

# Speeches at the 24rd Annual General Meeting of Shareholders of Bank Sarasin & Co. Ltd, 5 April 2011

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Christoph Ammann, Chairman of the Board of Directors

## Sustainable progress even in turbulent times

Dear Shareholders,  
Ladies and gentlemen

During the financial year 2010, our bank once again managed to post an extremely solid performance, despite a very turbulent market environment. We were able to beat the ambitious mid-term growth targets that we set ourselves, despite the adverse market conditions. Our strategy based on sustainability and profitable growth proved to be highly effective, thanks to our solid business model. We were able to further strengthen our positioning in all our target markets. Looking back on the reorientation of our strategy in 2006/2007 towards growth, and taking an objective view of the market environment, as well as considering the future challenges we already face or can at least foresee, our motto in positioning the Bank is best summarised as “Sustainable progress even in turbulent times”, the key message of my speech today.

### Positioning of our bank – review and outlook

2006/2007	Reorientation of our strategy
2007/2008	Financial crisis
2009	Rapid recovery of financial markets
2010/2011	Consequences of economic crisis start to be felt
Outlook	Turbulence continues

“Sustainable progress even in turbulent times.”



There were two key aspects to the reorientation of Bank Sarasin's strategy at the end of 2006: Rabobank exercising its option and effectively acquiring the Class A shares in our bank along with the voting majority, and the approval of a new growth strategy with clear targets defined for the period up to 2010. Events of unprecedented magnitude in financial markets, with consequences for the economy, central banks, public finances and currency system that were seriously underestimated at the start of the crisis at least, made for a very difficult environment in which to achieve the targets set back in 2006. All the more reason for us to be proud of our achievements to date. Our success has been built on a number of pillars, including the top triple-A rating of our majority shareholder Rabobank, our firm foothold in the cross-border business, and above all, the commanding position we have steadily built up over the past 20 years or more in sustainable investments.



After the swift recovery of capital markets in 2009, the fallout from the financial crisis had an increasingly negative impact on the economy and stock markets towards the end of 2010 and into the current year. In the wake of extreme global market turmoil and the misadventures of a number of industry players, global regulators and politicians have also been forced to respond to calls for state intervention. At the heart of the public debate are three themes: “too big to fail” institutions, tougher capital adequacy requirements and management compensation policies. But the regulatory pressure extends far beyond these three themes: the general tightening of supervisory and audit practices, new guidelines for the cross-border business, a zero tolerance policy by regulators, together with a linking of compliance with Swiss and foreign legislation along with guarantees of good corporate governance are all aspects that present banks with new challenges that they must tackle.

In recent years Bank Sarasin has tried to anticipate these developments. In order to comply with regulatory requirements at all times and to be able to identify and monitor risks effectively, we already introduced a new organisational and management structure in 2009 which places more emphasis on the origin of clients and their funds. This enables us to come up with a strategy that is individually tailored to our demanding clientele and is geared towards preserving and growing their assets in the various markets. To enable us to defend our client's interests by playing an active role in shaping the changes in the Swiss financial centre and the overall conditions that apply to our business, we use our position as one of Switzerland's leading private banking institutions to make a constructive contribution to the local debate on current banking policies.

Another potential threat comes from the actions – some of them quite creative – of the heavily indebted nations of Europe and America who are using all means available to boost their tax base in a desperate attempt to reduce their level of debt. This is creating new and extremely challenging tasks and due diligence obligations for the banks, whether in the form of flat-rate taxes or reporting obligations such as those imposed by FATCA, or the very awkward declaration that banks are required to make as to whether or not clients are meeting their tax liabilities.

From a very early stage Bank Sarasin has opted for a consistent paradigm shift and an uncompromising strategy of avoiding undeclared assets. This has been made easier for us by the fact that we have traditionally had a high proportion of declared assets on which tax has been fully paid. Through selective measures and in an open dialogue with any clients affected, we are working towards a position where our bank will no longer hold any undeclared client assets by the end of 2012. Here we inevitably anticipate some capital outflows. Obviously we want to have a clean financial centre, but also one that continues to protect client privacy and uphold property as a key value. Both Swiss and foreign investors must be able to depend on our national standards and laws and be sure that their assets will continue to enjoy an acceptable level of protection in future. The key success factors for Switzerland continue to be the national values on which our free and democratic society rests and our market economy is based.

The high levels of public debt and the persisting macroeconomic imbalances, the dramatic shifts in the global political arena, the freedom and democracy movements that have developed so suddenly, as well as other (as yet unknown) events, will continue to have an impact on financial markets and fuel volatility again. So much is in flux. The pace of modern life is speeding up. The upheavals that affect the fabric of our society are also playing out at a much faster pace. Given this backdrop, clients now tend to have much higher expectations of their bank. More than ever before, the spotlight is on questions such as how all these potential risks can be dealt with, which developments can be considered to be long term, and where client assets can be managed most securely.



As the strong net new money growth of recent years confirms, criteria such as professionalism, expertise, advisory quality and security are crucial for our clients. Our bank has always strived to cater for the growing requirements of our clients by providing suitable solutions at all times in the investment and asset management business and to offer bespoke strategies designed to preserve and increase their wealth. Over the course of time, our sustainability strategy has become a real hallmark of the Sarasin Group and an important part of our corporate philosophy as well. It is our consistent response to the very diverse risks and challenges in the turbulent times ahead.

The corporate strategy we adopted some five years ago, which is based on future orientation and profitable growth, has proven its worth. The mainstays of our strategy have withstood the forces of market upheavals. We have set ourselves the goal of continuing to develop as a leading Swiss private bank with an international orientation. Our two brand values, sustainability and Swiss Private Banking, along with our operational independence, continue to be the central elements here. In line with its strategy, Bank Sarasin concentrates on both onshore and cross-border business in selected countries in Europe as well as in the growth markets of the Middle East and Asia. The Sarasin Group already has a very broadly diversified business base, although our core market continues to be our home market of Switzerland. Our institutional business is concentrated on various locations in Switzerland, as well as in London and Frankfurt. The full banking licence held by our German subsidiary enables us to service institutional clients across the entire eurozone.

Ladies and gentlemen, I hope that my presentation has made it clear to you as shareholders how well your bank is positioned, and how we are very much on the ball. We have the necessary resources to ensure growth, orientation to the client and prosperity.

We have a strong capital base and already comply with current solvency requirements, as well as the more stringent criteria that we expect to be introduced in future. I would also like to point out that Bank Sarasin operates a low-risk business model on principle. The Bank considers this to be part of its commitment towards clients and shareholders. As part of our financing strategy, which aims for the least possible reliance on the consistently anaemic interbank market, and in a move to secure our refinancing requirements, we successfully placed our first Sarasin bond with both private and institutional investors in September 2010. The fact that the issue was heavily oversubscribed is testament to Bank Sarasin's excellent reputation in the capital market.

We are also fortunate to have a very experienced management team that is widely respected in the market, as well as highly motivated and qualified employees. Our current workforce totals around 1,650 people and staff turnover is very low. They play a vital role in ensuring that our long-term strategy is implemented consistently and successfully.

This leads me straight on to giving thanks to you, our valued shareholders. I do so on behalf of the entire Board of Directors and the Executive Committee. We very much appreciate the trust that you place in us. And I promise you that we will do everything in our power to continue to ensure the Bank flourishes and produces added value for you, our shareholders, over time. I would also like to thank our senior management team and all our staff who work day in and day out on behalf of the Bank to keep our clients satisfied.

Joachim H. Straehle, Chief Executive Officer

## 2010 growth target achieved – focus on profitability

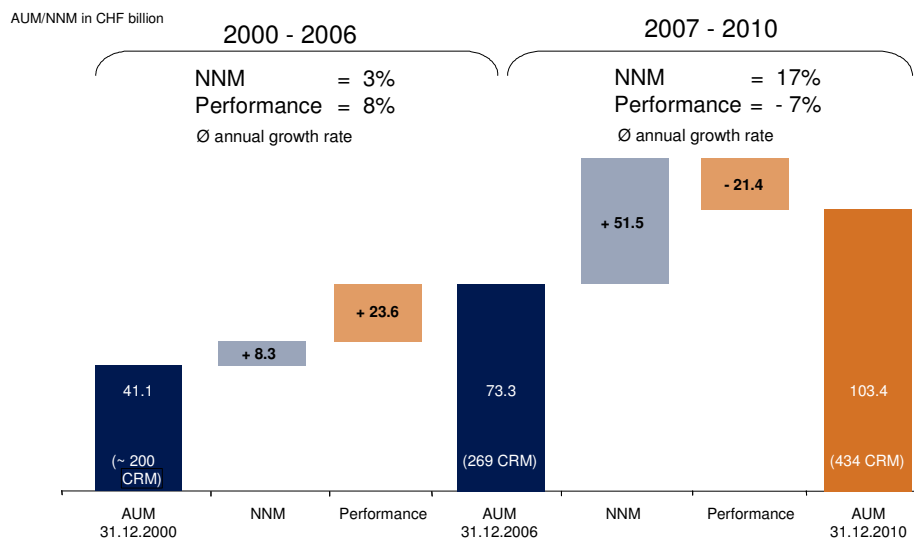
Mr Chairman,  
Shareholders,  
Ladies and gentlemen

I also would like to extend a warm welcome to all of you.

### CHF 100 billion mark exceeded in assets under management

When we first embarked on our growth strategy back in 2006, we set ourselves the goal of achieving assets under management of 100 billion Swiss francs by the end of 2010. I'm delighted to report that we have not only achieved this goal, but comfortably exceeded it. The assets managed by our bank on 31 December 2010 amounted to 103.4 billion Swiss francs, setting a new record in the history of Bank Sarasin.

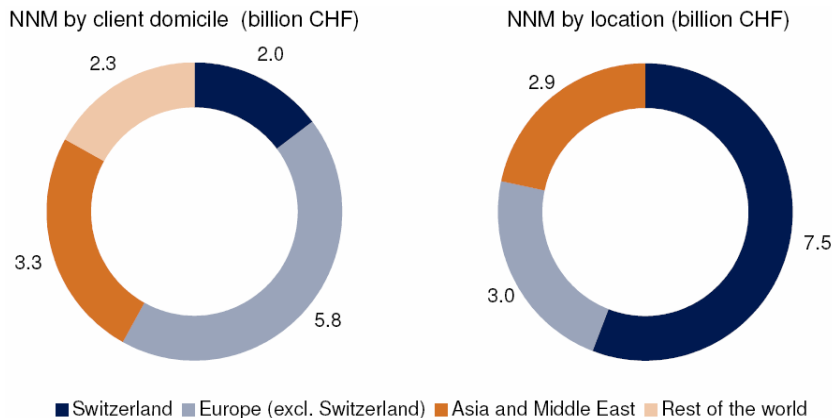
When we announced our strategy back in 2006, along with our goals for 2010, no one could have guessed the unprecedented turmoil ahead of us. Although the financial crisis did not affect Bank Sarasin directly, the general uncertainty it caused inevitably had an impact on our business. This makes it all the more gratifying that we still managed to beat our ambitious target.



You may already be familiar with this graph from previous presentations: it shows the results of our growth strategy compared with the previous era. The comparison between the two periods clearly illustrates how successful the strategy has been to date: since 2007, our growth has been driven by exceptionally strong and stable net new money inflows. Whereas net new money growth was very low, at around 3%, prior to the end of 2006, this figure rose sharply from 2007 onwards to average around 17% per year. This increase is down to our organic growth strategy, in other words the steady expansion of our team of client relationship managers.

**Strong net new money growth of CHF 13.4 billion – annual growth rate of 14%**

The dynamic net new money inflows of 13.4 billion Swiss francs for 2010 reflect our acquisition power and our appeal as a private bank. This figure is not only much higher than our annual target of 9.4 billion Swiss francs, but the second best result we have achieved in the past five years. In summarising our acquisition success, there are two key factors to note: firstly, it is broadly supported. We are not only growing in all the different client and business segments, but across all the regions that we focus on.



Secondly, the strong new money inflows confirm Switzerland's enduring appeal as an international financial centre. This is best illustrated by a comparison of our acquisition performance by location and by client domicile: in the financial year 2010, Swiss locations have been most successful in improving their growth rates, with net new money inflows of 7.5 billion Swiss francs. Of these inflows, 5.5 billion Swiss francs originated from the cross-border business, in other words the assets came from clients who do not live in Switzerland. Switzerland is well known for its political stability and high quality standards, two very attractive features for clients. Switzerland is also seen as a safe haven and thus benefits indirectly from the euro crisis.

**Improvement in earnings quality in core business – group result climbs to CHF 690.1 million**

Our success is also reflected in the improved quality of earnings in our core business and in the satisfactory group result achieved on balance in 2010. Net interest income rose by a healthy 12%, and income from commission and service fee activities by a much as 15%. Although there was a decline in both income from trading operations and other ordinary income, overall revenues still increased.

The impact of our growth strategy can be seen most clearly in the income generated in our core segment Private Banking: here the segment result was three times higher than last year. This increase was mainly down to a substantial, volume-driven increase in revenues to which the locations in every region contributed. Last but not least, income in our second core segment, Asset Management, Products & Sales, increased by 20%.

**Selective growth initiatives implemented at moderate expense**

The success of our ongoing expansion strategy is based on the implementation of selective growth initiatives. In 2010 we opened two new locations in the Middle East and obtained a banking licence for our Hong Kong operations. At the same time we terminated business cases that had ceased to function efficiently. We are one of the first Swiss banks to implement the EU directive MiFID for our Swiss clients as well. By implementing this directive, we have extended our structured advisory process, increased the transparency of our products and improved our risk disclosure – and with it the protection offered to our private clients. Since the end of January 2011 the Sarasin Group is

now working with the same IT platform, Avaloq, across all its locations in Switzerland, the Middle East and now also Asia. This gives us important competitive advantages. The growing brand awareness in our international target markets is testament to the success of our intensified international marketing activities.

We have expanded our workforce by 5%. The target figure of 50 additional relationship managers per year was achieved in gross terms in 2010. We have also continued to focus on optimising the quality of our client advisors. Taking into account these initiatives, the increase in our operating expenses of just 4% was fairly modest. It shows that we have costs under control and are keeping to a tight budget.

To summarise, the income situation has improved slightly and expenses are well under control. Taking into account write-offs, value adjustments and taxes, the overall increase in the Sarasin Group's group result comes to 124.5 million Swiss francs.

#### **Strong Swiss franc erodes asset base and result**

As with all classical export industries, our result is affected by the strong Swiss franc. Purely as a result of currency movements, the value of client assets deposited with us shrank by 7.7 billion Swiss francs, inevitably generating less revenue for us. Without negative currency effects, our group result would have been better, by up to 10 million Swiss francs. Based on what is still a gratifying result for 2010, the Board of Directors is today submitting a proposal to the AGM to keep the dividend unchanged at CHF 0.90 (90 centimes) for each class B registered share.

#### **Basel III's stricter capital adequacy requirements already met**

The bank's solid capital base is confirmed by our BIS Tier 1 ratio, defined as core capital as a percentage of risk-weighted assets, which stood at 15.3% on 31 December 2010. Shareholders' equity at year-end 2010 was also still very solid, at 1.3 billion Swiss francs. In the wake of the recent financial crisis, regulators are requiring banks to hold a higher level of equity as a reserve buffer against future crises. At present we already meet the stricter capital adequacy requirements due to be introduced with Basel III, which shows that we are looking ahead to secure the future orientation of our business model and make sure we are well equipped to deal with future challenges.

This concludes my review of 2010. I'd like to move on to consider the outlook for the current financial year. The tragic events in Japan as well as the political unrest in North African and Arab countries have triggered sharp corrections in equity markets in the short term. Overall our clients were more risk averse in March than in January and February. However, we believe that the global economy is currently in good health and will not be derailed so easily. Recent events have been a tragic but timely reminder of the advantages of our sustainable investment approach. Investors are once again showing strong demand for renewable forms of energy such as solar and wind power. The performance of our sustainable investment mandates and products has benefited from this and demand has picked up significantly. As a private bank with a sustainable philosophy, we are delighted about this, and it seems probable that the volume of assets managed by the Sarasin Group according to sustainable criteria, which stood at 13.4 billion Swiss francs at the end of 2010, will continue to grow over the course of the year.

#### **Priority is on improving profitability – no change to 2015 growth target**

We are therefore still fairly optimistic about the current financial year 2011. Having managed to significantly expand our business base in recent years through net new money growth, our focus now is on a further improvement to our profitability. The superior quality of our earnings in 2010 makes us confident and we will be able to achieve good results here as well. But we still have a lot to do. In concrete terms, one of the tasks we face is to push through our price expectations for our

top-quality services and products. We also aim to increase our successful asset management mandates. We want to considerably increase our gross margin and cut the cost-income ratio by making further improvements in efficiency. While the focus will be more on improving profitability, we are also keen to continue to grow. We have set ourselves a target for assets under management of 150 billion Swiss francs by the end of 2015, after adjustment for performance.

#### **Good balance between geographical diversification and selective targeting of core markets**

Today we are already broadly diversified and present in markets that promise excellent growth prospects. The focal point of our activities is on selected European countries such as Germany, where Bank Sarasin was the first foreign financial institution to reach breakeven point in just the third year of trading, along with the very promising markets of the future in the Middle East and Asia. We aim to raise our profile here as well during the current year by means of selective initiatives. Last but not least, we also plan to continue to grow in our home market of Switzerland. We look forward to opening our sixth location in Switzerland in the summer of 2011 in the city of Lucerne.

We are striving for a good balance between geographical diversification and focused marketing activities in our selected core markets. There are currently no plans to break into new national markets in the mid-term. The priority is rather to exploit the available potential in existing markets.

#### **Bank Sarasin's strength – flexible response to changes**

All banks are currently facing enormous challenges: pressure on bank client confidentiality in the area of taxation, increasingly restrictive regulations on cross-border service offerings, competition driven by quality and – in some countries - intensive predatory competition. In this environment we have already prepared ourselves so that we can respond very quickly to forthcoming changes. We play a pioneering role by taking farsighted decisions: the introduction of the EU directive MiFID for our Swiss clients or our clear commitment to steer clear of undeclared assets are just two examples of our approach.

Apart from ensuring that our business model is oriented to the future, our top priority is to continuously improve the quality of our products and services. We have already achieved a very high standard, as confirmed not least by the various industry awards that we once again received in 2010. We want to repeat these successes in the current year. Only solid, high-quality services lead to success. The quality of all our employees, the professionalism of our advisors and the solutions-based approach to our advisory services are all therefore very important to us. We consistently promote a strong performance culture and operate a fair, sustainable human resources culture. With the introduction of the Development Forum last year, we have geared our training offering to new and future needs of our employees.

Our bank already declared its commitment to steer clear of undeclared assets last year. We made it absolutely clear that our goal is to be rid of any undeclared client assets by the end of 2012. In fact the quota of undeclared client assets at Sarasin is extremely small because of our strong Swiss roots and the initially slow pace of our internationalisation. Even so, we have a responsibility towards the customers affected. In this context, for example, we already set up a dedicated internet site one year ago providing information on the negotiations on the double taxation agreement between Germany and Switzerland. Here we provide information – not only to clients, but to the general public – on how an affected German investor can make a voluntary disclosure, with the help of external specialists if necessary. By taking this course of action, we have already managed to further reduce the quota of undeclared assets deposited with our bank.

For our management team to be able to adopt an entrepreneurial approach, it is extremely important that our bank retains its operational independence, as is currently the case. We not only



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**Sustainable Swiss Private Banking since 1841.**

want to preserve our brand, but to anchor it even more firmly in the marketplace. The growth already achieved and the strong new money inflows testify to our excellent positioning for the future. They show that our clients both accept and appreciate who we are and what we do. We are committed to making sure we earn the trust placed in us. The Sarasin Group continues to work hard to meet the goals and challenges it has set itself. On behalf of our senior management, I would like to thank all our employees who face these challenges on a daily basis and master them successfully. This is the only way to achieve sustainable success. But I would also like to thank you, our valued shareholders, for the trust you place in Bank Sarasin and for the entrepreneurial freedom that you allow our management team.