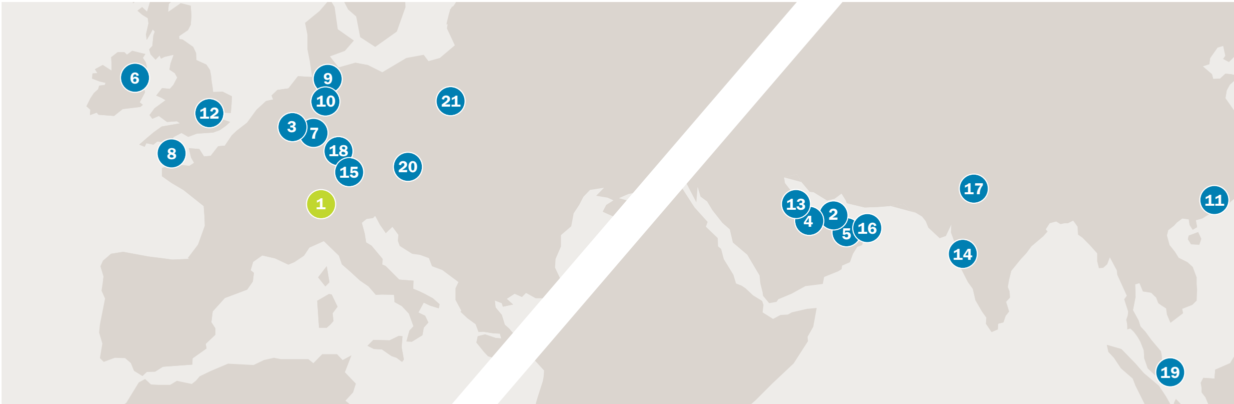
Basle, 22 February 2012

Ernst & Young AG

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

LIST OF FIGURES

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



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