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Annual
Report
1999



BANQUE EDOUARD CONSTANT



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Annual report

Economic context

Though there had been fears that 1999 would see a decline in economic activity, the year was in fact characterised by a sustained growth which was to reach record heights in the United States. The main causes were the significant new investment requirements due to the use of new technologies and a recovery in consumer spending stimulated by falling unemployment. After touching extremely low levels, bond yields picked up in parallel with improving macro-economic prospects. Meanwhile, the equity markets rose strongly, especially in the technology, telecommunications and media sectors.

The Bank's balanced, growth and dynamic portfolios achieved attractive returns, despite being under-weighted in American stocks for valuation reasons. On the other hand, the conservative portfolios invested chiefly in fixed interest assets suffered from the decline in the bond markets.

Management performances

In this uncertain economic context, our disciplined investment approach enabled us to guard against the risks arising from the high volatility of the markets. On the whole, our management performances were satisfactory.

Particularly worthy of note was the performance of our investment funds and especially our new thematic fund "Divertimento", which achieved 24% in 1999. This fund, which focuses on investment in the leisure sector, is a new departure for the market and is intended primarily for private clients.

For our institutional clients, the first quarter of 1999 saw another innovative development with the launch of BEC Alternative Investment, one of the first Swiss funds of funds to invest in alternative funds. A further novel aspect of the new fund is the fact that it can be offered in a number of currencies. By year's end, BEC Alternative Investment had already posted assets in excess of CHF 170 million.

In a parallel development, Banque Edouard Constant SA launched a Swiss franc bond issue guaranteed by Swisscore Ltd, the Zurich insurance group. The distinguishing feature of this product is that the coupon varies, depending on the performance of the BEC Alternative Investment fund of funds.

Faced with increasing competition, an ever more demanding clientele and the prospect of a reduction in commission income, the Bank made the decision to strengthen its Investment Division. The setting up of a department specialising in investment advice and the development of new types of asset management will enable us to offer our clients high added value services.

Our clients

The strategic choices adopted by the Board of Directors and the Management Board of Banque Edouard Constant SA with regard to the development of our client base have begun to bear fruit.



This year, Banque Edouard Constant SA chose not to follow the widespread policy of centralising banking activities and, instead, took practical steps to implement the strategic objective of drawing closer to its clients both in Switzerland and abroad.

The establishment of a branch at Sion, followed by the opening of offices in Martigny, Crans-Montana and Verbier, served to reinforce our presence in French-speaking Switzerland. The Valais was chosen because of the great potential of this canton in view of its high quality international clientele.

Our efforts also focused on the canton of Vaud, where we opened a new branch in Lausanne. Moreover, this year, we will enjoy the support of a new partner, RIVIERA FINANCE SA of Vevey, to promote the development of our private banking activity on the northern shores of Lake Geneva. RIVIERA FINANCE SA is a company established jointly by the Caisse d'Epargne of the district of Vevey and Sandoz FF Holding Bancaire et Financière SA.

In German-speaking Switzerland, the staff of our Zurich branch has been increased in order to meet the needs of our local independent asset managers.

Outside Switzerland, Banque Edouard Constant SA has established a bridgehead in North America by acquiring a minority interest in a Canadian asset management company. Other projects are being studied to provide our Bank with the international platform needed for its services.

Our organisation

The last financial year enabled us to put the Bank's new organisation to the test. The various departments had been divided into three separate divisions, each headed by a managing director. The arrival of the two new managing directors, the resulting reinforcement of the Management Board, the establishment of an Executive Committee and the allocation of the departments between the three divisions, have all served to provide the Bank with an organisation which is both more efficient and better suited to the needs of our clients.

This first decisive stage has enabled us to concentrate more on our core business and to improve the service we provide to our customers, in line with the ambitious objectives of the new corporate charter defining our strategic vision in terms of services, products and markets.

A second and no less crucial stage was the establishment of Sandoz FF Holding Bancaire et Financière SA and the assignment to Banque Edouard Constant SA of the strategic role of banker for the Holding. Through this arrangement, the Bank will be responsible for the various financial investments, present and future, of our sole shareholder, the Sandoz-Fondation de Famille.

The advantage of this structure is that clients enjoy to the full the synergies offered by the various financial intermediaries who are members of the



Holding and who will, in future, be able to delegate tasks and services which they are unable to provide themselves.

In this context, Banque Edouard Constant SA has started hiving off certain activities by the establishment of separate participating interests, either attached directly to the Bank or to the Holding. For example, to rationalise the use of the dynamic and highly experienced team in the Bank's Corporate Communication department, this unit has been detached and turned into a separate company, Label Communication SA. The new company is now able to offer its ideas and capacities to a wider clientele, while the Bank continues to enjoy the full benefit of its services.

Other activities of the Bank will undergo the same kind of changes during the year 2000. Thus, the whole of the Services and Support division will be attached to the Holding in the form of a service company, SFF Management SA. Similarly, Financial Planning will be incorporated into a new company, SFF Family Office SA, another member of the Holding.

During the course of 1999, heavy demands were placed on the Services and Support division in arranging the establishment of the various companies of the Sandoz FF Holding Bancaire et Financière SA and the implementation of the new organisation of the Bank. This contribution was provided mainly in the fields of logistics, administration and finance, areas in which we have excellent skills.

In addition, we are able to note with great satisfaction that the technical and organisational preparations made by the Bank for the transition to the year 2000 ensured that we were able to serve our clients and work with our partners from the very first days of the year.

In order to support the strategic developments of our establishment, a new IT platform has been selected. The new system, which is to be implemented by our IT partner, EDS, will ensure that we remain in a position to supply the services we wish to offer to our clients.

This company-wide project, directed at Management Board level, will serve to integrate our competences within the framework of the various banking departments and the new technologies now available to us. The project, which has already been allocated substantial resources, is a major step forward in securing the long-term operating capacity of Banque Edouard Constant SA.

Consolidated Financial statements

In concrete terms, the 1999 financial year saw a substantial increase in Private Banking activities, accompanied by a 28.5% rise in the total value of client deposits and assets under discretionary management.

Thanks to this development, our result for commission and service fee activities rose to CHF 61 million (+21.3%).

Total income from ordinary banking activity reached CHF 93.7 million, up 11.4% on the previous financial year.

The rise of CHF 4.7 million in operating expenses to CHF 79.4 million was due to the recruitment of experienced new personnel and salary adjustments.

The confidence of our shareholder in the large-scale projects of Banque Edouard Constant SA was expressed during the period under review by a capital contribution of CHF 59 million which, in accordance with the accounting rules in force, was booked under "Extraordinary income". This significant sum enabled the Bank to cover "Extraordinary expenses" totalling CHF 45.4 million, namely a provision of CHF 34.3 million to support future development, exceptional IT costs of CHF 7 million and miscellaneous expenses amounting to CHF 4.1 million.

The positive balance of CHF 14.4 million arising from extraordinary income and expenses contributed to the posting of a net profit of CHF 20.7 million, a rise of CHF 18.4 million in comparison with 1998.

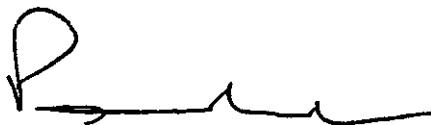
The balance sheet total reached CHF 1.14 billion, an increase of 16.8% on the previous financial year, this result being largely due to activities connected with private banking.

The solidity of the Bank is apparent from shareholders' equity which, at the end of December 1999, stood at CHF 163.7 million, a figure which includes the reserves for general banking risks. The rise of CHF 20.7 million (+14.5%) in shareholders' equity after the appropriation of available earnings is a clear sign of the financial strength of the Bank and its shareholder.

The members of the Board of Directors and the Management Board wish to take this opportunity to express their appreciation to the executives and staff of the Bank for the loyalty, commitment and professionalism which have enabled us to carry through the profound changes needed to maintain our competitiveness in the ever changing world of banking and finance.

At the same time, in the name of the Board of Directors and Management Board of Banque Edouard Constant SA, we should also like to express our gratitude to our clients and professional partners for their continued trust and support.

Chairman
of the Board of Directors



MARC PANCHAUD

Chairman
of the Management Board



JEAN-BERNARD METTRAUX

***Financial Statement
at December 31, 1999***

**Auditor's
Report**



BANQUE EDOUARD CONSTANT

Board of Directors

The composition of the Board of Directors is as follows:

Mr. Marc Panchaud, PhD, Chairman, Lausanne

Mr. Marc-Edouard Landolt, Deputy Chairman, banker, Lausanne

Mr. Pierre Landolt, Patos, PB, Brazil

Prof. Stéphane Garelli, Rolle

Maître Jacob Zraggen, lawyer, Dietlikon

Maître Pierre-Olivier Zingg, legal consultant, Lausanne

Maître Olivier Verrey, Secretary to the Board, solicitor, Lausanne

Financial Statements



Balance Sheet as at December 31, 1999

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--|----------------------|--------------------|
| ASSETS | | |
| Liquid assets | 23,756,088 | 12,226,750 |
| Due on money market paper | 4,811,100 | - |
| Due from banks | 673,659,803 | 534,107,132 |
| Due from clients | 223,712,520 | 259,426,583 |
| Trading balances in securities and precious metals | 56,849,718 | 68,623,887 |
| Financial investments | 48,754,854 | 20,843,107 |
| Permanent investments | 4,331,764 | 4,371,070 |
| Tangible fixed assets | 16,754,143 | 18,990,649 |
| Prepayments and accrued income | 5,427,299 | 8,167,517 |
| Other assets | 81,386,330 | 52,692,370 |
| Total assets | 1,139,443,619 | 979,449,065 |
| Total receivables from group companies and significant shareholders | 1,125,000 | 1,125,000 |
| Total subordinated loans | 1,125,000 | 1,164,600 |

Balance Sheet as at December 31, 1999

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--|----------------------|--------------------|
| LIABILITIES | | |
| Due to banks | 155,044,557 | 192,856,481 |
| Due to clients on saving and deposit accounts | 13,080,529 | 12,202,001 |
| Other amounts due to clients | 615,096,908 | 548,449,238 |
| Certificates of deposit | 105,000 | 105,000 |
| Accruals and deferred income | 14,319,442 | 24,837,325 |
| Other liabilities | 142,698,780 | 55,307,712 |
| Value adjustments and provisions | 40,894,717 | 4,603,392 |
| Reserves for general banking risks | 6,170,026 | 6,170,026 |
| Share capital | 89,500,000 | 89,500,000 |
| General legal reserves | 42,250,000 | 42,250,000 |
| Profit brought forward | 3,167,890 | 2,012,648 |
| Profit of the year | 17,115,770 | 1,155,242 |
| Total liabilities | 1,139,443,619 | 979,449,065 |

| | | |
|--|---------|-----------|
| Total liabilities to group companies and significant shareholders | 743,017 | 1,564,519 |
|--|---------|-----------|

| | 31.12.1999 CHF | 31.12.1998 CHF |
|-----------------------------------|-------------------|-------------------|
| OFF BALANCE SHEET POSITION | | |
| Contingent liabilities | 33,728,259 | 47,786,061 |
| Derivatives instruments | | |
| - underlying amount | 9,011,521,729 | 7,555,439,928 |
| - positive replacement value | 68,243,679 | 46,135,758 |
| - negative replacement value | 119,313,145 | 45,210,943 |
| Fiduciary transactions | 2,295,816,831 | 1,998,878,008 |

Statement of Income 1999

INCOME AND EXPENDITURE FROM ORDINARY BANKING OPERATIONS

| | 31.12.1999 CHF | 31.12.1998 CHF |
|---|---------------------|---------------------|
| Net interest income | | |
| Interest and discount income | 30,344,841 | 47,156,843 |
| Interest and dividend income on financial investments | 709,192 | 461,087 |
| Interest expenses | (14,479,657) | (32,631,618) |
| Sub-total net interest income | 16,574,376 | 14,986,312 |
| Commissions and service fee activities | | |
| Credit and related fees and commissions | 521,174 | 823,367 |
| Commission income on securities trading and investments | 63,801,020 | 57,081,394 |
| Commission income on other services | 1,606,342 | 1,429,634 |
| Commission expenses | (8,921,328) | (10,900,180) |
| Sub-total commissions and service fee activities | 57,007,208 | 48,434,215 |
| Net income from trading operations | 16,543,964 | 18,597,514 |
| Other ordinary income / expenses | | |
| Income from permanent investments | - | 250,000 |
| Other ordinary income | 34,563 | 169,052 |
| Other ordinary expenses | (973,405) | (21,048) |
| Sub-total other ordinary income / expenses | (938,842) | 398,004 |
| Operating expenses | | |
| Personnel costs | (47,488,378) | (43,927,268) |
| Other operating expenses | (31,030,398) | (30,299,069) |
| Sub-total operating expenses | (78,518,776) | (74,226,337) |
| Operating profit | 10,667,930 | 8,189,708 |
| Depreciation of fixed assets | (4,624,611) | (4,937,396) |
| Value adjustments, provisions and losses | (2,114,128) | (913,885) |
| Profit before extraordinary items and taxes | 3,929,191 | 2,338,427 |
| Extraordinary income | 59,878,544 | 151,761 |
| Extraordinary expense | (45,442,824) | (287,946) |
| Taxes | (1,249,141) | (1,047,000) |
| Profit for the year | 17,115,770 | 1,155,242 |

Proposed Appropriation of Available Earnings

| | 31.12.1999 CHF | 31.12.1998 CHF |
|---|-------------------|-------------------|
| Retained earnings | | |
| Profit for the year | 17,115,770 | 1,155,242 |
| Profit brought forward | 3,167,890 | 2,012,648 |
| Total available for distribution | 20,283,660 | 3,167,890 |

| | 31.12.1999 CHF | 31.12.1998 CHF |
|---|-------------------|-------------------|
| Appropriation of retained earnings | | |
| Allocation to the general legal reserves | 860,000 | - |
| Profit carried forward | 19,423,660 | 3,167,890 |

Notes to the Financial Statements as at December 31, 1999

1. BUSINESS ACTIVITY AND PERSONNEL

Bank Edouard Constant SA has its head office in Geneva and branches in Zurich and Valais. It carries on business in the areas of private asset management and trading. Its clientele benefits from representative offices in London and Monaco.

The Bank offers to its private clients, institutional clients and its external managers a complete range of services in addition to portfolio management, these include: "Financial Planning", trading, Lombard loans, placement funds, financial analysis as well as structured products.

The Bank carries on a trading function for client accounts and its own account. It is a member of the Swiss stock exchange and has access to various foreign stock exchanges.

As at December 31, 1999 the Bank employed 245 people.

2. ACCOUNTING POLICIES AND VALUATION PRINCIPLES

The accounting principles, valuation and presentation of the annual accounts are in accordance with the requirements governing the preparation of accounts of the Ordinance on banks and savings banks, and the directives of the Federal Banking Commission.

The principle accounting policies used in the compilation of these financial statements, unchanged from last year, are listed below :

Recording of transactions

Transactions are recorded on the date of the transaction. Foreign exchange transactions and balances due from the Swiss National Bank are recorded on the value date.

Recognition of income and expenses

Income and expenses are accounted for as and when they are earned or incurred and are included in the accounts in the period to which they relate.

Translation of foreign currencies

Assets and liabilities in foreign currencies are translated into Swiss francs at the exchange rates ruling on the balance sheet date.

Revenues and expenses are converted at the rate prevailing at the related month end date. Exchange gains and losses are accounted for in the profit and loss account.

Liquid assets, due from banks and customers, mortgage loans

Assets and liabilities are stated at their face value. Debts appear on the balance sheet net of any provisions. The specific value adjustments made on doubtful loans are accounted for under "Value adjustments and provisions".



Trading balances in securities and precious metals

The portfolios comprise of equities, interest bearing securities and precious metals which were originally acquired with the intention of reselling.

At the balance sheet date, trading securities are valued at their market price. Securities that are not traded on a representative market are valued according to the lower of cost and market value. The value adjustment is charged to the profit and loss account under "Net income from trading operations".

Financial investments

The financial investments include equities and interest bearing securities which were originally acquired with the intention of long-term possession.

In principle, interest bearing securities are held until maturity. They are recorded at purchase price and premiums and discounts are amortised to maturity and included under "Interest and dividend income on financial investments".

Equities are valued at the lower of cost or market value.

Permanent investments

Permanent investments are valued at the lower of cost or a lower value, taking account of any value corrections which are deemed to be necessary.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation, which is calculated using the straight-line method.

The building owned and used by the Bank has not been depreciated since 1995. Its market value is much higher than the carrying value.

Financial leasing appears on the balance sheet at purchase price, less amortisation adjustments based on the maturity of the individual contracts.

Value adjustments and provisions

For all identified risks existing at the balance sheet date, value adjustments and provisions are established on a prudence basis.

Provisions for taxes and contingent liabilities include existing and future liabilities to tax on income and capital.

The heading "other provisions" contains provisions created for future investments.

The provisions under this heading include hidden reserves which are not considered as additional equity capital.

Reserves for general banking risks

Reserves for general banking risks cover the risk of any unexpected losses due to the interest risks of banking operations. They are treated as equity capital.

Contingent liabilities

Transactions resulting from the above activities are stated at their nominal value. Identified risks existing at the balance sheet date are covered by specific provisions classified under "Value adjustments and provisions".

Derivative instruments

Derivative instruments include forward transactions, options, futures, swaps of which the value follows one or many underlying assets (shares in fixed investments, indices) or reference rate (interest, currency).

Derivative instruments are valued at market value. For trading operations, profits and losses realised or non-realised are taken to the "net income from trading operations" account. Hedging transactions are valued using the same methods as the underlying transactions. Non realised profits or losses are accounted for under the compensation account.

Positive and negative replacement values for transactions for the Bank's own account are included under "other assets" or "other liabilities", as well as those resulting from commission transactions on contracts dealt with outside the stock exchange.

Risk management

Risk monitoring is based on fixed limits defined in accordance with the activities of the Bank, and on the establishment of directives and procedures which enable the identification, the measurement and the control of the major inherent risks for the activities of the bank. Foreseeable losses are accounted for under value adjustments and provisions for each category of risk identified.

Market risks are monitored with the aid of a system of limits, by an independent risk management function. This system includes limits on liability, timing, counter parties and "stop-loss". When required, crisis simulations of unfavourable market fluctuations are performed. The Bank uses the standardised method for the calculation of its required equity.

"Interest rate risk" is monitored by limits based on a parallel fluctuation of the interest rate curve. The changes due to potential interest rate fluctuations are regularly calculated in the main foreign currencies.

Credit risks are evaluated and monitored regularly by a system of limits. The majority of credits granted to the Bank's clientele are Lombard loans or secured against a share portfolio. Collateral adequacy is evaluated daily using market rates.

Concerning country risks, the Bank has developed a policy and fixed a limit for each country. Any eventual provisions will depend on the latest rates published by the Federal Banking Commission, which the Bank will adapt due to its knowledge of the markets and the ratios of the Swiss Banking Association.

Comments relating to the business policy on the use of derivative instruments

Derivative instrument transactions are effected principally for client accounts and are covered in the market. In the case of these operations, the Bank acts in the role of broker or agent, in or outside the stock exchange.

The Bank also uses derivative instruments for its own account to manage risk and also in trading operations. Only Derivative instruments which have been the subject of a risk monitoring process (identification, quantification, management and supervision) are used.

Outsourcing

In order to have the ability to concentrate on its business and core competencies, being banking services, Banque Edouard Constant SA entrusted the management of its information system to a third party in 1998 (outsourcing of information system services).

The Bank has taken measures to assure that bank secrecy regulations are respected. It continues to use its own information system, situated at the Bank. The supplier of these external services, who is responsible for system operations, has contractually taken on the Bank's data confidentiality duties. In addition, the personnel of the supplier involved in the management of the system are under the same obligations in this respect as the employees of the Bank.

Furthermore, the Bank keeps control over the evolution of its information system. The outsourcing of the information system permits the Bank to concentrate on project management and the development of its information system over the long term.

3. BALANCE SHEET INFORMATION

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--|-------------------|-------------------|
| 3.1 Capitalised formation expenses, costs incurred in connection with the capital increase, and re-organisation costs | - | 458,916 |

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--|-------------------|-------------------|
| 3.2 Assets pledged or assigned to guarantee the bank's commitments and assets subject to reservation of title | 42,740,513 | 17,624,245 |

3.3 Other assets and other liabilities (CHF 1,000)

| | Other assets | 31.12.1999 Other liabilities | Other assets | 31.12.1998 Other liabilities |
|----------------------------------|-----------------|------------------------------------|-----------------|------------------------------------|
| Replacement value | | | | |
| - trading activity | 2,079 | 5,114 | 3,028 | 128 |
| - asset and liability management | 23,813 | 87,357 | 21,130 | 34,005 |
| - commission activity | 42,351 | 26,842 | 21,977 | 11,078 |
| | 68,243 | 119,313 | 46,135 | 45,211 |
| Compensation account | 534 | - | 3,428 | - |
| Other account | 12,609 | 23,386 | 3,129 | 10,097 |
| Total | 81,386 | 142,699 | 52,692 | 55,308 |

The difference between the positive and negative replacement values, are linked from the asset and liability management operations. They are mainly due to the evaluation of the swap transactions on foreign exchange at closing rate, on currencies which show an important rate differential. These contracts are related to the partial hedging of interest rate and currency risks, which have been identified on the balance sheet.

| | 31.12.1999 CHF | 31.12.1998 CHF |
|---|-------------------|-------------------|
| 3.4 Liabilities to own pension plans | 3,718,928 | 874,710 |

3.5 Value adjustments and provisions / Reserves for general banking risks

| | Balance as at 31.12.1998 CHF | Provisions applied and released in accordance with their specific purpose | Change in the specified purpose of provisions | Recoveries, doubtful interest, currency translation differences | New provisions charged to the statement of income | Write-backs of provisions credited to the statement of income | Balance as at 31.12.1999 CHF |
|---|---------------------------------------|---|---|--|--|--|---------------------------------------|
| Value adjustments and provisions for default risk (credit and country risk) | 2,900,000 | (19,436) | - | - | - | - | 2,880,564 |
| Provisions for taxes and deferred taxes | 289,239 | (289,239) | - | - | - | - | - |
| Other provisions | 1,414,153 | (800,000) | - | - | 37,400,000 | - | 38,014,153 |
| Total value adjustments and provisions | 4,603,392 | (1,108,675) | - | - | 37,400,000 | - | 40,894,717 |
| less: value adjustments directly offset against assets | - | - | - | - | - | - | - |
| Total value adjustments and provisions per the balance sheet | 4,603,392 | (1,108,675) | - | - | 37,400,000 | - | 40,894,717 |
| Reserves for general banking risks | 6,170,026 | - | - | - | - | - | 6,170,026 |

3.6 Share capital (CHF)

| | 31.12.1999 | | | 31.12.1998 | | |
|-----------------------|---------------------|------------------|--------------------------|---------------------|------------------|--------------------------|
| Share capital | Total nominal value | Number of shares | Dividend bearing capital | Total nominal value | Number of shares | Dividend bearing capital |
| Share capital | 85,000,000 | 85,000 | 85,000,000 | 85,000,000 | 85,000 | 85,000,000 |
| Participation capital | 4,500,000 | 4,500 | 4,500,000 | 4,500,000 | 4,500 | 4,500,000 |
| Total | 89,500,000 | 89,500 | 89,500,000 | 89,500,000 | 89,500 | 89,500,000 |

| | 31.12.1999 | | 31.12.1998 | |
|---|------------|-------------------------|------------|-------------------------|
| Major shareholders and groups of shareholders bound by voting agreements | Nominal | Percentage holding in % | Nominal | Percentage holding in % |
| With voting rights: Sandoz - Family Fondation | 85,000,000 | 100.00 | 85,000,000 | 100.00 |
| Non-voting rights: Sandoz - Family Fondation | 3,300,000 | 73.30 | 3,300,000 | 73.30 |

3.7 Statement of changes in shareholders' equity (CHF)**Shareholders' equity at 01.01.1999**

| | |
|------------------------------------|------------|
| Share capital | 89,500,000 |
| General legal reserve | 42,250,000 |
| Reserves for general banking risks | 6,170,026 |
| Retained earnings | 3,167,890 |

**Total shareholders' equity at 01.01.1999
(before profit distribution)****141,087,916**

| | |
|-------------|------------|
| Profit 1999 | 17,115,770 |
|-------------|------------|

**Total shareholders' equity at 31.12.1999
(before profit distribution)****158,203,686**

| | | |
|------------|------------------------------------|------------|
| comprising | Share capital | 89,500,000 |
| | General legal reserve | 42,250,000 |
| | Reserves for general banking risks | 6,170,026 |
| | Retained earnings | 20,283,660 |



3.8 Due from and due to related companies and loans to members of the bank's governing bodies

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--|-------------------|-------------------|
| Related companies | | |
| Due from | 3,736,537 | 3,961,670 |
| Due to | 8,021,433 | 5,122,000 |
| Loans to members of the bank's governing bodies | 1,623,186 | 426,789 |

4. OFF-BALANCE SHEET POSITION INFORMATION

4.1 Fiduciary transactions

| | 31.12.1999 CHF (1,000) | 31.12.1998 CHF (1,000) |
|------------------------|---------------------------|---------------------------|
| Fiduciary deposits | | |
| with third party banks | 2,287,859 | 1,990,318 |
| Fiduciary loans | 7,958 | 8,560 |
| | 2,295,817 | 1,998,878 |

5. STATEMENT OF INCOME INFORMATION

5.1 Net income from trading operations

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--------------------------------|-------------------|-------------------|
| Income from foreign exchange, | | |
| precious metals and bank notes | 9,665,851 | 14,006,176 |
| Trading in securities | 6,878,113 | 4,591,338 |
| | 16,543,964 | 18,597,514 |

5.2 Notes on the extraordinary income and expenses

5.2.1 Extraordinary income

In 1999, the Sandoz Family Foundation made a contribution of CHF 59 million, which is accounted for under "Extraordinary income", in order to support the investments of the Bank in the information technology environment (new "platform" including the WEB/Internet technology), the operational optimisation, the premises of its head-office and its branches and/or subsidiaries as well as the business development, according to a 3 year plan.

5.2.2 Extraordinary expenses

The Bank booked the following extraordinary expenses:

- creation of a provision of CHF 34,3 million in order to support the investments of the Bank for the years 2000 and 2001 (as per details shown under "extraordinary income");
- extraordinary information systems costs of CHF 7 million for maintenance of the actual information systems and the preparation and selection work of its future information system platform;
- depreciation of the permanent investments of CHF 1,8 million;
- sundry extraordinary expenses of CHF 2,3 million.

Report of the statutory auditors to the general meeting of

BANQUE EDOUARD CONSTANT SA, Geneva

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and notes) of Banque Edouard Constant SA, Geneva for the year ended December 31, 1999.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.


Our audit was conducted in accordance with auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with the law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Geneva, March 23, 2000

ATAG Ernst & Young SA



Marie-Françoise Assar
Swiss Certified Accountant
(Auditor in charge)



Pascal Gisiger
Swiss Certified Accountant



**Consolidated
Financial
Statements**



Consolidated Balance Sheet as at December 31, 1999

| | 31.12.1999 CHF | 31.12.1998 CHF |
|---|----------------------|--------------------|
| ASSETS | | |
| Liquid assets | 23,756,088 | 12,226,750 |
| Due on money market paper | 4,811,100 | - |
| Due from banks | 677,401,187 | 535,095,202 |
| Due from clients | 223,712,520 | 259,426,583 |
| Trading portfolios in securities and precious metals | 60,754,657 | 68,623,887 |
| Financial investments | 48,754,854 | 23,407,632 |
| Non consolidated investments | 460,624 | 623,550 |
| Tangible fixed assets | 16,757,307 | 18,990,649 |
| Prepayment and accrued income | 6,461,952 | 8,642,773 |
| Other assets | 81,405,646 | 52,710,949 |
| Total assets | 1,144,275,935 | 979,747,975 |
| Total subordinated loans | - | 39,600 |

Consolidated Balance Sheet as at December 31, 1999

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--|----------------------|--------------------|
| LIABILITIES | | |
| Due to banks | 155,044,557 | 192,856,481 |
| Due to clients on savings and deposit account | 13,080,529 | 12,202,001 |
| Other amounts due to clients | 614,685,669 | 547,231,288 |
| Certificates of deposit | 105,000 | 105,000 |
| Accruals and deferred income | 14,569,511 | 24,932,171 |
| Other liabilities | 142,698,780 | 55,307,712 |
| Value adjustments and provisions | 40,373,495 | 4,045,219 |
| Reserves for general banking risks | 6,784,178 | 6,784,178 |
| Share capital | 89,500,000 | 89,500,000 |
| Capital reserves | 21,729,750 | 21,729,750 |
| Income reserves | 25,054,175 | 22,799,917 |
| Group profit for the year | 20,650,291 | 2,254,258 |
| Total liabilities | 1,144,275,935 | 979,747,975 |

| | | |
|---|---------|---------|
| Total liabilities to non-consolidated group companies and significant shareholders | 331,778 | 346,568 |
|---|---------|---------|

| | 31.12.1999 CHF | 31.12.1998 CHF |
|-----------------------------------|-------------------|-------------------|
| OFF-BALANCE SHEET POSITION | | |
| Contingent liabilities | 33,728,259 | 47,786,061 |
| Derivatives instruments | | |
| - underlying amounts | 9,011,521,729 | 7,555,439,928 |
| - positive replacement value | 68,243,679 | 46,135,758 |
| - negative replacement value | 119,313,145 | 45,210,943 |
| Fiduciary transactions | 2,295,816,831 | 1,998,878,008 |

Consolidated Statement of Income 1999

INCOME AND EXPENDITURE FROM ORDINARY BANKING OPERATIONS

| | 31.12.1999 CHF | 31.12.1998 CHF |
|---|---------------------|---------------------|
| Net interest income | | |
| Interest and discount income | 30,360,823 | 47,138,162 |
| Interest and dividend income on financial investments | 709,192 | 499,004 |
| Interest expenses | (14,476,335) | (32,615,931) |
| Sub-total net interest income | 16,593,680 | 15,021,235 |
| Commissions and services fee activities | | |
| Credit related fees and commissions | 521,174 | 823,367 |
| Commission income on securities trading and investments | 68,269,113 | 59,007,757 |
| Commission income on other services | 1,556,341 | 1,379,634 |
| Commission expenses | (9,335,634) | (10,901,077) |
| Sub-total commissions and service fee activities | 61,010,994 | 50,309,681 |
| Net income from trading operations | 16,985,356 | 18,573,143 |
| Other ordinary income / expenses | | |
| Results from the sale of financial investments | - | 15,800 |
| Income from non consolidated investments | - | 35,000 |
| Other ordinary income | 34,563 | 172,059 |
| Other ordinary expenses | (973,405) | (30,442) |
| Sub-total other ordinary income / expenses | (938,842) | 192,417 |
| Operating expenses | | |
| Personnel costs | (47,832,778) | (44,253,092) |
| Other operating expenses | (31,528,616) | (30,448,953) |
| Sub-total operating expenses | (79,361,394) | (74,702,045) |
| Operating profit | 14,289,794 | 9,394,431 |
| Depreciation of fixed assets | (4,624,611) | (4,937,396) |
| Value adjustments, provisions and losses | (2,114,128) | (913,885) |
| Profit before extraordinary items and taxes | 7,551,055 | 3,543,150 |
| Extraordinary income | 59,878,544 | 151,761 |
| Extraordinary expenses | (45,442,824) | (287,946) |
| Taxes | (1,336,484) | (1,152,707) |
| Group profit for the year | 20,650,291 | 2,254,258 |

Consolidated Cash Flow Statement 1999

| | 1999 Source of funds (CHF 1,000) | 1999 Application of funds (CHF 1,000) | 1998 Source of funds (CHF 1,000) | 1998 Application of funds (CHF 1,000) |
|--|---|--|---|--|
| CASH FLOW FROM OPERATING RESULTS (INTERNAL SOURCES) | | | | |
| Group profit for the year | 20,650 | - | 2,254 | - |
| Depreciation of fixed assets | 4,625 | - | 4,937 | - |
| Value adjustments and provisions | 36,328 | - | - | 3,106 |
| Prepayments and accrued income | 2,181 | - | 3,506 | - |
| Accruals and deferred income | - | 10,362 | 13,875 | - |
| Other items | 58,696 | - | - | 4,420 |
| Dividend for the preceding financial year | - | - | - | 11,635 |
| Balance: | 122,480 | 10,362 | 24,572 | 19,161 |
| CASH FLOW FROM EQUITY TRANSACTIONS | | | | |
| Consolidation reserves | - | - | 124 | - |
| Balance: | - | - | 124 | - |
| CASH FLOW FROM TRANSACTIONS IN FIXED ASSETS | | | | |
| Non consolidated investments | 163 | - | - | 137 |
| Other tangible fixed assets | - | 2,391 | - | 2,713 |
| Balance: | 163 | 2,391 | - | 2,850 |
| CASH FLOW FROM BANKING ACTIVITIES | | | | |
| Medium and long term transactions (> 1 year) | | | | |
| - Due to clients | 878 | - | - | 7,412 |
| - Due from clients | 3,980 | - | 52,995 | - |
| - Mortgage loans | - | - | 3,751 | - |
| - Financial investments | - | 25,348 | - | 4,513 |
| Short term transactions | | | | |
| - Due to banks | - | 37,812 | - | 21,288 |
| - Due to clients | 67,455 | - | 36,637 | - |
| - Due on money market paper | 4,811 | 3,901 | - | - |
| - Due from banks | - | 142,306 | - | 35,324 |
| - Due from clients | 31,734 | - | - | 5,986 |
| - Trading portfolios in securities and precious metal | 7,869 | - | - | 30,688 |
| Liquid assets | | | | |
| - Liquid assets | - | 11,529 | 5,242 | - |
| Balance: | 111,916 | 221,806 | 102,526 | 105,211 |
| TOTAL | 234,559 | 234,559 | 127,222 | 127,222 |

Notes to the Consolidated Financial Statements as at December 31, 1999

1. BUSINESS ACTIVITY AND PERSONNEL

Bank Edouard Constant SA has its head office in Geneva and branches in Zurich and Valais. It carries on business in the areas of private asset management and trading. Its clientele benefits from representative offices in London and Monaco.

The Bank offers to its private clients, institutional clients and its external managers a complete range of services in addition to portfolio management, these include: "Financial Planning", trading, Lombard loans, placement funds, financial analysis as well as structured products.

The Bank carries on a trading function for client accounts and its own account. It is a member of the Swiss stock exchange and has access to various foreign stock exchanges.

As at December 31, 1999 the Bank employed 248 people.

2. PRESENTATION PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accounting principles, evaluation and presentation applied to the annual Group accounts, unchanged from last year, are in accordance with the requirements governing the preparation of accounts of the Ordinance on banks and savings banks, and the directives of the Federal Banking Commission, as well as the rules for the preparation of accounts applicable to banks. The consolidated financial statements give a true and fair view of Banque Edouard Constant group's assets, financial position and result.

Companies included in the consolidation

The accounts of the Group amalgamate the annual accounts of the parent-bank and its subsidiaries according to the following rule : companies operating within the banking and finance sector are consolidated according to the principle of global integration. Companies having other activities are not integrated in the consolidation and figure in the consolidated accounts at their acquisition value, with a deduction if necessary, for changes in value according to circumstances.

Consolidated companies

| Company | Registered Office | Share capital (1,000) | % Ownership | Activity |
|-----------------------------------|-------------------|-----------------------|-------------|-------------------------|
| BEC Universal Advisory Company SA | Luxembourg | CHF 123 | 100% | Asset management advice |
| BEC Thema Advisory Company SA | Luxembourg | CHF 123 | 100% | Asset management advice |
| BEC Fund Administration SA | Geneva | CHF 2,500 | 100% | Fund management |

The year-end of all entities included in the consolidation is December 31, 1999.

Non-consolidated investments

| Company | Registered Office | Share capital (1,000) | % Ownership |
|-------------------------------------|-------------------|-----------------------|-------------|
| Scaninvestment Services SA | Geneva | CHF 100 | 100% |
| Suclam SA | Geneva | CHF 50 | 100% |
| Fondation collective BEC Trianon | Geneva | CHF 10 | 50% |
| Real Invest Gestion SA | Geneva | CHF 1,000 | 30% |
| Socrate Gestion SA | Canada | CAD 700 | 9% |

Consolidation and valuation basis

The consolidation was carried out using the Anglo-Saxon method (purchase method).

The consolidated financial statements are prepared using the historical cost principle.

Accounting policies and valuation principles

The accounting principles and the valuation of the accounts of the Group correspond, as a general rule, to those of the parent company's financial statements. Unlike the annual accounts of the Bank, which can be influenced by hidden reserves, the Group accounts are established according to the true and fair view principle.

Comment on risk management and the business policy on the use of derivative instruments

The principles applied to the parent company as concerns derivative instruments, management and the treatment of risks are also applicable to the Group.

3. BALANCE SHEET INFORMATION

3.1 Listing of collateral (CHF)

| | Type of collateral | | | |
|--------------------------------|---------------------|------------------|-----------|-------------|
| | Mortgage collateral | Other collateral | Unsecured | Total |
| Loans | | | | |
| Due from clients | 1,472,245 | 219,367,825 | 2,872,450 | 223,712,520 |
| Total loans | | | | |
| 31.12.1999 | 1,472,245 | 219,367,825 | 2,872,450 | 223,712,520 |
| 31.12.1998 | 1,042,623 | 249,437,569 | 8,946,391 | 259,426,583 |
| Off-balance sheet | | | | |
| Contingent liabilities | - | 30,491,060 | 3,237,199 | 33,728,259 |
| Total off-balance sheet | | | | |
| 31.12.1999 | - | 30,491,060 | 3,237,199 | 33,728,259 |
| 31.12.1998 | - | 45,012,622 | 2,773,439 | 47,786,061 |

3.2 Trading portfolios in securities and precious metals, financial and permanent investments (CHF)

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--|-------------------|-------------------|
| Trading portfolios in securities and precious metal | | |
| Bonds | | |
| - quoted* | 6,459,805 | 1,317,223 |
| - non-quoted | - | 721,240 |
| Shares | 54,294,852 | 66,585,424 |
| Total | 60,754,657 | 68,623,887 |

Receivables and payables contained within other balance sheet accounts, marked to market and for which the profit or loss is shown under "Net income from trading operations"

| | | |
|---|-------------------|-------------------|
| - Due on money market paper (structured products) | 4,811,100 | - |
| - Due from banks (structured products) | - | 6,288,159 |
| - Positive replacement values of derivatives instruments arising from trading activities (Other assets) | 2,002,015 | 2,920,192 |
| - Due to banks (short positions) | - | (541,319) |
| - Negative replacement values of derivative instruments arising from trading activities (Other liabilities) | (1,074,503) | (20,187) |
| Total | 66,493,269 | 77,270,732 |

* quoted = traded in a recognised stock market.

Financial investments

| | Accounting value | | Cost value** | | Market value** | |
|---|-------------------|-------------------|------------------|------------------|-------------------|------------------|
| | 31.12.1999 | 31.12.1998 | 31.12.1999 | 31.12.1998 | 31.12.1999 | 31.12.1998 |
| Interest bearing securities and rights | | | | | | |
| - Valued using the accrual method | 42,740,513 | 17,624,245 | - | - | - | - |
| - Valued using the principle of lower of cost or market value | - | 1,730,285 | - | 1,730,285 | - | 1,767,297 |
| Shares and similar securities and rights | 6,014,341 | 4,053,102 | 7,519,883 | 4,884,550 | 10,468,096 | 4,457,567 |
| Total | 48,754,854 | 23,407,632 | 7,519,883 | 6,614,835 | 10,468,096 | 6,224,864 |
| of which eligible for discount or pledge to central bank | 42,740,513 | 17,624,245 | | | | |

** for information only for the financial investments valued at the lower of cost or market value.

| | 31.12.1999 | 31.12.1998 |
|-------------------------------------|----------------|----------------|
| Non consolidated investments | | |
| unlisted | 460,624 | 623,550 |
| Total | 460,624 | 623,550 |

3.3 Fixed assets (CHF)

| | Cost | Accumulated depreciation | Book value at 31.12.1998 | Invest- ments at 31.12.1999 | Disposals at 31.12.1999 | Depre- ciation at 31.12.1999 | Book value at 31.12.1999 |
|---|-------------------|-----------------------------|-----------------------------------|--------------------------------------|-------------------------------|---------------------------------------|-----------------------------------|
| Permanent investments | | | | | | | |
| - Other | 638,550 | 15,000 | 623,550 | 1,652,506 | 162,927 | 1,652,505 | 460,624 |
| Building | | | | | | | |
| - Bank building | 24,305,966 | 10,824,966 | 13,481,000 | - | - | - | 13,481,000 |
| Other tangible fixed assets | 10,117,486 | 5,801,818 | 4,315,668 | 2,391,269 | - | 3,721,373 | 2,985,564 |
| Financial leasing | 2,661,052 | 1,467,071 | 1,193,981 | - | - | 903,238 | 290,743 |
| Total fixed assets | 37,084,504 | 18,093,855 | 18,990,649 | 2,391,269 | - | 4,624,611 | 16,757,307 |
| Fire insurance value of Bank building | | | | | | | 25,619,300 |
| Fire insurance value of other fixed assets | | | | | | | 47,639,100 |
| Liabilities: future leasing payments resulting from operating leases | | | | | | | 949,843 |

3.4 Capitalised formation expenses, costs incurred in connection with the capital increase, and re-organisation costs

| 31.12.1999 CHF | 31.12.1998 CHF |
|-------------------|-------------------|
| - | 458,916 |

3.5 Assets pledged or assigned to guarantee the bank's commitments and assets subject to reservation of title

| 31.12.1999 CHF | 31.12.1998 CHF |
|-------------------|-------------------|
| 42,740,513 | 17,624,245 |

3.6 Other assets and other liabilities (CHF 1,000)

| | Other assets | 31.12.1999 Other liabilities | Other assets | 31.12.1998 Other liabilities |
|----------------------------------|-----------------|------------------------------------|-----------------|------------------------------------|
| Replacement value | | | | |
| - Trading activity | 2,079 | 5,114 | 3,028 | 128 |
| - Asset and liability management | 23,813 | 87,357 | 21,130 | 34,005 |
| - Commission activity | 42,351 | 26,842 | 21,977 | 11,078 |
| | 68,243 | 119,313 | 46,135 | 45,211 |
| Compensation account | 534 | - | 3,428 | - |
| Other accounts | 12,629 | 23,386 | 3,148 | 10,097 |
| TOTAL | 81,406 | 142,699 | 52,711 | 55,308 |

The difference between the positive and negative replacement values, are linked from the asset and liability management operations. They are mainly due to the evaluation of the swap transactions on foreign exchange at closing rate, on currencies which show an important rate differential. These contracts are related to the partial hedging of interest rate and currency risks, which have been identified on the balance sheet.

3.7 Liabilities to own pension plans

| 31.12.1999 CHF | 31.12.1998 CHF |
|-------------------|-------------------|
| 3,718,928 | 874,710 |

**3.8 Value adjustments and provisions / Reserves
for general banking risks (CHF)**

| | Balance as at 31.12.1998 | Provisions applied and release in accordance with their specific purpose | Change in the specified purpose of provisions | Recoveries, doubtful interest, currency translation differences | New provisions charged to the statement of income | Write-backs of provisions credited to the statement of income | Balance as at 31.12.1999 |
|---|--------------------------------|--|--|--|--|--|--------------------------------|
| Value adjustments and provisions for default risk (credit and country risk) | 2,900,000 | (19,436) | - | - | - | - | 2,880,564 |
| Provisions for taxes and deferred taxes | 345,219 | (327,088) | - | - | 74,800 | - | 92,931 |
| Other provisions | 800,000 | (800,000) | - | - | 37,400,000 | - | 37,400,000 |
| Total value adjustments and provisions | 4,045,219 | (1,146,524) | - | - | 37,474,800 | - | 40,373,495 |
| less: value adjustments directly offset against assets | - | - | - | - | - | - | - |
| Total value adjustments and provisions per the balance sheet | 4,045,219 | (1,146,524) | - | - | 37,474,800 | - | 40,373,495 |
| Reserves for general banking risks | 6,784,178 | - | - | - | - | - | 6,784,178 |

3.9 Statements of changes in shareholders' equity (CHF)

Shareholders' equity at 01.01.1999

| | |
|------------------------------------|------------|
| Share capital | 89,500,000 |
| Capital reserves | 21,729,750 |
| Income reserves | 22,799,917 |
| Reserves for general banking risks | 6,784,178 |
| Group profit | 2,254,258 |

Total shareholders' equity at 01.01.1999 **143,068,103**

Group profit 1999 20,650,291

Total shareholders' equity at 31.12.1999 **163,718,394**

| | |
|-----------------------------------|------------|
| comprising: Share capital | 89,500,000 |
| Capital reserves | 21,729,750 |
| Income reserves | 25,054,175 |
| Reserves for general banking risk | 6,784,178 |
| Group profit | 20,650,291 |

**3.10 Maturity analysis of current assets,
financial investments and liabilities (CHF 1,000)**

| | At sight | At call | Outstanding maturity | | | | Blocked assets | Total |
|--|----------------|---------------|----------------------|-------------------|-----------------------|----------------------|----------------|------------------|
| | | | up to 3 months | 3 to 12 months | 12 months to 5 ans | more than 5 years | | |
| Current assets | | | | | | | | |
| Liquid assets | 23,756 | - | - | - | - | - | - | 23,756 |
| Due on money market paper | - | - | - | 4,811 | - | - | - | 4,811 |
| Due from banks | 140,323 | - | 494,385 | 42,693 | - | - | - | 677,401 |
| Due from clients | - | 85,346 | 81,398 | 49,929 | 5,865 | 1,174 | - | 223,712 |
| Trading portfolios in securities and precious metals | 60,755 | - | - | - | - | - | - | 60,755 |
| Financial investments | 6,014 | - | - | 17,262 | 25,479 | - | - | 48,755 |
| Total current assets | | | | | | | | |
| 31.12.1999 | 230,848 | 85,346 | 575,783 | 114,695 | 31,344 | 1,174 | - | 1,039,190 |
| 31.12.1998 | 197,424 | 157,673 | 399,683 | 114,149 | 27,603 | 2,249 | - | 898,781 |
| Liabilities | | | | | | | | |
| Due to banks | 114,488 | - | 40,206 | 350 | - | - | - | 155,044 |
| Due to clients on savings and deposit accounts | 3,113 | 9,967 | - | - | - | - | - | 13,080 |
| Other amounts due to clients | 412,628 | 2,582 | 197,709 | 1,767 | - | - | - | 614,686 |
| Certificates of deposit | - | - | - | - | 105 | - | - | 105 |
| Total liabilities | | | | | | | | |
| 31.12.1999 | 530,229 | 12,549 | 237,915 | 2,117 | 105 | - | - | 782,915 |
| 31.12.1998 | 444,473 | 12,130 | 284,950 | 10,736 | 105 | - | - | 752,394 |

**3.11 Due from and due to related companies and loans
to members of the bank's governing bodies**

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--|-------------------|-------------------|
| Related companies | | |
| Due from | 3,736,537 | 3,961,670 |
| Due to | 8,073,950 | 5,122,000 |
| Loans to members of the Bank's governing bodies | 1,623,186 | 426,789 |

**3.12 Breakdown of domestic and foreign assets
and liabilities (CHF 1,000)**

| | Domestic | 31.12.1999 Foreign | Domestic | 31.12.1998 Foreign |
|---|----------------|-----------------------|----------------|-----------------------|
| Assets | | | | |
| Liquid assets | 23,756 | - | 12,227 | - |
| Due on money market paper | - | 4,811 | - | - |
| Due from banks | 225,038 | 452,363 | 107,956 | 427,139 |
| Due from clients | 57,202 | 166,510 | 46,183 | 213,243 |
| Trading portfolios in securities and precious metals | 7,845 | 52,910 | 38,376 | 30,248 |
| Financial investments | 42,953 | 5,802 | 19,807 | 3,601 |
| Permanent investments | 461 | - | 500 | 123 |
| Tangible fixed assets | 16,754 | 3 | 18,991 | - |
| Prepayment and accrued income | 5,636 | 826 | 8,349 | 294 |
| Other assets | 81,406 | - | 52,711 | - |
| Total assets | 461,051 | 683,225 | 305,100 | 674,648 |
| | | | | |
| | Domestic | 31.12.1999 Foreign | Domestic | 31.12.1998 Foreign |
| Liabilities | | | | |
| Due to banks | 61,960 | 93,084 | 76,611 | 116,246 |
| Due to clients on saving and deposit accounts | 5,694 | 7,386 | 4,366 | 7,836 |
| Other amounts due to clients | 375,019 | 239,667 | 324,476 | 222,755 |
| Certificates of deposit | 105 | - | 105 | - |
| Accruals and deferred income | 14,509 | 61 | 24,878 | 55 |
| Other liabilities | 142,699 | - | 55,308 | - |
| Value adjustments and provisions | 40,373 | - | 4,029 | 16 |
| Reserves for general banking risks | 6,784 | - | 6,784 | - |
| Share Capital | 89,500 | - | 89,500 | - |
| Capital reserves | 21,730 | - | 21,730 | - |
| Income reserves | 23,845 | 1,210 | 22,391 | 408 |
| Group profit for the year | 17,395 | 3,255 | 1,079 | 1,175 |
| Total liabilities | 799,613 | 344,663 | 631,257 | 348,491 |

3.13 Geographical analysis of assets (CHF 1,000)

| Assets | 31.12.1999 | | 31.12.1998 | |
|---------------------------|------------------|---------------|----------------|---------------|
| | Total | In % | Total | In % |
| Switzerland | 461,051 | 40,29 | 305,100 | 31,15 |
| Europe | 573,231 | 50,10 | 471,704 | 48,14 |
| North America | 26,516 | 2,32 | 68,464 | 6,99 |
| South and Central America | 392 | 0,03 | 800 | 0,08 |
| Caribbean | 63,907 | 5,58 | 118,100 | 12,05 |
| Africa | 2,928 | 0,26 | 3,440 | 0,35 |
| Asia / Oceanie | 16,251 | 1,42 | 12,140 | 1,24 |
| Total des actifs | 1,144,276 | 100,00 | 979,748 | 100,00 |

This geographical breakdown of assets is prepared using the **client domicile** and not with respect to the **risk domicile**. The assets included in this table which are located in countries outside the OECD res, in the main part, covered by assets deposited at the Bank.

3.14 Balance sheet by currency (CHF 1,000)

| | | CHF | EUR | USD | Autres | Total |
|--|-------------------|----------------|----------------|----------------|---------------|------------------|
| Assets | | | | | | |
| Liquid assets | 22,300 | 953 | 236 | 267 | 23,756 | |
| Due on money market paper | - | 4,811 | - | - | 4,811 | |
| Due from banks | 314,849 | 106,260 | 213,567 | 42,725 | 677,401 | |
| Due from clients | 88,997 | 41,072 | 41,785 | 51,858 | 223,712 | |
| Trading portfolio in securities and precious metals | 14,558 | 3,336 | 40,305 | 2,556 | 60,755 | |
| Financial investments | 42,953 | 6 | 5,796 | - | 48,755 | |
| Permanent investments | 461 | - | - | - | 461 | |
| Tangible fixed assets | 16,757 | - | - | - | 16,757 | |
| Prepayment and accrued income | 5,624 | 235 | 430 | 173 | 6,462 | |
| Other assets | 81,385 | 3 | 17 | 1 | 81,406 | |
| Total assets | 31.12.1999 | 587,884 | 156,676 | 302,136 | 97,580 | 1,144,276 |
| | 31.12.1998 | 411,125 | 159,750 | 302,155 | 106,718 | 979,748 |
| Liabilities | | | | | | |
| Due to banks | 50,617 | 69,015 | 18,964 | 16,448 | 155,044 | |
| Due to clients on savings and deposit accounts | 11,680 | - | 1,400 | - | 13,080 | |
| Other amounts due to clients | 318,122 | 90,027 | 152,182 | 54,355 | 614,686 | |
| Certificates of deposit | 105 | - | - | - | 105 | |
| Accruals and deferred income | 14,340 | 61 | 22 | 147 | 14,570 | |
| Other liabilities | 142,646 | 6 | 36 | 11 | 142,699 | |
| Value adjustments and provisions | 40,373 | - | - | - | 40,373 | |
| Reserves for general banking risks | 6,784 | - | - | - | 6,784 | |
| Share Capital | 89,500 | - | - | - | 89,500 | |
| Capital reserves | 21,730 | - | - | - | 21,730 | |
| Income reserves | 25,055 | - | - | - | 25,055 | |
| Group profit for the year | 20,650 | - | - | - | 20,650 | |
| Total liabilities | 31.12.1999 | 741,602 | 159,109 | 172,604 | 70,961 | 1,144,276 |
| | 31.12.1998 | 626,390 | 116,496 | 141,359 | 95,503 | 979,748 |

4. OFF-BALANCE SHEET POSITION INFORMATION

4.1 Analysis of contingent liabilities

| | 31.12.1999 CHF | 31.12.1998 CHF |
|-------------------------|-------------------|-------------------|
| Irrevocable guarantees | 30,183,086 | 44,213,949 |
| Irrevocable commitments | 3,545,173 | 3,572,112 |
| | 33,728,259 | 47,786,061 |

4.2 Open positions in derivative instruments (CHF 1,000)

| | Positive replacement value | Negative replacement value | Underlying amount |
|----------------------------------|----------------------------------|----------------------------------|----------------------|
| Interest rate instruments | | | |
| Swaps | 4,323 | 6,335 | 2,129,775 |
| Foreign exchange | | | |
| Forwards | 5,899 | 8,881 | 430,521 |
| Swaps | 37,900 | 84,910 | 5,651,510 |
| Options (OTC) | 3,259 | 3,807 | 651,741 |
| Precious metals | | | |
| Options (OTC) | - | - | 48,887 |
| Equities and index stock | | | |
| Futures | - | - | 26,287 |
| Options (OTC) | 6,401 | 5,090 | 60,713 |
| Options (traded) | 10,462 | 10,290 | 12,088 |
| Total | | | |
| 31.12.1999 | 68,244 | 119,313 | 9,011,522 |
| 31.12.1998 | 46,136 | 45,211 | 7,555,440 |

4.3 Fiduciary transactions

| | 31.12.1999 CHF (1,000) | 31.12.1998 CHF (1,000) |
|---|---------------------------|---------------------------|
| Fiduciary deposits with third party banks | 2,287,859 | 1,990,318 |
| Fiduciary loans | 7,958 | 8,560 |
| | 2,295,817 | 1,998,878 |



5. STATEMENT OF INCOME INFORMATION

5.1 Indication of product on refinancing of the items under interest and discount income

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--------------------------------------|-------------------|-------------------|
| Refinancing of the trading portfolio | 3,382,282 | - |

5.2 Net income from trading operations

| | 31.12.1999 CHF | 31.12.1998 CHF |
|---|-------------------|-------------------|
| Income from foreign exchange, precious metals and banks notes | 9,925,696 | 13,981,805 |
| Trading in securities | 7,059,660 | 4,591,338 |
| | 16,985,356 | 18,573,143 |

5.3 Personnel costs

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--------------------------|-------------------|-------------------|
| Salaries and bonuses | 36,133,535 | 32,157,914 |
| Social benefits | 8,331,996 | 7,406,362 |
| Other personnel expenses | 3,367,247 | 4,688,816 |
| | 47,832,778 | 44,253,092 |

5.4 General administrative expenses

| | 31.12.1999 CHF | 31.12.1998 CHF |
|--|-------------------|-------------------|
| Bank premises | 2,643,122 | 2,173,396 |
| Computer equipment and software, furniture and equipment | 12,300,498 | 12,801,687 |
| Other operating expenses | 16,584,996 | 15,473,870 |
| | 31,528,616 | 30,448,953 |

5.5 Notes on the extraordinary income and expenses

5.5.1 Extraordinary income

In 1999, the Sandoz Family Foundation made a contribution of CHF 59 million, which is accounted for under "Extraordinary income", in order to support the investments of the Bank in the information technology environment (new "platform" including the WEB/Internet technology), the operational optimisation, the premises of its head-office and its branches and/or subsidiaries as well as the business development, according to a 3 year plan.

5.5.2 Extraordinary expenses

The Bank booked the following extraordinary expenses:

- creation of a provision of CHF 34,3 million in order to support the investments of the Bank for the years 2000 and 2001 (as per details shown under "extraordinary income");
- extraordinary information systems costs of CHF 7 million for maintenance of the actual information systems and the preparation and selection work of its future information system platform;
- depreciation of the permanent investments of CHF 1,8 million;
- sundry extraordinary expenses of CHF 2,3 million.

5.4 Analysis of operating profit by location (CHF)

| | 31.12.1999 | | 31.12.1998 | |
|--|-------------------|------------------|------------------|------------------|
| | Domestic | Foreign | Domestic | Foreign |
| Net interest income | 16,549,752 | 43,928 | 15,011,993 | 9,242 |
| Commissions and service fee activities | 58,040,970 | 2,970,024 | 49,050,561 | 1,259,120 |
| Net income from trading operations | 16,725,510 | 259,846 | 18,597,512 | (24,369) |
| Other ordinary income | (938,842) | - | 189,410 | 3,007 |
| Operating expenses | (79,343,269) | (18,125) | (74,695,241) | (6,804) |
| OPERATING PROFIT | 11,034,121 | 3,255,673 | 8,154,235 | 1,240,196 |



***Consolidated Financial Statements
at December 31, 1999***

**Report
of the Group
Auditors**



Report of the group auditors to the general meeting of

BANQUE EDOUARD CONSTANT SA, Geneva

As auditors of the group, we have audited the consolidated financial statements (*balance sheet, statement of income, statement of cash flows and notes*) of Banque Edouard Constant SA, Geneva, for the year ended December 31, 1999.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

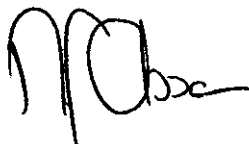
Our audit was conducted in accordance with auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the "Accounting rules for banks" and comply with the law.

We recommend that the consolidated financial statements submitted to you be approved.

Geneva, March 23, 2000

ATAG Ernst & Young SA



Marie-Françoise Assar
Swiss Certified Accountant
(Auditor in charge)



Pascal Gisiger
Swiss Certified Accountant