



## **Bank Sarasin & Co. Ltd, Basel**

### **Fairness Opinion delivered to the Board of Directors of Bank Sarasin & Co. Ltd**

Assessment of the fairness, from a financial point of view, of the public tender offer of IPB Holding B.V., Utrecht, and its subsidiary Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. for all registered class B shares of Bank Sarasin & Co. Ltd, Basel

Zurich, February 9, 2007

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## **Glossary**

AuM	Assets under Management
Bank Sarasin	Bank Sarasin & Co. Ltd
bn	Billions
CAPM	Capital Asset Pricing Model
CEO	Chief Executive Officer
CHF	Swiss Franc
CRM	Customer Relationship Manager
DCF	Discounted Cash Flow
DDM	Dividend Discount Method
EUR	Euro
I/B/E/S	Institutional Brokers' Estimates
IPB Holding	IPB Holding B.V.
KPMG	KPMG Ltd
m	Millions
NAV	Net Asset Value
P	Price (Market capitalization)
p.a.	per annum
SESTA	Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act)
SESTO-FBC	Ordinance of the Federal Banking Commission on the Stock Exchange (Stock Exchange Ordinance of the FBC)
TOB	Swiss Takeover Board
USD	US Dollar

# 1 Introduction

## 1.1 Background

Bank Sarasin & Co. Ltd (“Bank Sarasin“ or “Company” or “Sarasin Group”) is a limited company within the meaning of Article 620 et seq. of the Swiss Code of Obligations, which has its registered office in Basel (Switzerland). The Company is listed on the SWX Swiss Exchange with an equity capital of CHF 61’155’300 divided into registered class A shares (550’000 shares with a nominal value of CHF 20, “class A shares”) and registered class B shares (501’553 shares with a nominal value of CHF 100, “class B shares”). Only the class B shares are listed on the SWX Swiss Exchange.

IPB Holding B.V. („IPB Holding“) has its registered office in Utrecht (Netherlands) and is a company under Dutch law and a fully owned subsidiary of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Netherlands), (together “Rabobank group” or “Rabobank”).

IPB Holding held a call option to acquire all shares in Eichbaum Holding Ltd. (“Eichbaum Holding”) which would indirectly result in the acquisition of all Bank Sarasin class A shares held by Eichbaum Holding at the time. On 29 December 2006, Rabobank (via IPB Holding) exercised its call option.

Prior to exercising the call option, Eichbaum Holding owned 100% of Sarasin class A shares and 150 of Sarasin class B shares which corresponded to 52.3% of the voting rights and 18.0% of the share capital. IPB Holding owned 171’553 of class B shares and hence controlled 16.3% of the voting rights and 28.1% of the share capital.<sup>1</sup>

By exercising the call option, Rabobank will hold a majority shareholding in bank Sarasin (46.1% of the share capital and 68.6% of the voting rights).<sup>2</sup> According to the recommendation of the Swiss takeover board (“TOB”), dated 26 March 2002 Rabobank is therefore obliged to submit a public tender offer at a minimum price for all remaining Sarasin shares (“Transaction”).

Both Rabobank and the Board of Directors of Bank Sarasin announced the intention to leave as many as possible of the Sarasin class B shares in the market.

## 1.2 Mandate of the Board of Directors of Sarasin to KPMG Ltd.

The Board of Directors of Bank Sarasin represented by its independent members has mandated KPMG Ltd (“KPMG”) to provide a Fairness Opinion (“Fairness Opinion” or “Opinion”), which analyses the financial adequacy of the proposed purchase price per class B share in the context of the public tender offer

This Fairness Opinion summarizes the results of our analyses.

KPMG does not comment on the payment modalities nor on the conditions of the compulsory public tender offer. The Fairness Opinion does not contain either a recommendation on the public tender offer nor information on possible consequences of an acceptance or rejection thereof.

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<sup>1</sup> Source: Annual Report 2005, Bank Sarasin and SWX Swiss Exchange ([www.swx.com](http://www.swx.com))

<sup>2</sup> Source: Company press release, Bank Sarasin and Rabobank, Basle, 9 January 2007

### **1.3 Relations between Bank Sarasin and Rabobank**

#### **Business relations**

Business relations between Bank Sarasin and IPB Holding and its affiliated parties encompass larger transactions within the context of the interest and commission business such as commission income on lending activities, securities and investment transactions and income on other services. Business conditions are based on arms length's rates.

#### **Interlocking of Capital Interests**

As of 30 June 2002, IPB Holding acquired 171'553 of class B shares, which corresponded to 16.3% of the voting rights and a 28.0% stake in the equity capital of Bank Sarasin. Eichbaum Holding owned all of the 550'000 Sarasin class A shares and 150 of class B shares, which corresponded to 52.3% of the voting rights and a 18.0% stake in the equity capital. 100 % of the shares in Eichbaum Holding were owned by Messrs. Dr. Philip Baumann, Matthias Hassels, Hans Rudolf Hufschmid, Dr. Georg F. Kraye, Peter E. Merian, Franz K. von Meyenburg, J. Guy E. Monson, Andreas R. Sarasin, Dr. Beat A. Sarasin, Eric G. Sarasin, Conrad P. Schwyzer and Mr. Rolf M. Wittendorfer. As already mentioned these shareholders granted Rabobank a call option for a period of about 7 years (valid until 30 June 2009) to acquire all of their shares in Eichbaum Holding and thereby indirectly to acquire the majority stake of the voting rights in Bank Sarasin.

As already mentioned the call option was exercised by Rabobank on 29 December 2006.

According to a recommendation applied for by the parties and issued by the Swiss takeover board, dated 26 March 2002, and confirmed on 13 October 2003 within the context of the shareholdings of Mr. Matthias Hassels and Mr. Rolf Wittendorfer in Eichbaum Holding, the former shareholders of Bank Sarasin, Eichbaum Holding and the Rabobank group form a group according to art 27 SESTO-FBC. The group was granted an exemption from the formal obligation to submit a public tender offer to the remaining shareholders of Bank Sarasin until 30 June 2009, provided the call option was not exercised by IPB Holding (Rabobank).

#### **Minimum price**

The TOB stated in their recommendation dated 13 June 2002, that the control premium<sup>3</sup>, which was paid by Rabobank to the shareholders of Eichbaum Holding for the call option, should be reflected in the calculation of the minimum price within the context of a public tender offer to the public shareholders of Bank Sarasin. The exercise price paid for the class A shares of Bank Sarasin inclusive the control premium are also relevant in determining the minimum price for a compulsory public tender offer by Rabobank. This amounts to CHF 983.33 per class A share respectively CHF 4'916.67 per class B share.

The minimum price for one class B share is calculated according to the higher of the following two formulas: The average opening price of the share during the last 30 trading

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<sup>3</sup> The control premium builds part of the option premium and was determined at CHF 96 Mio. This corresponds to a control premium per class B share of CHF 871.54. The calculation of the control premium is based on an independent opinion and was approved by the TOB.

days prior to the announcement of the public tender offer respectively the preannouncement or at least 75% of the highest price paid by the offeror within the last 12 months prior to the announcement, respectively of the price paid to the shareholders of Eichbaum Holding according to the *valuation model* for the determination of the exercise price of the call option. Based on the fact that Rabobank exercised the option on 29 December 2006 the relevant minimum price amounts to CHF 3'687.50 per class B share (75% of CHF 4'916.67) as the average opening price of the class B shares over the 30 days prior to the preannouncement of the public tender offer was lower.

## 1.4 Approach

To assess the public tender offer KPMG performed an analysis of the assets base and the financial plan of Bank Sarasin and carried out a valuation. The valuation is based on the dividend discount method and market valuation methodologies by reason of comparable quoted companies and comparable transactions. In addition to the above work we performed an analysis of the historic share price development and volumes.

The outcome of the valuation considerations is a price range for Bank Sarasin class B shares, which we will in the end compare with the public tender offer to assess its financial adequacy.

Our valuation considerations are based on a going concern view of Bank Sarasin and implementation of the present strategy as an independent bank (cf. chapter 2.4). The Opinion does not comment on potential risks in connection with the Transaction nor does it evaluate a potential change of group strategy following the Transaction.

## 1.5 Assessment basis

KPMG's assessment is based on the following documents and approach:

- the preannouncement of the public tender offer of IPB Holding for all remaining publicly held Sarasin class B shares;
- publicly available information on Bank Sarasin, which was deemed to be relevant for the Opinion;
- press releases dated 9 January 2007 regarding the exercise of the options, published by Bank Sarasin and the Rabobank group;
- the document "Berechnung des Mindestpreises für die Publikumsaktionäre" published by Bank Sarasin in January 2007;
- the Bank Sarasin audited annual and half year reports of the years 2003 to 2005, including the half year report of 2006;
- Company internal information on the financial status and income situation of Bank Sarasin, which were considered relevant for our work including the review of the Budget 2007 formally approved by the Board of Directors, the actual forecast 2006, the Business Plan 2008 to 2010 and additional information made available by the management of Bank Sarasin;
- discussions with the management of Bank Sarasin, particularly regarding the financial status and income situation of Bank Sarasin, business prospects, market

environment, competition and business prospects as well as the identification of the value drivers and the elaboration of the assumptions behind the financial planning;

- current capital market analysis of Pictet & Cie (“Die Performance von Aktien und Obligationen in der Schweiz 1926 - 2005”, updated as per January 2006);
- capital market and financial data from Bloomberg and I/B/E/S to gather data on selected comparable quoted companies;
- market data from Mergermarket and SDC Platinum to derive multiples of relevant comparable transactions in the sector.

KPMG’s Opinion is based on the current market, operational and financial economic conditions and takes into account capital market relationships as well as other factors which existed at the time of the assessment or were anticipated and could be evaluated. Changes in these factors may affect this Opinion.

## **1.6 Limitation of liability**

KPMG has neither conducted an audit nor a due diligence examination in the context of the Fairness Opinion.

In completing this Fairness Opinion KPMG has assumed that the financial and other information used by it regarding Bank Sarasin is correct and complete, and it has relied on it without assuming responsibility for the independent review of such information.

KPMG further relies on the representation of the Board of Directors and the management that they are not aware of any facts or circumstances according to which the information provided would be incomplete, incorrect or misleading.

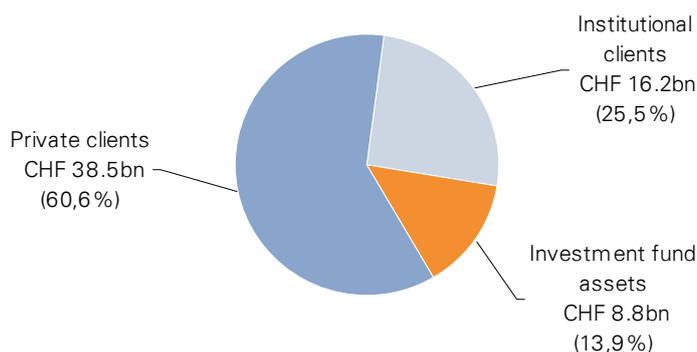
## 2 Bank Sarasin overview<sup>4</sup>

### 2.1 Key data

Bank Sarasin is a Swiss private bank, headquartered in Basle. The Company's share capital consists of two categories, class A shares and class B shares. Class A shares have a nominal value of CHF 20 and class B shares a nominal value of CHF 100, the latter are listed on the SWX Swiss Exchange. Bank Sarasin's main activities are in investment advisory and asset management for private and institutional customers and investment funds. In addition, Bank Sarasin offers services in the area of asset foundations, corporate finance, brokerage and financial analysis.

In 2005 the Company achieved an operating income of CHF 503.3m (CHF 456.6m. 2004) resulting in an operating profit of CHF 167.7m (CHF 135.4m 2004). Group result before minority interests amounted to CHF 115.8m (CHF 83.2m 2004). At the end of the year 2005 Bank Sarasin employed 1'135 people, of which two thirds were based in Switzerland. Total assets under management increased in 2005 by 18% to CHF 63.5bn (CHF 53.8bn 2004).

In the year 2005 assets under management were divided as follows:



Source: Annual report 2005, Bank Sarasin

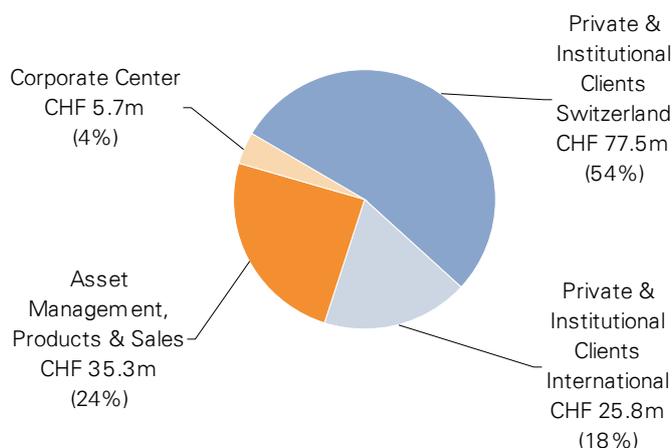
### 2.2 Business segments

Bank Sarasin distinguishes between four business segments:

- Private & Institutional Clients Switzerland
- Private & Institutional Clients International
- Asset Management, Products & Sales
- Corporate Center

<sup>4</sup> According to the annual report 2005 and the half year report 2006 of Bank Sarasin

The following graph outlines for each segment the profit contribution to the group result before taxes (CHF 144.3m, 2005).



Source: Annual report 2005, Bank Sarasin

- Private & Institutional Clients Switzerland

The business segment Private & Institutional Clients Switzerland encompasses the business area private clients and institutional clients Switzerland with offices in four locations in Switzerland – Basel, Geneva, Lugano and Zurich and the business segment Private & Institutional Clients Switzerland. The total Swiss customer base i.e. institutional clients, private banking and personal banking is included in this segment. At the end of 2005 181 persons were employed.

Operating income increased in 2005 by 16% to CHF 204.8m and the segment's net profit (before tax) rose by 56% to CHF 77.5m. The virtually stable operating expenses of CHF 122.4m and the 11% reduction in depreciation and amortization contributed to this improvement in the performance of this segment, which contributes the most to group profit. The two business areas contained in this segment contributed in equal measure to its improved result: Private clients Switzerland increased its profit by 50% to CHF 67.8m, while institutional clients Switzerland doubled its profit from CHF 4.2m to CHF 9.7m. The cost income ratio II (ratio of operating expenses including depreciation and amortization to operating income) of the Private & Institutional Clients Switzerland segment, decreased from 72% to 62%. The segment's gross margin improved by two basis points to 71. Thanks to the inflow of CHF 846m of net new funds from existing and new clients (+3.2%) and a performance contribution of CHF 3.6bn, client assets under management rose by 17% to CHF 31.1bn as at the end of 2005.

- Private & Institutional Clients International

The Private & Institutional Clients International segment includes all subsidiaries domiciled outside Switzerland with the exception of the money market business in Guernsey (Corporate Center). Offices are located in Dubai, Luxemburg and Munich as well as Hong Kong, London, Paris and Singapore.

For reasons of transparency, the segment distinguishes between the two business areas private and institutional clients. Business with institutional clients is exclusively limited

to the offices in London, Munich and Paris, whereas high net worth individuals are served in Dubai, Hong Kong, London, Luxemburg, Munich and Singapore. At the end of 2005 the Private & Institutional Clients International segment had a headcount of 371 (adjusted for part-time working).

In 2005 operating income increased by 23% to CHF 131.8m and segment's net profit before tax rose to CHF 25.8m. Despite their different size in absolute terms – measured by volumes of assets under management – the two business areas made an almost equal contribution to the segment's overall profit in 2005. The business with institutional clients achieved a net profit of CHF 12.2m the business with private clients in international locations earned a profit of CHF 13.6m. The cost income ratio II for the Private & Institutional Clients International segment came to 80% in 2005. An inflow of CHF 583m (+3.9%) of net new funds from existing and new clients and a performance contribution of CHF 2.6bn together caused assets under management to climb to CHF 18.0bn (+21%). The inflow of net new funds was sourced by institutional clients (CHF 353m) and private clients (CHF 230m).

- Asset Management, Products & Sales

The business segment Asset Management, Products & Sales encompasses the business areas asset management & research, sustainable investment, products third party sales and fund services. As of the end of 2005 the segment had a headcount of 191.

As a result of the product and sales initiatives, the operating income of the Asset Management, Product & Sales segment increased by 14% over the year to CHF 102.7m. Operating expenses rose by 12% to CHF 63.5m resulting in a profit before tax of CHF 35.3m for the segment (+20%). The cost income ratio II improved from 67% to 66% and the gross margin increased by four basis points to 79%. The loss of a major private label client on the investment fund side caused a net outflow of client assets amounting to CHF 269m which, if deducted from the performance contribution in 2005 of 2.3bn resulted in assets under management at the end of 2005 of CHF 14.1bn.

- Corporate Center

The Corporate Center segment groups together all internal support functions from the areas of trading, logistics (IT, operations and services) and staff services that report to the Board of Directors and to senior management (Group Internal Audit, Corporate Communications, Legal & Compliance, Human Resources, Group Finance, Controlling, Risk Office, Loans, Taxes and Corporate Finance). At the end of 2005 the segment had a headcount of 392.

Operating income in 2005 amounted to CHF 64.0m and derived mainly from the advantageous structure of financial investments in the first half of the year.

The Corporate Center's net profit fell by 68% over the year to CHF 5.7m. That decline reflected the one-off nature of income of CHF 35m deriving from the sale of participations in 2004. Without that special factor, the Corporate Center's net profit would have increased by CHF 23m.

### **2.3 Business performance 2006**

Bank Sarasin reports for the first half year 2006 a remarkably improved group result of CHF 65.3m which corresponds to an increase, comparing to the previous year, of 50%. This result demonstrates on one hand the positive impact of the initiatives introduced in 2005 to improve the profitability and operating efficiency of the Sarasin Group (SaraChange project) and on the other hand the result was strongly influenced by other ordinary income deriving from increased net interest income (+10%), service fee activities (+18%) and results from trading operations (+63%). The cost income ratio I (the ratio of operating expenses to operating income) improved from 71% in the first half year 2005 to 64% in the first half year 2006. Assets under management grew by CHF 2.0bn to CHF 65.4bn in the first half of 2006.

Despite the anticipated reduced dynamic of business performance in the second half of 2006 senior management feels justified in hoping that due to the new business successes achieved in the first half of the year and promising prospects the target of attracting CHF 3bn of net new money in 2006 could even be exceeded.

As of 1 September 2006, Joachim H. Straehle took over from Peter E. Merian as CEO of the Sarasin Group. As a highly accomplished executive with broad experience in international private banking, Joachim H. Straehle will promote the further development of the bank, both nationally and internationally.

In the second half of 2006, the Company was furthermore able to take well-known senior managers under contract who will strengthen the management team. Among others the bank appointed a new leader for the business segment Private & Institutional Clients International and a new leader for the business area Private Banking in Zurich.

Operating expenses are expected to increase due to the new hires and additional CRM teams in the second half of the year 2006.

### **2.4 Strategy and business plan 2008 to 2010**

Bank Sarasin formulated a clear growth strategy, as commented in detail in the annual report 2005. The core elements are mainly to focus on the bank's core business as an independent Swiss private bank for a private and institutional customer base at existing locations. The bank's goal is furthermore to increase assets under management via expansion of the international offshore business. Core elements to realize the strategy are the commitment of highly qualified CRM teams and the expansion of the banks product offerings.

Budget 2007 and the business plan for the years 2008 to 2010 are based on the above strategy and were discussed with representatives of the management of Bank Sarasin and considered feasible.

First arrangements to implement the above described strategy were made by hiring key people to strengthen the management team in the second half of 2006 which should bear fruit and impact the results in the years to follow.

The sale of the Swiss brokerage business, which was announced in January 2007, to the NZB Neue Argauer Bank combined with the acquisition of a 20% stake of the share capital of NZB Holding and an option granting Bank Sarasin the right to buy another

20% of the share capital of NZB Holding are not reflected in the Business Plan. The management of Bank Sarasin expects to benefit from this transaction through synergies in Research and Trading as well as in Credit business and Corporate Finance. The income loss in the brokerage business goes together with cost savings and future income from the investment in NZB Holding. The management of Bank Sarasin expects the earnings impact from the transaction compared with the forecasted earnings in the Business Plan to be positive.

## **2.5 Budget 2007**

Budget 2007 is derived from planning requirements of the board of directors and the management (top down approach) as well as from the budget inputs of the single business areas (bottom up). Budget 2007 is characterized by a significant increase of total assets under management and an increased net profit.

## **2.6 Risks**

Besides usual transaction related risks and general sector specific operating risks in the private banking area, the following risks which the bank could be exposed to against the background of the Transaction were identified:

### **Loss of assets under management and resignation of key employees**

The Transaction could result in a changed perception as an independent Swiss private bank by its customers, which could in turn end in a potential loss of assets under management. A similar trend could be observed at the time when Rabobank took over a minority stake in 2002.

A change of ownership could furthermore result in the resignation of employees which could result in a loss of know-how and in the case of CRM a loss of assets under management.

### **Change of group strategy**

The business plan of Bank Sarasin is based on the assumptions that the formulated growth strategy for the group was achievable. Should the takeover of control by the Rabobank result in a change of the group strategy, this would have an impact on the bank's goals which were originally derived from the previous strategy. A particular impact is seen in a weaker image as a traditional Swiss private bank or a shift from the offshore strategy and a weakening of the Swiss onshore business. Such tendencies could have a significant, unforeseeable impact on the future prospects of the bank.

Potential additional risks and opportunities resulting from the Transaction are not part of the prevailing Opinion. The Opinion does furthermore not consider potential synergies resulting from the Transaction. The valuation considerations are based on a going concern scenario which explicitly assumes the implementation of the overall group strategy.

## 3 Analysis and valuation

### 3.1 Valuation methodology and analysis

To assess the financial adequacy of the public tender offer KPMG has considered and performed the following valuation methods and analysis of the information received from the management of Bank Sarasin:

- Dividend discount method
- Market analysis based on comparable quoted companies
- Market analysis based on comparable transactions
- Analysis of premiums paid in public takeovers
- Analysis of historic share prices and volumes

Against the background of a going concern assumption, we consider an asset based approach as not suitable. However, the asset value of Bank Sarasin will be reflected implicitly in the market value approach based on comparable quoted companies, e.g. when the P/NAV respectively the AuM-Goodwill multiples are applied.

To derive to a value per class B share of Bank Sarasin, we adjusted the calculated equity value for Bank Sarasin with the book value of the outstanding minorities. We then allocated the adjusted equity value according to the nominal value and the number of outstanding shares to each share category.

In addition to the above work we ran an analysis of premiums paid in public takeovers in Switzerland and analyzed historic share prices and volumes of the Sarasin class B share (refer to chapter 3.5 and 3.6).

### 3.2 Valuation date and basis of information

Valuation date for all methods applied is 31 December 2006. For the valuation consideration we had access to an assessment base which is listed in detail in chapter 1.5 of this Opinion.

Due to lack of visibility of the future development of Bank Sarasin after 2008, in particular forecasted growth of AuM above the market, enlargement of margins at the same time and heavily dependent forecasted financial figures on the development of the financials markets, we base our valuation consideration mainly on the forecasted results 2006 and 2008. Should the strategy be implemented as envisaged and the overall financial targets achieved, this would result in a remarkable added value for Bank Sarasin compared to the current valuation.

### **3.3 Valuation with the dividend discount method**

#### **3.3.1 Methodology**

The value of a company as a whole can be assessed with different methods. The most practical methods to derive a value of a company are nowadays earnings based methods including the further developed discounted cash flow method (“DCF”). In theory the right solution to derive a value corresponds to the sum of the present value of all future net payments to the investor. In reality the DCF method is closest to this theoretically correct method. The DCF method can be applied in the case of the existence of a detailed business plan which is forecast over a number of years.

To derive to the present value of the forecasted net payments, they need to be discounted to the valuation date, by the weighted average cost of capital (“WACC”, entity approach) or by the cost of equity (equity approach) of the company. One of the main issues in the application of this method is the forecast of the future net payments as well as the definition of the cost of capital, respectively the cost of equity. Reality shows that solutions to solve this issue are diverse.

Because we are valuing a bank the dividend discount method (“DDM”) is considered the most appropriate method. This method is similar to the concept of the DCF approach. The DDM is a valuation method which can be assigned to be an equity approach which is in reality a widely accepted approach for the valuation of banks and insurance companies. The reason for that lies in the nature of the bank and insurance businesses. The debt position identified in the balance sheet of the company has an operating character and is not used for a financing purpose respectively a differentiation between an operating character and a financing character of the debt position can seldom be made.

Under the DDM approach, forecast dividend payments are discounted back to the present date, generating a net present value for the dividend streams, e.g. the equity value of the company.

If a company has assets which are declared non-operating, the valuation has to reflect such assets separately. Assets with a non operating character have to be reflected separately in the valuation consideration to claim the full entitlement to the shareholders. Such assets, e.g. excess cash or non-operating property could be distributed to the shareholders without influencing the operating efficiency of the company.

#### **3.3.2 Application of the dividend discount method**

The valuation work for Bank Sarasin was, among other methods presented later in the report, performed with a DDM approach. Historic results of the bank were analyzed and future prospects evaluated based on the business plan and the budget 2007 (refer to chapter 2). It is understood that the business plan as presented was considered realizable without investing additionally into the current asset base. The forecast investments correspond according to management to the annual depreciation charge. The profit distribution charge according to the business plan takes into consideration the capital requirements of the bank’s equity position. For valuation purposes and the calculation of the terminal value the profit distribution charge was taken from the business plan, but maximized reflecting the lower forecast growth rate in the terminal year.

Dividend streams are based on explicit forecast results of Bank Sarasin up to the year 2008 (refer to chapter 3.2) whereby dividends are assumed to be paid in the following year. According to the “Gordon-Growth Model” the growth of the dividend stream in perpetuity must be defined explicitly. For the present valuation considerations the growth rate in perpetuity is 1.5% which reflects the expected long-term inflation rate in Switzerland.

To calculate the net present value of the forecast dividend payments the current equity costs of Bank Sarasin were applied.

The formula to calculate the cost of equity is made up of various parameters which are defined in the “Capital Asset Pricing Model”. The following discussion defines the single parameters of the model and explains the assumptions taken:

- Risk free rate

The risk free rate corresponds to a Swiss government bond in CHF with a duration of 10 years. On that basis a risk free rate of 2.6% is included in the model.

- Market risk premium

The calculation of the cost of equity is based on a market wide accepted market risk premium of 5.0% which is based on the difference between the average return of the Swiss stock exchange market and the return of a Swiss bond portfolio since the year 1926.<sup>5</sup> Due to the fact that the aforementioned Swiss bond portfolio contains Swiss government bonds and bonds of Swiss private debtors, an additional charge of 0.5% was added to the calculation above.

- Beta factor

The beta factor shows the covariance of a single share in relation to the stock exchange market, in other words it is a measure for the systematic or not diversifiable risk of a single share. A beta factor above one means that the value of the equity of a company reacts disproportionately high to movements in the market, hence a beta factor below one that the equity reacts below average.

To derive to the beta factor for the valuation of Bank Sarasin, comparable companies were taken into consideration. As shown in Appendix 1 of the current report betas of comparable companies average at 0.89 and the current beta of Bank Sarasin is observed to amount to 0.86.

### 3.3.3 Results of the dividend discount method

Based on the dividend discount method and the sensitivities shown in the table below the calculation results in a price range per class B share of between CHF 4'574 and CHF 5'021 with a midpoint at CHF 4'787. The terminal value which was calculated with the dividend discount method contributes with 91% to the value per share. The following table shows the sensitivities in respect of three main value drivers identified:

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<sup>5</sup> Source: Pictet & Cie, Die Performance von Aktien und Obligationen in der Schweiz (1926 – 2005), January 2006

Change in cost of equity	-0.5%	-0.3%	0.0%	0.3%	0.5%
Change in value per share	10.2%	4.9%	0.0%	-4.5%	-8.5%
Change in perpetuity growth	-0.5%	-0.3%	0.0%	0.3%	0.5%
Change in value per share	-8.0%	-4.2%	0.0%	4.6%	9.6%
Change in distribution rate	-10.0%	-5.0%	0.0%	5.0%	10.0%
Change in value per share	-11.6%	-5.8%	0.0%	5.8%	11.6%

### 3.4 Market valuation

#### 3.4.1 Market valuation based on comparable quoted companies

The multiples based approach results in a value for the equity of Bank Sarasin in comparison with comparable quoted companies. General practice puts company data e.g. asset under management (“AuM”), net profit or book value of the equity in proportion to the company’s market capitalization. For the valuation considerations we applied the following multiples:

- P/AuM multiple shows the market capitalization as a percentage of the assets under management according to the last published financial report of the company
- (P-NAV)/AuM multiple shows the difference between the market capitalization and the last reported book value of the equity as a percentage of the assets under management according to the last published financial report of the company
- P/E multiple sets the expected profit of the following year, e.g. 2006E to 2008E in relation to the market capitalization
- P/NAV multiple shows the market capitalization as a percentage of the net asset value (“NAV”) according to the last published financial report, respectively the latest forecast of the expected NAV for the following years, e.g. 2006E to 2008E

The multiples were calculated based on the latest annual report 2005, current half year and quarterly figures and analyst estimates published in I/B/E/S for the years 2006 to 2008 of identified comparable companies. The multiples were then applied to the latest financials of Bank Sarasin. A table with the multiples of the comparable companies is shown in Appendix 2 of the current report.

The bulk of comparable companies are quoted banks who offer private banking services to their clients. However, comparability between selected banks is limited due to the fact that they differ in size, activities and geographic presence.

#### 3.4.2 Results of market valuation based on comparable quoted companies

The multiples analysis of the quoted companies is presented in Appendix 2 of the report.

P/AuM multiples of comparable quoted companies (excl. EFG International) range between 4.2% and 8.0%. The calculated median is 6.1% and the average 6.0%.

(P-NAV)/AuM multiples (excl. EFG International) range between 2.7% and 5.2%. The calculated median is 3.2% and the average 3.8%.

P/E multiples (excl. EFG International) range between 13.9x and 26.9x for the 2006E earnings forecast, between 12.8x and 21.0x for the 2007E earnings and between 11.7x and 18.2x for the 2008E earnings. The median and the calculated average amount to 18.3x respectively 19.4x for 2006E, 17.3x respectively 17.0x for 2007E and 16.1x respectively 15.4x for 2008E.

P/NAV multiples (excl. EFG International) range between 2.1x and 3.5x for the first half year 2006, between 2.0x and 3.3x for 2006E, between 1.8x and 3.0x for 2007E and between 1.7x and 2.7x for 2008E. The calculated median and the average amount to 2.8x for both values for the first half year 2006, to 2.6x for both ratios for 2006E, to 2.5x respectively 2.4x for 2007E and to 2.3x for both ratios for 2008E.

The outcome of the analysis as presented above shows a diverse picture and results in significant differences in the valuation of Bank Sarasin. One explanation can be found in the different valuation of the comparable banks used for the analysis and the calculated multiples thereof. E.g. EFG International was completely excluded from the analysis due to lack of comparability of the business model.

The multiples which use AuM as a parameter of the calculation result in a higher value for the equity of Bank Sarasin than the P/E and P/NAV multiples. An explanation can be found in the historically different performance of Bank Sarasin and the varying expectations on future prospects regarding the bank's margin on assets under management and cost income ratio.

We consider a valuation based on AuM multiples as less meaningful and hence base our considerations primarily on P/E and P/NAV multiples. Based on the above analysis we conclude a price range per class B share of between CHF 4'686 and CHF 5'257.

### 3.4.3 Market valuation based on comparable transactions

In addition to the valuation based on comparable companies which was discussed in the previous chapter, we run an analysis of comparable transactions.

We would like to state that it was rather difficult to find actual and comparable transactions. Out of date transaction are less meaningful as paid prices in the market – similar to the stock exchange markets – change over time. Criteria's used to select comparable transactions were among others:

- Swiss private banks and asset managers
- Purchase of a majority stake in the company
- Transaction date not older than 3 years
- Transaction price and relevant information on the target must be known at the time of the acquisition

As shown in Appendix 3, five transactions were selected as the most meaningful and considered separately in the derivation of the results.

Publicly available data of transactions are often incomplete and can result in calculated multiples which could diverge from the economic reality. Application of such multiples impact the outcome of an analysis and thus falsify results.

#### 3.4.4 Results of market valuation based on comparable transactions

P/AuM multiples of all transactions range between 2.0% and 4.7%, the median of all transactions is 3.1% and the average 3.2%.

P/AuM multiples of the selected transactions range between 2.8% and 4.7% whereas median and average amount to 3.7%.

P/E multiples of all transactions range between 2.6x and 19.0x, the median is 13.0x and the average 12.6x.

P/E multiples of selected transaction range between 18.0x and 19.0x whereas median and average amount to 18.5x.

The above analysis results in a price range for class B shares of between CHF 4'040 and CHF 4'387.

### 3.5 Analysis of premiums paid in public takeovers

The offered purchase price of CHF 3'687.50 per registered class B share of Bank Sarasin contains a premium of 0.8% compared to the average opening price of the last 30 trading days before publication of the announcement of the public tender offer of IPB Holding for the remaining publicly held registered class B shares.

The analysis of premiums paid in public takeovers of the last two years results in a range of between 0.5% and 51.7%. The calculated median lies at 28.5%. The analysis, which is shown in Appendix 4 includes transactions which meet the following criteria:

- Target company was quoted at the SWX Swiss Exchange
- Transaction date not older than 2 years
- Size of the transaction CHF 100m or more

It is obvious to say that the background to each transaction in the context of a public takeover is different to the other and influences the premium paid. Besides the form of payment of the purchase price – cash or shares of the bidder – it is also the nature of the takeover and how it is announced. Friendly takeovers tend to pay lower premiums than hostile takeovers which often compete with other public tender offers.

Taking into consideration the median of the calculated premiums of 28.5% on the average opening price of the last 30 trading days of Bank Sarasin class B share before the announcement, this would result in a value for the share of CHF 4'700.

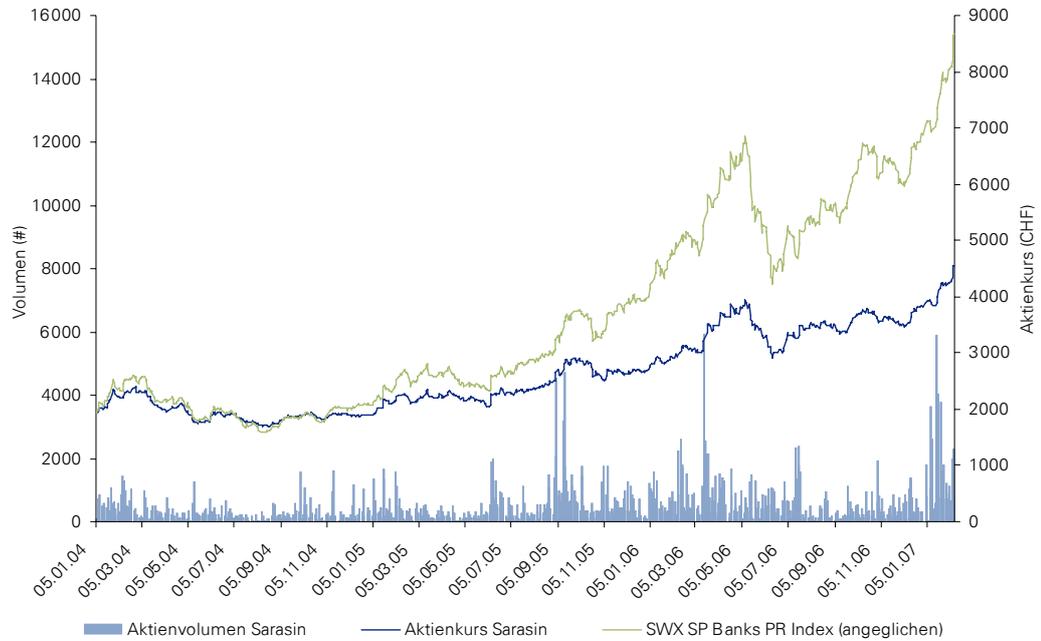
### 3.6 Analysis of historic share prices and trade volumes

Within the timeframe of beginning of January 2006 to the date of the preannouncement of the public tender offer, the price of the traded Sarasin class B share experienced an increase of 45.5%. However, the development of the share price lagged behind the development of the SPI-subindex of quoted banks.

The following graph shows the development of the share price and the development of the volumes of the registered class B share over the three years preceding the

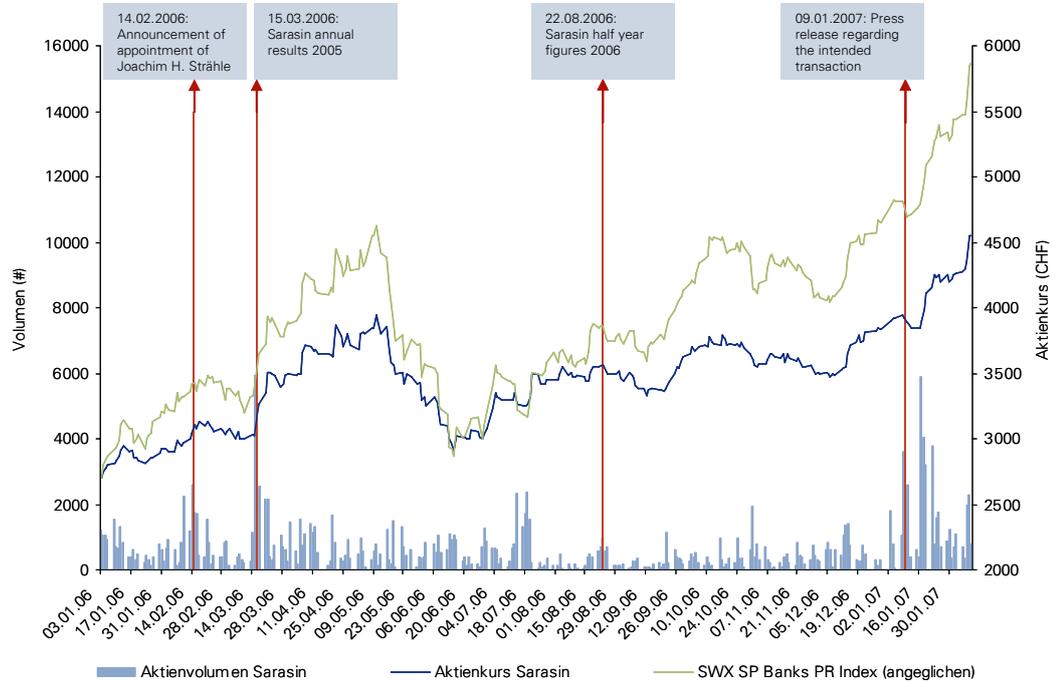
announcement of the public tender offer. For reasons of comparison the development of the SPI-subindex of quoted banks is included in the graph (aligned to the Sarasin share as of 5 January 2004).

In the preceding year (3 Jan 2006 to 8 Jan 2007) the average number of shares traded on a daily basis amounted to 607.



Source: Bloomberg, KPMG Analysis

The following graph shows the Bank Sarasin share price development and relevant Company news announced since the beginning of 2006.



Source: Bloomberg, KPMG Analysis

## 4 Conclusion

Based on the valuation considerations and analyses presented in the report we determined the following price ranges:

- Dividend discount method: CHF 4'574 to CHF 5'021
- Market valuation based on comparable quoted companies: CHF 4'686 to CHF 5'257
- Market valuation based on comparable transactions: CHF 4'040 to CHF 4'387

Based on the price ranges above we conclude on a value range per registered class B share of between CHF 4'433 to CHF 4'888. The value range is calculated taking into consideration the mean values of the lower and upper limits of the above mentioned methods.

We consider the compulsory public tender offer of Rabobank, to pay the shareholders of Bank Sarasin class B shares (with a nominal value of CHF 100) a price of CHF 3'687.5 in cash per share, from a financial point of view as inadequate.

The Fairness Opinion was completed February 9, 2007.

KPMG Ltd.



Bettina Bornmann

Head Corporate Finance



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Appendices:

- Appendix 1 : Analysis of beta factors of comparable quoted banks
- Appendix 2 : Multiple analysis of comparable quoted companies
- Appendix 3 : Multiple analysis of comparable transactions
- Appendix 4 : Premiums paid in public takeovers



Appendix 1 : Analysis of beta factors of comparable quoted banks

<b>Peer group</b>	<b>Adjusted Beta</b>
Julius Bär	1.52
EFG International	0.91
Vontobel	1.13
Sarasin	0.86
VP Bank	0.60
Liechtensteiner Landesbank	0.67
All peers median	0.89
All peers average	0.95
All peers min	0.60
All peers max	1.52

*Source: Bloomberg, February 9, 2007*

*Comment: Calculation is based on weekly historical share prices of the last two years*

Appendix 2 : Multiple analysis of comparable quoted companies

Peer group <sup>1)</sup>	Market capitalization <sup>2)</sup>	NAV <sup>3)</sup>	P/E <sup>2)</sup>			P/NAV <sup>2)</sup>	P/NAV <sup>2)</sup>			P/AuM <sup>4)</sup>	(P-NAV)/AuM <sup>4)</sup>
			06e	07e	08e	1H 06a	06e	07e	08e	1H 06a	1H 06a
Julius Bär	18'084	6'864	26.9 x	21.0 x	18.2 x	2.6 x	2.8 x	2.6 x	2.4 x	5.0%	3.1%
EFG International	7'600	2'143	36.4 x	24.5 x	18.5 x	3.5 x	3.3 x	2.9 x	2.6 x	14.1%	10.1%
Vontobel	4'024	1'159	18.3 x	17.3 x	16.1 x	3.5 x	3.3 x	3.0 x	2.7 x	6.5%	4.6%
Sarasin	2'755	987	20.7 x	18.1 x	16.4 x	2.8 x	2.6 x	2.5 x	2.3 x	4.2%	2.7%
VP Bank	1'950	925	13.9 x	12.8 x	11.7 x	2.1 x	2.0 x	1.8 x	1.7 x	6.1%	3.2%
LLB	3'752	1'314	17.1 x	15.9 x	14.6 x	2.9 x	2.6 x	2.3 x	2.2 x	8.0%	5.2%
<b>All comparable companies</b>											
Median			19.5 x	17.7 x	16.3 x	2.8 x	2.7 x	2.5 x	2.3 x	6.3%	3.9%
Average			22.2 x	18.3 x	15.9 x	2.9 x	2.8 x	2.5 x	2.3 x	7.3%	4.8%
Minimum			13.9 x	12.8 x	11.7 x	2.1 x	2.0 x	1.8 x	1.7 x	4.2%	2.7%
Maximum			36.4 x	24.5 x	18.5 x	3.5 x	3.3 x	3.0 x	2.7 x	14.1%	10.1%
<b>Comparable companies excluding EFG International</b>											
Median			18.3 x	17.3 x	16.1 x	2.8 x	2.6 x	2.5 x	2.3 x	6.1%	3.2%
Average			19.4 x	17.0 x	15.4 x	2.8 x	2.6 x	2.4 x	2.3 x	6.0%	3.8%
Minimum			13.9 x	12.8 x	11.7 x	2.1 x	2.0 x	1.8 x	1.7 x	4.2%	2.7%
Maximum			26.9 x	21.0 x	18.2 x	3.5 x	3.3 x	3.0 x	2.7 x	8.0%	5.2%

<sup>1)</sup> Comparable quoted companies from Switzerland and Liechtenstein

<sup>2)</sup> Source: Bloomberg February 9, 2007; I/B/E/S; KPMG Analysis

<sup>3)</sup> Source: Annual respectively latest half year reports

<sup>4)</sup> Source: Bloomberg February 9, 2007; Half year report 2006; Julius Bär Business Review 2006

Appendix 3: Multiple analysis of comparable transactions

Year	Target	Bidder	P/AuM	P/E
Sep 2006	Banca Gesfid (60% stake)	Fondiaria - SAI SpA	2.8%	10.5
Aug 2006	Pro Trust Private Clients S.A.	Tally-Ho Ventures, Inc.	n/a	2.6
Dec 2005	Harcourt Investment Consulting	Vontobel	3.5%	n/a
Sep 2005	Bank am Bellevue	Swissfirst AG	n/a	13.0
Sep 2005	UBS Private Banks & GAM	Julius Baer	4.7%	n/a
Dec 2004	Caixa Banque Privee Suisse	BNP Paribas	2.6%	n/a
Dec 2004	Citigold International Wealth Management	BNP Paribas	2.6%	n/a
Nov 2004	Inter Maritime Bank (Bank of New York)	Bank Hapoalim BM	3.7%	n/a
Jun 2004	Vontobel (12.5% stake)	Raiffeisenbanken Group	3.7%	18.0
No 2003	Banque Notz Stucki	Ferrier Lullin (UBS)	2.0%	n/a
Oct 2003	Bank von Ernst	Coutts (Royal Bank of Scotland)	3.8%	19.0
May 2003	Schweizerische Treuhandgesellschaft (STG)	LGT Group	2.8%	n/a
	Median		3.1%	13.0
	Average		3.2%	12.6
	Median most comparable transactions		3.7%	18.5
	Average most comparable transactions		3.7%	18.5

*Source: SDC, Mergermarket, broker notes, press releases, KPMG analysis*

Appendix 4 : Premiums paid in public takeovers

Preannouncement date <sup>1)</sup>	Target company	Industry segment	Acquiror <sup>2)</sup>	Deal value CHFm	Premium paid <sup>3)</sup>
13-Jun-05	Leica Geosystems	Electronic Measur. Instr.	Hexagon	1,463	51.70%
26-Aug-05	Saia-Burgess	Electronic Products - Misc.	Johnson Electric	696	41.30%
12-Sep-05	Sarna Polymer	Building & Construction	Sika	399	14.40%
1-Dec-05	Berna Biotech	Health Care	Crucell	590	18.90%
31-Jan-06	Amazys	Electronic Measur. Instr.	X-Rite	365	39.60%
6-Mar-06	Generali (Schweiz)	Multi-line Insurance	Assicurazioni Generali (Italy)	359	21.86%
28-Mar-06	Aare-Tessin	Electric-Integrated	Motor Columbus	600	0.50%
6-Sep-06	Saurer	Machinery - General Industry	Oerlikon (formerly Unaxis)	1,491	44.51%
21-Sep-06	Serono	Medical - Biomedical / Gene.	Merck	16,111	28.51%
Average					29.03%
Median					28.51%

Source: Bloomberg; Mergermarket; company information

1) Preannouncement date of first offer if several offers were made

2) Successful bidder, if several offers were made

3) Based on the average opening price of the preceeding 30 trading days before preannouncement