

Questions & Answers for client communication

Basel, 17 April 2009

Issue of COTOs (Cash or Title Options)

What's the actual reason for issuing a COTO?

Bank Sarasin is currently going through an investment and growth phase in which it needs access to additional capital. By issuing COTOs, the Bank gives shareholders the option to decide – depending on their individual circumstances – whether to keep their investment in Sarasin as it is, increase their holding, or simply receive a cash payment instead.

Why does Bank Sarasin need extra capital and how much more capital will be created at the most?

Sarasin uses the capital raised from investors purchasing the Bank's shares to expand its business activity. The maximum number of new registered shares depends on the subscription ratio for COTOs to new shares. The Board of Directors will finalise the arrangements for issuing COTOs at the start of July. Based on a price of CHF 26 for one Class B registered share, a maximum of 3.7% new capital would be issued.

What's the point of a reduction in par value?

Issuing COTOs combined with a reduction in par value means that the "payout" is exempt from federal withholding tax, which is a fundamental prerequisite for the marketability of this innovative instrument. In addition, COTOs issued in this way are as a rule exempt from income tax for individuals whose domicile for tax purposes is Switzerland.

Will the COTO result in a dilution for existing shareholders?

COTOs do not as a rule lead to any dilution for existing shareholders. Depending on how he or she sees the market, the shareholder may decide either to subscribe to new shares or to sell the COTO via the stock exchange. In the latter case, the relevant subscription entitlement is also reflected in the COTO's selling price.

What advantages do COTOs offer shareholders compared with a conventional dividend?

With the issue of a COTO, the shareholder can choose whether to subscribe to new registered shares, sell the COTO on the stock exchange or claim the fixed cash payment. From the shareholder's viewpoint, the advantages of COTOs over conventional dividends are the tax benefits and the chance to potentially participate in a positive price performance.

COTOs have not been seen in Switzerland since 1990. What suddenly makes them attractive again now?

Given the current economic climate, we are confident that the payout model developed by Sarasin will be copied by other companies, since it allows shareholders to exercise their choice depending on their individual needs and possibilities. In view of the Corporation Tax Reform II due to come into effect in 2011, COTOs are likely to compete with traditional subscription right offers, as they combine tax-efficient payouts with substantial capital accumulation.

How many COTOs are needed to subscribe to one share?

A specific number (still to be determined by the bank's Board of Directors) of COTO As or COTO Bs will entitle the holder to subscribe, free of charges, to one class A or class B registered share. The terms of issue will be fixed by the Board of Directors, depending on the market conditions on the date of actual allocation at the start of July 2009, whereby the maximum discount of the newly issued registered shares will be no more than 33% of the then prevailing market price.

How high is the dividend compared with last year, and why?

The value of the cash payment is CHF 0.65 (65 centimes) for each Class B registered share. The dividend for each Class B registered share for the financial year 2007 was CHF 1.35 (after split 1:100). The dividend for the financial year 2007 was influenced by special factors, such as the sale of our Luxembourg subsidiary.

What options are available to shareholders, and what are the time periods?

Shareholders can choose between: (i) subscribing (free of charges) to a Class B registered share, (ii) selling the COTO on the stock market or (iii) accepting a fixed cash payment.

Time periods:

- (i) Subscribing to registered share: 7 July – 15 September 2009
- (ii) Selling COTO on stock exchange: 7 July – 10 September 2009
- (iii) Receiving cash payment: 7 July – 15 September 2009

How is the option expected to perform in future and what factors does this depend upon?

The COTO B's value depends on different factors such as the price of the Class B registered share and the time remaining until the option is exercised. Other influential factors include the subscription ratio (number of COTOs to new shares) and the subscription price. The Board of Directors will finalise the terms of issue at the start of July.

Does the option of a cash payment act like a floor?

During the subscription period the value of a COTO B should be at least CHF 0.65, as the COTO B entitles the holder to receive a cash payment of 65 centimes.

What are the tax consequences of COTOs for private individuals whose domicile for tax purposes is Switzerland?

In their current form and depending on what option the shareholder takes (subscription to new registered shares, selling the COTO on the stock exchange or receiving a cash payment), COTOs are not subject to Swiss federal withholding tax and are as a rule also exempt from income tax for individuals whose domicile for tax purposes is Switzerland.