SARASIN

Annual Report 2012

Bank Sarasin & Co. Ltd

Sustainable Swiss Private Banking since 1841.

Contents

Report of the Board of Directors

The reporting year was dominated by political outcomes that reduced uncertainty. Parliamentary elections in Greece and France addressed the survival of the euro and the financial stability of Europe. The divisions over America's future economic direction exacerbated during the presidential campaign eased somewhat after the election, with a consequent rally on financial markets. Most asset classes managed to achieve double-digit growth in 2012.

The past year was also dominated by the completion of the acquisition by Safra announced in November 2011. The acquisition of the majority shareholding in Bank Sarasin from Rabobank Group (Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.) was closed on 31 July 2012. Following this acquisition, Safra made a public offer for the publicly held registered B shares of Bank Sarasin, which was completed on 19 October 2012.

The income statement for the year under review shows an operating income of CHF 664.2 million. Operating expenses amounted to CHF 535.3 million. The operating profit came to CHF 128.8 million.

The consolidated balance sheet remained fairly stable. At 31 December 2012, total assets amounted to CHF 17.8 billion. On the asset side, liquidity positions were strengthened and loans to customers decreased.

Total assets under management increased to CHF 97.8 billion in the year under review.

On 28 January 2013 it was announced that the Boards of Directors of J. Safra Sarasin Holding, Bank Sarasin and Bank J. Safra (Switzerland) have decided to merge the two banks under the name Bank J. Safra Sarasin Ltd. The merger is expected to be completed in the second quarter of 2013 with the necessary regulatory approvals finalised at that time. The head office of Bank J. Safra Sarasin will be in Basel.
Bank J. Safra Sarasin will continue to pursue Bank Sarasin's existing business strategy to position itself as a leading sustainable international provider of financial services. Bank J. Safra Sarasin will enable both Safra and Sarasin to capitalise on their respective brand strengths, and the merger underscores the complementary attributes of both companies with respect to clients, global private banking and wealth management, operations, and corporate governance.

To reflect the common strengths of both companies, the J. Safra Sarasin logo embodies the Safra and Sarasin brand identities. It includes not only the two brand names, but the emblem of both institutions.

J. Safra Sarasin Group is well positioned to be a prominent player both in the Swiss financial center and in all global markets, consistent with the needs of its clients. The family-ownership of J. Safra Sarasin Group provides the company, its clients, and its business partners with stability and a consistent long-term approach.

The Board wishes to reiterate its appreciation to all clients for their loyalty and trust, and would like to associate with these thanks the management and staff of the Bank for their expertise, dedication and enthusiasm.

Consolidated income statement

CHF 000	Note	2012	2011	Change to 2011 CHF	%
Interest and discount income		176,751	179,236	-2,485	-1.4
Interest and dividend income from financial investments		36,477	43,924	-7,447	-17.0
Interest expenses		72,597	74,278	-1,681	-2.3
Net interest income	2.1	140,631	148,882	-8,251	-5.5
Commission income on lending activities		4,223	6,359	-2,136	-33.6
Commission income on securities and investment transactions		439,404	468,235	-28,831	-6.2
Commission income on other services		24,113	37,114	-13,001	-35.0
Commission expenses		58,394	71,024	-12,630	-17.8
Results from commission and service fee activities	2.2	409,346	440,684	-31,338	-7.1
Results from trading operations	2.3	93,172	93,803	-631	-0.7
Other ordinary results	2.4	21,033	2,836	18,197	641.6
of which income from investments in associates		*460*	*-1,530*	*1,990*	*130.1*
Operating income		**664,182**	**686,205**	**-22,023**	**-3.2**
Personnel expenses	2.5	394,743	387,125	7,618	2.0
General administrative expenses	2.6	140,599	140,747	-148	-0.1
Operating expenses		**535,342**	**527,872**	**7,470**	**1.4**
Operating profit		**128,840**	**158,333**	**-29,493**	**-18.6**
Depreciation and write-offs on property and equipment	2.7	17,928	18,408	-480	-2.6
Amortisation of intangible assets	2.7	21,107	26,534	-5,427	-20.5
Value adjustments, provisions and losses	2.8	66,543	11,149	55,394	496.9
Provisions for restructuring	2.8	0	629	-629	-100.0
Profit before taxes		**23,262**	**101,613**	**-78,351**	**-77.1**
Taxes	2.9	431	9,144	-8,713	-95.3
Group result		**22,831**	**92,469**	**-69,638**	**-75.3**
Attributable to:					
Shareholders of Bank Sarasin & Co. Ltd		14,494	83,864	-69,370	-82.7
Minority interests		8,337	8,605	-268	-3.1
Group result		**22,831**	**92,469**	**-69,638**	**-75.3**
Share information (CHF)					
Result per class A registered share (with voting rights) [1]		0.05	0.27	-0.22	-81.5
Result per class B registered share [1]		0.23	1.35	-1.12	-83.0
Diluted result per class A registered share [1]		0.05	0.27	-0.22	-81.5
Diluted result per class B registered share [1]		0.23	1.35	-1.12	-83.0
Dividend per class A registered share (with voting rights) [2]		0.00	0.00	0.00	
Dividend per class B registered share [2]		0.00	0.00	0.00	

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

[2] Subject to approval of the Annual General Meeting.

Consolidated comprehensive income

CHF 000	2012	2011	Change to 2011 CHF	%
Group result	**22,831**	**92,469**	**-69,638**	**-75.3**
Gains and losses available for sale financial investments:				
- realised gains reclassified to income statement	-3,981	1,811	-5,792	-319.8
- change in unrealised gains and losses	55,002	-24,953	79,955	320.4
Gains and losses from currency translation differences:				
- realised gains/losses reclassified to income statement	0	0	0	
- change in unrealised gains and losses	-1,575	-4,040	2,465	61.0
Other comprehensive income (net-of-tax)	**49,446**	**-27,182**	**76,628**	**281.9**
Total comprehensive income	**72,277**	**65,287**	**6,990**	**10.7**
Attributable to:				
Shareholders of Bank Sarasin & Co. Ltd	63,584	56,820	6,764	11.9
Minority interests	8,693	8,467	226	2.7
Total comprehensive income	**72,277**	**65,287**	**6,990**	**10.7**

Consolidated balance sheet

Assets

CHF 000	Note	31.12.2012	31.12.2011	Change to 31.12.2011 in CHF	in %
Cash and cash equivalents	2.13	1,983,531	192,827	1,790,704	928.7
Money market papers	2.14	680,518	537,058	143,460	26.7
Due from banks	2.15	2,603,035	2,571,929	31,106	1.2
Due from customers	2.15	8,817,685	9,932,036	-1,114,351	-11.2
Trading portfolio assets	2.17	629,896	693,503	-63,607	-9.2
Derivative financial instruments	2.19	152,056	528,665	-376,609	-71.2
Financial investments	2.20	2,488,968	2,609,679	-120,711	-4.6
Investments in associated companies	2.21	1,470	1,664	-194	-11.7
Property and equipment	2.22	109,603	115,744	-6,141	-5.3
Goodwill and other intangible assets	2.23	133,170	131,350	1,820	1.4
Current tax assets		8,484	6,175	2,309	37.4
Deferred tax assets	2.10	14,971	10,922	4,049	37.1
Accrued income and prepaid expenses		112,444	125,798	-13,354	-10.6
Other assets	2.24	36,086	37,947	-1,861	-4.9
Total assets		**17,771,917**	**17,495,297**	**276,620**	**1.6**
Total subordinated assets		5,877	8,697	-2,820	-32.4
Total due from significant shareholders		152	75,987	-75,835	-99.8

Liabilities and equity

CHF 000	Note	31.12.2012	31.12.2011	Change to 31.12.2011 CHF	%
Due to banks		1,324,001	1,641,007	-317,006	-19.3
Due to customers	2.27	13,128,027	12,618,787	509,240	4.0
Trading portfolio liabilities	2.18	80,292	37,603	42,689	113.5
Derivative financial instruments	2.19	145,028	444,753	-299,725	-67.4
Financial liabilities designated at fair value	2.28	1,039,524	829,395	210,129	25.3
Debt issued	2.29	444,235	383,927	60,308	15.7
Current tax liabilities		5,913	8,997	-3,084	-34.3
Deferred tax liabilities	2.10	14,982	7,518	7,464	99.3
Accrued expenses and deferred income		185,820	196,824	-11,004	-5.6
Liability to purchase minority interests		12,932	0	12,932	
Other liabilities	2.30	44,100	55,099	-10,999	-20.0
Provisions	2.31	4,033	4,365	-332	-7.6
Total liabilities		**16,428,887**	**16,228,275**	**200,612**	**1.2**
Share capital	2.32	22,015	22,015	0	0.0
Less treasury shares	2.32	0	-22,958	22,958	100.0
Capital reserve		629,534	634,011	-4,477	-0.7
Retained earnings		772,209	701,588	70,621	10.1
Reserves IAS 39 (net of tax)		5,155	-45,866	51,021	111.2
Currency translation differences		-145,012	-143,081	-1,931	-1.3
Group result (excluding minority interests)		14,494	83,864	-69,370	-82.7
Shareholders' equity of shareholders of Bank Sarasin & Co. Ltd		**1,298,395**	**1,229,573**	**68,822**	**5.6**
Minority interests in shareholders' equity (including share in profit		44,635	37,449	7,186	19.2
Total shareholders' equity (including minority interests)		**1,343,030**	**1,267,022**	**76,008**	**6.0**
Total liabilities and shareholders' equity		**17,771,917**	**17,495,297**	**276,620**	**1.6**
Total subordinated liabilities		3,100	0	3,100	
Total due to significant shareholders		5,820	81,715	-75,895	-92.9

Statement of changes in equity

CHF 000	Share capital	Treasury shares	Capital reserve	Retained earnings
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**
Total shareholders' equity as of 01.01.2012	**22,015**	**-22,958**	**634,011**	**785,452**
Total comprehensive income	**0**	**0**	**0**	**14,494**
Dividends paid				0
Change in treasury shares		22,958		
Result on treasury shares including derivatives			-3,491	
Participation plans			-986	
Change in scope of consolidation				
Transactions with minority shareholders				-3,816
Recognition of a liability to purchase minority interests				-9,427
Total shareholders' equity as of 31.12.2012	**22,015**	**0**	**629,534**	**786,703**

Reserves available for sale investments (net of tax)	Currency translation differences	**Total (excl. minority interests)**	Minority interests	Currency translation differences	**Total (minority interests)**	**Total**
-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**
-45,866	**-143,081**	**1,229,573**	**49,563**	**-12,114**	**37,449**	**1,267,022**
51,021	**-1,931**	**63,584**	**8,337**	**356**	**8,693**	**72,277**
		0	-7,915		**-7,915**	**-7,915**
		22,958			**0**	**22,958**
		-3,491			**0**	**-3,491**
		-986			**0**	**-986**
		0			**0**	**0**
		-3,816	13,375		**13,375**	**9,559**
		-9,427	-6,967		**-6,967**	**-16,394**
5,155	**-145,012**	**1,298,395**	**56,393**	**-11,758**	**44,635**	**1,343,030**

Consolidated statement of cash flows

CHF 000	2012	2011
Cash flow from operating activities		
Profit before income taxes (including minority interests)	23,262	101,613
Non cash position in group result		
Depreciation, amortisation and impairments	39,035	44,942
Value adjustments for credit risks	60,100	3,260
Change in provisions	-332	2,915
Change in deferred taxes	10,415	-5,445
Net income from investing activities / result from associated companies	184	1,673
Net (increase) / decrease in assets and liabilities relating to banking activities		
Due from / to banks net	-80,651	-808,271
Net trading positions and replacement values, financial investments designated at fair value	381,067	-117,048
Due from / to customers net	1,562,220	293,113
Accrued income, prepaid expenses and other assets	41,160	17,337
Accrued expenses, deferred income and other liabilities	-25,108	19,838
Due from / to money market papers	-157,314	149,636
Paid income taxes	-15,042	-15,509
Cash flow from operating activities	**1,838,996**	**-311,946**
Cash flow from investing activities		
Investments in subsidiaries and associated companies	-677	0
Disposal of subsidiaries and associated companies	0	32,858
Purchase of property, equipment and intangible assets	-22,344	-26,551
Disposal of property, equipment and intangible assets	1,084	137
Net (investment) / divestment of financial investments	179,373	551,367
Cash flow from investing activities	**157,436**	**557,811**
Cash flow from financing activities		
Purchase of treasury shares and derivatives on treasury shares	-584	-42,041
Issue and sale of treasury shares and derivatives on treasury shares	17,660	32,056
Debt issued	59,079	37,267
Dividends paid	-7,915	-70,091
Change in minority interests	-556	494
Other change in equity	1,560	9,390
Cash flow from financing activities	**69,244**	**-32,925**
Effects of currency translation differences	-18,195	-8,242
Net increase / decrease in cash and cash equivalents	**2,047,481**	**204,698**

CHF 000	31.12.2012	31.12.2011
Cash and cash equivalents, beginning of period	2,187,288	1,982,590
Cash and cash equivalents, end of period	4,234,769	2,187,288
Net increase / decrease in cash and cash equivalents	**2,047,481**	**204,698**
Cash and cash equivalents comprise:		
Cash and cash equivalents	1,983,531	192,827
Due from banks at sight	2,251,238	1,994,461
Total cash and cash equivalents	**4,234,769**	**2,187,288**
Interest paid	81,230	70,459
Interest received	221,098	227,392
Dividends received	7,039	4,324

For information on non-cash aspects of the transaction with cash zweiplus ag, please refer to 7.8 of these Notes.

Notes to the consolidated financial statements

1. Accounting principles

1.1 Basis of presentation

Bank Sarasin & Co. Ltd, 99.26% owned by J. Safra Sarasin Holding 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 will be listed on SIX Swiss Exchange until the delisting expected in April 2013.

At the end of 2012 the Sarasin Group had a headcount of 1,737 FTEs (full-time equivalents), 22 FTEs or 1% more than a year earlier. The consolidated financial statements are denominated in thousands of Swiss francs. The 2012 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

J. Safra Sarasin Holding Ltd, Bank Sarasin & Co. Ltd and Bank J. Safra (Switzerland) Ltd announced on January 28, 2013 that their respective Boards of Directors have approved the merger of the two banks, Bank Sarasin & Co. Ltd and Bank J. Safra (Switzerland) Ltd, and that Bank J. Safra Sarasin Ltd will be the new name of the merged bank. The head office of Bank J. Safra Sarasin will be in Basel, and Joachim H. Straehle, Chief Executive Officer of Bank Sarasin, will remain the Chief Executive Officer of the merged bank. Bank J. Safra Sarasin will continue to follow Bank Sarasin's existing business strategy, and position itself as a sustainable international provider of financial services. As a financially strong and sustainable Swiss private bank, Bank J. Safra Sarasin is well positioned to be a prominent player in both the Swiss financial centre and also in all global markets, consistent with the needs of the clients. As a family-owned business, the Bank's stability and long-term approach are key attributes that help create a very solid foundation of trust for the clients.

In the course of business, Bank Sarasin Ltd, Germany entered into a specific loan engagement in the total amount of EUR 70 million. Bank Sarasin & Co Ltd guarantees this amount to its German subsidiary. Due to recent developments in the client's environment a provision has been provided for as of December 31, 2012 to reflect an impairment on this specific exposure.

No further events affecting the balance sheet or income statement are to be reported for the financial year 2012. The Board of Directors discussed and approved the present consolidated financial statements at its meeting on April 22, 2013.

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 7.5.

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 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 7.5.

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.

The estimation of the value in use is based on the recognised valuation model of discounting of cash flows. To do so, the management has to calculate the projected future cash flows from the asset or from the payment-generating entity and discounts these using an appropriate discount rate for the current date. The calculated monetary value of these cash flows corresponds to the value in use.

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 2012 an impairment charge of CHF 4.9 million was posted in the balance sheet for financial investments available for sale (2011: CHF 1.0 million). On 31 December 2012 the book value of financial investments available for sale was CHF 2 134 million (2011: CHF 2 044 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 2012 the book value of the recognised tax losses amounted to CHF 6.8 million (2011: CHF 5.1 million), while the book value of tax losses not recognised amounted to CHF 14.8 million (2011: CHF 21.0 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.

Recording of transactions

Cash securities trades are accounted for using trade date accounting, as are foreign exchange and issuing transactions. Money market transactions are recognised at the settlement date.

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.

	2012	2011
Euro (EUR)		
Year-end	1.2068	1.2139
Average	1.2051	1.2337
US Dollar (USD)		
Year-end	0.9154	0.9351
Average	0.9377	0.8877
UK Pound (GBP)		
Year-end	1.4879	1.4532
Average	1.4860	1.4223
Hong Kong Dollar (HKD)		
Year-end	0.1181	0.1204
Average	0.1209	0.1140
Indian Rupee (INR)		
Year-end	0.0167	0.0176
Average	0.0175	0.0189

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.

On 31 December 2012 Bank Sarasin & Co. Ltd did not have any treasury shares nor derivatives based on its own shares.

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 shareholders' 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 2012 onwards

IFRS 7: Financial Instruments – Disclosures: Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. 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 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 2013 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, 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 effects occurring on making the change would mainly be noticeable in equity. Equity at 31 December 2012 would have been CHF 81 million lower as a result of the "unrecognised actuarial losses" being immediately offset against equity (see Note 2.12). The changes are effective for annual periods beginning on or after 1 January 2013.

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 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 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 judge¬ment to determine which entities are controlled, and therefore, are required to be consoli¬dated 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. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The amendments explain and clarify the transition guidance in IFRS 10 Consolidated Financial Statements. Relief is also granted in that the requirement to present adjusted comparative figures is limited to the comparative period immediately preceding first-time adoption and the requirement to present comparative information on unconsolidated structured entities in the first year in which IFRS 12 is applied has been removed. In line with IFRS 10, IFRS 11 and IFRS 12, the amendments are effective for reporting periods beginning on or after 1 January 2013. Voluntary early application is permitted.

IAS 32 / IFRS 7 Offsetting Financial Assets and Financial Liabilities

The IAS 32 provisions entitled Offsetting Financial Assets and Financial Liabilities add application guidance, clarifying that a party's enforceable right of set-off is also a condition for offsetting in the event of insolvency. In addition, examples are added of cases where offsetting is required despite financial assets and financial liabilities being settled on a gross basis.

The amendments to IFRS 7 introduce new disclosure requirements intended to enable users of the financial statements to understand the effects and potential effects of offsetting arrangements for financial assets and financial liabilities. The disclosure requirements apply regardless of whether offsetting has taken place.

The amendments to IAS 32 are applicable to reporting periods beginning on or after 1 January 2014. The amendments to IFRS 7 are applicable to reporting periods beginning on or after 1 January 2013. Since, in both cases, the amendments apply retrospectively, the relevant data also have to be stated for the previous year.

With the exception of IFRS 9 and IAS 19 revised, the new standards are unlikely to have a significant effect on the consolidated financial statements.

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

2.1 Net interest income

CHF 000	2012	2011	Change to 2011	
			CHF	%
Interest and similar income				
Due from banks	19,115	17,898	1,217	6.8
Loans and advances to customers	156,201	156,942	-741	-0.5
Interest income from money market paper	1,435	4,396	-2,961	-67.4
Interest and dividend income from financial investments available for sale	26,035	28,622	-2,587	-9.0
Subtotal	**202,786**	**207,858**	**-5,072**	**-2.4**
Interest and dividend income from financial investments designated at fair value	10,442	15,302	-4,860	-31.8
Total interest and discount income	**213,228**	**223,160**	**-9,932**	**-4.5**
Interest and similar expenses				
Interest expenses on amounts due to banks	9,293	12,038	-2,745	-22.8
Interest expenses on amounts due to customers	48,600	47,626	974	2.0
Other interest expenses	323	1,262	-939	-74.4
Subtotal	**58,216**	**60,926**	**-2,710**	**-4.4**
Interest expenses from financial liabilities designated at fair value	14,381	13,352	1,029	7.7
Total interest expenses	**72,597**	**74,278**	**-1,681**	**-2.3**
Total net interest income	**140,631**	**148,882**	**-8,251**	**-5.5**

2.2 Results from commission and service fee activities

CHF 000	2012	2011	Change to 2011 CHF	%
Commission income on lending activities	4,223	6,359	-2,136	-33.6
Transaction and brokerage fees	78,826	89,310	-10,484	-11.7
Securities deposit fees	14,845	14,040	805	5.7
Advisory and management fees	158,926	172,427	-13,501	-7.8
Underwriting	3,676	4,258	-582	-13.7
Investment fund fees	171,874	173,609	-1,735	-1.0
Fiduciary fees	11,257	14,591	-3,334	-22.8
Other commission income	24,113	37,114	-13,001	-35.0
Total commission income and service fee activities	**467,740**	**511,708**	**-43,968**	**-8.6**
Brokerage fees paid	19,856	26,831	-6,975	-26.0
Other commission expenses	38,538	44,193	-5,655	-12.8
Total commission expenses and service fee activities	**58,394**	**71,024**	**-12,630**	**-17.8**
Total results from commission and service fee activities	**409,346**	**440,684**	**-31,338**	**-7.1**

2.3 Results from trading operations

CHF 000	2012	2011	Change to 2011	
			CHF	%
Securities	37,557	26,348	11,209	42.5
Foreign exchange and precious metals	55,615	67,455	-11,840	-17.6
Total results from trading operations	**93,172**	**93,803**	**-631**	**-0.7**

2.4 Other ordinary results

CHF 000	2012	2011	Change to 2011	
			CHF	%
Results from financial investments designated at fair value	4,515	-6,918	11,433	165.3
Results from sale of financial investments available for sale	4,391	6,755	-2,364	-35.0
Results from hedge accounting	195	-111	306	275.7
Proportion of earnings of associated companies	460	-1,530	1,990	130.1
Real estate income	527	367	160	43.6
Other ordinary income	11,886	5,295	6,591	124.5
Other ordinary expenses	941	1,022	-81	-7.9
Total other ordinary results	**21,033**	**2,836**	**18,197**	**641.6**
Result financial investments available for sale				
Bonds and debt instruments	3,395	1,169	2,226	190.3
Equities and the like	5,912	6,620	-708	-10.7
Impairment losses on financial investments available for sale	4,916	1,034	3,882	375.4
Total	**4,391**	**6,755**	**-2,364**	**-35.0**

2.5 Personnel expenses

CHF 000	2012	2011	Change to 2011 CHF	%
Salaries and bonuses	313,484	300,022	13,462	4.5
Social benefits	20,178	20,052	126	0.6
Contribution to retirement plans / defined benefit	26,449	28,445	-1,996	-7.0
Contribution to retirement plans / defined contribution	5,587	5,070	517	10.2
Other personnel expenses	29,045	33,536	-4,491	-13.4
Total personnel expenses	**394,743**	**387,125**	**7,618**	**2.0**

2.6 General administrative expenses

CHF 000	2012	2011	Change to 2011	
			CHF	%
Occupancy expenses	26,910	26,216	694	2.6
IT and telecommunication expenses	43,414	41,785	1,629	3.9
Expenses for machinery, furniture, vehicles and other equipment	2,513	1,375	1,138	82.8
Travel, entertainment, marketing and public relations expenses	27,952	32,096	-4,144	-12.9
Audit and consulting expenses	23,894	28,462	-4,568	-16.0
Capital tax	4,248	3,726	522	14.0
Other general expenses	11,668	7,087	4,581	64.6
Total general administrative expenses	**140,599**	**140,747**	**-148**	**-0.1**

2.7 Depreciation and amortisation

CHF 000	2012	2011	Change to 2011 CHF	%
Depreciation of property and equipment	17,928	18,408	-480	-2.6
Amortisation of intangible assets [1)]	21,107	26,534	-5,427	-20.5
Total depreciation and amortisation	**39,035**	**44,942**	**-5,907**	**-13.1**

[1)] Of this, CHF 6.6 million (previous year: CHF 11.5 million) is attributable to intangible asset impairment losses at bank zweiplus ltd.

2.8 Value adjustments, provisions and losses

CHF 000		2012	2011	Change to 2011 CHF	%
Value adjustments for default risk	1)	62,219	5,483	56,736	> 1,000
Provisions for litigation risk		150	0	150	
Losses, operational risk		1,430	5,265	-3,835	-72.8
Provisions for restructuring		0	629	-629	-100.0
Other	2)	2,744	401	2,343	584.3
Total value adjustments, provisions and losses		**66,543**	**11,778**	**54,765**	**465.0**

[1] Of which CHF 38.1 million relates to impairments in amounts due from customers.

[2] Following a ruling delivered on 30 October 2012 by the Swiss Supreme Court concerning the payment of retrocessions and portfolio management fees, Bank Sarasin & Co. Ltd has performed a detailed risk analysis and on this basis has set aside a provision amounting to CHF 2.5 million. No legal claims for the surrender of retrocessions have been filed up to the reporting date.

2.9 Taxes

Income taxes

CHF 000	2012	2011	Change to 2011 CHF	%
Statement of income taxes				
Current taxes	9,512	10,261	-749	-7.3
Deferred taxes	-9,081	-1,117	-7,964	-713.0
Total income taxes	**431**	**9,144**	**-8,713**	**-95.3**
Profit before taxes	23,262	101,613	-78,351	-77.1
Expected income taxes using an assumed average rate of 0.5% [1] (15.1%)	101	15,357	-15,256	-99.3
Reasons for differences:				
Use of not recognised deferred tax assets	-456	0	-456	
Not recognised expenses	0	701	-701	-100.0
Profit from treasury shares and derivatives	23	-961	984	102.4
Tax effect on disposal of equity interest	0	-2,352	2,352	100.0
Tax adjustment related to previous years	-229	-669	440	65.8
Equity investment income attracting tax relief	959	-3,092	4,051	131.0
Other effects	33	160	-127	-79.4
Total effective income taxes (2012: 1.9 %; 2011: 9.0%)	**431**	**9,144**	**-8,713**	**-95.3**

The Sarasin Group made tax payments (domestic and foreign) for the business year 2012 of CHF 15.0 million (previous year: CHF 15.5 million).

[1] The expected income tax rate derives from the weighted tax rates on a pre-tax basis of each individual group company. The change compared with the previous year can be explained by shifts in the relative contribution made by individual group companies to the Group’s result.

2.9 Income tax effects relating to comprehensive income

CHF 000	2012			2011		
	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	-5,039	1,058	**-3,981**	2,081	-270	**1,811**
- change in unrealised gains and losses	66,164	-11,162	**55,002**	-31,007	6,054	**-24,953**
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	-1,575	0	**-1,575**	-4,040	0	**-4,040**
Total	**59,550**	**-10,104**	**49,446**	-32,966	**5,784**	**-27,182**

2.10 Deferred taxes

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011 CHF	%
Change in deferred tax assets				
Balance at beginning of the year	10,922	6,077	4,845	79.7
Charges and releases recognised in income statement	3,654	-456	4,110	901.3
Charges and releases not recognised in income statement	421	5,462	-5,041	-92.3
Impact of change in deferred tax rates and currency translation differences	-26	-161	135	83.9
Total deferred tax assets end of the year [1]	**14,971**	**10,922**	**4,049**	**37.1**
Change in deferred tax liabilities				
Balance at beginning of the year	7,518	9,070	-1,552	-17.1
Charges and releases recognised in income statement	-5,427	-1,573	-3,854	-245.0
Charges and releases not recognised in income statement	12,918	17	12,901	> 1'000
Impact of change in deferred tax rates and currency translation differences	-27	4	-31	-775.0
Total deferred tax liabilities end of the year [1]	**14,982**	**7,518**	**7,464**	**99.3**
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	[2] 14,776	[2] 21,032	-6,256	-29.7
Total	**14,776**	**21,032**	**-6,256**	**-29.7**

[1] The deferred tax assets mainly comprise property, equipment and intangible assets of CHF 4.1 million (31.12.2011 CHF 3.8 million) and tax loss carry-forwards of CHF 8.8 million (31.12.2011 CHF 5.1 million).
The deferred tax liabilities mainly comprise the financial instruments of CHF 10.6 million (31.12.2011 CHF 6.1 million) and the item provisions and other' of CHF 1.0 million (31.12.2011 CHF 1.4 million).

[2] Concerns a holding company; only effective for direct federal tax.

2.11 Earnings per share

	2012	2011	Change to 2011 CHF	%
Undiluted consolidated earnings per share				
Undiluted group result (excl. minority interests) CHF 000	14,494	83,864	-69,370	-82.7
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)	53,577	618,852	-565,275	-91.3
Undiluted number of shares	62,845,806	62,280,530	565,276	0.9
Result per class A registered share (with voting rights) (CHF)	**0.05**	**0.27**	**-0.22**	**-81.5**
Result per class B registered share (CHF)	**0.23**	**1.35**	**-1.12**	**-83.0**
Diluted consolidated earnings per share				
Diluted group result (excl. minority interests) CHF 000	14,494	83,864	-69,370	-82.7
Diluted number of shares	62,845,805	62,280,530	565,275	0.9
of which class A registered shares (with voting rights)	11,314,286	11,314,286	0	0.0
of which class B registered shares	51,531,520	50,966,245	565,275	1.1
Diluted result per class A registered share (with voting rights) (CHF)	**0.05**	**0.27**	**-0.22**	**-81.5**
Diluted result per class B registered share (CHF)	**0.23**	**1.35**	**-1.12**	**-83.0**

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 welfare foundation was integrated into the pension fund. The pension fund is a defined benefit pension plan within the meaning of IAS 19.

Benefit arrangements outside Switzerland

The Bank's 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

CHF 000	2012	2011	Change to 2011	
			CHF	%
Fair value of plan assets	600,183	547,465	52,718	9.6
Defined benefit obligations	678,542	684,406	-5,864	-0.9
Funded / unfunded status	**-78,359**	**-136,941**	**58,583**	**42.8**
Unrecognised actuarial gains / (losses)	81,013	136,425	-55,413	-40.6
Net accrued / (prepaid) pension cost	**2,654**	**-516**	**3,170**	**614.4**

Pension expenses

CHF 000	2012	2011	Change to 2011	
			CHF	%
Service expenses current period	-48,231	-48,501	270	0.6
Past service cost	6,897	0	6,897	
Interest for pension liabilities	-15,499	-15,868	369	2.3
Expected net return on plan assets [1)]	22,071	24,215	-2,144	-8.9
Amortisation of actuarial gains (losses) (IAS 19 §92 f.)	-6,770	-3,406	-3,364	-98.7
Employee contributions	15,084	15,115	-33	-0.2
Pension expenses for defined benefit pension plans according to actuarial computation	**-26,449**	**-28,445**	**1,997**	**7.0**
Contribution to defined contribution pension plans	-5,587	-5,070	-517	-10.2
Total pension expenses	**-32,036**	**-33,515**	**1,480**	**4.4**
[1)] Actual income (loss) on assets	39,562	-7,809	47,371	606.6

Change in the cash value of pension liabilities

CHF 000	2012	2011	Change to 2011	
			CHF	%
Benefit-related liabilities as at 01.01.	684,406	619,386	65,020	10.5
Interest expenses	15,499	15,868	-369	-2.3
Service expenses, current period	48,231	48,501	-270	-0.6
Past service cost	-6,897	0	-6,897	
Benefits paid / benefits received	-35,669	-17,886	-17,783	-99.4
Actuarial gains (losses)	-27,029	18,537	-45,566	-245.8
Change in the scope of consolidation	0	0	0	
Conversion differences from foreign pension plans	0	0	0	
Liabilities for defined benefit pension plans as at 31.12.	678,542	684,406	-5,864	-0.9

Change in pension plan assets at fair value

CHF 000	2012	2011	Change to 2011	
			CHF	%
Fair value of pension plan assets as at 01.01.	547,465	526,599	20,866	4.0
Expected return on assets	22,071	24,215	-2,144	-8.9
Employer contributions / contribution by plan participants	44,025	40,894	3,131	7.7
Benefits paid / benefits received	-35,669	-17,886	-17,783	-99.4
Liabilities increased due to the integration of cash zweiplus AG	-905	0	-905	
Actuarial gains (losses)	23,196	-26,357	49,554	188.0
Change in the scope of consolidation	0	0	0	
Conversion differences from foreign pension plans	0	0	0	
Fair value of pension plan assets as at 31.12.	600,183	547,465	52,718	9.6

Asset allocation

%	2012	2011
	Pension fund	
Equity instruments [2]	27.3	18.2
Debt instruments	39.7	40.8
Real estate	17.0	16.6
Other	16.0	24.4

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

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 These estimates also take into consideration the historical yields of the individual asset classes.

Actuarial assumptions (Switzerland)

%	2012	2011
Technical interest rate	2.25%	2.50%
Anticipated yield on assets	4.0%	4.0%
Development of salaries	1.0%	1.0%
Development of pensions	0.25%	0.25%

Probability of departure	Men	Women
	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

CHF 000	2012	2011	2010	2009	2008
Fair value of plan assets of employee benefit funds	600,183	547,465	526,599	476,163	448,805
Cash value of pension liabilities	678,542	684,406	619,386	528,456	496,034
Funded/unfunded status	-78,359	-136,941	-92,787	-52,293	-47,229
Adjustments to plan obligations based on experience	-27,027	2,349	-16,225	16,750	16,423
Adjustments to plan assets based on experience	23,196	-26,357	-10,143	23,081	-64,542

Estimated contributions for the following year

Employer's contribution	23,190
Employee's contribution	14,532

2.13 Cash and cash equivalents

CHF 000	**31.12.2012**	31.12.2011	Change to 31.12.2011	
			CHF	%
Cash on hand	7,085	6,884	201	2.9
Sight balances with central banks	1,969,989	178,134	1,791,855	> 1,000
Sight balances on postal accounts	6,457	7,809	-1,352	-17.3
Total cash and cash equivalent	**1,983,531**	**192,827**	**1,790,704**	**928.7**

2.14 Money market papers

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011	
			CHF	%
Money market papers discountable at central banks	0	60,661	-60,661	-100.0
Other money market papers [1]	680,518	476,397	204,121	42.8
Total money market papers	**680,518**	**537,058**	**143,460**	**26.7**

[1] The "Other money market papers" mainly comprise Singapore Treasury Bills.

2.15 Due from banks and customers

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011 CHF	%
Due from banks at sight	2,251,238	1,994,461	256,777	12.9
Due from banks at time	395,314	623,355	-228,041	-36.6
Subtotal	**2,646,552**	**2,617,816**	**28,736**	**1.1**
Valuation allowances for credit risk (Note 2.16)	-43,517	-45,887	2,370	5.2
Due from banks	**2,603,035**	**2,571,929**	**31,106**	**1.2**
Due from customers - mortgage collateral	2,310,781	2,346,891	-36,110	-1.5
Due from customers - other collateral	6,443,671	7,547,147	-1,103,476	-14.6
Due from customers - without collateral	141,208	53,497	87,711	164.0
Subtotal	**8,895,660**	**9,947,535**	**-1,051,875**	**-10.6**
Valuation allowances for credit risk (Note 2.16)	-77,975	-15,499	-62,476	-403.1
Due from customers	**8,817,685**	**9,932,036**	**-1,114,351**	**-11.2**

2.16 Valuation allowances for credit risk

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011	
			CHF	%
Balance at beginning of year	61,386	59,410	1,976	3.3
Specific allowances	0	-1,201	1,201	100.0
New charges of valuation allowances for credit risk	62,219	5,483	56,736	> 1,000
Release of valuation allowances for credit risk	-2,119	-2,224	105	4.7
Currency translation differences and other adjustments	6	-82	88	107.3
Balance at end of year	**121,492**	**61,386**	**60,106**	**97.9**
Of which valuation allowances for due from banks	43,517	45,887	-2,370	-5.2
Of which valuation allowances for due from customers	77,975	15,499	62,476	403.1
Total valuation allowances for credit risk [1]	**121,492**	**61,386**	**60,106**	**97.9**

Impaired loans [2]

Impaired loans (gross)	188,215	63,529	124,686	196.3
Estimated liquidation proceeds of collateral / expected recovery value	66,459	1,872	64,587	> 1,000
Impaired loans (net)	121,756	61,657	60,099	97.5
Specific allowances for impaired loans	**121,492**	**61,386**	**60,106**	**97.9**
Average amount of impaired loans (gross)	125,872	62,511	63,361	101.4

Non-performing loans [3]

Non-performing loans (gross)	187,984	53,833	134,151	249.2
Specific allowances for non-performing loans	121,306	51,710	69,596	134.6
Net amounts due	66,678	2,123	64,555	> 1,000
Average amount of non-performing loans (gross)	120,909	53,046	67,863	127.9

[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

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011 CHF	%
Debt instruments				
- listed	19,009	14,913	4,096	27.5
- unlisted	0	0	0	
Total	19,009	14,913	4,096	27.5
Equities and the like				
- listed	414,931	505,796	-90,865	-18.0
- unlisted	0	5,370	-5,370	-100.0
Total	414,931	511,166	-96,235	-18.8
Mutual funds				
- listed	0	0	0	
- unlisted	100,468	55,399	45,069	81.4
Total	100,468	55,399	45,069	81.4
Precious metals	95,488	112,025	-16,537	-14.8
Total trading portfolio	**629,896**	**693,503**	**-63,607**	**-9.2**
- of which securities lent out	*11,083*	*30,258*	-19,175	*-63.4*
- of which repo-eligible securities	*3,770*	*0*	3,770	

2.18 Trading portfolio liabilities

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011 CHF	%
Debt instruments	0	917	-917	-100.0
Equities and the like	80,217	35,475	44,742	126.1
Mutual funds	0	132	-132	-100.0
Precious metals	75	1,079	-1,004	-93.0
Total trading portfolio liabilities	**80,292**	**37,603**	**42,689**	**113.5**

2.19 Derivative financial instruments

CHF 000	31.12.2012 Positive replacement value	31.12.2012 Negative replacement value	31.12.2012 Notional amount	31.12.2011 Positive replacement value	31.12.2011 Negative replacement value	31.12.2011 Notional amount
Interest rate instruments						
Forward contracts	0	0	0	0	0	0
Swaps	8,704	27,912	1,506,851	50,997	73,036	2,214,158
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	**8,704**	**27,912**	**1,506,851**	**50,997**	**73,036**	**2,214,158**
- of which interest rate swaps as fair value hedges	*652*	*10,053*	*204,499*	*289*	*8,812*	*223,564*
Foreign exchange						
Forward contracts	12,191	11,535	1,566,895	54,838	71,462	2,259,456
Combined interest / currency swaps	65,443	35,183	7,845,264	47,207	56,338	6,319,091
Futures	0	0	0	0	0	0
Options (OTC)	17,528	17,549	3,131,485	38,730	36,244	5,732,920
Options (exchange traded)	0	0	0	0	0	0
Total foreign exchange	**95,162**	**64,267**	**12,543,644**	**140,775**	**164,044**	**14,311,467**
Equities / indices						
Forward contracts	0	0	0	0	0	0
Futures	0	0	3,008	311	583	300,265
Options (OTC)	34,206	35,401	1,273,369	302,654	150,709	1,789,027
Options (exchange traded)	10,616	14,160	309,570	15,137	38,503	518,927
Total equities / indices	**44,822**	**49,561**	**1,585,947**	**318,102**	**189,795**	**2,608,219**
Precious metals / commodities						
Forward contracts	243	238	25,896	1,164	1,668	73,528
Swaps	612	511	27,817	30	0	0
Futures	0	0	0	0	0	0
Options (OTC)	2,513	2,539	229,509	17,597	16,210	1,412,389
Options (exchange traded)	0	0	0	0	0	0
Total precious metals	**3,368**	**3,288**	**283,222**	**18,791**	**17,878**	**1,485,917**
Total derivative financial instruments	**152,056**	**145,028**	**15,919,664**	**528,665**	**444,753**	**20,619,761**

The Sarasin Group is applying fair value hedge accounting 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 0.7 million (2011: CHF 0.3 million) and CHF 10.1 million (2011: CHF 8.8 million) with a notional amount of CHF 204.5 million (2011: CHF 223.6 million).

Hedging instruments generated a loss of CHF 0.9 million (previous year: CHF 8.4 million), while in the same period the hedged items yielded a gain of CHF 1.1 million (previous year: CHF 8.3 million).

2.20 Financial investments

Financial investments designated at fair value

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011 CHF	%
Debt instruments				
- listed	354,528	565,813	-211,285	-37.3
- unlisted	0	0	0	
Total	354,528	565,813	-211,285	-37.3
Equities and the like				
- listed	0	0	0	
- unlisted	156	0	156	
Total	156	0	156	
Total financial investments designated at fair value	**354,684**	**565,813**	**-211,129**	**-37.3**
- of which securities lent out	*16,048*	*96,122*	*-80,074*	*-83.3*
- of which repo-eligible financial investments	*354,528*	*531,335*	*-176,807*	*-33.3*

Financial investments available for sale

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011 CHF	%
Debt instruments				
- listed	1,898,524	1,737,823	160,701	9.2
- unlisted	0	0	0	
Total	1,898,524	1,737,823	160,701	9.2
Equities and the like				
- listed	91,717	141,143	-49,426	-35.0
- unlisted	31,745	29,118	2,627	9.0
Total	123,462	170,261	-46,799	-27.5
Mutual funds				
- listed	23,053	33,795	-10,742	-31.8
- unlisted	89,245	101,987	-12,742	-12.5
Total	112,298	135,782	-23,484	-17.3
Total financial investments available for sale	**2,134,284**	**2,043,866**	**90,418**	**4.4**
- of which securities lent out	*43,272*	*102,743*	*-59,471*	*-57.9*
- of which repo-eligible financial investments	*1,534,026*	*1,453,793*	*80,233*	*5.5*
Total financial investments	**2,488,968**	**2,609,679**	**-120,711**	**-4.6**

2.21 Investment in associates

CHF 000	31.12.2012	31.12.2011
Balance sheet of associated companies [1]		
Assets	2,363	2,732
Liabilities	968	1,142
Net assets	**1,395**	**1,590**
Revenue and result of associated companies		
Income	2,892	3,162
Result after tax	460	-1,530

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

2.22 Property and equipment

CHF 000	Bank buildings	Other real estate	Furniture and machines	IT systems	2012
Historical cost					
Balance on 01.01.	76,546	4,985	116,811	75,992	274,334
Additions	0	0	6,909	6,044	12,953
Disposals / retirements	0	0	-5,176	-1,448	-6,624
Change in scope of consolidation	0	0	0	0	0
Currency translation differences	0	0	-28	-7	-35
Reclassifications	0	0	0	0	0
Balance on 31.12.	76,546	4,985	118,516	80,581	280,628
Accumulated depreciation and amortisation					
Balance on 01.01.	-12,881	-1,023	-85,449	-59,237	-158,590
Planned depreciation and amortisation	-1,281	-45	-9,064	-7,538	-17,928
Extraordinary depreciation and amortisation (impairment)	0	0	0	0	0
Disposals / retirements	0	0	4,470	1,070	5,540
Change in scope of consolidation	0	0	0	0	0
Currency translation differences	0	0	-26	-21	-47
Reclassifications	0	0	0	0	0
Balance on 31.12.	-14,162	-1,068	-90,069	-65,726	-171,025
Net book value on 31.12.	62,384	3,917	28,447	14,855	**109,603**

CHF 000	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	1) -268	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) Early replacements of leasehold improvements amounted in a write-off of the remaining book balance.

Additional information regarding property and equipment

CHF 000	31.12.2012	31.12.2011
Fire insurance value of real estate	182,741	179,740
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 31.12.2012, 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

CHF 000	2012	2011
Remaining duration up to 1 year	22,735	21,950
Remaining duration of 1 to 5 years	51,109	59,381
Remaining duration of over 5 years	12,034	22,385
Total minimum commitments from operating leasing	**85,878**	**103,716**

Operating expenses per 31.12.2012 include CHF 28,8 million and per 31.12.2011 CHF 31,8 million from operating leases.
The minimum commitments mainly result from leasing arrangements.

Future claims from operating leases

CHF 000	2012	2011
Remaining duration up to 1 year	341	302
Remaining duration of 1 to 5 years	564	849
Remaining duration of over 5 years	0	0
Total minimum claims from operating leasing	**905**	**1,151**

Operating income per 31.12.2012 includes CHF 0,5 million and per 31.12.2011 CHF 0,3 million from operating leases.
This concerns income from subleasing arrangements.

2.23 Intangible assets

CHF 000	Software	Other intangible assets	Goodwill	2012
Historical cost				
Balance on 01.01.	102,856	25,147	299,632	427,635
Additions	9,200	11,470	0	20,670
Disposals / retirements	-3,346	0	0	-3,346
Change in scope of consolidation	0	2,050	-2,212	-162
Currency translation differences	120	115	602	837
Reclassifications	0	0	0	0
Balance on 31.12.	108,830	38,782	298,022	445,634
Accumulated depreciation and amortisation				
Balance on 01.01.	-71,644	-23,121	-201,520	-296,285
Planned depreciation and amortisation	-12,309	-2,198	0	-14,507
Extraordinary depreciation and amortisation (impairment)	0	0	[1] -6,600	-6,600
Disposals / retirements	2,938	0	0	2,938
Change in scope of consolidation	0	0	2,212	2,212
Currency translation differences	-76	-97	-49	-222
Reclassifications	0	0	0	0
Balance on 31.12.	-81,091	-25,416	-205,957	-312,464
Net book value on 31.12.	27,739	13,366	92,065	**133,170**

CHF 000	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	[2] -3,742	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	[1] -11,454	0	-11,454
Disposals / retirements	0	[2] 3,742	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] See Note 2.7.

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

Intangible assets

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011	
			CHF	%
Bank Sarasin & Co. Ltd (Private Banking)	31,820	31,820	0	0.0
Bank Zweiplus Ltd	36,531	43,131	-6,600	-15.3
S.I.M. Partnership (London) Ltd (Private Banking)	23,714	23,161	553	2.4
Total	**92,065**	**98,112**	**-6,047**	**-6.2**

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 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 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 Bank Sarasin applies a multiplier of between 1% and 2% when valuing client assets.

With bank zweiplus, the discounted cash flow method is used to check for impairment.
The projected excess cash flows are discounted on the valuation date with the help of the capital costs (unchanged from 2011).
Over a five-year planning horizon, management estimates the client assets and employs a margin that is typical for the industry in order to determine the associated excess cash flows.
The comparison between the value of use and the corresponding assets produced a valuation differential of CHF 6.6 million, which is allocated to shareholders of Bank Sarasin & Co. Ltd.
The goodwill of bank zweiplus AG now amounts to CHF 36.5 million.
In addition, the impairment check performed showed that no additional long-term impairments exist for the other goodwill items. There could be intrinsically possible change in the basic assumptions made which would result in the book value of the entity generating payments significantly the realisable amount.

2.24 Other assets

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011	
			CHF	%
Value added tax and other tax claims	6,662	5,640	1,022	18.1
Pension plan assets	4,238	1,412	2,826	200.1
Fair value adjustment from fair value hedge	10,270	8,512	1,758	20.7
Settlement accounts in respect of open transactions from fund business	4,725	11,215	-6,490	-57.9
Miscellaneous other assets	10,191	11,168	-977	-8.7
Total other assets	**36,086**	**37,947**	**-1,861**	**-4.9**

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

CHF 000	31.12.2012		31.12.2011	
	Market value	Effective commitment	Market value	Effective commitment
Financial instruments	127,249	26,631	136,072	28,969
Other assets	142,000	81,542	75,776	75,776
Total pledged assets	**269,249**	**108,173**	**211,848**	**104,745**

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

CHF 000	**31.12.2012**	31.12.2011	Change to 31.12.2011	
			CHF	%
Book value of claims resulting from cash deposits connected with securities borrowing and reverse repurchase transactions	60,000	292,780	-232,780	-79.5
Book value of liabilities resulting from cash deposits connected with securities lending and repurchase transactions	0	190,265	-190,265	-100.0
Book value of own holdings of securities lent out in connection with securities lending, delivered as collateral in connection with securities borrowing or transferred in connection with repurchase transactions	70,403	229,123	-158,720	-69.3
of which securities for which the unrestricted right of resale or pledging has been granted	*70,403*	*229,123*	*-158,720*	-69.3
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	198,931	379,728	-180,797	-47.6
Fair value of all such securities that have been resold or pledged	*4,636*	*6,667*	*-2,031*	*-30.5*

2.27 Due to customers

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011 CHF	%
Due to customers in savings and investment accounts	1,648,745	1,239,249	409,496	33.0
Due to customers other	11,479,282	11,379,538	99,744	0.9
Total due to customers	**13,128,027**	**12,618,787**	**509,240**	**4.0**

2.28 Financial liabilities designated at fair value

CHF 000	up to 1 year	1 to 2 years	2 to 5 years	over 5 years	Total
Categorization [1]					
Capital Protection	45,872	2,128	541	0	48,541
Yield Enhancement	483,553	36,968	11,950	0	532,471
Participation	908	22,704	294,935	107,923	426,470
Leverage	0	0	0	0	0
Other products	*0*	*32,042*	*0*	*0*	32,042
Total 31.12.2012	**530,333**	**93,842**	**307,426**	**107,923**	**1,039,524**
Total 31.12.2011	***439,766***	***117,625***	***201,600***	***70,404***	***829,395***

The above table shows the publicly placed structured products of the Bank with fixed interest rates between 0% and 14%
The Banks' own positions in the amount of CHF 16.6 million (previous year: CHF 95.5 million) were netted with the issued debts.

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

2.29 Debt issued

Year of issue	Name	Interest rate	Currency	Maturity	Nominal amount	31.12.2012	31.12.2011	Change to 31.12.2011	
		%			CHF 000	CHF 000	CHF 000	CHF	%
2010	Bond	2.0	CHF	15.10.2015	350,000	348,000	346,692	1,308	0.4
2011-2012	Mortgage-back bonds	0.3-2.05	CHF	3.02.15 - 14.02.202	95,600	96,235	37,235	59,000	158.5
Total						**444,235**	**383,927**	**60,308**	**15.7**

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

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011	
			CHF	%
Value added tax and other tax liabilities	26,918	18,752	8,166	43.5
Pension plan liabilities	1,584	1,928	-344	-17.8
Settlement accounts in respect of open transactions from fund business/intermediaries	9,115	26,607	-17,492	-65.7
Miscellaneous other liabilities	6,483	7,812	-1,329	-17.0
Total other liabilities	**44,100**	**55,099**	**-10,999**	**-20.0**

2.31 Provisions

CHF 000	Restructuring provision	Other business risks	Other provisions	2012
Balance on 01.01.	2,515	500	1,350	4,365
Utilisation in conformity with purpose	-2,110	-166	-663	-2,939
New provisions charged to income statement	0	226	[1] 2,668	2,894
Provisions released to income statement	0	-50	-237	-287
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.	**405**	**510**	**3,118**	**4,033**
Maturity of provisions				
- within 1 year	405	0	2,518	2,923
- over 1 year	0	510	600	1,110

[1] Provisions for risks in connection with retrocessions until 31.12.2012 amounts to CHF 2.5 million.

CHF 000	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] 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

[2] The provision was made in connection with a restructuring in Private Banking. One-off costs amount to CHF 2,5 million.

Litigation

In the course of its normal business, the Sarasin Group is involved in various types of litigation.

The Bank makes 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	2012 CHF 000	2011 CHF 000
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

	2012		2011	
	Number of	CHF 000	Number of	CHF 000
Balance at beginning 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
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	18,000	584	1,254,105	42,041
Sales of class B registered shares	-722,355	-23,542	-1,429,356	-52,116
Balance at end of year				
Class A registered shares (with voting rights)	0	0	0	0
Class B registered shares	0	0	704,355	22,958

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 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 J. Safra Sarasin Holding Ltd Group, the members of the Group's management bodies and their close relatives as well as New Energies Invest Ltd and the Sarasin Group's benefit plans.
Associated companies are not fully consolidated. Those companies also qualify as "related parties".

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

CHF 000	**2012**	2011
Compensation to Members of the Board of Directors of Bank Sarasin & Co. Ltd, Basel	2,034	2,043
Compensation to Members of the Group Executive Board	13,400	13,918
Total compensation paid	**15,434**	**15,961**
Of which short-term basic salary and variable remuneration	10,240	7,441
Of which short-term employers' social security contributions and pension premium payments	1,649	1,687
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	0	0
Of which other long-term benefits	3,544	6,832
Total compensation paid	**15,434**	**15,961**
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	-1,000	0
Outstanding loans to Members of the Board of Directors on 31.12.	**0**	**1,000**
Loans to Members of the Group Executive Board		
Outstanding loans on 01.01.	3,803	2,005
New loans and increases in existing loans	399	1,798
Repayment of loans	-2	0
Outstanding loans to Members of the Group Executive Board on 31.12.	**4,200**	**3,803**
Total loans to governing bodies (Board of Directors and Group Executive Board)	**4,200**	**4,803**
Total receivables with related parties and companies	152	734,003
Total liabilities to related parties and companies	5,820	86,382

The Bank does a volume of lending and commission business with related parties and with companies in the J. Safra Sarasin Holding Ltd Group (2012) and in the Rabobank Group (2011). 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 31.12.2012, our liabilities towards our benefit plans totalled CHF 3.3 million (31.12.2011: CHF

Private Equity

The item "financial investments" contains 35 395 (31.12.2011: 34 945) shares in New Energies Invest Ltd with a countervalue of CHF 1.6 million CHF 5.5 million). Bank Sarasin is the company's investment sub-advisor. Commission income amounted to CHF 0.1 million (2011: CHF 0.2 million).

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

As Safra is about to take over Rabobank's shareholding in 2011, 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

CHF 000	**31.12.2012**	31.12.2011
Personnel expense from "equity-settled" payments	0	21,407

Participation plan

Equity	**31.12.2012**	31.12.2011
Shares with a vesting period as at 01.01.	29,003	683,676
Shares allocated during the year	0	460,791
Shares forfeited or transferred	[2] -29,003	[1] -1,115,464
Shares with a vesting period as at 31.12.	0	29,003
Average weighted allocation price per share (in CHF)	0	43
Fair value of shares outstanding at the end of the financial year (in CHF)	0	796,132

[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 was disbursed in February 2012 and was recognised and deferred in accordance with IFRS 2.28b.

[2] A decision was taken at the start of 2012 not to offer any more shares to employees. The sign-ons that are still running will be settled in cash.

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 all shareholders. The change of majority shareholder from Rabobank to J. Safra Sarasin Holding Ltd also had a major impact on risk controlling and limitation, especially with respect to the market, credit and liquidity risks.

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 various committees. The Risk Committee carries out a comprehensive assessment of all the Bank's principal risks, both current and those anticipated in future. The CFO chairs the Risk Committee, whose members include the CEO, the division heads for Trading & Family Offices, Asset Management, Products & Sales and Logistics, the market heads for the Middle East and Asia, and the heads of the Risk Office and Legal & Compliance. 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 on an operating basis.

During the course of the fourth quarter a new body, the Investment Committee, was set up to deal with the strategic aspects of balance sheet management. The tasks of this committee also include assessing counterparty risks resulting from the Treasury Bond Portfolio. This committee is composed of top divisional management and staff from the various specialist areas concerned and meet at regular intervals. The Risk Committee and the Central

Credit Committee (CCC) are chaired by the Chief Financial Officer (CFO), the Treasury Committee and the Investment 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 Risk 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 the division "Trading & Family Offices" or to 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 an adequate limits system and permanent monitoring of risk positions.

Since the takeover by J. Safra Sarasin Holding Ltd, the management of admissible market risk positions is performed primarily through the application of newly defined nominal limits, and in particular what are known as "gross notional limits". In addition, the Board of Directors has defined Value at Risk (VaR) and net nominal limits, as well as stop loss trigger levels for each trading desk. Furthermore, additional sensitivity limits (including delta, gamma and vega limits) were defined for risks associated with options positions that exist mainly in the area of structured products. Scenario limits have also been set in order to limit the non-linear risks which often only arise in stress situations.

While the nominal limits chiefly limit portfolio sizes overall, the VaR measure takes into account the specific risk factors of the portfolio in question, by calculating the potential future loss during the defined holding period that is not exceeded under normal market conditions with a specific probability. This allows a comparison between the individual trading activities. Using a historical simulation, the VaR is worked out with a holding period of one day and a confidence level of 97.5%. The quality of the VaR model is checked periodically by means of back-testing and extended where necessary.
The Group's VaR in the trading area amounted to CHF 0.128 million as at 31 December 2012 (1 day retention period, 97,5% confidence level). The total VaR of the trading book averaged CHF 0.255 million and over the course of the year fluctuated between CHF 0.080 million and CHF 0.615 million. In the updated limits concept revised by J. Safra Sarasin Holding Ltd, the VaR limit is no longer defined at the overall level, but allocated directly to the individual trading desks.

Value at Risk[1] of the Sarasin Group's trading book, divided into risk factors

in 1 000 CHF	31.12.2012	Ø	min.	max
Equities risk	35	76	11	263
Interest rate risk	44	89	32	188
Currency risk	29	180	13	589
Structured products	112	103	30	652
Diversification	93	193		
Total	**128**	**255**	**80**	**615**

in 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.

As of 31 December 2012 the total VaR limits approved amounted to CHF 1.74 million, which is a substantial reduction compared with last year's overall limit of CHF 5.1 million. The positions and the extent to which the limits or trading controls are utilised are monitored both on an intraday (real time) and overnight basis. Where limits or trading controls are overrun, clear and suitable escalation procedures are defined to ensure that the limits are restored.

Standard procedures are used to calculate the capital resources required to cover market risks relating to the trading book. Interest rate risks relating to the banking book are monitored in accordance with the Swiss Federal Banking Commission's circular regarding the measurement, management and monitoring of interest rate risks. In compliance with the requirement under FINMA Circular 08/6 to report interest-rate risks, a parallel 100 basis point increase in interest rates would have an income effect of CHF +17.3 million and a market-value effect of CHF -5.1 million, as at 31 December 2012. A parallel 100 basis point reduction in interest rates would have an income effect of CHF +0.4 million and a market-value effect of CHF +13.9 million.

The interest rate risk at group level is limited and managed by imposing a sensitivity limit on the market-value effect. Sublimits exist for those subsidiaries carrying significant interest-rate risks in the banking book.

Credit risk

Lending business with clients

Credit risk means the risk that the Bank might sustain losses due to the insolvency of a counterparty. Such losses usually consist of the outstanding credit minus the proceeds from the sale of collateral and any bankruptcy or liquidation dividend that might be paid. The lending activities are mainly limited to loans to private clients that are secured against securities or mortgages. The lending criteria are very prudently formulated and their appropriateness is continuously reviewed.

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

Lending business with banks, governments and companies in 2012

During the first half of the year, business with other banks was still conducted under strict criteria and limits set by Rabobank that were valid for the whole Rabobank Group and were therefore binding on the Sarasin Group as well. New business relationships were assessed simultaneously by the Credit Committees of both the Sarasin Group and Rabobank. If the rating requirements were met, limits were applied and the credit application approved. The credit rating of the counterparties was also performed in parallel by both Sarasin and Rabobank. After the closing of the acquisition, this process was replaced by an internal framework regulating the granting of credit limits to non-clients. This framework is based on Bank Sarasin's general risk appetite, measured in freely disposable capital, and the credit quality of the respective counterparty. Ultimately it is up to the Central Credit Committee (CCC), following an application by the Risk Office (RIOF), to approve the loan and decide on the amount of credit granted. In parallel with the CCC decision, the limits must also always be approved by the Group Oversight Committee (GOC) of J. Safra Sarasin Holding Ltd based on its own credit assessment. This process does not apply to credit limits for the Treasury Bond Portfolio, which (as mentioned previously) are assessed at the request of RIOF both by Bank Sarasin's Investment committee and the holding company's GOC. As a general rule, the emphasis when conducting business on the interbank market is on the quality of counterparties, with consideration given to risk-reduction measures wherever possible.

<u>Concentrated risks</u>

Concentrations of risk are monitored on a by-counterparty basis and are based on the provisions of the Swiss Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Traders (ERV). A group of related counterparties is regarded as a single counterparty. Concentrations of risk are risk-weighted. The upper limit per counterparty is 25% of the eligible capital calculated in accordance with the statutory requirements. While client receivables are mostly covered by readily realisable collateral and therefore do not represent concentrations of risk in the regulatory sense, the Risk Office (RIOF) checks prior to entering into positions involving non-clients that the critical size of the concentrations is not exceeded.

<u>Liquidity risk</u>

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. On the other hand there is a risk of a lower return in the case of holding excessive liquidity.

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.

After the closing of the acquisition, a new internal liquidity requirement was also defined which is geared towards the elements of both the current (Liquidity II) and future regulatory rules (Liquidity Coverage Ratio).

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.
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).

The underlying processes for monitoring operational risks are based on directives and on reporting at the appropriate level. A centralised database is used to collect and analyse loss events across the entire group. The regular measurement, reporting and assessment of segment-specific risk indicators enables potential hazards to be detected well in advance. 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.

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 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.

5.1 Market risks: balance sheet per currency

CHF 000

	CHF	EUR	GBP	USD	Other	Total
Assets						
Cash and cash equivalents	1,977,716	3,053	273	199	2,290	1,983,531
Money market papers	0	878	483	92	679,065	680,518
Due from banks	778,381	822,543	137,444	546,984	317,683	2,603,035
Due from customers	3,198,990	1,062,379	144,314	3,110,011	1,301,991	8,817,685
Trading portfolio assets	219,782	116,412	11,014	172,323	110,365	629,896
Derivative financial instruments	69,044	16,096	1,319	61,784	3,813	152,056
Financial investments	1,440,042	530,475	105,612	220,353	192,486	2,488,968
Investments in associated companies	0	1,470	0	0	0	1,470
Property and equipment	100,639	674	2,294	5,049	947	109,603
Goodwill and other intangible assets	104,688	181	26,871	1,068	362	133,170
Current tax assets	7,890	0	59	535	0	8,484
Deferred tax assets	6,967	7,776	228	0	0	14,971
Accrued income and prepaid expenses	47,130	20,600	24,405	14,451	5,858	112,444
Other assets	27,661	3,787	3,266	-2,937	4,309	36,086
Total balance sheet assets per 31.12.2012	**7,978,930**	**2,586,324**	**457,582**	**4,129,912**	**2,619,169**	**17,771,917**
Claims deriving from spot and forward forex transactions	2,115,804	2,589,305	219,488	2,935,553	1,552,009	9,412,159
Claims deriving from forex options	1,853	569,127	382,608	1,395,892	782,004	3,131,484
Total assets per 31.12.2012	**10,096,587**	**5,744,756**	**1,059,678**	**8,461,357**	**4,953,182**	**30,315,560**
Total assets per 31.12.2011	***9,168,437***	***5,898,455***	***1,574,983***	***10,118,994***	***5,045,894***	***31,806,763***
Liabilities						
Due to banks	415,500	135,064	33,384	430,413	309,640	1,324,001
Due to customers	4,911,995	2,483,206	406,741	3,668,974	1,657,111	13,128,027
Trading portfolio liabilities	41,486	35,729	0	2,959	118	80,292
Derivative financial instruments	84,939	19,728	1,743	35,658	2,960	145,028
Financial liabilities designated at fair value	312,177	222,492	16,666	293,162	195,027	1,039,524
Debt issued	444,235	0	0	0	0	444,235
Current tax liabilities	1,477	172	1,988	2,227	49	5,913
Deferred tax liabilities	13,270	0	146	1,566	0	14,982
Accrued expenses and deferred income	118,195	13,899	35,768	1,616	16,342	185,820
Liability to purchase minority interests	12,932	0	0	0	0	12,932
Other liabilities	32,640	4,638	3,515	2,049	1,258	44,100
Provisions	4,033	0	0	0	0	4,033
Total liabilities	**6,392,879**	**2,914,928**	**499,951**	**4,438,624**	**2,182,505**	**16,428,887**
Total shareholders' equity (incl. minority interests)	**1,261,152**	**-45,624**	**89,435**	**38,643**	**-576**	**1,343,030**
Total balance sheet liabilities and shareholders' equity per 31.12.20	**7,654,031**	**2,869,304**	**589,386**	**4,477,267**	**2,181,929**	**17,771,917**
Liabilities deriving from spot and forward forex transactions	2,645,964	2,228,591	72,639	2,459,213	1,973,184	9,379,591
Liabilities deriving from forex options	1,853	568,340	382,615	1,351,861	826,974	3,131,643
Total liabilities per 31.12.2012	**10,301,848**	**5,666,235**	**1,044,640**	**8,288,341**	**4,982,087**	**30,283,151**
Total liabilities per 31.12.2011	***9,565,294***	***5,771,684***	***1,551,262***	***9,787,087***	***5,134,924***	***31,810,251***
Net position per currency per 31.12.2012	**-205,261**	**78,521**	**15,038**	**173,016**	**-28,905**	**32,409**
Net position per currency per 31.12.2011	***-396,857***	***126,771***	***23,721***	***331,907***	***-89,030***	***-3,488***

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

Currency	31.12.2012		
	Change in currency rate in %	Effect on profit CHF 000	Effect on equity CHF 000
EUR	+5	-26,265	3,168
USD	+5	-30,810	2,402
GBP	+5	-7,306	393
EUR	-5	26,265	-3,168
USD	-5	30,810	-2,402
GBP	-5	7,306	-393

Currency	31.12.2011		
	Change in currency rate in %	Effect on profit CHF 000	Effect on equity CHF 000
EUR	+5	-16,804	4,115
USD	+5	17,603	2,795
GBP	+5	-8,158	352
EUR	-5	16,804	-4,115
USD	-5	-17,603	-2,795
GBP	-5	8,158	-352

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 CHF 000	**31.12.2012** Increase in basis points	Sensitivity income statement	Sensitivity of equity	31.12.2011 Increase in basis points	Sensitivity income statement	Sensitivity of equity
CHF	+100	20,765	-15,355	+100	6,062	-14,424
EUR	+100	-1,610	-4,661	+100	-3,165	-1,147
USD	+100	5,457	-3,492	+100	3,185	-1,714
GBP	+100	-1,664	-38	+100	-394	-70
JPY	+100	-75	0	+100	19	0
Others	+100	-4,296	-4,882	+100	-1,299	-1,474
Total		**18,577**	**-28,428**		**4,408**	**-18,829**

Currency CHF 000	**31.12.2012** Decrease in basis points	Sensitivity income statement	Sensitivity of equity	31.12.2011 Decrease in basis points	Sensitivity income statement	Sensitivity of equity
CHF	-100	-148	7,063	-100	-458	6,070
EUR	-100	1,902	3,620	-100	3,075	1,172
USD	-100	-3,028	3,678	-100	-2,308	1,793
GBP	-100	1,307	29	-100	191	57
JPY	-100	23	0	-100	-21	0
Others	-100	-664	2,938	-100	49	579
Total		**-608**	**17,328**		**528**	**9,671**

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 2012, net result would have increased by CHF 18.6 million (2011: CHF 4.4 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 the shareholders’ equity.
If interest rates increase by 100 bp, the change in shareholders’ equity comes to CHF -28.4 million as at 31 December 2012 (as at 31 December 2011: CHF -18.8 million).

5.4 Market risks: equity price risk

Market indices	31.12.2012		31.12.2012		
	Change in equity price basis points	Effect on equity CHF 000	Change in equity price basis points	Effect on equity CHF 000	*whereof realized through profit or loss CHF 000*
SPI	+10	7,732	-10	-7,732	*-251*
FTSE 100	+10	786	-10	-786	*0*
Euronext 100	+10	3,733	-10	-3,733	*-1,455*
S&P 500	+10	8	-10	-8	*0*

Market indices	31.12.2011		31.12.2011		
	Change in equity price basis points	Effect on equity CHF 000	Change in equity price basis points	Effect on equity CHF 000	*whereof realized through profit or loss CHF 000*
SPI	+10	12,584	-10	-12,584	*-6,037*
FTSE 100	+10	705	-10	-705	*0*
Euronext 100	+10	4,199	-10	-4,199	*-2,194*
S&P 500	+10	772	-10	-772	*-7*

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

CHF 000	31.12.2012		31.12.2011	
	Domestic	**Foreign**	Domestic	Foreign
Assets				
Cash and cash equivalents	1,981,223	2,308	192,598	229
Money market papers	1,453	679,065	1,797	535,261
Due from banks	417,311	2,185,724	479,496	2,092,433
Due from customers	2,829,716	5,987,969	3,055,039	6,876,997
Trading portfolio assets	307,932	321,964	292,788	400,715
Derivative financial instruments	48,882	103,174	196,146	332,519
Financial investments	268,725	2,220,243	412,513	2,197,166
Investments in associated companies	0	1,470	0	1,664
Property and equipment	100,639	8,964	109,395	6,349
Goodwill and other intangible assets	104,687	28,483	102,666	28,684
Current tax assets	7,890	594	5,946	229
Deferred tax assets	6,967	8,004	5,829	5,093
Accrued income and prepaid expenses	44,558	67,886	50,363	75,435
Other assets	26,235	9,851	19,506	18,441
Total assets	**6,146,218**	**11,625,699**	**4,924,082**	**12,571,215**
Liabilities				
Due to banks	733,110	590,891	1,176,897	464,110
Due to customers	7,192,511	5,935,516	6,921,785	5,697,002
Trading portfolio liabilities	80,292	0	37,603	0
Derivative financial instruments	44,374	100,654	169,902	274,851
Financial liabilities designated at fair value	785,768	253,756	829,395	0
Debt issued	444,235	0	383,927	0
Current tax liabilities	1,477	4,436	3,054	5,943
Deferred tax liabilities	13,271	1,711	5,848	1,670
Accrued expenses and deferred income	117,003	68,817	111,029	85,795
Liability to purchase minority interests	12,932	0	0	0
Other liabilities	32,655	11,445	24,976	30,123
Provisions	4,033	0	4,365	0
Total liabilities	**9,461,661**	**6,967,226**	**9,668,781**	**6,559,494**
Total shareholders' equity (incl. minority interests)	**1,261,153**	**81,877**	**1,197,840**	**69,182**
Total liabilities and shareholders' equity	**10,722,814**	**7,049,103**	**10,866,621**	**6,628,676**

5.6 Credit risks: analysis of collateral

CHF 000	Type of collateral			
	mortgage	other	unsecured	Total
Loans				
Due from customers, net of value adjustments	36,889	6,443,671	63,233	6,543,793
Mortgages	2,273,892	0	0	2,273,892
of which mortgage loans				
- residential property	*1,923,253*	*0*	*0*	*1,923,253*
- office and business premises	*350,639*	*0*	*0*	*350,639*
Total loans per 31.12.2012	**2,310,781**	**6,443,671**	**63,233**	**8,817,685**
Total loans per 31.12.2011	***2,346,891***	***7,547,147***	***37,999***	***9,932,036***
Off-balance sheet				
Contingent liabilities	0	152,882	10,499	163,381
Irrevocable commitments	0	40,506	36,417	76,923
Other confirmed credits	0	0	0	0
Liabilities for calls on shares and other equities	0	0	1,426	1,426
Total per 31.12.2012	**0**	**193,388**	**48,342**	**241,730**
Total per 31.12.2011	***219***	***487,602***	***34,561***	***522,382***

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

CHF 000	Central-banks	Banks	Public bodies	Private and institutional investment clients	Other	31.12.2012
Due from banks	382,061	1,928,391	27,301	242,238	23,044	2,603,035
Loans and advances	57,778	812,379	11,363	7,924,462	11,703	8,817,685
Debt instruments	819,182	1,352,971	335,797	519,285	6,032	3,033,267
Other assets	3,148	70,970	1,729	61,663	27	137,537
Derivative financial instruments	65	108,662	303	42,930	96	152,056
Subtotal	**1,262,234**	**4,273,373**	**376,493**	**8,790,578**	**40,902**	**14,743,580**
Contingent liabilities	190	19,910	573	130,125	71	150,869
Irrevocable commitments	0	68	7,287	17,399	0	24,754
Liabilities for calls on shares and other equities	0	0	0	8,910	0	8,910
Add-ons	0	81,382	2,629	32,747	24	116,782
Total credit risk exposure	**1,262,424**	**4,374,733**	**386,982**	**8,979,759**	**40,997**	**15,044,895**

CHF 000	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**

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

CHF 000	Switzerland	Europe	Middle East and Asia	Americas	Other	**31.12.2012**
Due from banks	837,287	1,376,017	233,869	143,764	12,098	2,603,035
Loans and advances	3,160,034	1,756,148	1,695,580	2,051,849	154,074	8,817,685
Debt instruments	271,918	1,527,100	871,459	213,069	149,721	3,033,267
Other assets	92,563	20,089	12,629	10,823	1,433	137,537
Derivative financial instruments	17,020	101,324	20,318	10,405	2,989	152,056
Subtotal	**4,378,822**	**4,780,678**	**2,833,855**	**2,429,910**	**320,315**	**14,743,580**
Contingent liabilities	68,922	25,888	26,748	26,623	2,688	150,869
Irrevocable commitments	24,754	0	0	0	0	24,754
Liabilities for calls on shares and other equities	8,910	0	0	0	0	8,910
Add-ons	36,530	54,134	17,588	4,183	4,347	116,782
Total credit risk exposure	**4,517,938**	**4,860,700**	**2,878,191**	**2,460,716**	**327,350**	**15,044,895**

CHF 000	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**

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

CHF 000	covered by recognized financial collateral or repos	covered by guarantees	covered by real securities	other credit commitments	not covered by recognized financial collateral in accordance with Basel II	**31.12.2012**
Due from banks	922,337	5,072	0	0	1,675,626	2,603,035
Loans and advances	5,338,541	19,001	2,150,886	349,357	959,900	8,817,685
Debt instruments	0	0	0	0	3,033,267	3,033,267
Other assets	13,009	628	537	76	123,287	137,537
Derivative financial instruments	26,480	369	0	211	124,996	152,056
Subtotal	**6,300,367**	**25,070**	**2,151,423**	**349,644**	**5,917,076**	**14,743,580**
Contingent liabilities	118,819	0	1,773	210	30,067	150,869
Irrevocable commitments	3,895	0	651	0	20,208	24,754
Liabilities for calls on shares and other equities	0	0	0	0	8,910	8,910
Add-ons	7,098	2,624	0	0	107,060	116,782
Total credit risk exposure	**6,430,179**	**27,694**	**2,153,847**	**349,854**	**6,083,321**	**15,044,895**

CHF 000	covered by recognized financial collateral or repos	covered by guarantees	covered by real securities	other credit commitments	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**

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

CHF 000	Neither past due nor impaired				Book value	31.12.2012
	AAA to AA	A to BBB	BB to C	without external rating	of impaired loans	
Due from banks	457,430	836,859	0	1,306,874	1,872	2,603,035
Loans and advances	0	0	0	8,752,834	64,851	8,817,685
Debt instruments	1,815,907	987,483	492	229,385	0	3,033,267
Other assets	10,196	10,569	33	116,739	0	137,537
Derivative financial instruments	9,984	64,612	0	77,460	0	152,056
Subtotal	**2,293,517**	**1,899,523**	**525**	**10,483,292**	**66,723**	**14,743,580**
Contingent liabilities	0	0	0	150,869	0	150,869
Irrevocable commitments	0	0	1,913	22,841	0	24,754
Liabilities for calls on shares and other equi	0	0	0	8,910	0	8,910
Add-ons	12,329	68,412	0	36,041	0	116,782
Total credit risk exposure	**2,305,846**	**1,967,935**	**2,438**	**10,701,953**	**66,723**	**15,044,895**

CHF 000	Neither past due nor impaired				Book value	31.12.2011
	AAA to AA	A to BBB	BB to C	without external rating	of impaired loans	
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 equi	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**

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 je

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

The table shows the assets that are overdue but not impaired on the reporting date.

CHF 000	less than 30 days	31 to 60 days	61 to 90 days	more than 91 days	**31.12.2012**
Due from banks	0	0	0	1,872	1,872
Loans and advances	0	0	0	64,851	64,851
Mortgages	0	0	0	0	0
Due from customers	0	0	0	64,851	64,851
Total	**0**	**0**	**0**	**66,723**	**66,723**

CHF 000	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**

As at 31.12.2012, 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

CHF 000	31.12.2012	
	Impaired loans to clients (gross)	Individual value adjustments
Switzerland	13,981	13,106
Europe	97,048	36,483
Middle East and Asia	593	593
Others	31,203	27,793
Total	**142,825**	**77,975**

CHF 000	31.12.2011	
	Impaired loans to clients (gross)	Individual value adjustments
Switzerland	68	48
Europe	12,879	12,628
Middle East and Asia	606	606
Others	2,217	2,217
Total	**15,770**	**15,499**

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

CHF 000	at sight	callable	Maturities: within 3 months	3 to 12 months	1 to 5 years	over 5 years	31.12.2012
Assets							
Cash and cash equivalents	1,983,531	0	0	0	0	0	1,983,531
Money market papers	1,453	0	174,253	504,812	0	0	680,518
Due from banks	2,209,849	122,162	181,885	45,770	43,369	0	2,603,035
Due from customers	443,278	1,048,271	5,796,371	542,729	573,354	413,682	8,817,685
Trading portfolio assets	608,034	0	5	1,609	7,257	12,991	629,896
Derivative financial instruments	152,056	0	0	0	0	0	152,056
Financial investments	235,917	0	129,303	523,784	1,510,141	89,823	2,488,968
Investments in associated companies	0	0	0	0	0	1,470	1,470
Property and equipment	0	0	0	0	0	109,603	109,603
Goodwill and other intangible assets	0	0	0	0	0	133,170	133,170
Current tax assets	8,484	0	0	0	0	0	8,484
Deferred tax assets	14,971	0	0	0	0	0	14,971
Accrued income and prepaid expenses	112,444	0	0	0	0	0	112,444
Other assets	36,086	0	0	0	0	0	36,086
Total assets	**5,806,103**	**1,170,433**	**6,281,817**	**1,618,704**	**2,134,121**	**760,739**	**17,771,917**
Liabilities							
Due to banks	577,771	5,159	509,604	216,467	15,000	0	1,324,001
Due to customers	7,798,774	1,291,393	2,927,217	1,004,360	103,183	3,100	13,128,027
Trading portfolio liabilities	80,292	0	0	0	0	0	80,292
Derivative financial instruments	145,028	0	0	0	0	0	145,028
Financial liabilities designated at fair value	0	0	296,214	234,117	401,270	107,923	1,039,524
Debt issued	0	0	0	0	420,906	23,329	444,235
Current tax liabilities	5,486	0	0	0	0	427	5,913
Deferred tax liabilities	12,708	0	0	0	0	2,274	14,982
Accrued expenses and deferred income	185,820	0	0	0	0	0	185,820
Liability to purchase minority interests	0	0	0	0	0	12,932	12,932
Other liabilities	44,100	0	0	0	0	0	44,100
Provisions	23,945	0	0	0	0	-19,912	4,033
Total liabilities	**8,873,924**	**1,296,552**	**3,733,035**	**1,454,944**	**940,359**	**130,073**	**16,428,887**
Total shareholders' equity (incl. minority interests)	**14,494**	**0**	**0**	**0**	**0**	**1,328,536**	**1,343,030**
Total liabilities and shareholders' equity	**8,888,418**	**1,296,552**	**3,733,035**	**1,454,944**	**940,359**	**1,458,609**	**17,771,917**

CHF 000	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 (incl. 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**

5.14 Liquidity risks - maturity structure of off-balance sheet

CHF 000	at sight	callable	Maturities within 3 months	3 to 12 months	1 to 5 years	over 5 years	**31.12.2012**
Contingent liabilities	33,357	0	44,714	63,046	18,332	3,932	163,381
Irrevocable commitments	15,573	0	40,620	2,512	18,218	0	76,923
Liabilities for calls on shares and other equities	1,426	0	0	0	0	0	1,426
Confirmed credit	0	0	0	0	0	0	0
Derivative financial instruments	377,444	0	9,524,995	4,179,808	1,721,534	115,883	15,919,664
Fiduciary transactions	1,348,204	0	507,231	113,029	0	0	1,968,464
Total	**1,776,004**	**0**	**10,117,560**	**4,358,395**	**1,758,084**	**119,815**	**18,129,858**

CHF 000	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**

5.15 Liquidity risks - analysis of financial liabilities by remaining contractual maturities

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.

CHF 000	at sight or callable	Maturities within 3 months	3 to 12 months	1 to 5 years	over 5 years	**31.12.2012**
Liabilities						
Due to banks	582,930	513,607	218,017	15,137	0	1,329,691
Due to customers	9,090,167	2,932,274	1,011,421	110,275	3,100	13,147,237
Trading portfolio liabilities [1)]	80,292	0	0	0	0	80,292
Financial liabilities designated at fair value	0	296,464	237,653	403,612	107,923	1,045,652
Debt issued	0	158	7,803	437,854	23,763	469,578
Total undiscounted financial liabilities per 31.12.2012	**9,753,389**	**3,742,503**	**1,474,894**	**966,878**	**134,786**	**16,072,450**

CHF 000	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**

[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 2012, Private Banking had a headcount of 690 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 2012 had a headcount of 88 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 2012 had a headcount of 364 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 2012, bank zweiplus had a headcount of 158 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 and Executive Committee (Group Internal Audit, 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 2012, the total segment had a headcount of 438 employees (full-time equivalents).

All income and expenditure that are not directly connected with front office operation activities of the Bank as a whole are reported in our Corporate Center segment, as are all consolidation items.

Business segment reporting

2012 CHF 000	Private Banking	Trading & Family Offices	Asset Management, Products & Sales	bank zweiplus	Corporate Center	Sarasin Group
Net interest income	112,230	10,988	3,627	5,048	8,738	140,631
Results from commission and service fee activities, trading operations and other ordinary	244,149	65,837	155,507	50,676	7,382	523,551
Operating income	**356,379**	**76,825**	**159,134**	**55,724**	**16,120**	**664,182**
Personnel expenses	162,598	26,576	94,125	24,693	86,751	394,743
General administrative expenses	43,892	5,129	26,083	13,302	52,193	140,599
Services from or to other segments	89,468	21,307	6,093	15,854	-132,722	0
Operating expenses	**295,958**	**53,012**	**126,301**	**53,849**	**6,222**	**535,342**
Operating profit	**60,421**	**23,813**	**32,833**	**1,875**	**9,898**	**128,840**
Depreciation and amortisation	5,466	107	1,738	2,071	[1] 29,653	39,035
Value adjustments, provisions and losses	38,589	363	26,621	749	221	66,543
Profit before taxes per segment	**16,366**	**23,343**	**4,474**	**-945**	**-19,976**	**23,262**
Taxes						431
Group result including minority interests						**22,831**
Minority interests						8,337
Group result excluding minority interests						14,494

31.12.2012 CHF 000	Private Banking	Trading & Family Offices	Asset Management, Products & Sales	bank zweiplus	Corporate Center	Sarasin Group
Segment assets	16,107,153	701,097	431,853	985,287	[2] -453,473	17,771,917
Segment liabilities	13,235,853	171,252	3,821,139	907,947	[2] -1,707,304	16,428,887
Investments	9,168	0	0	27,631	11,462	48,261
Assets under management (millions CHF)	41,514	7,878	34,431	4,484	9,476	97,783
Number of employees (full-time equivalents)	689.6	88.0	363.7	157.7	438.3	1,737.3

The net income from associates amounted to CHF 0.5 million (2011: CHF -1.5 million). The carrying amount of the associates, which is presented within the segment assets, is CHF 1.5 million (31.12.2011: CHF 1.7 million). They are included in the Corporate Center.

[1] Of this, CHF 6.6 million is attributable to intangible asset impairment losses at bank zweiplus ltd.
Furthermore this item includes amortisation charges in respect of cash zweiplus ltd's intangible assets of CHF 0.5 million.
If these amortisation charges are taken into account, the bank zweiplus segment result is CHF-8.6 million.

[2] In accordance with the accounting policy, all intercompany items are eliminated in the Corporate Center. As a result of the expansion in particular of amounts due to banks and due from banks within the Group in the Private Banking segment, this leads to negative segment assets and segment liabilities in the Corporate Center.

2011 CHF 000	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	277,050	42,491	153,348	52,013	12,421	537,323
Operating income	**380,967**	**76,203**	**154,585**	**56,684**	**17,766**	**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	91,744	19,954	5,900	17,683	-135,281	0
Operating expenses	**287,133**	**53,510**	**113,356**	**51,019**	**22,854**	**527,872**
Operating profit	**93,834**	**22,693**	**41,229**	**5,665**	**-5,088**	**158,333**
Depreciation and amortisation	5,002	9	1,367	2,066	3) 36,498	44,942
Value adjustments, provisions and losses	6,829	2,295	1,338	1,394	-78	11,778
Profit before taxes per segment	**82,003**	**20,389**	**38,524**	**2,205**	**-41,508**	**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 CHF 000	Private Banking	Trading & Family Offices	Asset Management, Products & Sales	bank zweiplus	Corporate Center	Sarasin Group
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 (millions CHF)	42,869	8,865	31,260	4,812	8,597	96,403
Number of employees (full-time equivalents)	673.3	92.7	338.3	150.8	460.1	1,715.2

3) Of this, CHF 11.5 million is attributable to intangible asset impairment losses at bank zweiplus ltd.

Restatement of the segment information in the Annual Report 2011

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

- For organisational purposes, the Wholesale business is now included in the Institutional Clients business within the Asset Management, Products & Sales segment, instead of in the Wholesale & Products business unit.
- Internally produced asset management and fund administration for the Bank's own-label funds are treated uniformly across the Group as service centre facilities. For this reason, the "originator pays" principle of cost allocation now replaces the portions of investment fund income previously reported for the entities in the UK (Asset Management, Products & Sales segment in the Institutional Clients business unit and the Private Banking segment in the Switzerland & Europe business unit) and for SIF AG (Asset Management, Products & Sales segment in the Wholesale & Products business unit).

Impact of the restatement on the segment result CHF 000	Private Banking	Trading & Family Offices	Asset Management, Products & Sales	bank zweiplus	Corporate Center	Sarasin Group
Profit before taxes per segment 1H 2011	**-2,221**	**-34**	**-11,452**	**0**	**13,707**	**0**
Profit before taxes per segment 2H 2011	**-1,877**	**-31**	**-8,760**	**0**	**10,668**	**0**
Profit before taxes per segment 2011	**-4,098**	**-65**	**-20,212**	**0**	**24,375**	**0**

Geographical details on segment reporting

31.12.2012 CHF 000	Switzerland	Europe (excl. Switzerland)	Asia	Consolidation and elimination	Sarasin Group
Operating income (2012)	409,542	138,612	116,028	0	664,182
Segment assets	13,772,022	4,695,527	5,922,370	-6,618,002	17,771,917
Investments	39,094	1,763	7,405	0	48,261

31.12.2011 CHF 000	Switzerland	Europe (excl. 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

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.

When managing the Bank's capital we not only check the need for equity to cover our banking risks, 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, 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	**31.12.2012** Weighted positions	31.12.2011 Weighted positions
Total risk-weighted positions	**6,336**	**7,257**
Capital resources: Tier 1	**1,188**	**1,136**
BIS Tier 1 ratio [1]	**18.7%**	**15.6%**

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

For both 2011 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 7.5. 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.
Both the total capital and core capital of the Sarasin Group have at all times significantly exceeded the minimum requirements stipulated by BIS and FINMA.
The eligible assets of the Bank Sarasin Group exclusively comprise core capital.

Capital ratios

Compared with last year there has been a significant decline in the risk-weighted assets, especially for loans and mortgages, which meant that the corresponding capital requirement for credit risks fell from CHF 348 million to CHF 292 million. Holdings in trading portfolio assets and derivatives were also reduced, resulting in a CHF 14 million decrease in the equity required for market risks, to CHF 78 million. Core capital increased from CHF 1,136 million to CHF 1,188 million. The increase is mainly attributable to retained earnings and a significant recovery in the value of financial investments available for sale, as well as the sale of own treasury shares.

Capital adequacy - risk-weighted assets (BIS)

CHF 000	Approach used	31.12.2012 Risk-weighted position	31.12.2012 Capital requirement	31.12.2011 Risk-weighted position	31.12.2011 Capital requirement
Required equity					
Credit risk	CH-Standard	3,644,125	291,530	4,349,463	347,957
of which price risk relating to equity-type securities in the banking book			*33,920*		*48,967*
Non-counterparty-related risks	CH-Standard	473,113	37,849	520,288	41,623
Market risk	Standard	973,450	77,876	1,148,938	91,915
of which on interest-rate instruments (general and specific mark	Standard		*4,535*		*11,859*
of which equity-type securities	Standard		*13,643*		*25,358*
of which on currencies and precious metals	Standard		*51,131*		*49,689*
of which on commodities	Standard		*5,660*		*4,591*
Operational risk	Basis indicator	1,245,013	99,601	1,238,363	99,069
Total required equity		**6,335,700**	**506,856**	**7,257,050**	**580,564**
Eligible equity					
Cross core capital (after distribution of profit)			1,343,029		1,267,022
of which minority shareholdings			44,635		37,449
of which "innovative" instruments			0		0
less other components to be deducted from core capital (mainly goodwill and non-consolidated participations)			-155,415		-131,413
Total eligible core capital			**1,187,614**		**1,135,609**
+ Supplementary capital and additional capital					0
less other deductions from supplementary capital, from additional capital and from total capital			0		0
Total eligible capital			**1,187,614**		**1,135,609**
Ratio of eligible / required equity			**2.34**		**1.96**

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

CHF 000	0%	25%	35%	50%	75%	100%	125%	150%	250%	1250%	**31.12.2012**
Due from banks	922,348	1,679,060	0	0	0	1,627	0	0	0	0	2,603,035
Loans and advances	5,786,948	7,690	1,771,418	10,842	378,836	826,420	0	35,531	0	0	8,817,685
Debt instruments	819,235	968,618	0	900,267	3	85,057	178,280	0	81,807	0	3,033,267
Other assets	16,208	71,204	438	2,210	92	47,273	0	17	95	0	137,537
Derivative financial instruments	27,649	42,500	0	64,233	1,693	15,981	0	0	0	0	152,056
Subtotal	**7,572,388**	**2,769,072**	**1,771,856**	**977,552**	**380,624**	**976,358**	**178,280**	**35,548**	**81,902**	**0**	**14,743,580**
Contingent liabilities	119,028	12,141	622	0	1,147	17,781	0	150	0	0	150,869
Irrevocable commitments	3,895	7,287	651	0	0	11,008	0	1,913	0	0	24,754
Liabilities for calls on shares and other equities	0	0	0	0	0	8,910	0	0	0	0	8,910
Add-ons	7,098	52,189	0	31,577	793	25,125	0	0	0	0	116,782
Total credit risk exposure	**7,702,409**	**2,840,689**	**1,773,129**	**1,009,129**	**382,564**	**1,039,182**	**178,280**	**37,611**	**81,902**	**0**	**15,044,895**

CHF 000	0%	25%	35%	50%	75%	100%	125%	150%	250%	1250%	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**

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.

CHF 000	31.12.2012		Variance	31.12.2011		Variance
	Carrying value	**Fair value**		Carrying value	Fair value	
Assets						
Cash and cash equivalents	1,983,531	1,983,531	0	192,827	192,827	0
Money market papers	680,518	680,518	0	537,058	537,058	0
Due from banks	2,603,035	2,607,169	4,134	2,571,929	2,574,531	2,602
Due from customers	8,817,685	8,894,468	76,783	9,932,036	10,028,668	96,632
Trading portfolio assets	629,896	629,896	0	693,503	693,503	0
Derivative financial instruments	152,056	152,056	0	528,665	528,665	0
Financial investments designated at fair value	354,684	354,684	0	565,813	565,813	0
Financial investments available for sale	2,134,284	2,134,284	0	2,043,866	2,043,866	0
Subtotal	17,355,689	17,436,606	80,917	17,065,697	17,164,931	99,234
Liabilities						
Due to banks	1,324,001	1,328,563	-4,562	1,641,007	1,647,662	-6,655
Due to customers	13,128,027	13,128,660	-633	12,618,787	12,620,451	-1,664
Trading portfolio liabilities	80,292	80,292	0	37,603	37,603	0
Derivative financial instruments	145,028	145,028	0	444,753	444,753	0
Financial liabilities designated at fair value	1,039,524	1,039,524	0	829,395	829,395	0
Debt issued	444,235	457,301	-13,066	383,927	388,127	-4,200
Subtotal	16,161,107	16,179,368	-18,261	15,955,472	15,967,991	-12,519
Total variance			**62,656**			**86,715**

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.

Valuation methods of financial instruments

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 tradedover 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.

CHF 000	Quoted market price (level 1)	Valuation technique market observable inputs (level 2)	Valuation technique non-market observable inputs (level 3)	**31.12.2012**
Assets				
Trading portfolio assets	529,428	100,468	0	629,896
Derivative financial instruments	10,616	141,440	0	152,056
Financial investments designated at fair value	354,528	156	0	354,684
Financial investments available for sale	2,013,294	87,687	33,303	2,134,284
Total assets per 31.12.2012	**2,907,866**	**329,751**	**33,303**	**3,270,920**
Liabilities				
Trading portfolio liabilities	80,292	0	0	80,292
Derivative financial instruments	14,160	130,869	0	145,028
Financial liabilities designated at fair value	0	1,039,524	0	1,039,524
Debt issued	0	444,235	0	444,235
Total liabilities per 31.12.2012	**94,452**	**1,614,628**	**0**	**1,709,079**

CHF 000	Quoted market price (level 1)	Valuation technique market observable inputs (level 2)	Valuation technique non-market observable inputs (level 3)	31.12.2011
Assets				
Trading portfolio assets	632,734	55,399	5,370	693,503
Derivative financial instruments	15,448	513,217	0	528,665
Financial investments designated at fair value	565,813	0	0	565,813
Financial investments available for sale	1,912,761	101,987	29,118	2,043,866
Total assets per 31.12.2011	**3,126,756**	**670,603**	**34,488**	**3,831,847**
Liabilities				
Trading portfolio liabilities	37,471	132	0	37,603
Derivative financial instruments	39,086	405,668	0	444,753
Financial liabilities designated at fair value	0	829,395	0	829,395
Debt issued	0	383,927	0	383,927
Total liabilities per 31.12.2011	**76,557**	**1,619,122**	**0**	**1,695,678**

Level 3 instruments

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

CHF 000	Opening balance 01.01.2012	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 **31.12.2012**
Assets							
Trading portfolio assets	5,370	0	0	6	-5,376	0	0
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	29,118	-4,024	2,666	5,581	-38	0	33,303
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

CHF 000	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	1) -941	0	81	0	0	5,370
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	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) Presented within income from trading operations.

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

7.3 Consolidated off-balance sheet information

CHF 000	31.12.2012	31.12.2011	Change to 31.12.2011 CHF	%
Contingent liabilities				
Credit guarantees	117,125	378,981	-261,856	-69.1
Performance guarantees	742	2,127	-1,385	-65.1
Other contingent liabilities	45,514	81,966	-36,452	-44.5
Total contingent liabilities	**163,381**	**463,074**	**-299,693**	**-64.7**
Irrevocable commitments				
Unused irrevocable commitments	76,923	57,880	19,043	32.9
Confirmed credits				
Other confirmed credits	0	0	0	
Liabilities for calls on shares and other equities	1,426	1,428	-2	-0.1
Derivative financial instruments				
Positive replacement values	152,056	528,665	-376,609	-71.2
Negative replacement values	145,028	444,753	-299,725	-67.4
Notional amount	15,919,664	20,619,761	-4,700,097	-22.8
Fiduciary transactions				
Fiduciary deposits with other banks	1,968,464	840,200	1,128,264	134.3
Fiduciary deposits with companies in the Rabobank Group	0	2,136,557	-2,136,557	-100.0
Fiduciary lending	0	1,950	-1,950	-100.0
Total fiduciary transactions	**1,968,464**	**2,978,707**	**-1,010,243**	**-33.9**

7.4 Client assets under management

millions CHF	31.12.2012	31.12.2011	Change to 31.12.2011	
			CHF	%
Assets invested with in-house funds	14,637	13,599	1,038	7.6
Assets invested under a management mandate	29,113	27,677	1,436	5.2
Other assets under management	54,033	55,127	-1,094	-2.0
Total assets under management	**97,783**	**96,403**	**1,380**	**1.4**
of which double-counting [1)]	*9,476*	*8,597*	*880*	*10.2*

millions CHF	2012	2011	Change to 2011	
			CHF	%
Net new money	-4,399	1,451	-5,850	-403.2

1) Of which, money market instruments from structured products of CHF 0.5 billion (31.12.2011: CHF 0.5 billion) and fiduciary deposits of CHF 1.3 billion (31.12.2011: CHF 0.8 billion).

7.5 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%
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	Zürich	CHF	35,000,000	57.5%
cash zweiplus AG	Zürich	CHF	1,000,000	50%
Antillia Service AG	Zürich	CHF	100,000	100%
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)	St. Peter Port	GBP	2,000	100%
Bank Sarasin (Asia) Ltd (in dissolution)	Singapore	SGD	50,549,527	100%
Sarasin Rabo Investment Management Ltd (in dissolution)	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 (in Liquidation)	Vienna	EUR	225,000	100%
Bank Sarasin-Alpen (ME) Ltd	Dubai	USD	1,000,000	60%
Sarasin-Alpen LLC	Muscat	USD	1,558,540	100%
Sarasin-Alpen & Partners Ltd [1)]	Dubai	USD	2,000,000	81%
Bank Sarasin-Alpen (Qatar) LLC	Doha	USD	1,000,000	60%
Sarasin-Alpen (Bahrain) BSC (c)	Manama	USD	2,000,000	60%
Sarasin-Alpen (India) Private Ltd	Mumbai	INR	107,349,000	60%
Companies fully consolidated for the first time				
cash zweiplus AG	Zürich			
Antillia Service AG	Zürich			
Associated companies				
LFP-Sarasin AM	Paris	EUR	500,150	32.5%
Participations removed from the scope of consolidation				
Sarasin Trust Company Guernsey Ltd (in dissolution)	St. Peter Port			
Sarasin Funds Management (Guernsey) Ltd (in dissolution)	St. Peter Port			
Affaires Financières SA	Zürich			

1) The remaining 19% are held by Sarasin & Partners LLP, London.

7.6 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.

7.7 Acquisitions / Disposals

No disposals have taken place in 2012 and 2011.

ACQUISITIONS
On 1 July 2012 bank zweiplus acquired all the shares in Antillia Service AG (formerly Skandia Service AG), Zurich. The primary purpose of the company is to broker and sell any kind of financial and investment product. It operates mainly in two areas of business: it sells structured products and fund products from over 20 fund companies.
Antillia Service AG is fully consolidated.

The fair values and carrying amounts of the assets and liabilities acquired from Antillia Service AG were as follows at 1 July 2012:

CHF 000		**01.07.2012**	
	book value	Step-Up	fair value
Cash and cash equivalents	0	0	0
Due from banks	2,221	0	2,221
Due from customers	0	0	0
Financial investments	0	0	0
Intangible assets	0	2,050	2,050
Other assets	1,406	0	1,406
Total assets	3,627	2,050	5,677
Due to banks	0	0	0
Due to customers	0	0	0
Pension liability	0	0	0
Deferred tax liabilities	0	0	0
Other liabilities	2,778	0	2,778
Total liabilities	2,778	0	2,778
Total net assets	**849**	**2,050**	**2,899**
Goodwill			0
Total purchase price			**2,899**

From 1 July 2012 until 31 December 2012 Skandia Service AG has contributed a total of CHF 0.6 million to Bank Sarasin's operating result (pre-tax profit CHF 0.8 million).
If Antillia Service AG had been consolidated as of 1 January 2012, the group result would have been CHF 0.3 million higher (pre-tax result CHF 0.5 million).

7.8 cash zweiplus

bank zweiplus ltd and the media company Ringier have established a joint venture, cash zweiplus ltd, based in Zurich. Ringier AG and bank zweiplus ltd each hold 50% interests in the new company. The joint venture commenced operations on 16 April 2012 as a financial and information service provider. The platform combines the core competencies of both partners. The direct client business of bank zweiplus ltd was transferred to the joint venture. On the basis of contractual agreements, bank zweiplus ltd has control over cash zweiplus ltd, which means that the company is fully consolidated.

The assets transferred by Ringier to cash zweiplus ltd are for the most part intangible assets (rights in the "cash" platform with the registered users and copyrights), which do not constitute a relevant business under IFRS 3 according to management. The assets were therefore measured at fair value in accordance with IFRS 2 and recognised as "other intangible assets" in the amount of CHF 10.9 million.

Put options of the minority shareholders

The shareholders in cash zweiplus ltd have put options in respect of the shares in cash zweiplus ltd. The put option of the minority shareholder was recognised as a financial liability and charged against equity. It is re-measured at every balance sheet date based on management's estimate. Adjustments will be recognised in the income statement. At 31 December 2012, the liability amounted to CHF 12.9 million.

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 7 to 98) for the year ended 31 December 2012.

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 main- taining an internal control system relevant to the pre- paration 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 reason- able 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 2012 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 Oversight 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, April 22, 2013

Ernst & Young AG

Patrick Schwaller	Bruno Patusi
Licensed audit expert	Licensed audit expert
(Auditor in charge)	