

# Annual Report 2016



J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841







*“If you choose to sail upon the seas  
of banking, build your bank as  
you would your boat, with the strength  
to sail safely through any storm.”*

**Jacob Safra (1891 – 1963)**

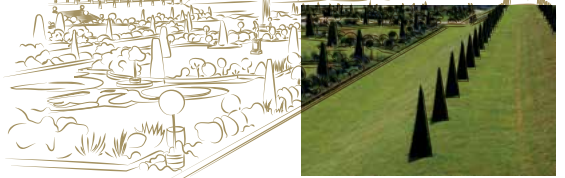
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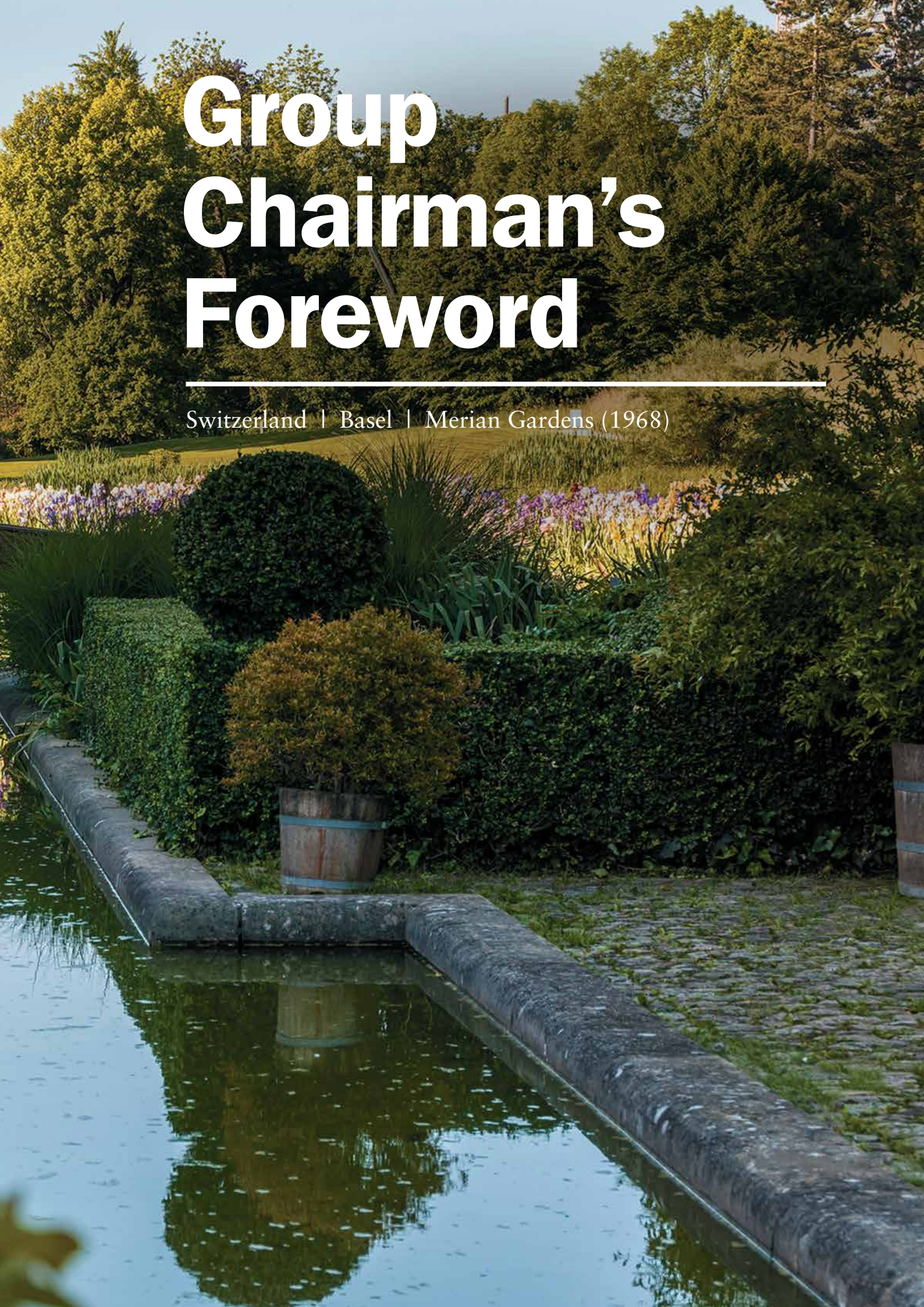




# Group Chairman's Foreword

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Switzerland | Basel | Merian Gardens (1968)



# Group Chairman's Foreword

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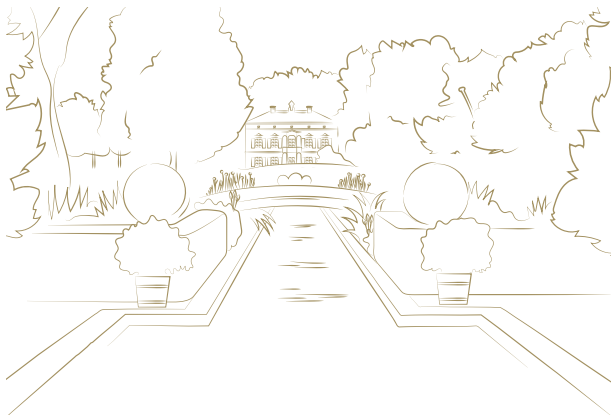
Welcome to the Annual Report of J. Safra Sarasin Group for 2016. This year's strong performance demonstrated many of the qualities which have sustained our business over 175 years, a historic milestone which we reached in 2016.

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During the past year it was a privilege to meet many of our clients and employees across the globe, celebrating the progress we have achieved together. Many clients have banked with us throughout generations – from their grandparents and parents, to their uncles and cousins. This deep connection of trust, relationships and understanding continues to attract new generations of clients, as well as new clients who view J. Safra Sarasin as a haven for their wealth that they can rely on.

Our core focus has always been, and will continue to be, on our clients and their future generations. We carry out this role with pride and passion. So long as we continue to focus on your needs, then we will do our job properly and prosper together.

The theme of this year's report is the importance of nurturing and sustainability to ensure continued success from generation to generation. Sometimes the short-term results of a certain course of action may look tempting, but in our view it is always the long-term consequences of a decision which matter the most. Sustainability is at the heart of the Group's philosophy, and we continue to be a global leader in this investment approach, which will benefit from the diverse programmes of the UN's Sustainable Development Goals. From some of our key global locations, we have selected iconic gardens which not only illustrate the importance of nurturing assets in a sustainable manner, but also how these gardens reflect the different terroir





and culture of individual cities. That is why we have built, and will continue to build, a dedicated strong local presence perfectly attuned to each market's unique characteristics.

This deep understanding of local markets also allows us to identify and react quickly to opportunities. During 2016, we have accelerated our growth with focused investments on a number of fronts: integrating Bank Leumi's private banking business in Luxembourg, and the acquisitions of Credit Suisse in Gibraltar and Monaco.

Having weathered many economic cycles, our mantra is simplicity through wise and considered investment. Deep involvement, clarity of understanding of risk, tight control: these are trademarks of our approach to banking.

Our natural instinct is to take a long-term perspective. We can do this thanks to no competing voices or interests. This allows us to play a leading role in the consolidation

of the private banking market. We can reinvest into equity capital as required, adding to the Group's stability. The Group's shareholders' equity stands today at CHF 4.4 billion, making J. Safra Sarasin one of the best capitalised banks in Switzerland.

On behalf of our previous generations, and my family today, I would like to thank all our clients and employees for the outstanding things we have achieved together over the decades. We look forward to another 175 years of sustainable performance.

Every bank is like a child – you have to nurture it so it is able to grow and thrive.

**Joseph Y. Safra**  
Chairman of the Board of Directors  
J. Safra Sarasin Holding Ltd.

# Consolidated Key Data

	<b>2016</b>	2015
<b>Consolidated income statement</b>	<b>CHF 000</b>	CHF 000
Operating income	1,047,875	1,019,517
Operating expenses	-628,808	-603,209
<b>Operating profit</b>	<b>419,067</b>	<b>416,308</b>
<b>Consolidated profit</b>	<b>252,068</b>	<b>230,520</b>

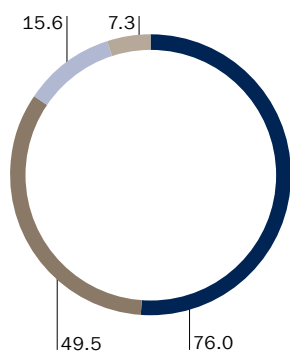
	<b>31.12.2016</b>	31.12.2015
<b>Consolidated balance sheet</b>	<b>CHF 000</b>	CHF 000
Total assets	32,336,851	29,874,342
Due from customers	11,959,228	11,903,842
Due to customers	24,192,797	22,820,902
<b>Equity</b>	<b>4,397,707</b>	<b>4,075,229</b>

	<b>2016</b>	2015
<b>Ratios</b>	%	%
Cost income ratio	60%	59%
CET1 ratio	28%	27%

	<b>31.12.2016</b>	31.12.2015
	<b>CHF million</b>	CHF million
<b>Assets under management</b>		
Assets under management	148,461	144,039

	<b>31.12.2016</b>	31.12.2015
<b>Headcount (full-time equivalents)</b>		
Consolidated headcount	2,095	2,022
of which client relationship managers	428	422

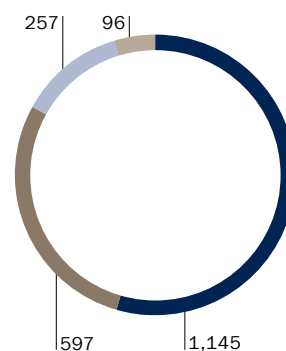
**Assets under management by booking centre**  
(CHF billion) **31.12.2016**



Total 148.4

- Switzerland
- Europe (excluding Switzerland)
- Asia
- Other

**Headcount by location**  
(full-time equivalents) **31.12.2016**



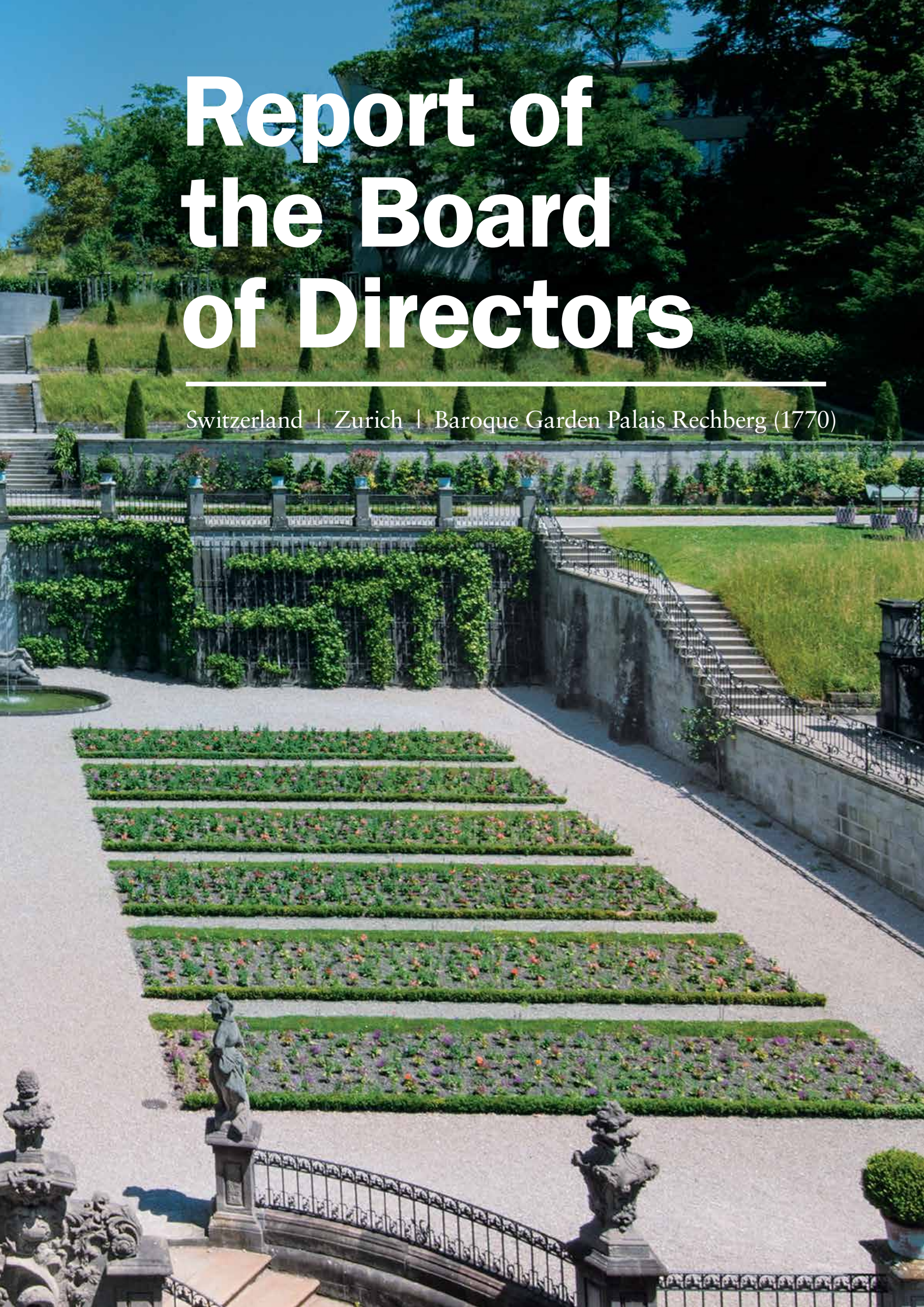
Total 2,095

- Switzerland
- Europe (excluding Switzerland)
- Asia
- Other



# Report of the Board of Directors

Switzerland | Zurich | Baroque Garden Palais Rechberg (1770)



# Report of the Board of Directors

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J. Safra Sarasin Group has performed strongly again in 2016, reflecting the continued benefits of the conservative principles by which the Group has been guided over the past 175 years. These principles are manifest in how well the Group is ranked amongst the leading banks of Switzerland<sup>1</sup>.

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We continue to build our private client and asset management offerings across Europe, Asia, the Middle East and Latin America, attracting high-quality talent to serve the needs of our clients. During the celebrations of our 175<sup>th</sup> anniversary, many clients reaffirmed their preference to entrust their patrimony over generations with the Group because of our particularly strong attributes as a family-owned private bank.

Thanks to this ownership and financial strength, J. Safra Sarasin continues to play a leading role in the ongoing industry consolidation. During 2016 we fully integrated the private banking teams from Morgan Stanley

in Switzerland and Bank Leumi in Luxembourg, and began the process with our new colleagues from Credit Suisse in Monaco and Gibraltar.

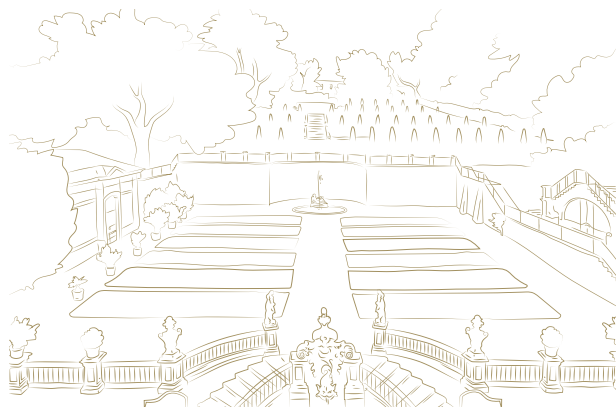
## Capital strength

J. Safra Sarasin Group is ranked as the 6<sup>th</sup> largest banking group in Switzerland by Tier 1 capital, the ultimate measure of a bank's financial strength. This position has been strengthened during the year to reach a Tier 1 capital of CHF 3.9 billion at 31 December 2016, which means that together with a CET1 ratio of 28%, J. Safra Sarasin Group holds more than double its regulatory requirements.<sup>2</sup>

A sound capital base is the foundation stone needed for a global private bank. This philosophy is also reflected in the conservative structure of the Group's balance sheet, which maintained a high level of liquidity.

## Impressive results for 2016

Operating income increased to CHF 1,048 million in 2016 compared to 1,020 million in 2015. Operating expenses slightly increased to CHF 628.8 million in 2016 against CHF 603.2 million in 2015, mainly as a result of the integration of new teams acquired in 2016. The Group



<sup>1</sup> The Banker Top 1000 World Banks July 2016

<sup>2</sup> Capital adequacy disclosures under FINMA Circulars 08/22 and 16/1 are published on our website [www.jsafrasarasin.com](http://www.jsafrasarasin.com).

is able to report an increase in its operating profit to CHF 419.1 million in 2016 compared with CHF 416.3 million in 2015. Our cost income ratio is stable at 60%, which positions J. Safra Sarasin as one of the best in class in the private banking industry.

Group net profit increased significantly by 9.4% to CHF 252.1 million for the year 2016 against CHF 230.5 million for 2015.

Client assets under management increased to CHF 148.5 billion at 31 December 2016 compared with CHF 144.0 billion at 31 December 2015. During the year, clients entrusted CHF 0.9 billion of net new money to the Group.

The consolidated balance sheet at 31 December 2016 was CHF 32.3 billion. The Group maintained high levels of liquid assets of CHF 5.9 billion at the end of 2016.

With the allocation of all Group net profit for 2016 to retained earnings, Group shareholders' equity reached CHF 4.4 billion at the end of 2016 compared with CHF 4.1 billion at the end of 2015.

The Group increased its total base of client relationship managers to 428 at the end of 2016 against 422 at the end of 2015. Total headcount (full-time equivalents) reached 2,095 compared to 2,022 at the end of 2015.

The Group operates in more than 25 locations worldwide and continues to seek appropriate locations to best serve its clients as it executes its growth strategy across Europe, Asia, the Middle East and Latin America.

#### **Outlook 2017**

In January 2017, we completed the acquisition of Credit Suisse in Monaco.

We remain confident that the Group is extremely well positioned for a stable and successful future. Built on a sound base of financial strength, conservative risk management and outstanding efficiency, the Group continues to deliver a solid dependable performance for its clients and its shareholders. From this base, we are able to react quickly to opportunities and play a leading role in shaping the future of the sector globally.

The Board of Directors would like to thank our loyal clients for their continued trust and support, and to express our gratitude to all employees for their expertise and dedication as we continue to build on our 175 years of heritage as private bankers.

#### **Jacob J. Safra**

Vice-Chairman of the Board of Directors  
J. Safra Sarasin Holding Ltd.





# Year in Review

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Brazil | São Paulo | Ipiranga (1895)



# Year in Review

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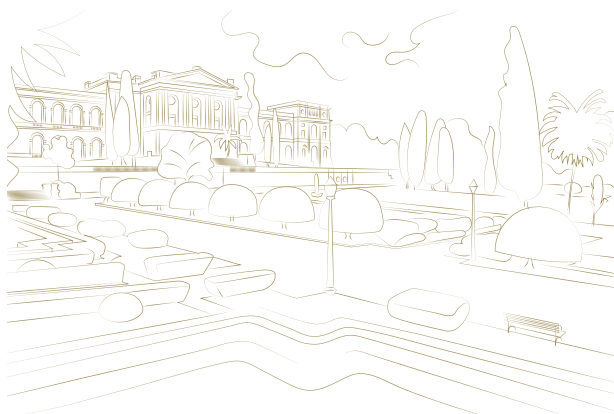
During 2016 we marked the historic milestone of 175 years of banking heritage. The Group's history conveys the passion of serving clients across generations, managing wealth conservatively and investing with a long-term perspective. It is a story of trust and loyalty with clients and employees. Above all, it is a story of stable family ownership.

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This stability enables us to play a leading role in the consolidation of the Swiss private banking market as well as pursue a development strategy of organic growth and hiring new talents in a measured manner. We are focusing on the core business and increasing the Group's service offering in funds and mandates. Moreover, we are able to leverage our existing infrastructure and our locations which are firmly rooted in the economic terroir of key cities across Europe, Asia and the Middle East.

## 2016 – Another good year

Our good performance in 2016 reflected steady progress across all key metrics. Operating income increased, driven by our strong market expertise which creates



value for our clients. Operating expenses were kept under control even as we integrated new teams across the globe. Indeed our cost-income ratio of 60% is one of the best in class in global private banking. We continued to increase our client assets under management to CHF 148.5 billion. With shareholders' equity of CHF 4.4 billion, the Group significantly exceeds the size of its regulatory requirements. In July 2016 Standard and Poor's affirmed the Group's "A" long-term and "A-1" short-term counterparty credit ratings together with a stable outlook, which reflects "strong brand name recognition and a solid private banking franchise; sound liquidity and very strong capitalisation supported by committed family shareholders."

## Financial strength for industry consolidation

A key point of differentiation for our Group is that as a family-owned business we take care of our clients' wealth like our own. This core philosophy influences the way in which we operate at many levels: our conservative risk management systems, what products we offer clients, and how we keep things simple and efficient. This produces improved financial returns which can be reinvested into the Group to augment even further its strong capital reserves.

This financial strength stands us in good stead not only when there are difficult conditions, but it also enables the Group to be a pro-active consolidator in the private banking market. We acquired Credit Suisse's private banking operations in Gibraltar and Monaco. These acquisitions will allow the Group to extend its reach in these attractive private banking jurisdictions and are an excellent strategic fit to our existing business in these markets. We will continue to evaluate opportunities globally which fit with our client focus and culture.

The Group deploys ample resources to manage increasing regulatory requirements and a challenging market environment, in combination with a proven risk management approach. Assessment reviews are

conducted on a regular basis. The Group's comprehensive approach to risk management is detailed in the notes to the consolidated financial statements.

### **Talent and loyalty to serve clients**

Our qualities and strengths have been appreciated by both long-standing and many new clients as they benefit from a family-owned private banking culture that instinctively knows how to best connect clients to global opportunities.

It is these same qualities that enable us to attract significant new first-class talent. During 2016 we fully integrated the private banking teams from Morgan Stanley in Switzerland and Bank Leumi in Luxembourg, and began the process of integrating our new colleagues from Credit Suisse in Gibraltar and Monaco.

In Asia we hired a new Chief Executive Officer for our Singapore Branch as we furthered our commitment to clients in the region. Recognising that commitment, a significant number of highly respected veteran private bankers and their teams joined the Group in both Hong Kong and Singapore, expanding our market coverage and enhancing offerings for Intermediaries, International Markets and External Asset Managers.

Moreover, it is significant that many staff have worked with the Group for most of their professional career. They share the family's approach to careful, conservative banking, building deep and trusting relationships with clients, steering and advising them in times of growth and times of turbulence. Their loyalty and their depth of knowledge of clients and products create a legacy of know-how that is unequalled.

We continue to build our institutional business, extending the range and quality of our product offering, and this is reaping rewards for our clients. In Asia, we broadened our product selection by offering all global mandates, as well as launching Asia-based advisory mandates, presenting our clients with a greater diversity of investment options while leveraging our increasing regional expertise.

### **A responsibility across generations**

In everything we do, sustainability is a core value and strength. The Bank has been a pioneer in the field of sustainable investments since 1989. The value of the sustainable investment market in Switzerland has grown from CHF 10.7 billion in 2005 to CHF 136.7 billion in 2015, of which Bank J. Safra Sarasin held a market leadership position of 21%. During 2016 we introduced a detailed sustainability analysis for client portfolios. The analysis provides more concrete sustainability insights such as a carbon footprint of the portfolio and its exposure to risks and opportunities stemming from sustainability trends such as climate change and resource scarcity.

This year's Annual Report focuses on the theme of nurturing and sustainability, a philosophy which has been the bedrock of our 175 years of banking heritage. It is only by taking the long-term view, nurturing relationships with clients, investing in high-quality assets, and taking care of those assets as a parent looks after a child, that a private banking business can ensure sustained performance and resilience across generations. We have selected images of iconic gardens from some of our global locations to illustrate this philosophy of responsible sustainability. Such gardens, although they may have been designed and first planted hundreds of years ago, are constantly evolving, adapting to changes in the environment and benefiting from the development of new knowledge. These are the same attributes of a private banker who is completely integrated into the local terroir of their clients.

In conclusion, on behalf of the leadership team, we would like to thank all of our clients, employees and business partners for their continued trust and confidence as we continue to grow a truly exceptional global private bank of which we can all be proud.

#### **Ilan Hayim**

Chairman  
Bank J. Safra Sarasin Ltd

#### **Edmond Michaan**

Chief Executive Officer  
Bank J. Safra Sarasin Ltd



A photograph of a garden path with arches of yellow flowers and palm trees. The path is paved and curves through a lush garden. The arches are made of dark wood and are covered in bright yellow flowers. Tall palm trees are visible in the background against a blue sky with light clouds. The overall scene is vibrant and tropical.

# Market Environment

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Singapore | Botanic Gardens (1859)

# Market Environment

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The world turned on its heel several times during the course of 2016. Seldom in recent history has a year been so dominated by political events as last year. This inevitably caused a great deal of volatility on financial markets.

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The year started with an even steeper fall in the oil price, driven by concerns about a hard landing of the Chinese economy and a slowing pace of global growth. WTI crude oil slumped to almost 25 dollars per barrel in February 2016, its lowest level since 2003. At the same time, the MSCI World Index was trading some 12% lower than at the start of the year, while European stocks retreated by as much as 15%. Banking stocks were hit especially hard by falling interest rates.

Concerns about the strength of global growth turned out to be unfounded in the second quarter of the year. While markets had just begun to recover, the British referendum on leaving the European Union took place in June. In the run-up to the vote, most market participants thought Brexit was highly unlikely. In response, yields on 10-year Bunds dipped into negative territory for the first time in history, while yields on US Treasuries with the same maturity also hit an all-time low of 1.35%. The next political surprise came in November, when Donald Trump was elected 45<sup>th</sup> President of the United States.

Markets were caught on the wrong foot once again. Despite this, both bond yields and equity markets rose sharply, buoyed by investors' hopes of an economic upturn driven by large-scale infrastructure programmes, tax cuts and deregulation, along with rising inflation. Yields on 10-year US Treasuries rose to around 2.5%, while the Dow Jones Industrial Index stopped just short of the psychologically important 20,000 level. By contrast, rising US yields and a stronger US dollar in the wake of Trump's election victory had a negative impact on emerging-market bonds. But, despite rising yields on sovereign bonds, corporate bonds managed to post solid gains in the second half of the year. The bonds in the high-yield segment, i.e. those with a rating of BB+ or lower from S&P, Moody's or Fitch, generated particularly impressive returns.



### Outlook for 2017

Financial markets got off to a much better start this year than in 2016. Robust growth indicators in all regions, an oil price at its highest level since July 2015 and a much higher than expected increase in consumer prices in the Eurozone all contributed to the bullish mood. We expect the positive growth momentum in the economy to continue in the first half of 2017. In the second half of the year, the implementation by the Trump administration of some reforms could provide a further boost to growth. However, there are still many stumbling blocks to the current optimistic mood. The financial markets already have very high expectations of the Trump administration. 2017 is an important election year in Europe, with eurosceptic parties looking to ride the current wave of populism and win more votes.

After the political surprises of last year, financial markets are likely to price a higher probability of populist parties' electoral success. This, however, also presents opportunities for active asset managers. With the more protectionist stance of the new US administration, the trend towards "deglobalisation" is likely to continue. This will effectively reduce the efficiency gains and growth potential created by international trade. Weaker trading alliances could increase the threat of international conflicts, particularly if the era known as "Pax Americana" comes to an end. This term refers to the last decades when international rules and the institutions and democratic processes initiated by western powers helped to establish a stable political and economic order.

So while the risks posed to financial markets by political events continue to be high in 2017, central banks by contrast are unlikely to be concerned about the threat of deflation this year. Given the backdrop of accelerating growth and rising oil prices, the overall inflation rate in both the US and the euro area should move towards the 2% target. This scenario would allow the US Federal Reserve to continue its cycle of interest-rate hikes. The

pace of economic growth in the Eurozone should also pick up slightly in the current year. Given the normalisation of inflation, the European Central Bank should be able to consider further reducing its monetary stimulus in the second half of the year.

We, therefore, expect sovereign bond yields of industrialised countries to continue to rise. However, we also see a continued demand for credit products. This view is based mainly on our prediction of a slow but steady economic expansion and gradually rising, but still low, interest rates. We expect the credit spreads of corporate bonds to only narrow slightly in the USA and to remain virtually unchanged in Europe over the course of 2017.

We are cautiously optimistic for emerging-market bonds. We expect GDP growth to pick up in emerging economies in 2017. The bigger economies such as Brazil and Russia should now have pulled out of recession and should post positive growth rates. China should be able to successfully manage the deceleration of its economy. India, which has so far been the silver lining among emerging economies, should manage to sustain its GDP growth rate of over 6%. The economy continues to boast solid fundamentals, although the situation has been made more uncertain by rising interest rates in industrialised countries and possible protectionist measures.

The improving global economy and the expected US stimulus should help support corporate earnings and have generally a positive effect on equity markets. Company profits are likely to grow in the high single digits in all the main regions, and even in double digits in the emerging economies. Investors are already anticipating significantly higher earnings. They should therefore bear in mind the rather high valuation of many stock markets overall and the associated risk factors such as rising US policy rates, more protectionist policies and a strong US dollar. Despite all these risks, we still take an optimistic view for financial markets in the current year.





# Corporate Governance

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United Kingdom | London | Hampton Court Palace (1520)



# Corporate Governance

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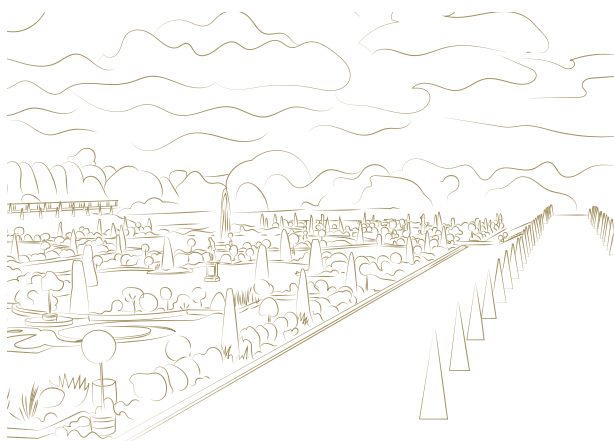
Corporate Governance at J. Safra Sarasin Holding Ltd. (“JSSH”) ensures that the management and supervision of the Group are focused on the long-term success of the organisation to the benefit of all stakeholders.

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J. Safra Sarasin Holding Ltd. is a holding company incorporated under the laws of Switzerland with its registered office in Basel. JSSH is the shareholder of Bank J. Safra Sarasin Ltd (“BJSS”) and other direct and indirect subsidiaries and, as the case may be, their branches and representative offices (each a “Group Company” and together the “J. Safra Sarasin Group” or the “JSS Group”). Reference is made to the organisation chart on page 27 of this report.

Bank J. Safra Sarasin Ltd is a company incorporated under the laws of Switzerland with its registered office in Basel. It holds a banking licence and has the status of a securities dealer.

Both JSSH and BJSS are regulated by the Swiss Financial Market Supervisory Authority (FINMA).



## Consolidated supervision

J. Safra Sarasin Group qualifies as a financial group within the meaning of Article 3c al. 1 of the Swiss Banking Act, over which FINMA exercises consolidated supervision. The scope of consolidated supervision applies to all direct and indirect subsidiaries, branches, and representative offices of JSS Group.

JSSH has delegated to BJSS governing bodies all duties, responsibilities and competencies related to the management and operation of its current business. These responsibilities include the financial consolidation as well as the supervision on a consolidated basis of the activities of J. Safra Sarasin Group.

Accordingly the implementation of the criteria for the consolidated supervision of the JSS Group is the responsibility of the Board of Directors and Executive Committee of BJSS, under the auspices of the Board of Directors of JSSH. The main functions and departments at the level of BJSS, and in particular, the following functions and departments, oversee group-wide consolidated supervision:

- Legal and Compliance
- Risk Management
- Credit Office
- Finance
- Treasury & Trading
- Group Internal Audit

The duties and responsibilities of the above functions are governed by the regulations, directives, working directives and guidelines issued by JSSH and/or BJSS.

The implementation of an adequate and effective framework of consolidated supervision throughout the JSS Group ensures inter alia:

- Compliance with the relevant accounting standards of the JSS Group;
- Compliance with consolidated capital adequacy provisions for the JSS Group;
- Compliance with risk provisions on a consolidated basis for the JSS Group;
- Compliance with the liquidity requirements of the JSS Group;
- Adequate system of internal controls and supervision of the governing bodies of all JSS Group entities and separation of functions;

- Operation of a group-wide system of directives, which serves as a management instrument for the implementation of regulations and processes which are necessary in the context of the consolidated supervision;
- Group-wide anti-money laundering measures and immediate access to any information required to ensure the integrated management of all entities within the JSS Group.

### Board of Directors

The Board of Directors (“BoD”) of JSSH is the ultimate governing body of JSS Group which sets the strategy of the Group. The Board also signs off the group-wide risk management framework and is responsible for monitoring and controlling the main risks of JSS Group as required by Swiss banking regulation and the implementation of an appropriate business organisation and the consolidated supervision framework.

The BoD is responsible for the financial situation and development of the JSS Group and approves the capital and liquidity plans, as well as the financial statements.

Collectively, the members of the Board have a thorough understanding of the banking and financial services sector in general and in particular of the JSS Group, as well as the global regulatory environment.

As of 31 December 2016, the composition of the Board of Directors of JSSH was as follows:

• Joseph Y. Safra	Chairman
• Jacob J. Safra	Vice-Chairman
• Pierre-Alain Bracher	Member*
• Philippe Dupont	Member*
• Ilan Hayim	Member*

\*Independent

As of 31 December 2016, the composition of the Board of Directors of Bank J. Safra Sarasin Ltd was as follows:

• Ilan Hayim	Chairman
• Pierre-Alain Bracher	Vice-Chairman
• Philippe Dupont	Member
• Jacob J. Safra	Member
• Dagmar G. Woehrl	Member

The Board of Directors has set up an Audit Committee.

### Audit Committee

As of 31 December 2016, the Audit Committee was composed of the following members:

• Pierre-Alain Bracher	Chairman
• Philippe Dupont	Member
• Ilan Hayim	Member

Collectively, the members of the Audit Committee have a thorough understanding of all entities of the JSS Group worldwide and the international banking industry and its regulation. The Audit Committee maintains regular contact with the Audit Committees of the individual companies of the Group. It receives copies of minutes and ensures consistent implementation of its own decisions within the JSS Group.

The Audit Committee is responsible for the definition of general guidelines on internal audit and financial reporting, the monitoring and assessment of financial reporting and the integrity of the annual financial statements before they are presented to the Board of Directors of JSSH for approval. The Audit Committee monitors compliance by the Group with its respective legal and regulatory obligations and ensures the receipt of regular information as to compliance by its subsidiaries with such obligations as well as with regard to the existence of adequate and effective internal controls on financial reporting.

The Audit Committee is also responsible for monitoring and assessing the effectiveness of the internal controls system, specifically risk control and compliance and internal audit. The Committee sets down the standards and methodologies for risk control with regard to all types of risk (including legal and regulatory risks) in order to ensure compliance with the principles of the risk policy adopted by the competent supervisory authority, the Board of Directors or management bodies within the JSS Group.

The Audit Committee assesses the regulatory audit plan, audit rhythm and audit results produced by Group Internal Audit and the external auditors. It also ensures contact with the external auditors at the level of the Board of Directors and monitors their performance and independence as well as their cooperation with Group Internal Audit. The Chairman of the Audit Committee regularly reports its activities and findings to the Board

of Directors. The Chairman of the Board of Directors of BJSS is also a member of the Audit Committee. This is in line with internally determined corporate governance principles and, upon disclosure, meets the regulatory requirements for the composition of the Audit Committee.

#### **Duration and scope of mandate of the lead external auditor**

Deloitte AG has been appointed as external auditor of J. Safra Sarasin Holding Ltd. and all relevant Group companies for the year 2016. The audit firm is appointed by the General Assembly of J. Safra Sarasin Holding Ltd. for a one-year term. Re-election is possible.

#### **Group Internal Audit**

Group Internal Audit is the internal audit function responsible for the entire JSS Group.

In addition to the Board of Directors of JSSH and the Audit Committee, Group Internal Audit representatives also report to the respective Board of Directors and Audit Committees of the individual entities.

Group Internal Audit has an independent and objective monitoring and consulting role designed to add value and improve BJSS's and JSS Group's operations. It helps each Group Company to accomplish their objectives by bringing a focused and systematic approach to evaluating and improving the effectiveness of risk management, control processes and Group governance by systematically assessing:

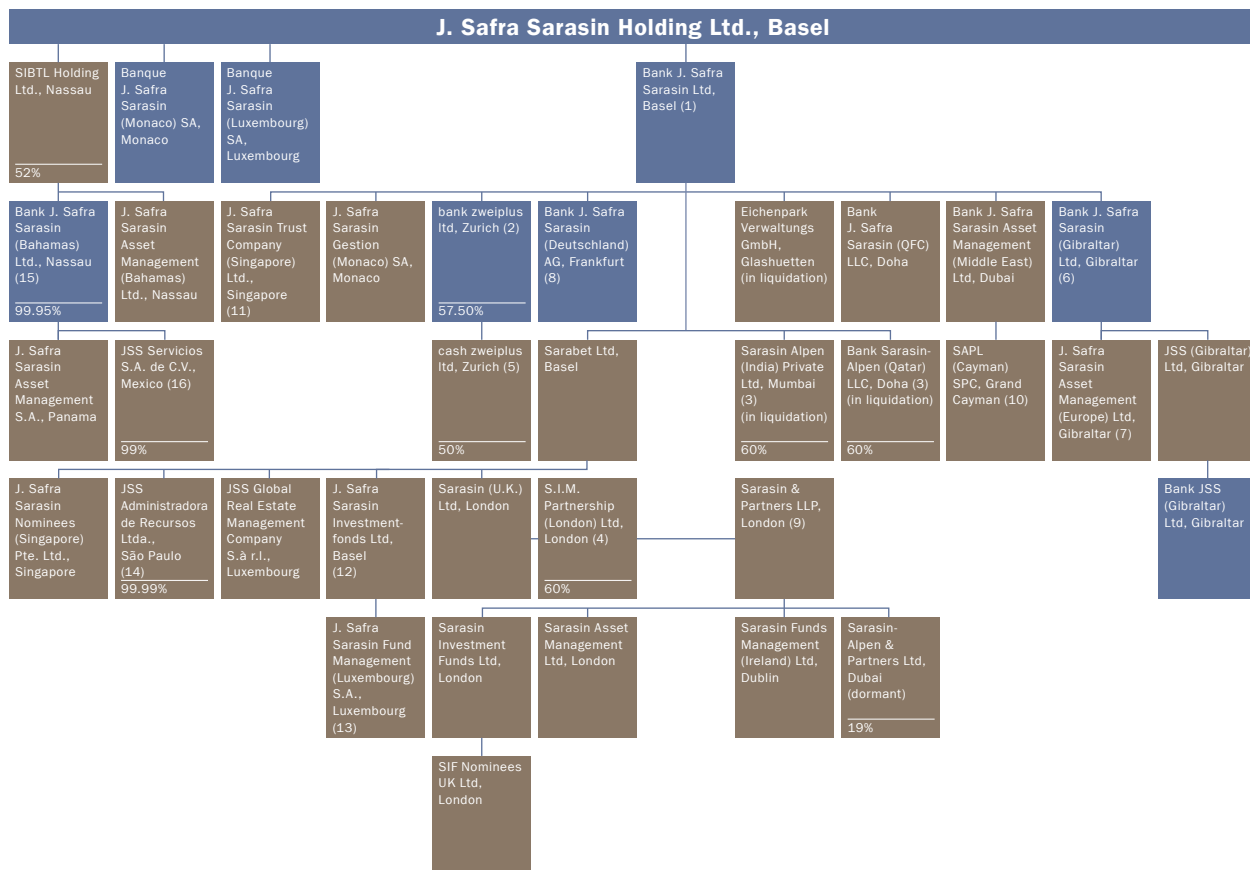
- i. the effectiveness of processes implemented to define strategy and risk tolerance, as well as the adherence to the strategy approved by the Board of Directors;
- ii. effectiveness of governance processes;
- iii. effectiveness of risk management, including whether risks are appropriately identified and controlled;
- iv. effectiveness of internal controls, specifically whether they are commensurate with the risks taken;
- v. effectiveness and sustainability of the implementation of remedial actions;
- vi. reliability and integrity of financial and operational information, i. e. whether activities are properly, accurately and completely recorded, and the quality of underlying data and models; and

- vii. compliance with legal and regulatory requirements, as well as with internal directives and contractual obligations.

#### **Executive Committee**

The Board of Directors delegates the responsibility for the operational management of BJSS and the JSS Group to the CEO and the Executive Committee of BJSS. The CEO assures the implementation of the Board of Directors' decisions approved by the latter. The CEO provides the Board of Directors with all information it requires to carry out its supervisory and control functions and requests the approval of the Board for matters which are in the competence of the Board of Directors according to relevant internal regulations.

## Legal structure as at 31. 12. 2016



### ■ Banking status

Except as indicated, 100% ownership.

- Branches in Berne, Geneva, Lugano, Lucerne, Zurich  
Branches abroad: Guernsey, Hong Kong, Singapore  
Representative office: Warsaw (including an office in Poznan)
- 42.5% with Falcon Private Bank AG
- 40% with Alpen Capital Ltd.
- 40% with Management
- 50% with Ringier AG
- Head Office: Gibraltar – Branch: London
- Head Office: Gibraltar – Branch: London
- Head Office: Frankfurt – Branches: Berlin, Hamburg, Hanover, Munich, Stuttgart
- Head Office: London – Branch: Dublin
- This company is a fund construction whose units may be owned by investors. Nevertheless, it is subject to Bank J. Safra Sarasin Ltd's consolidated supervision.
- The company owns the following subsidiaries: Asia Square Holdings Ltd. (BVI), Edinburgh Management Ltd. (BVI), Shenton Management Ltd. (BVI).
- Head Office: Basel – Branches: Geneva, Zurich
- Head Office: Luxembourg – Branches: Amsterdam, Vienna
- The remaining 0.01% of the shares are held by Bank J. Safra Sarasin Ltd
- The remaining 0.05% of the shares are held by Fiduciary
- The remaining 1% of the shares are held by SIBTL Holding Ltd.



# Group Companies

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Monaco | Jardin Exotique (1933)



# Group Companies

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Private banking is a global growth market, presenting opportunities that the J. Safra Sarasin Group actively seeks to exploit. The Group is represented in more than 25 locations in Europe, Asia, the Middle East, Latin America and the Caribbean.

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The companies described in this chapter are the main operating companies of J. Safra Sarasin Group. For a complete list of all companies being consolidated in J. Safra Sarasin Holding Ltd., please see the notes to the consolidated financial statements on page 55. A chart showing the legal structure of the Group is available as part of the chapter on corporate governance on page 27. All subsidiaries of J. Safra Sarasin Holding Ltd. are subject to consolidated supervision by FINMA.



## **Bank J. Safra Sarasin Ltd**

Bank J. Safra Sarasin Ltd was founded in 1841. As a leading Swiss private bank, its many years of banking experience have made it consciously opt for sustainability as a key component of its corporate philosophy.

Within Switzerland, Bank J. Safra Sarasin has offices in Basel (head office), Berne, Geneva, Lucerne, Lugano, and Zurich. It also has a representative office in Poland and branches in Hong Kong, Singapore and Guernsey.

Bank J. Safra Sarasin is recognised as a leader among full-service banks in the private banking segment, offering all the advantages of the Swiss banking environment together with dynamic and personalised asset management and advisory services focusing on opportunities in international financial markets. Its team of highly experienced professionals develops tailor-made products to meet the needs of clients, as well as offering a comprehensive array of financial services. Financial strength, excellent client service and outstanding quality are the key elements of its philosophy. It provides a high level of service and expertise when acting as investment advisor and asset manager for private and institutional clients.

## **Bank J. Safra Sarasin (Bahamas) Ltd.**

Incorporated in 1983 under the laws of the Bahamas, Bank J. Safra Sarasin (Bahamas) Ltd. focuses on asset management services as well as portfolio management for private clients. Its private banking operations have expanded strongly in recent years, alongside successful forays in the wider international markets.

## **Banque J. Safra Sarasin (Monaco) SA**

Acquired in 2006, Banque J. Safra Sarasin (Monaco) SA is one of the largest banks in the Principality of Monaco. Banque J. Safra Sarasin (Monaco) SA delivers the services of a global bank with the flexibility and the agility of a private bank. With its trading desk, the Bank has direct and immediate access to the major international financial markets.





Basel

#### **Bank J. Safra Sarasin (Gibraltar) Ltd**

Incorporated in 2001 with a full banking licence, Bank J. Safra Sarasin (Gibraltar) Ltd offers private banking services and accepts deposits both from individual clients and other banking institutions. From inception, Bank J. Safra Sarasin (Gibraltar) Ltd has maintained its growth strategy and strong capitalisation.

#### **Bank JSS (Gibraltar) Ltd**

Acquired by the J. Safra Sarasin Group on 28 October 2016, Bank JSS (Gibraltar) Ltd is duly incorporated under the laws of Gibraltar and has a full banking licence. It performs an active role in the banking business since its incorporation in 1987 and focuses on private banking services.

#### **Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch**

Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch, started operating in 2007. It offers UK residents and international clients based in London access to one of

the world's most important financial centres. Its staff develops comprehensive and flexible private banking services to individuals and families, as well as the full array of financial services to corporate clients.

#### **Bank J. Safra Sarasin Ltd, Guernsey Branch**

The Bank established a presence in Guernsey in 1992 and in 2011 it was converted from a subsidiary to a branch. The branch accepts deposits from other banking institutions and institutional clients as well as offering a discretionary investment management service, principally to private clients, in conjunction with Sarasin & Partners LLP, London. The branch is licensed and regulated by the Guernsey Financial Services Commission.

#### **Bank J. Safra Sarasin Ltd, Hong Kong Branch**

Bank J. Safra Sarasin Ltd, Hong Kong Branch, the Bank's first branch outside of Switzerland, is an Authorized Institution licensed by the Hong Kong Monetary Authority.



Bern



Geneva



Lucerne



Lugano



Zurich

**Bank J. Safra Sarasin Ltd, Singapore Branch**

Bank J. Safra Sarasin Ltd, Singapore Branch operates under an offshore bank licence granted by the Monetary Authority of Singapore and is an exempt Financial Adviser under the MAS Financial Advisers Act.

**Banque J. Safra Sarasin (Luxembourg) SA**

Established in 1985, Banque J. Safra Sarasin (Luxembourg) SA focuses on private and commercial banking, offering an array of products and personalised services tailored to the needs of customers. Thanks to the expertise in the banking sector, Banque J. Safra Sarasin (Luxembourg) SA meets its customers' expectations worldwide by developing financial strategies to achieve their targets in accordance with their investment profiles.

**Bank J. Safra Sarasin (Deutschland) AG**

Bank J. Safra Sarasin (Deutschland) AG offers entrepreneurs, as well as private and institutional investors, private wealth management and asset management solutions, with a focus on sustainability. The Bank also provides solutions-based advice in the lending and deposit business. In addition to its head office in Frankfurt, the Bank has branches in Berlin, Hamburg, Hanover, Munich and Stuttgart.

**J. Safra Sarasin Asset Management (Europe) Ltd**

J. Safra Sarasin Asset Management (Europe) Ltd is a subsidiary of Bank J. Safra Sarasin (Gibraltar) Ltd. It opened its London Branch in 2010 with the objective of focusing its offerings of services on investment funds, thus being attractive to wealth managers who want to invest across a wide range of asset classes.

**Bank J. Safra Sarasin Asset Management (Middle East) Ltd**

Bank J. Safra Sarasin Asset Management (Middle East) Ltd has been incorporated in 2013 and is a wholly owned subsidiary of Bank J. Safra Sarasin Ltd, located in the Dubai International Financial Centre (DIFC), Dubai, and operating under a licence from the Dubai Financial Services Authority. It offers residents of the UAE and other international clients based in the Middle East and Africa comprehensive and flexible advisory services.

**Bank J. Safra Sarasin (QFC) LLC**

Bank J. Safra Sarasin (QFC) LLC has been incorporated in 2014 and is a wholly owned subsidiary of Bank J. Safra Sarasin Ltd, located in the Qatar Financial Centre (QFC), Doha, and operating under a licence from the QFC



Doha



Dubai



Frankfurt



Gibraltar



Hong Kong

Regulatory Authority. It offers residents of the UAE and other international clients based in the Middle East and Africa comprehensive and flexible advisory services.

#### **J. Safra Sarasin Asset Management S.A.**

Incorporated in 2008 under Panamanian laws, the wholly owned subsidiary of Bank J. Safra Sarasin (Bahamas) Ltd. provides investment advisory services and operates as a broker. J. Safra Sarasin Asset Management S.A. is licensed by the National Security Commission of Panama.

#### **J. Safra Sarasin Asset Management (Bahamas) Ltd.**

Incorporated in 2014 under the laws of the Bahamas, J. Safra Sarasin Asset Management (Bahamas) Ltd. focuses on asset management services as well as administration and advisory services for inhouse funds.

#### **J. Safra Sarasin Trust Company (Singapore) Ltd.**

Incorporated under the laws of Singapore, J. Safra Sarasin Trust Company (Singapore) Ltd. (JSSTCSL) obtained its licence from the Monetary Authority of Singapore under the Trust Companies Act 2004 and commenced business in December 2010. JSSTCSL offers tailored trust and company management services to take care of the wealth protection and succession planning needs of its clients.

#### **Sarasin & Partners LLP**

Sarasin & Partners LLP is a London-based asset management group that manages investments on behalf of charities, institutions, pension funds and private clients, from the UK and around the world. Sarasin & Partners is known both as a leader in thematic investment and for long-term income and dividend management across multi-asset and equity mandates. Consistent with a longer-term approach is a commitment to “steward-ship” principles, embedding environmental, social and governance considerations into the investment process. Sarasin & Partners is 60% owned by Bank J. Safra Sarasin Ltd and 40% owned by its partners.

#### **Bank zweiplus ltd**

Incorporated in 2008 in Switzerland, it offers custody services to clients of financial services providers, independent asset managers and insurance companies and in so doing supports these financial intermediaries in servicing their clients. Bank zweiplus also has a sophisticated product offering specifically tailored to clients of financial services providers, independent asset managers and insurance companies.



London



Luxembourg



Monaco



Panama



Singapore





# Consolidated Financial Statements

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Switzerland | Geneva | Parc La Grange (1660)

# Consolidated balance sheet

	<b>31.12.2016</b>	31.12.2015
<b>Assets</b>	<b>CHF 000</b>	CHF 000
Liquid assets	5,933,048	5,522,233
Amounts due from banks	1,465,543	1,700,346
Amounts due from securities financing transactions	287,870	128,740
Amounts due from customers	9,200,046	9,587,052
Mortgage loans	2,759,182	2,316,790
Trading portfolio assets	977,504	787,413
Positive replacement values of derivative financial instruments	706,813	476,767
Other financial instruments at fair value	1,484,847	678,944
Financial investments	8,275,312	7,325,975
Accrued income and prepaid expenses	170,945	193,242
Non-consolidated participations	20,229	3,272
Tangible fixed assets	256,464	269,027
Intangible assets	458,671	490,044
Other assets	340,377	394,497
<b>Total assets</b>	<b>32,336,851</b>	<b>29,874,342</b>
Total subordinated claims	30,205	52,116
of which subject to mandatory conversion and/or debt waiver	–	–
<b>Liabilities</b>		
Amounts due to banks	1,017,223	758,915
Liabilities from securities financing transactions	0	295,233
Amounts due in respect of customer deposits	24,192,797	22,820,902
Negative replacement values of derivative financial instruments	604,458	478,606
Liabilities from other financial instruments at fair value	1,281,586	663,591
Bond issues and central mortgage institution loans	300,957	325,864
Accrued expenses and deferred income	309,072	264,851
Other liabilities	193,899	144,783
Provisions	39,152	46,368
Reserves for general banking risks	283,742	203,742
Share capital	848,245	848,245
Capital reserve	1,745,862	1,745,862
Retained earnings reserve	690,757	575,056
Currency translation reserve	50,973	-7,708
Minority interests in equity	526,060	479,512
Consolidated profit	252,068	230,520
of which minority interests in consolidated profit	90,051	53,519
<b>Total liabilities</b>	<b>32,336,851</b>	<b>29,874,342</b>
Total subordinated liabilities	3,600	3,600
of which subject to mandatory conversion and/or debt waiver	–	–

# Consolidated off-balance sheet

CHF 000	<b>31.12.2016</b>	31.12.2015
Contingent liabilities	343,672	365,261
Irrevocable commitments	53,266	41,052
Obligations to pay up shares and make further contributions	1,487	1,322
Credit commitments	0	0

# Consolidated income statement

CHF 000	2016	2015
Interest and discount income	297,523	304,190
Interest and dividend income from trading portfolios	0	0
Interest and dividend income from financial investments	166,850	218,904
Interest expense	-71,503	-104,382
Gross result from interest operations	392,870	418,712
Changes in value adjustments for default risks and losses from interest operations	285	-40,899
Subtotal net result from interest operations	393,155	377,813
Commission income from securities trading and investment activities	542,547	568,130
Commission income from lending activities	3,814	3,526
Commission income from other services	52,785	52,801
Commission expense	-67,464	-71,614
Subtotal result from commission business and services	531,682	552,843
Result from trading activities and the fair value option	108,322	75,670
Result from the disposal of financial investments	10,284	912
Income from participations	2,998	8,467
of which, participations recognised using the equity method	0	0
of which, from other non-consolidated participations	2,998	8,467
Result from real estate	407	392
Other ordinary income	4,455	7,218
Other ordinary expenses	-3,428	-3,798
Subtotal other result from ordinary activities	14,716	13,191
<b>Operating income</b>	<b>1,047,875</b>	<b>1,019,517</b>
Personnel expenses	-483,433	-467,361
General and administrative expenses	-145,375	-135,848
<b>Subtotal operating expenses</b>	<b>-628,808</b>	<b>-603,209</b>
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	-58,089	-57,105
Changes to provisions and other value adjustments, and losses	1,215	-25,048
<b>Operating result</b>	<b>362,193</b>	<b>334,155</b>
Extraordinary income	4	85
Extraordinary expenses	-2	-1,747
Changes in reserves for general banking risks	-80,000	-57,000
Taxes	-30,127	-44,973
<b>Consolidated profit</b>	<b>252,068</b>	<b>230,520</b>
of which minority interests in consolidated profit	90,051	53,519



# Consolidated cash flow statement

CHF 000	31.12.2016		31.12.2015	
	Source of funds	Use of funds	Source of funds	Use of funds
Consolidated profit	252,068	0	230,520	0
Change in reserves for general banking risks	80,000	0	57,000	0
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	58,089	0	57,105	0
Provisions and other value adjustments	0	-6,879	0	-104,055
Change in value adjustments for default risks and losses	24,537	0	64,799	0
Accrued income and prepaid expenses	20,903	0	122,917	0
Accrued expenses and deferred income	46,420	0	1,520	0
Other items	0	0	0	0
Previous year's dividend	0	0	0	0
<b>Cash flow from operating activities</b>	<b>475,138</b>		<b>429,806</b>	
Share capital	0	0	0	0
Capital reserves	0	0	0	0
Retained earnings reserve	0	0	0	0
Minority interests in equity	0	-12,348	0	-10,117
<b>Cash flow from equity transactions</b>		<b>-12,348</b>		<b>-10,117</b>
Participating interests	0	-59,766	0	-42
Bank building	0	0	0	-206
Other fixed assets	0	-9,738	0	-16,097
Intangible assets	0	-3,146	0	-26,808
<b>Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets</b>		<b>-72,650</b>		<b>-43,153</b>

# Consolidated cash flow statement

CHF 000	31.12.2016		31.12.2015	
	Source of funds	Use of funds	Source of funds	Use of funds
<b>Medium and long-term business (&gt;1 year)</b>				
Amounts due to banks	0	-4,161	10,445	0
Amounts due in respect of customer deposits	445,592	0	0	-71,968
Liabilities from other financial instruments at fair value	224,330	0	0	-91,268
Bonds	0	0	0	0
Central mortgage institution loans	1,277	0	0	-355,304
Loans of central issuing institutions	0	-25,012	0	-10,676
Other liabilities	51,817	0	43,771	0
Amounts due from banks	0	-41,329	16,406	0
Amounts due from customers	0	-825,280	115,398	0
Mortgage loans	0	-409,842	0	-539,590
Other financial instruments at fair value	0	-352,309	1,366	0
Financial investments	0	-500,098	325,229	0
Other accounts receivable	0	-305,402	0	-502,246
<b>Short-term business</b>				
Amounts due to banks	260,362	0	0	-2,426,844
Liabilities from securities financing transactions	0	-295,649	126,792	0
Amounts due in respect of customer deposits	815,596	0	0	-1,011,902
Trading portfolio liabilities	0	0	0	0
Negative replacement values of derivative financial instruments	125,391	0	0	-117,118
Liabilities from other financial instruments at fair value	374,611	0	182,096	0
Amounts due from banks	284,571	0	2,248,144	0
Amounts due from securities financing transactions	214,795	0	41,148	0
Amounts due from customers	1,220,626	0	186,166	0
Trading portfolio assets	0	-182,356	0	-343,652
Positive replacement values of derivative financial instruments	0	-227,676	131,769	0
Other financial instruments at fair value	0	-434,546	0	-174,714
Financial investments	0	-386,496	0	-49,519
<b>Cash flow from banking operations</b>	<b>28,812</b>			<b>-2,266,071</b>
<b>Conversion differences</b>	<b>0</b>	<b>-8,137</b>	<b>9,749</b>	<b>0</b>
<b>Change in liquid assets</b>	<b>410,815</b>	<b>0</b>	<b>0</b>	<b>-1,879,786</b>
CHF 000	<b>31.12.2016</b>		<b>31.12.2015</b>	
Liquid assets at beginning of the year (cash)	<b>5,522,233</b>		<b>7,402,019</b>	
Liquid assets at the end of the year (cash)	<b>5,933,048</b>		<b>5,522,233</b>	
<b>Change in liquid assets</b>	<b>410,815</b>		<b>-1,879,786</b>	

# Presentation of the consolidated statement of changes in equity

CHF 000	Share capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserves	Minority interests	Result of the period	Total
<b>Equity on 01.01.2016</b>	<b>848,245</b>	<b>1,745,862</b>	<b>752,057</b>	<b>203,742</b>	<b>-7,708</b>	<b>533,031</b>		<b>4,075,229</b>
Currency translation differences			-61,300 <sup>1</sup>		58,681 <sup>1</sup>	5,703		3,084
Dividends and other distributions						-12,264		-12,264
Reserves for general banking risks				80,000				80,000
Change in scope of consolidation						-410		-410
Consolidated profit						90,051	162,017	252,068
<b>Equity on 31.12.2016</b>	<b>848,245</b>	<b>1,745,862</b>	<b>690,757</b>	<b>283,742</b>	<b>50,973</b>	<b>616,111</b>	<b>162,017</b>	<b>4,397,707</b>

<sup>1</sup> Reclassification of foreign exchange result following the liquidation of Sarasin (Asia) Ltd.

## Share capital structure and disclosure of shareholders holding more than 5% of voting rights

	31.12.2016				31.12.2015			
	Total nominal value	Number of units	Dividend bearing capital	%	Total nominal value	Number of units	Dividend bearing capital	%
CHF 000								
J. Safra Holdings International (Luxembourg) S.A.								
Share capital	848,245	848,245	848,245	100%	848,245	848,245	848,245	100%

J. Safra Holdings International (Luxembourg) S.A., Luxembourg, holds the entire share capital and the voting rights of J. Safra Sarasin Holding Ltd. The ultimate shareholder of J. Safra Sarasin Holding Ltd is Mr. Joseph Y. Safra.

# Consolidated notes

## **Name, legal form and domicile**

The J. Safra Sarasin Holding Ltd. (the “Group” or the “Holding”) is a global banking group in private banking services and asset management. As an international group committed to sustainability and well established in more than 25 locations in Europe, Asia, the Middle East Latin America and the Caribbean, the Group is a global symbol of private banking tradition, emphasising security and well-managed conservative growth for clients. J. Safra Sarasin Holding Ltd. is headquartered in Basel.

## **Accounting and valuation principles**

The Group’s financial statements are presented in accordance with Swiss accounting principles applicable for Banks (Swiss Financial Market Supervisory Authority FINMA Circular 2015/1), the Swiss Banking Act and the Swiss Code of Obligations.

## **Changes in accounting and valuation principles**

Accounting and valuation principles remained unchanged. Selectively, changes to the method of presentation were made to improve the level of information provided. Consequences are explained in the notes where meaningful. Comparative information has been restated accordingly.

## **Consolidation principles**

The consolidated financial statements are prepared in accordance with the True and Fair View principle. The consolidation period for all Group entities is the calendar year ending 31 December. The accounting and valuation principles of the entities have been adjusted, where materially different, to the Group’s consolidation principles.

## **Consolidation perimeter**

The consolidated financial statements comprise those of J. Safra Sarasin Holding Ltd., Basel, as well as those of its subsidiaries and branches listed on page 55. Newly acquired subsidiaries are consolidated as from the time control is transferred and deconsolidated once control is relinquished.

## **Consolidation method**

Participating interests of more than 50% are wholly consolidated using the purchase method if the Group has the control, i. e. if the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Assets and liabilities, as well as costs and revenues, are stated in full (100%). Minority shareholders’ interests in the net assets and net profit are stated separately in the balance sheet and the consolidated income statement. Participating interests between 20% and 50% are consolidated according to the equity method. The net profit and assets corresponding to such holdings are reflected in the consolidated accounts according to the percentage owned by the Group. Minor participating interests and those of less than 20% are stated as unconsolidated participations at their acquisition cost, after deduction of provisions for any necessary depreciation in value. When acquiring a participation, the difference between the book value of the acquired participation and its net asset value is allocated to goodwill.

## **Elimination of intra-group receivables and payables**

All items stated in the balance sheet and income statement (including off-balance sheet transactions) resulting from business relationships between Group companies are eliminated from the consolidated accounts.

## **Recording of transactions**

All transactions concluded are recorded according to the settlement date accounting principle. Foreign exchange spot transactions and security transactions concluded but not yet executed are recorded as derivative financial instruments in the balance sheet positions positive or negative replacement values of derivative financial instruments. The corresponding assets and liabilities are recorded as contract volume in the off-balance sheet. Firm commitments to underwrite securities issues and money market time deposits are recognised at the settlement date.

## **Translation of foreign currencies**

Income and expenses in foreign currencies arising during the year are translated at the exchange rates prevailing at the date of the transaction. Exchange differences are recorded in the statement of income. Assets and liabilities expressed in foreign currencies are converted at the daily rate of the balance sheet date. The income statements of Group entities are

translated at the yearly average rate. Main exchange rates ruling at the balance sheet dates are as follows:

<b>Currency</b>	<b>31.12.2016</b>	31.12.2015
USD/CHF	1.016	1.001
EUR/CHF	1.072	1.087

Outright forward exchange contracts are translated at the residual exchange rate ruling at the balance sheet date. Profits and losses on these exchange positions are included in the foreign exchange results at the balance sheet date.

### **Consolidated supervision**

The Group qualifies as a financial group within the meaning of Article 3c al. 1 of the Swiss Banking Act, over which FINMA exercises consolidated supervision. The scope of consolidated supervision applies to all direct and indirect subsidiaries, branches, and representative offices of the Group.

The Holding has delegated to the Bank's governing bodies all duties, responsibilities and competences related to the management and operations of its current business. This management includes the financial consolidation as well as the supervision, on a consolidated basis, of the activities of the Group.

The statutory financial statements of J. Safra Sarasin Holding Ltd. are not deemed representative of the banking activities of the Group and are therefore not published.

### **Cash, due from and to banks and clients**

These items are stated at their nominal value. Known and foreseeable risks are reflected in individual value adjustments, which are stated directly under the corresponding headings of the balance sheet.

### **Amounts due from and liabilities from securities financing transactions**

These items contain receivables and obligations from cash collateral delivered in connection with securities borrowing and lending transactions as well as from reverse repurchase and repurchase transactions. These items are stated at their nominal value. The transfer of securities in connection with a securities financing transaction does not require recognition of the securities in the balance sheet when the ceding party retains the economic power to dispose of the rights to the transferred securities.

### **Securities and precious metals trading portfolios**

Trading balances are valued at market price on the balance sheet date. Realised and unrealised profits and losses are included in result from trading activities and the fair value option. Securities that are not traded regularly are stated at their acquisition cost, after deduction of the necessary depreciation. Interest and dividend income from trading balances are credited to result from trading activities. The Group offsets the interest and dividend income on trading portfolios with the cost of funding from these portfolios. Income from securities issuing operations (primary market trading activities of structured products) is recorded in the item "result from trading activities and the fair value option".

### **Positive and negative replacement values of derivative financial instruments**

Derivative instruments include options, futures and swaps on equities, stock indices, foreign exchange, commodities and interest rates, forward rate agreements, and forward contracts on currencies, securities and commodities. Derivative instruments are marked-to-market. For trading balances, realised and unrealised profits and losses are stated under the result from trading activities. Hedging transactions are recorded according to the rules applicable to the underlying position. If the underlying position is not marked-to-market then the market value change of the hedge instrument is recorded in the compensation account in other assets or liabilities. In the case of advance sale of an interest rate hedging instrument valued on the principle of accrued interest, the realised profit or loss is deferred and reported in the income statement over the initial duration of the instrument. If the impact of the hedging transactions is greater than that of the hedged positions, the surplus fraction is treated as a trading transaction.

### **Other financial instruments at fair value**

The items "other financial instruments at fair value" and "liabilities from other financial instruments at fair value" contain self-issued structured products without inherent derivatives. Certificates issued are recorded in the balance sheet position "liabilities from other financial instruments at fair value" at marked-to-market. The assets held for hedging purpose of the certificates (e.g. stocks, bonds, etc.) are recorded in the balance sheet position "other financial instruments

at fair value” at marked-to-market. If the hedging is effected with derivative financial instruments the replacement values are recorded in the balance sheet positions “positive or negative replacement values of derivative financial instruments”.

### Financial investments

Financial investments, intended to be held until maturity date, are stated at acquisition cost, less amortisation of any difference to nominal value over the period until maturity date (accrual method). Financial investments which are not intended to be held until maturity date, shares and similar securities and rights are stated at the lower of cost or market value. An impairment test is performed on a regular basis to determine any potential depreciation in the credit quality of the issuer.

### Fixed assets and intangible assets

Fixed assets and intangible assets are stated at their acquisition cost. Depreciation is computed using the straight-line method over the estimated useful life of the respective assets net of impairment considered necessary as follows:

	2016	2015
<b>Fixed assets</b>		
Bank premises & other buildings	50 years	50 years
Leasehold improvements/Renovations	10–20 years	10–20 years
Furniture & machines	3–10 years	3–10 years
Hardware	3–8 years	3–8 years
Software	3–8 years	3–8 years
<b>Intangible assets</b>		
Goodwill	10–20 years	10–20 years
Other intangible assets	3–10 years	3–10 years

If, when acquiring a business, the costs of acquisition are higher than the net assets acquired the difference represents the acquired goodwill. The goodwill is capitalised in the balance sheet and amortised linearly over the estimated useful life. Other intangible assets consist of acquired clientele.

### Impairment of non-financial assets

On the balance sheet date the Group determines whether there are any reasons for an impairment of non-financial assets. Goodwill and other intangible assets with

indeterminate useful life are checked for impairment at least once a year, and also whenever events suggest their value is too high. Any other non-financial assets are reviewed for impairment if there are signs that their book value exceeds the realisable amount of the fair value. The estimated fair value of non-financial assets is determined on the basis of three valuation methods:

- i. Comparable Transactions;
- ii. Market Comparable; and
- iii. Model of discounting of cash flows.

### Value adjustments and provisions

For all potential and identifiable risks existing at the balance sheet date, value adjustments and provisions are established on a prudent basis. Value adjustments for due from banks, due from customers, mortgages and bonds intended to be held until maturity date are deducted from the corresponding asset in the balance sheet.

### Reserves for general banking risks

Reserves for general banking risks can be accounted for at consolidated financial statements level only or at individual accounts level to cover risks inherent to the banking business. These reserves form part of equity and are subject to deferred tax. Reserves for general banking risks at individual account level have not been subject to tax.

### Employee pension plans

The Group operates a number of pension plans for its employees in Switzerland and abroad, most of them comprising defined contribution plans. The adjusted contributions for the period are shown as personnel costs in the income statement. The corresponding adjustments or liabilities and the claims and commitments arising from legal, regulatory or contractual requirements are shown in the balance sheet. In accordance with the Swiss GAAP RPC 16, a study is performed on an annual basis to assess a potential financial benefit/commitment (surplus/deficit) from the Group’s point of view. A surplus is recorded only if the Group is legally permitted to use this surplus either to reduce or reimburse the employer contributions. In the case of deficit, a provision is set up if the Group has decided to or is required to participate in the financing. When the surplus and/or deficit is recorded in the income statement, it is recognised

under personnel costs. In the balance sheet, the surplus is recognised under other assets, whereas a deficit is recognised under provisions.

### **Taxes**

Current taxes, in general income and capital taxes, are calculated on the basis of the applicable tax laws and recorded as an expense in the relevant period. One-off taxes or taxes on transactions are not included in current taxes. Deferred taxes are recorded in accordance with requirements. Accruals of current taxes due are booked on the liabilities side under accrued expenses and deferred income. The tax effects arising from temporary differences between the carrying value and tax value of assets and liabilities are recorded as deferred taxes under provisions in the liabilities section of the balance sheet or in other assets for deferred tax assets. Deferred taxes are calculated using the expected tax rates.

### **Risk management**

#### **Structure of risk management**

##### General considerations

The Board of Directors carries the ultimate responsibility in the Group's multilevel risk management organisation. Its task is to formulate the Group's risk policy and monitor its implementation by the Executive Committee. The Board also defines the risk strategy, the basic risk management parameters (e. g. limits and systems), the maximum risk tolerance as well as the responsibilities for risk monitoring.

##### Risk culture

The standard of risk management achieved by a financial institution is not simply a question of compliance with formalised internal and external rules. Indeed, the risk awareness of decision makers is essential. Quantitative criteria are only one component of a comprehensive risk management system. Developing an appropriate risk culture as part of a financial institution's overall culture is highly important. A central element of such a risk culture is the discipline and thoroughness with which employees perform their tasks.

##### Organisation of risk management

To meet their responsibilities and ensure optimal risk management, the Board of Directors and the Executive Committee carry out a comprehensive risk assessment in addition to the regular reporting cycle.

The key elements of risk assessment are:

- In-depth risk profile that assesses all types of risk, both in terms of quality and quantity, based on the status quo. Detailed analysis of associated corporate governance and existing risk management (limitation), including reference to plans for future business growth.
- Detailed three-year timetable for capital planning and development (catering to different business performance scenarios) describing the impact on capital adequacy over several years.
- Stress analysis estimating the financial impacts on capital adequacy of significant distortions in the money and capital markets.

The risk assessment findings, along with any adjustments required, are incorporated into the annual review of the Group's regulations and directives and in the definition of a risk appetite which is expressed as a selection of different risk limits for each risk category. The CEO and the Executive Committee are responsible for implementing the risk management and risk controlling principles approved by the Board of Directors. To ensure holistic risk management, the Executive Committee has appointed the necessary committees (listed below) to deal with risks, which act as decision making bodies for key issues and risks. Their role also includes the promotion of risk awareness and compliance with the approved risk standards. The Risk Committee carries out a comprehensive assessment of all the Group's principal risks, both current and those anticipated in the future. When evaluating risk, the Committee takes into consideration the findings and measures of the other committees. The Central Credit Committee (CCC) is in charge of managing the credit risks. The Treasury Committee controls and manages interest rate risk, short-term liquidity risk and mid-to long-term refinancing risks. These committees are made up of representatives from different divisions. The committees meet at regular intervals.

Risk controlling is the responsibility of the Risk Office, Credit and Legal & Compliance departments, which, from an organisational perspective, are independent of the business entities that actively manage risk. This separation of functions ensures that the business units taking decisions on the level and extent of risk exposure act independently of the departments that analyse the risks assumed and monitor adherence to limits

and other competencies. The chosen set-up intends to avoid potential conflicts of interest and incompatible objectives as early and as effectively as possible.

The Risk Office performs in-depth analysis of the Group's exposure to market, credit, operational and other risks, anticipates the risks and takes any measures needed to adjust to the Group's risk profile. It is responsible for ensuring compliance with the risk management process. The Risk Office submits requests to the Board of Directors on the risk models to be employed. It also submits individual reports to the Audit Committee, the Executive Committee and to business units.

The Credit department analyses, grants, records and monitors client credits and if necessary initiates measures to prevent credit losses for the Group. Client credits include cash loans, contingent liabilities and transactions with margin calls from currency and/or option contracts. The Credit department defines the parameters relevant to credit, such as levels of lending against collateral and also margin requirements and continues to actively develop the systems in question.

The Legal & Compliance business unit advises the Executive Committee, as well as its divisions and subsidiaries, in meeting its regulatory responsibility and ensures that the Group's business activities in Switzerland and abroad comply with applicable legal and regulatory framework, together with the generally accepted market standards and code of conduct. Compliance puts in place the appropriate operational measures and precautions in order to guarantee that the Group carries out its business activities in respect of all laws, rules and regulations. In particular it ensures that an appropriate system of directives exists and an adequate level of training of the relevant staff in the fields of compliance. The Legal function ensures that the Group structure and business processes adhere to a legally acceptable format, especially in the areas of provision of services to clients and product marketing. As far as compliance and legal risks are concerned, there is also regular and comprehensive risk reporting to the Executive Committee and the Audit Committee.

A clearly structured and transparent risk management process ensures that the main risks are identified in good time and fully documented and that they can be visualised, limited and monitored in a suitable fashion. The process is applied to all risk categories, both individually and collectively. Especially when introducing new business transactions and new procedures,

the risk management process is the basis of the comprehensive assessment and rating of the risks associated with a new activity or new process. The Group has established a clear process to detect existing or potential risks before entering into any new business. The involvement of all relevant business units at an early stage ensures comprehensive, cross-discipline assessment of every new business transaction or process and its associated risks.

#### **Risk categories**

The Group is exposed to the following risks through its business activities and services:

- Market risk
- Credit risk including risk of concentration
- Liquidity risk
- Operational and reputation risk, including IT and information security risk
- Legal and compliance risk
- Business and strategic risk

#### Market risk

The market risk refers to the risk of a loss due to changes in risk parameters (share prices, interest rates and foreign exchange rates) in on-balance or off-balance sheet positions.

#### Interest rate risk

Exposure to interest rate risk is measured based on diverging maturities of interest-sensitive positions per currency (gap).

#### Credit risk

Credit or counterparty risk is the risk of a client or a counterparty being either unable, or only partially able, to meet an obligation owed to the Group or to an individual Group company. These eventual counterparty failures may result in financial losses to the Group.

#### Lending business with clients

The lending activities are mainly limited to loans to private clients that are secured against securities or mortgages. The lending criteria are very strictly formulated and their appropriateness is continuously reviewed. Lending business with clients follows a strict separation of front and support functions, where the assessment, approval and monitoring of this business is performed by the latter.



Credit is granted under a system of delegation of authority, based on the size and risk class of the loan, where the Central Credit Committee examines applications and authorises operations in line with the delegated authority and the policy defined. Client loans and mortgages are classified in an internal rating system by risk classes, whereas the applied lending value, the average daily turnover and dynamic weightings are taken into considerations for the classification.

When a loan is granted, the loan-to-value ratio is established on the basis of the current value of the collateral. The Group applies loan-to-value criteria that are in line with common practice in the Swiss banking industry. A system of alerts and internal controls is used to monitor individual situations in which credit risk has increased. The risk profile of the Group's loan portfolio distributed by type of exposure, risk classes and collateral type is reviewed on a quarterly basis and reported to management.

Non-performing loans and collateral obtained are valued at liquidation value, taking into account any correction for the debtor's solvency. Off balance sheet transactions are also included in this assessment. The need for provisions is determined individually for each impaired loan based on an analysis performed according to a procedure clearly defined.

#### Lending business with banks, governments and corporates

The transaction entered into with banks, governments and corporates (non-client credit activities) may serve the Group's needs to manage its foreign exchange, liquidity or interest rate risk and hedge client transactions.

An internal framework regulates the granting of credit limits to non-clients. This framework is based on the Group's general risk appetite, mainly measured in freely disposable capital, and the credit quality of the respective counterparty. The Central Credit Committee approves and reviews the limits granted to non-client counterparties.

The limit requests and the credit analysis of the respective counterparties are performed by credit analysts. The limits are reviewed regularly, but at least once a year or ad-hoc if required by specific credit events. The Group's Risk Office is in charge of monitoring and reporting all exposures on a daily basis.

As a general rule, the emphasis when conducting business on the interbank market is on the quality of the counterparty, but also with a strong focus on risk reduction measures wherever possible. Over-the-counter

transactions with third party banks are mainly executed under netting and collateralisation agreements and lending is provided against collateral (repo transaction) whenever appropriate.

The country risk is monitored based on a framework and limits approved by the Board of Directors.

#### Large exposure and concentration risks

Large exposure risks are monitored for every counterparty and are based on the provisions of the Swiss Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers. A group of related counterparties is regarded as a single counterparty. Large exposure risks are calculated on a risk-weighted basis taking into consideration available collateral provided. The upper limit per counterparty is 25% of the eligible capital calculated in accordance with the statutory requirements. While client receivables are mostly covered by readily realisable collateral and therefore do not represent large exposure risks from a regulatory point of view, the Group's Risk Office checks prior to entering into positions involving non-clients that the critical size of the concentrations is not exceeded.

#### Liquidity risk

The liquidity risk essentially refers to the danger of the Group being unable to meet its payment obligations or failing to meet the requirements imposed by banking regulations. The Treasury Committee is responsible for monitoring liquidity. The prime objective is to guarantee the Group's ability to meet its payment obligations at all times and to make sure legal requirements for liquidity are complied with. A key task of the Committee is to monitor all the relevant liquidity risk factors. These include money flows between subsidiaries and the parent company, inflows and outflows of client funds and changes in the availability of liquidity reserves. As a supporting strategy, target bandwidths are set for surplus coverage of minimum liquidity. These are actively monitored and adequate measures would be initiated if liquidity falls below the specified targets.

#### Operational risk

Operational risks are defined as the risk of losses that arise through the inadequacy or failure of internal procedures, people or systems, or as a consequence of external events. This definition includes all legal and supervisory risks, but excludes strategic risks and risks

to the Group's reputation. The Group manages its operational risks on the basis of a consistent group-wide framework beyond the requirements of the FINMA. The underlying processes for monitoring operational risks are based on directives and on reporting at the appropriate level. The regular measurement, reporting and assessment of segment-specific risk indicators enable potential hazards to be detected well in advance. A regular self-assessment is performed involving representatives from all units and risk experts in order to identify and catalogue the underlying risks and inadequacies of a specific area, and these procedures are reviewed on a regular basis.

#### Reputation risk

For the Group, reputation is a critical element to the stakeholders' (clients, counterparties and regulators) perception of the Group's public standing, as well as its professionalism, integrity and reliability. Accordingly, reputation risk can be defined as the existing or potential threat of negative commercial impacts on the Group created by the relevant stakeholders' negative perception of the Group. In order to identify potential reputation risks at an early stage and take any necessary countermeasures, the Risk Office has defined a management and control process for reputation risks. This is embedded in the Group's existing structures and processes in the area of risk management.

#### Legal and compliance risk

Legal risks are related to potential financial loss as a result of the deficient drafting or implementation of contractual agreements or as a consequence of contractual infringements or illegal and/or culpable actions. It also covers the deficient implementations of changes in the legal and regulatory environment. The Legal department is involved once a potential risk has been identified. It assesses the problem and, if appropriate, retains an external lawyer with whom it handles the case. Risks have been assessed and provisions have been set aside on a case-by-case basis.

Compliance risk is defined as the risk of legal sanctions, material financial loss, or loss to reputation the Group may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of best/good practice.

#### Business and strategic risk

Business and strategic risk is inherent to external or internal events or decisions resulting in strategic and business objectives not being achieved. Assessment reviews are conducted on a regular basis to evaluate the impact of potential strategic and business risks and define mitigating measures.

#### **Treatment of structured products**

Self-issued structured products shall be separated in the fixed income instrument and the embedded derivative. The fixed income instrument is recognised in the balance sheet position "amounts due in respect of customer deposits" and the derivative is recognised in the balance sheet positions "positive or negative replacement values of derivative financial instruments". Acquired assets (stock, bonds derivatives from third parties, etc.) bought to hedge the self-issued structured products shall be recognised in the respective balance sheet position (e.g. derivatives in the balance sheet position "positive or negative replacement values of derivative financial instruments", stocks, bonds in the balance sheet position "trading portfolio assets").

#### **Explanation of the methods used for identifying default risks and determining the need for value adjustments**

Based on the inherent risk of a credit facility, the Group establishes the individual Credit Risk Class (CRC) which in return defines the review cycle of the facility. All credits are essentially regularly followed by means of a constant monitoring of the adherence to the credit approval and the Group's credit policy. Deviations from the agreed contractual terms with regard to interest payments and/or amortisation, representing potential indicators of default risk, are detected by the aforementioned regular credit monitoring process and trigger a review and re-evaluation of the CRC.

With respect to Lombard facilities, the lending values are periodically reviewed and set by the Group's credit committee on an asset-by-asset basis. Any lending value exceptions are approved in conjunction with the credit request in question. On this basis each approved credit facility is given a CRC. Additionally, country concentration imbedded within the portfolios on which the Group lends is also periodically reviewed, as necessary. Lombard transactions are monitored daily for margin purposes, and in relevant periodic intervals for

repayment purposes. At each such monitoring interval, the CRC of a Lombard facility or group of facilities are continually reassessed. Any adverse change in the Group's outlook with respect to the collateral shall, on a case-by-case basis, trigger an assessment for the purpose of establishing a need for the setting of a provision.

With respect to Mortgage facilities, the value of the collateral is assessed based on a property valuation mandated by the Group and performed by a certified value and/or property valuation tool. In addition to the risk class based review process and in order to detect a potential material decrease in market value, market prices are being analysed and documented against appropriate regional price statistic. If prices of certain regions and/or object types have significantly decreased in value or a corresponding decrease is deemed to be imminent by the Group, the respective mortgage facility/ties shall be assessed individually and provisioned on a case-by-case basis.

**Explanations of the valuation of collateral, in particular key criteria for the calculation of current market value and the lending value**

The lending business is basically limited to Lombard Loans and mortgages. In case of a Lombard loan the collateral are accepted at a percentage of its market value according the Group's credit policy. The pledge rate depends on the nature, solvency, currency and fungibility of the assets. In case of a mortgage, the maximum pledge rate is defined by the Group's credit policy, the property type and the appraised value of the property.

**Explanations of the Bank's business policy regarding the use of derivative financial instruments, including explanations relating to the use of hedge accounting**

The Group does enable clients to trade different types of derivatives. Client derivatives trading activities includes options, forwards, futures, and swaps on equities, foreign exchange, precious metals, commodities and interest rates. The Group can trade derivative products for its own account, as long as the necessary limits are approved by the Board of Directors, or squares client transactions in the market with third parties in order to eliminate market risk incurred through the client transactions.

The use of derivatives in discretionary portfolio management is restricted to the transactions authorised by the Swiss Bankers' Association asset management guidelines and in accordance with the Group's investment policy.

The Group uses derivative financial instruments as part of its balance sheet management activities in order to manage interest rate risk and credit risk in its banking book (e.g. interest rate swaps, credit default swaps). In order to avoid asymmetric profit and loss recognition, hedge accounting is applied whenever possible. Interest rate risk of assets and liabilities are typically hedged by interest rate swaps (IRS), but other instrument like forward rate agreements (FRA), futures or interest rate options could also be used. In order to hedge the counterparty risk of financial investments the Group can buy credit default swap (CDS) protection. The hedge relationships with underlying hedged item(s) and hedge transaction are documented and periodically reviewed.

The effectiveness of hedging transactions is measured prospectively by validation of the sensitivity of the hedge item(s) and the hedging transaction by a parallel shift of the interest rate curve or the credit spread curve (e.g. 1 basis point shift). The valuation difference of the hedged item(s) and the hedging transaction has to be in a pre-defined corridor to be qualified as effective. The hedging relationships are periodically checked, whether hedged item(s) and hedging transaction are still in place and hedge effectiveness is guaranteed.

Where the effect of the hedging transactions exceeds the effect of the hedged items, the excess portion of the derivative financial instrument is treated as equivalent to a trading position. The excess portion is recorded in the item Result from trading activities and the fair value option.

**Subsequent event**

On 13 January 2017, the Group completed the acquisition of Credit Suisse (Monaco) S.A.M.

# Consolidated notes – Information on the balance sheet

## Breakdown of securities financing transactions (assets and liabilities)

CHF 000	2016	2015
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions (before netting agreements)	287,870	128,740
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions (before netting agreements)	0	295,233
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	114,223	321,419
with unrestricted right to resell or pledge	114,223	321,419
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	584,866	423,288
of which, repledged securities	3,535	4,747
of which, resold securities	0	0

**Presentation of collateral for loans/receivables and off-balance-sheet transactions,  
as well as impaired loans/receivables**

CHF 000	Mortgage collateral	Secured by other collateral	Without collateral	Total
<b>Loans (before netting with value adjustments)</b>				
Amounts due from customers	453,274	8,977,557	25,415	9,456,246
Mortgages loans				
Residential property	991,984	0	0	991,984
Office and business premises	1,385,640	0	0	1,385,640
Trade and industry	365,878	0	0	365,878
Others	16,482	0	0	16,482
<b>Total loans (before netting with value adjustments)</b>				
Current year	<b>3,213,258</b>	<b>8,977,557</b>	<b>25,415</b>	<b>12,216,230</b>
Previous year	2,504,581	9,500,380	125,174	12,130,135
<b>Total loans (after netting with value adjustments)</b>				
Current year	<b>3,116,306</b>	<b>8,840,940</b>	<b>1,981</b>	<b>11,959,228</b>
Previous year	2,403,462	9,500,380	0	11,903,842
<b>Off balance sheet transactions</b>				
Contingent liabilities	0	338,426	5,246	343,672
Irrevocable commitments	0	50,763	2,503	53,266
Obligations to pay up shares and make further contributions	0	0	1,487	1,487
<b>Total current year</b>	<b>0</b>	<b>389,189</b>	<b>9,236</b>	<b>398,425</b>
Previous year	1,678	319,165	86,792	407,635

**Impaired loans**

CHF 000	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
<b>Current year</b>	<b>402,156</b>	<b>145,152</b>	<b>257,004</b>	<b>257,004</b>
Previous year	399,707	157,911	241,796	241,796

### Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)

CHF 000	31.12.2016	31.12.2015
<b>Assets</b>		
<b>Trading portfolios</b>		
Debt securities, money market securities/ transactions	345,013	258,595
of which, listed	244,991	258,595
Equity securities	263,526	242,047
Precious metals and commodities	368,965	286,690
Other trading portfolio assets	0	81
<b>Other financial instruments at fair value</b>		
Debt securities	691,854	1,684
Structured products	0	0
Other	792,993	677,260
<b>Total assets</b>	<b>2,462,351</b>	<b>1,466,357</b>
of which, determined using a valuation model	0	0
of which, securities eligible for repo transactions in accordance with liquidity requirements	645	299
<b>Liabilities</b>		
<b>Trading portfolios</b>		
Debt securities, money market securities/transactions	0	0
of which, listed	0	0
Equity securities	0	0
Precious metals and commodities	0	0
Other trading portfolio liabilities	0	0
<b>Other financial instruments at fair value</b>		
Debt securities	691,515	0
Structured products	0	0
Other	590,071	663,591
<b>Total liabilities</b>	<b>1,281,586</b>	<b>663,591</b>
of which, determined using a valuation model	0	0

**Presentation of derivative financial instruments (assets and liabilities)**

CHF 000	Positive replacement values	Negative replacement values	Contract volumes
<b>Trading instruments</b>			
<b>Interest rate instruments</b>			
Swaps	55,554	120,522	8,398,667
Futures	38,548	0	1,442,140
<b>Total interest rate instruments</b>	<b>94,102</b>	<b>120,522</b>	<b>9,840,807</b>
<b>Foreign exchange</b>			
Forward agreements	80,749	211,674	16,180,387
Combined interest/currency swaps	317,500	90,522	22,714,511
Options (OTC)	78,728	76,427	8,598,920
<b>Total foreign exchange</b>	<b>476,977</b>	<b>378,623</b>	<b>47,493,818</b>
<b>Equity securities/Indices</b>			
Forward agreements	185	429	24,976
Futures	11	676	3,724
Options (OTC)	71,426	53,455	2,192,193
Options (exchange traded)	40,118	25,918	821,721
<b>Total equity securities/Indices</b>	<b>111,740</b>	<b>80,478</b>	<b>3,042,614</b>
<b>Precious metals</b>			
Forward agreements	1,553	916	65,558
Swaps	3,025	3,641	364,266
Options (OTC)	11,658	11,742	720,537
<b>Total precious metals</b>	<b>16,236</b>	<b>16,299</b>	<b>1,150,361</b>
<b>Credit derivatives</b>			
Credit default swaps	0	20	1,016
<b>Total credit derivatives</b>	<b>0</b>	<b>20</b>	<b>1,016</b>
<b>Other</b>			
Forward agreements	397	264	18,609
<b>Total other</b>	<b>397</b>	<b>264</b>	<b>18,609</b>
<b>Total trading instruments before netting agreements on 31.12.2016</b>	<b>699,452</b>	<b>596,206</b>	<b>61,547,225</b>
Total trading instruments before netting agreements on 31.12.2015	467,997	466,569	39,997,897
<b>Hedge instruments</b>			
<b>Interest rate instruments</b>			
Swaps	7,361	8,252	283,809
<b>Total hedge instruments on 31.12.2016</b>	<b>7,361</b>	<b>8,252</b>	<b>283,809</b>
Total hedge instruments on 31.12.2015	8,770	12,037	330,577
<b>Total before netting agreements on 31.12.2016</b>	<b>706,813</b>	<b>604,458</b>	<b>61,831,033</b>
of which, determined using a valuation model	0	0	-
Total before netting agreements on 31.12.2015	476,767	478,606	40,328,474
of which, determined using a valuation model	0	0	-
<b>Total after netting agreements on 31.12.2016</b>	<b>466,152</b>	<b>382,788</b>	
Total after netting agreements on 31.12.2015	313,779	315,396	
<b>Breakdown by counterparty</b>			
	Central clearing houses	Banks and securities dealers	Other customers
<b>Positive replacement values (after netting agreements) on 31.12.2016</b>	<b>79,579</b>	<b>226,070</b>	<b>160,503</b>
Positive replacement values (after netting agreements) on 31.12.2015	38,971	163,033	111,775

## Financial investments

CHF 000	Book value	Fair value	Book value	Fair value
	31.12.2016	31.12.2016	31.12.2015	31.12.2015
Debt securities	7,436,679	7,548,204	6,929,335	6,874,283
of which, intended to be held until maturity	6,554,102	6,630,902	6,546,585	6,491,507
of which, not intended to be held to maturity (available for sale)	882,577	917,302	382,750	382,776
Equity securities	830,932	925,613	395,990	632,769
of which, qualified participations	0	0	0	0
Precious metals	0	0	0	0
Real estate	7,701	7,701	650	650
<b>Total financial investments</b>	<b>8,275,312</b>	<b>8,481,518</b>	<b>7,325,975</b>	<b>7,507,702</b>
of which, securities eligible for repo transactions in accordance with liquidity regulations	<b>333,115</b>		301,236	

## Breakdown of counterparties by rating

CHF 000	AAA to AA-		A+ to A-		BBB+ to BBB-		BB+ to B-		below B-	unrated
	Debt securities:									
<b>Book value on 31.12.2016</b>	<b>1,814,233</b>	<b>1,879,657</b>	<b>1,387,287</b>	<b>1,974,801</b>	<b>18,674</b>	<b>362,027</b>				
Book value on 31.12.2015	1,883,068	1,459,316	1,533,641	1,602,949	10,329	440,032				

The above rating is based on the credit rating of Standard & Poor's.

## Participations

CHF 000	Acquisition costs	Accumulated adjustments	Book value				Book value		Market value
			as at 31.12.2015	Reclassifications	Additions	Disposals	Value adjustments	as at 31.12.2016	
Participations valued using the equity method									
with market value	0	0	0	0	0	0	0	0	0
without market value	0	0	0	0	0	0	0	0	-
Other participations									
with market value	3,536	-265	3,272	0	16,957	0	0	20,229	56,265
without market value	0	0	0	0	0	0	0	0	-
<b>Total participations</b>	<b>3,536</b>	<b>-265</b>	<b>3,272</b>	<b>0</b>	<b>16,957</b>	<b>0</b>	<b>0</b>	<b>20,229</b>	<b>56,265</b>



**Significant participating interests**

	Place of			Share	% of	Direct/
	Incorporation	Activity	Currency	Capital	equity/	indirect
				'000s	votes	ownership
Bank J. Safra Sarasin Ltd	Basel	Bank	CHF	22,015	100.00%	direct
Bank J. Safra Sarasin (Gibraltar) Ltd	Gibraltar	Bank	CHF	1,000	100.00%	indirect
J. Safra Sarasin Asset Management (Europe) Ltd	Gibraltar	Advisory	CHF	4,000	100.00%	indirect
JSS (Gibraltar) Ltd	Gibraltar	Holding	GBP	2	100.00%	indirect
Bank JSS (Gibraltar) Ltd	Gibraltar	Bank	GBP	5,000	100.00%	indirect
Banque J. Safra Sarasin (Monaco) SA	Monaco	Bank	EUR	40,000	100.00%	direct
J. Safra Sarasin Gestion (Monaco) SA	Monaco	Advisory	EUR	160	100.00%	indirect
Banque J. Safra Sarasin (Luxembourg) SA	Luxembourg	Bank	EUR	8,800	100.00%	direct
SIBTL Holding Ltd.	Bahamas	Holding	USD	460,932	52.00%	direct
J. Safra Sarasin Asset Management (Bahamas) Ltd.	Bahamas	Fund Management	USD	50	52.00%	indirect
Bank J. Safra Sarasin (Bahamas) Ltd.	Bahamas	Bank	USD	18,000	51.97%	indirect
J. Safra Sarasin Asset Management S.A.	Panama	Advisory	USD	3,250	51.97%	indirect
JSS Servicios S.A. de C.V.	Mexico D.F.	Advisory	USD	3	51.97%	indirect
Bank J. Safra Sarasin Asset Management (Middle East) Ltd	Dubai	Asset Management	USD	22,000	100.00%	indirect
Bank J. Safra Sarasin (QFC) LLC	Doha	Asset Management	USD	2,000	100.00%	indirect
Eichenpark Verwaltungs GmbH	Glashuetten	Holding	EUR	25	100.00%	indirect
bank zweiplus ltd	Zurich	Bank	CHF	35,000	57.50%	indirect
cash zweiplus ltd	Zurich	Information	CHF	1,000	28.75%	indirect
Bank J. Safra Sarasin (Deutschland) AG	Frankfurt	Bank	EUR	1,000	100.00%	indirect
J. Safra Sarasin Trust Company (Singapore) Ltd.	Singapore	Trust Company	USD	1,000	100.00%	indirect
Sarabet Ltd	Basel	Holding	CHF	3,250	100.00%	indirect
Sarasin (U.K.) Ltd	London	Holding	GBP	17,900	100.00%	indirect
S.I.M. Partnership (London) Ltd	London	Holding	GBP	727	60.00%	indirect
Sarasin & Partners LLP	London	Asset Management	GBP	15,051	60.00%	indirect
Sarasin Asset Management Ltd	London	Asset Management	GBP	250	60.00%	indirect
Sarasin Investment Funds Ltd	London	Fund Management	GBP	250	60.00%	indirect
Sarasin Funds Management (Ireland) Ltd	Dublin	Fund Management	GBP	500	60.00%	indirect
JSS Administradora de Recursos Ltda.	Sao Paulo	Advisory	BRL	1,711	100.00%	indirect
JSS Global Real Estate Management Co Sarl	Luxembourg	Fund Management	EUR	125	100.00%	indirect
J. Safra Sarasin Investmentfonds Ltd	Basel	Fund Management	CHF	4,000	100.00%	indirect
J. Safra Sarasin Fund Management (Luxembourg) S.A.	Luxembourg	Fund Management	EUR	1,500	100.00%	indirect

The shareholders in cash zweiplus ltd have put options in respect of the shares in cash zweiplus ltd.

**Participations removed from the scope of consolidation**

	Place of			Share	% of	Direct/
	Incorporation	Activity	Currency	Capital	equity/	indirect
				'000s	votes	ownership
Bank Sarasin-Alpen (Qatar) LLC, in liquidation	Doha	Advisory	USD	1,000	60.00%	indirect
Sarasin (Asia) Ltd., in liquidation	Singapore	Holding	SGD	50,550	100.00%	indirect

Participations are removed from the scope of consolidation because they were either liquidated or sold.

**Non consolidated investments in subsidiary companies**

	Place of			Share	% of	Direct/
	Incorporation	Activity	Currency	Capital	equity/	indirect
				'000s	votes	ownership
SIX Group AG Namen	Zurich	Stock exchange	CHF	19,522	2.24%	indirect
PFBK Schweizerische Hypothekarinstitute AG	Zurich	Mortgage company	CHF	800,000	0.33%	indirect

## Tangible fixed assets

CHF 000	Acquisition costs	Accumulated depreciation	Book value	Change in			Additions	Disposals	Depreciation	Book value
			as at 31.12.2015	scope of consolidation	Reclassifications	as at 31.12.2016				
Real estate:										
bank buildings	259,051	-71,165	187,886	1,635	-211	0	-64	-4,788	184,458	
Real estate:										
other real estate	4,985	-1,663	3,322	0	0	0	0	-83	3,239	
Proprietary or separately acquired										
software	105,389	-95,904	9,485	0	0	2,111	-26	-4,281	7,289	
Other fixed assets	203,990	-135,656	68,334	465	211	7,635	-715	-14,452	61,478	
Tangible assets acquired under finance leases:	0	0	0	0	0	0	0	0	0	
of which,										
bank buildings	0	0	0	0	0	0	0	0	0	
of which,										
other real estate	0	0	0	0	0	0	0	0	0	
of which, other										
tangible fixed assets	0	0	0	0	0	0	0	0	0	
<b>Total fixed assets</b>	<b>573,415</b>	<b>-304,388</b>	<b>269,027</b>	<b>2,100</b>	<b>0</b>	<b>9,746</b>	<b>-805</b>	<b>-23,604</b>	<b>256,464</b>	

## Operating Leases

CHF 000	31.12.2016	31.12.2015
Remaining maturity < 1 year	16,921	16,121
Remaining maturity 1–5 years	36,758	45,289
Remaining maturity more than 5 years	21,688	15,369
<b>Total liabilities from operating lease</b>	<b>75,367</b>	<b>76,778</b>
of which, remaining maturity < 1 year that can be terminated within one year	253	616

## Intangible assets

CHF 000	Acquisition costs	Accumulated amortisation	Book value	Change in			Disposals	Amortisation	Book value
			as at 31.12.2015	Reclassifications	Additions	as at 31.12.2016			
Goodwill	554,096	-88,889	465,207	0	0	0	-28,053	437,154	
Patents	0	0	0	0	0	0	0	0	
Licences	0	0	0	0	0	0	0	0	
Other intangible assets	35,621	-10,784	24,837	0	3,145	-33	-6,432	21,517	
<b>Total intangible assets</b>	<b>589,717</b>	<b>-99,673</b>	<b>490,044</b>	<b>0</b>	<b>3,145</b>	<b>-33</b>	<b>-34,485</b>	<b>458,671</b>	

**Other assets/Other liabilities**

CHF 000	31.12.2016	31.12.2015
<b>Other assets</b>		
Compensation account	49,821	27,676
Deferred income taxes recognised as assets	61,481	43,325
Amount recognised as assets in respect of employer contribution reserves	0	0
Amount recognised as assets relating to other assets from pension schemes	0	0
Others	229,075	323,496
<b>Total</b>	<b>340,377</b>	<b>394,497</b>
<b>Other liabilities</b>		
Compensation account	13,889	15,548
Others	180,010	129,235
<b>Total</b>	<b>193,899</b>	<b>144,783</b>

**Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership**

CHF 000	Effective		Effective	
	Book value	commitment	Book value	commitment
	31.12.2016	31.12.2016	31.12.2015	31.12.2015
Financial instruments	610,116	375,232	687,278	447,143
Other assets	29,329	29,329	174,624	174,624
<b>Total pledged assets</b>	<b>639,445</b>	<b>404,561</b>	<b>861,902</b>	<b>621,767</b>

There are no assets under reservation of ownership. The assets are pledged for commitments from securities borrowing, for lombard limits at central banks and for stock exchange security.

**Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the Group held by own pension schemes**

CHF 000	31.12.2016	31.12.2015
<b>Liabilities to own pension plans</b>	<b>38,195</b>	<b>8,162</b>

### Pension schemes

The Group operates a number of pension schemes for its employees in Switzerland and abroad. Employees in Switzerland are covered either by the pension fund of Bank J. Safra Sarasin or by the collective foundation "Trianon". These pension schemes are defined contribution plans. Also all pension schemes based outside of Switzerland are defined contribution plans. There is neither a surplus nor a deficit coverage. The

contributions for the period are shown as personnel costs in the income statement.

The purpose of the pension scheme is to provide pension benefits for employees of the Group upon retirement or disability and for the employees' survivors after their death. It manages the mandatory retirement, survivors' and disability benefits in accordance with the BVG ("Berufliche Vorsorge") in Switzerland. The Group does not have any patronage funds.

### Employer's contribution reserves (ECR)

	Nominal value	Renunciation of use	Creation	Balance sheet	Balance sheet	Result from ECR in personnel expenses	Result from ECR in personnel expenses
CHF 000	31.12.2016	31.12.2016	2016	31.12.2016	31.12.2015	2016	2015
Patronage funds/pension schemes	0	0	0	0	0	0	0

### Economic benefit/economic obligation and pension benefit expenses

	Surplus/(deficit)	Economical part of the organisation	Economical part of the organisation	Change in the prior year period or recognised in the current period	Contributions concerning the business period	Pension benefit expenses within personnel expenses	Pension benefit expenses within personnel expenses
CHF 000	31.12.2016 <sup>1)</sup>	31.12.2016	31.12.2015	period	period	2016	2015
Pension schemes							
with surplus	30,082	0	0	0	23,787	23,787	23,479
without surplus/(deficit)	0	0	0	0	8,455	8,455	8,030
<b>Total</b>	<b>30,082</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,242</b>	<b>32,242</b>	<b>31,509</b>

<sup>1)</sup>At the publication date the final financial statements of the pension schemes were not available. Therefore the figures are based on the financial statements of the pension schemes 2015.

The financial statements of the pension funds in Switzerland are prepared in accordance with Swiss GAAP FER 26.

### Presentation of issued structured products

Underlying risk of the embedded derivative

CHF 000	Valued separately			Valued separately		
	Value of the host instrument	Value of the derivative	Total 31.12.2016	Value of the host instrument	Value of the derivative	Total 31.12.2015
<b>Interest rate instruments</b>						
With own debenture component (oDC)	0	0	0	0	0	0
Without oDC	0	0	0	0	0	0
<b>Equity securities</b>						
With own debenture component (oDC)	666,521	-29,082	637,439	495,601	-62,474	433,127
Without oDC	0	0	0	0	0	0
<b>Foreign currencies</b>						
With own debenture component (oDC)	67,764	-756	67,008	43,710	49	43,759
Without oDC	0	0	0	0	0	0
<b>Commodities/precious metals</b>						
With own debenture component (oDC)	4,754	-260	4,494	2,074	-22	2,052
Without oDC	0	0	0	0	0	0
<b>Total</b>	<b>739,039</b>	<b>-30,098</b>	<b>708,941</b>	<b>541,385</b>	<b>-62,447</b>	<b>478,938</b>

### Presentation of bonds outstanding and mandatory convertible bonds

Issuer		Year of issuance	Early termination possibilities	Weighted average interest rate	Maturity date	Amount
						outstanding CHF 000
Bank J. Safra Sarasin Ltd	Non-subordinated	2014	no	1%	28.05.2020	154,500
Bank J. Safra Sarasin Ltd	Non-subordinated mortgage backed-bonds	2011-2013	no	0.88%	2016-2024	146,457

### Overview of maturities of bonds outstanding

CHF 000	<1 year	>1-<2 ys	>2-<3 ys	>3-<4 ys	>4-<5 ys	>5 years	Total
<b>Issuer</b>							
Bank J. Safra Sarasin Ltd	52,817	16,991	49,069	175,074	2,996	4,010	<b>300,957</b>

**Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year**

CHF 000	Balance as at 31.12.2015	Use in conformity with designated purpose	Change in scope of consolidation	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Release to income	Balance as at 31.12.2016
Provisions for deferred taxes	29,991	0	0	0	-209	0	-2,513	-10,268	17,001
Provisions for pension benefit obligations	0	0	0	0	0	0	0	0	0
Provisions for default risks (off-balance sheet)	0	0	0	0	0	0	0	0	0
Provisions for other business risks	13,680	-3,340	0	0	-129	0	399	0	10,610
Provisions for restructuring	97	-28	0	0	1	0	0	-70	0
Other provisions	2,600	-9	0	0	0	0	9,000	-50	11,541
<b>Total provisions</b>	<b>46,368</b>	<b>-3,377</b>	<b>0</b>	<b>0</b>	<b>-337</b>	<b>0</b>	<b>6,886</b>	<b>-10,388</b>	<b>39,152</b>
<b>Reserves for general banking risks</b>	<b>203,742</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80,000</b>	<b>0</b>	<b>283,742</b>
<b>Value adjustments for default and country risks</b>	<b>289,681</b>	<b>-27,829</b>	<b>1,300</b>	<b>0</b>	<b>-325</b>	<b>24,823</b>	<b>5,645</b>	<b>-5,930</b>	<b>287,365</b>
of which, value adjustments for default risks in respect of impaired loans / receivables	241,796	-15,391	1,300	0	-425	24,646	5,078	0	257,004
of which, value adjustments for latent risks	0	0	0	0	0	0	0	0	0

**Disclosure of amounts due from / to related parties**

CHF 000	Amounts due from		Amounts due to	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Holders of qualified participations	-	-	2,115	1,330
Group companies	-	-	-	-
Linked companies	1,486,526	1,237,106	189,172	191,492
Transactions with members of governing bodies	11,245	11,110	9,209	-
Other related parties	30,921	656	1,528,311	2,258,899

Above-mentioned operations are concluded at arm's length.

Off-balance-sheet transactions with any of the above-mentioned parties are mainly foreign exchange operations.

**Presentation of the maturity structure of financial instruments**

CHF 000	At sight	Cancellable	Due within		Due within	Due	No maturity	Total
			3 months	3 to 12 months	12 months to 5 years	more than 5 years		
Liquid assets	5,933,048	0	0	0	0	0	0	5,933,048
Amounts due from banks	899,875	0	205,185	302,551	57,932	0	0	1,465,543
Amounts due from securities financing transactions	0	0	266,430	21,440	0	0	0	287,870
Amounts due from customers	1,305,425	267,105	5,403,466	600,509	1,377,995	245,546	0	9,200,046
Mortgage loans	5,703	0	521,010	145,653	1,576,284	510,532	0	2,759,182
Trading portfolio assets	977,504	0	0	0	0	0	0	977,504
Positive replacement values of derivative financial instruments	706,813	0	0	0	0	0	0	706,813
Other financial instruments at fair value	1,484,847	0	0	0	0	0	0	1,484,847
Financial investments	838,832	0	1,164,125	861,684	3,927,679	1,482,992	0	8,275,312
<b>Total 31.12.2016</b>	<b>12,152,047</b>	<b>267,105</b>	<b>7,560,216</b>	<b>1,931,837</b>	<b>6,939,890</b>	<b>2,239,070</b>	<b>0</b>	<b>31,090,165</b>
Total 31.12.2015	9,851,895	1,619,804	7,795,653	2,117,784	4,575,909	2,563,215	0	28,524,260
Due to banks	617,557	115,607	191,311	92,748	0	0	0	1,017,223
Liabilities from securities financing transactions	0	0	0	0	0	0	0	0
Amounts due in respect of customer deposits	15,286,871	2,147,542	4,949,139	740,695	984,410	84,140	0	24,192,797
Negative replacement values of derivative financial instruments	604,458	0	0	0	0	0	0	604,458
Liabilities from other financial instruments at fair value	1,281,586	0	0	0	0	0	0	1,281,586
Bond issues and central mortgage institution loans	0	0	30,299	22,518	244,130	4,010	0	300,957
<b>Total 31.12.2016</b>	<b>17,790,472</b>	<b>2,263,149</b>	<b>5,170,749</b>	<b>855,961</b>	<b>1,228,540</b>	<b>88,150</b>	<b>0</b>	<b>27,397,021</b>
Total 31.12.2015	17,121,631	1,432,715	4,655,383	1,184,041	857,071	92,270	0	25,343,111

## Assets and liabilities by domestic and foreign origin

CHF 000	31.12.2016		31.12.2015	
	Swiss	Foreign	Swiss	Foreign
<b>Assets</b>				
Liquid assets	5,702,957	230,091	5,276,460	245,773
Amounts due from banks	358,345	1,107,198	415,321	1,285,025
Amounts due from securities financing transactions	20,000	267,870	20,000	108,740
Amounts due from customers	687,156	8,512,890	656,489	8,930,563
Mortgage loans	675,271	2,083,911	815,094	1,501,696
Trading portfolio assets	482,976	494,528	389,637	397,776
Positive replacement values of derivative financial instruments	100,962	605,851	113,432	363,335
Other financial instruments at fair value	519,424	965,423	323,399	355,545
Financial investments	302,411	7,972,901	242,050	7,083,925
Accrued income and prepaid expenses	43,964	126,981	43,879	149,363
Non-consolidated participations	20,097	132	3,140	132
Tangible fixed assets	242,454	14,010	256,038	12,989
Intangible assets	456,014	2,657	489,386	658
Other assets	138,743	201,634	61,884	332,613
<b>Total assets</b>	<b>9,750,774</b>	<b>22,586,077</b>	<b>9,106,209</b>	<b>20,768,133</b>
<b>Liabilities</b>				
Amounts due to banks	320,758	696,465	214,416	544,499
Liabilities from securities financing transactions	0	0	20,020	275,213
Amounts due in respect of customer deposits	6,392,430	17,800,367	5,944,495	16,876,407
Negative replacement values of derivative financial instruments	109,662	494,796	94,510	384,096
Liabilities from other financial instruments at fair value	590,071	691,515	663,591	0
Bond issues and central mortgage institution loans	300,957	0	325,864	0
Accrued expenses and deferred income	151,980	157,092	141,443	123,408
Other liabilities	79,755	114,144	23,974	120,809
Provisions	30,436	8,716	34,644	11,724
Reserves for general banking risks	273,971	9,771	193,971	9,771
Share capital	848,245	0	848,245	0
Capital reserve	1,745,862	0	1,745,862	0
Retained earnings reserve	-371,628	1,062,385	-399,438	974,494
Currency translation reserve	138,873	-87,900	138,873	-146,581
Minority interests in equity	19,206	506,854	19,380	460,131
Consolidated profit	-53,318	305,386	-24,737	255,257
<b>Total liabilities</b>	<b>10,577,260</b>	<b>21,759,591</b>	<b>9,985,113</b>	<b>19,889,229</b>



**Assets by countries/country groups**

CHF 000	31. 12. 2016		31. 12. 2015	
	Total	Part as a %	Total	Part as a %
Europe	6,495,222	20.1%	5,970,480	20.0%
Americas	11,479,256	35.5%	11,019,969	36.9%
Asia	4,181,728	12.9%	3,402,108	11.4%
Others	429,871	1.3%	375,577	1.3%
<b>Total foreign assets</b>	<b>22,586,077</b>	<b>69.8%</b>	<b>20,768,134</b>	<b>69.5%</b>
Switzerland	9,750,774	30.2%	9,106,209	30.5%
<b>Total assets</b>	<b>32,336,851</b>	<b>100.0%</b>	<b>29,874,342</b>	<b>100.0%</b>

**Breakdown of total net foreign assets by credit rating of country groups (risk domicile view)**

	31. 12. 2016		31. 12. 2015	
	Net foreign exposure		Net foreign exposure	
	CHF 000	Part as a %	CHF 000	Part as a %
<b>Standard &amp; Poor's</b>				
AAA to AA-	7,960,785	86.8%	7,518,815	95.7%
A+ to A-	1,207,880	13.2%	227,934	2.9%
BBB+ to B-	0	-	109,061	1.4%
<b>Total net foreign assets</b>	<b>9,168,665</b>	<b>100.0%</b>	<b>7,855,810</b>	<b>100.0%</b>

Basis for Country Ratings: Standard & Poor's Issuer Credit Ratings Foreign Currency LT (long term).

## Balance sheet by currencies

CHF 000	CHF	EUR	USD	Others	Total
<b>Assets</b>					
Liquid assets	5,702,948	220,590	388	9,122	5,933,048
Amounts due from banks	476,374	164,684	572,281	252,204	1,465,543
Amounts due from securities financing transactions	20,000	128,640	139,230	0	287,870
Amounts due from customers	775,023	1,226,390	5,819,856	1,378,777	9,200,046
Mortgage loans	698,040	306,514	600,962	1,153,666	2,759,182
Trading portfolio assets	227,006	8,439	385,278	356,781	977,504
Positive replacement values of derivative financial instruments	391,558	52,400	215,117	47,738	706,813
Other financial instruments at fair value	504,920	110,737	137,950	731,240	1,484,847
Financial investments	874,409	1,541,777	4,394,226	1,464,900	8,275,312
Accrued income and prepaid expenses	28,372	25,719	86,873	29,981	170,945
Non-consolidated participations	20,197	17	16	-1	20,229
Tangible fixed assets	237,297	3,215	10,189	5,763	256,464
Intangible assets	456,568	2,103	0	0	458,671
Other assets	96,743	122,719	103,111	17,804	340,377
<b>Total balance sheet assets</b>	<b>10,509,455</b>	<b>3,913,944</b>	<b>12,465,477</b>	<b>5,447,975</b>	<b>32,336,851</b>
Delivery claims from spot, forward and options transactions	2,184,498	7,055,995	23,848,193	15,555,493	48,644,179
<b>Total assets 31.12.2016</b>	<b>12,693,953</b>	<b>10,969,939</b>	<b>36,313,670</b>	<b>21,003,468</b>	<b>80,981,030</b>
<b>Liabilities</b>					
Amounts due to banks	135,051	229,807	471,154	181,211	1,017,223
Liabilities from securities financing transactions	0	0	0	0	0
Amounts due in respect of customer deposits	2,751,134	3,815,631	14,324,493	3,301,539	24,192,797
Negative replacement values of derivative financial instruments	191,994	199,254	160,670	52,540	604,458
Liabilities from other financial instruments at fair value	224,858	181,696	176,300	698,732	1,281,586
Bond issues and central mortgage institution loans	219,649	0	81,308	0	300,957
Accrued expenses and deferred income	107,973	106,966	57,534	36,599	309,072
Other liabilities	54,366	37,799	78,995	22,739	193,899
Provisions	16,669	22,411	0	72	39,152
Reserves for general banking risks	273,971	9,771	0	0	283,742
Share capital	848,245	0	0	0	848,245
Capital reserve	1,745,862	0	0	0	1,745,862
Retained earnings reserve	183,613	232,416	262,349	12,379	690,757
Currency translation reserve	638	-94,511	98,231	46,615	50,973
Minority interests in equity	19,206	0	495,301	11,553	526,060
Consolidated profit	-29,198	64,791	184,707	31,768	252,068
<b>Total balance sheet liabilities</b>	<b>6,744,031</b>	<b>4,806,031</b>	<b>16,391,042</b>	<b>4,395,747</b>	<b>32,336,851</b>
Delivery obligations from spot, forward and options transactions	6,307,363	5,943,353	19,707,794	16,624,033	48,582,543
<b>Total liabilities 31.12.2016</b>	<b>13,051,394</b>	<b>10,749,384</b>	<b>36,098,836</b>	<b>21,019,780</b>	<b>80,919,394</b>
<b>Net currency positions 31.12.2016</b>	<b>-357,441</b>	<b>220,555</b>	<b>214,834</b>	<b>-16,312</b>	<b>61,636</b>

# Consolidated notes – Information on off-balance sheet transactions

## Breakdown and explanation of contingent assets and liabilities

CHF 000	31.12.2016	31.12.2015
Guarantees to secure credits and similar	207,785	199,481
Performance guarantees and similar	101,485	102,848
Irrevocable commitments arising from documentary letters of credit	0	0
Others	34,402	62,932
<b>Total contingent liabilities</b>	<b>343,672</b>	<b>365,261</b>
Contingent assets arising from tax losses carried forward	18,606	14,552
Other contingent assets	0	0
<b>Total contingent assets</b>	<b>18,606</b>	<b>14,552</b>

## Breakdown of credit commitments

CHF 000	31.12.2016	31.12.2015
Commitments arising from deferred payments	0	0
Commitments arising from acceptances (for liabilities arising from acceptances in circulation)	0	0
Other credit commitments	0	0

## Breakdown of fiduciary transactions

CHF 000	31.12.2016	31.12.2015
Fiduciary investments with third-party banks	585,364	757,484
Fiduciary investments with linked companies	0	0
Fiduciary loans	250,679	309,758
Fiduciary transactions arising from securities lending and borrowing, which the Group conducts in its own name for the account of customers	0	0
Other fiduciary transactions	0	0
<b>Total</b>	<b>836,043</b>	<b>1,067,242</b>

### Breakdown of managed assets and presentation of their development

CHF million	2016	2015
<b>Type of managed assets</b>		
Assets in collective investment schemes by the Group	15,006	15,632
Assets under discretionary asset management agreements	27,456	27,264
Other managed assets	105,999	101,143
<b>Total managed assets (including double-counting)</b>	<b>148,461</b>	<b>144,039</b>
of which double-counted items	14,357	13,195
<b>Development of managed assets</b>		
Total managed assets (including double-counting) at beginning	144,039	146,174
+/- net new money inflow or net new money outflow	908	1,856
+/- price gains / losses, interest, dividends and currency gains / losses	3,589	-3,450
+/- other effects	-74	-541
<b>Total managed assets (including double-counting) at end</b>	<b>148,461</b>	<b>144,039</b>

Assets under management mainly comprise amounts due to customers in the form of savings and investments, along with term accounts, fiduciary investments, all duly valued assets in custody accounts and linked sight accounts. Assets under management also include assets held for investment purposes by institutional investors, companies and individual clients, along with investment funds.

Discretionary managed accounts include clients' assets with signed discretionary management mandates in favour of an entity of the Group. Other managed assets include client assets for whom one of the entities of the Group provides all services arising from stock exchange and foreign exchange transactions on the basis of instructions received, as well as safekeeping, loans and payments.

Net new inflows/outflows comprise all external inflows and outflows of cash and securities recorded on client accounts.

# Consolidated notes – Information of the income statement

## Breakdown of the result from trading activities and the fair value option

CHF 000	2016	2015
<b>Breakdown by business area</b>		
Trading profit with market risk	42,446	43,291
Trading profit without market risk	81,044	100,990
Trading profit from treasury activities	-15,168	-68,611
<b>Total</b>	<b>108,322</b>	<b>75,670</b>

## Breakdown by underlying risk and based on the use of the fair value option

Result from trading activities from:		
Interest rate instruments	-5,028	-22,579
Equity securities (including funds)	38,251	47,989
Foreign currencies	70,233	48,986
Commodities/precious metals	4,866	1,274
<b>Total result from trading activities</b>	<b>108,322</b>	<b>75,670</b>
of which, from fair value option	-1,286	7,880

## Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest

CHF 000	2016	2015
Material refinancing income in the item "Interest and discount income"	0	0
Material negative interest	27,599	17,846

**Breakdown of personnel expenses**

CHF 000	2016	2015
Salaries	398,937	384,867
of which, expenses relating to share-based compensation and alternative forms of variable compensation	101,360	91,005
Social charges	64,515	62,218
Changes in book value for economic benefits and obligations arising from pension schemes	0	0
Other personnel expenses	19,981	20,276
<b>Total</b>	<b>483,433</b>	<b>467,361</b>

**Breakdown of general and administrative expenses**

CHF 000	2016	2015
Office space expenses	30,607	30,095
Expenses for information and communications technology	17,598	18,384
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	849	879
Fees of audit firm	3,714	3,561
of which, for financial and regulatory audits	3,390	3,188
of which, for other services	324	373
Other operating expenses	92,607	82,929
of which, compensation for any cantonal guarantee	0	0
<b>Total</b>	<b>145,375</b>	<b>135,848</b>

**Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general banking risks, and value adjustments and provisions no longer required**

No material comments (2015: Provisions and losses are mainly due to the constitution of risk provisions partly offset by the release of existing provisions).

**Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum**

No revaluations of participations and tangible fixed assets up to acquisition cost have taken place.

**Presentation of the operating result broken down according to domestic and foreign origin,  
according to the principle of permanent establishment**

CHF 000	2016			2015		
	Swiss	Foreign	Total	Swiss	Foreign	Total
Net result from interest operations	109,766	283,389	393,155	68,227	309,586	377,813
Subtotal result from commission business and services	248,520	283,162	531,682	263,356	289,487	552,843
Result from trading activities and the fair value option	82,374	25,948	108,322	106,914	-31,244	75,670
Subtotal other result from ordinary activities	5,676	9,040	14,716	11,512	1,679	13,191
<b>Operating income</b>	<b>446,336</b>	<b>601,539</b>	<b>1,047,875</b>	<b>450,009</b>	<b>569,508</b>	<b>1,019,517</b>
Personnel expenses	-282,780	-200,653	-483,433	-268,184	-199,177	-467,361
General and administrative expenses	-73,155	-72,220	-145,375	-69,557	-66,291	-135,848
<b>Subtotal operating expenses</b>	<b>-355,934</b>	<b>-272,874</b>	<b>-628,808</b>	<b>-337,742</b>	<b>-265,467</b>	<b>-603,209</b>
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	-51,283	-6,806	-58,089	-51,914	-5,191	-57,105
Changes to provisions and other value adjustments, and losses	-2,453	3,668	1,215	-24,638	-410	-25,048
<b>Operating result</b>	<b>36,666</b>	<b>325,527</b>	<b>362,193</b>	<b>35,715</b>	<b>298,440</b>	<b>334,155</b>

**Presentation of capital taxes, current taxes, deferred taxes, and disclosure of tax rate**

CHF 000	2016	2015
Current income and capital tax expenses	49,935	41,751
Allocation to provisions for deferred taxes	-12,782	5,676
Recognition of deferred income taxes	-7,026	-2,454
<b>Total</b>	<b>30,127</b>	<b>44,973</b>

The weighted average tax rate amounts to 8.0% (2015: 11.2%).

In 2016, the ordinary net tax expense effect of the use of losses carried forward was CHF 9 million (2015: CHF 17 million).

## Report of the Statutory Auditor

To the General Meeting of  
**J. Safra Sarasin Holding Ltd., Basel**

### Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements (pages 36 to 69) of J. Safra Sarasin Holding Ltd., which comprise the consolidated balance sheet as at December 31, 2016, and the consolidated statement of income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

#### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with Swiss accounting principles applicable for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



# Deloitte.

J. Safra Sarasin Holding Ltd.  
Report of the statutory auditor  
on the consolidated financial statements  
for the year ended  
December 31, 2016

## Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss accounting principles applicable for Banks and comply with Swiss law.


## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

## Deloitte AG

  
Alexandre Buga  
Licensed Audit Expert  
Auditor in Charge

  
Sandro Schönenberger  
Licensed Audit Expert

Zurich, March 1, 2017



# Sustainability Report

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Luxembourg | Grand-Château d'Ansembourg (1750)

A photograph of a formal garden, likely the Grand-Château d'Ansembourg in Luxembourg. The image shows a gravel path leading through a series of manicured hedges and trees. The hedges are shaped into geometric patterns, and there are several large, mature trees. The overall scene is lush and green, with a clear sky. The path is made of light-colored gravel and is bordered by green grass and hedges. The hedges are well-maintained and form a series of steps or terraces. The trees are large and leafy, providing shade to the garden. The lighting is bright, suggesting a sunny day.

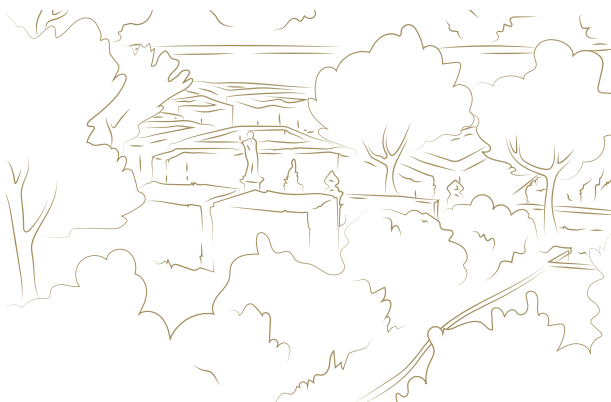
# Sustainability Report 2016

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In the Sustainability Report 2016, J. Safra Sarasin Group documents how forward-looking decisions help to guarantee commercial success. This is achieved thanks to a first-class team of employees and the Group's sustainable corporate policy, which strives for an acceptable ecological footprint.

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The information provided in this Sustainability Report is selected and presented according to its relevance in a sustainability context and to the principles of completeness, balance, accuracy, timeliness, clarity and reliability. In general, the figures published in the Sustainability Report cover the J. Safra Sarasin Group as a whole, including branches and consolidated affiliates. As a rule, all offices with more than 15 employees are integrated into the environmental indicator reporting system. At a local level, we use estimates if no exact figures are available.



**Figure: The meaning of Corporate Sustainability for J. Safra Sarasin**



### **The meaning of Corporate Sustainability for J. Safra Sarasin**

For J. Safra Sarasin, Corporate Sustainability means responsible and proactive governance, considering and integrating the interests of all the Bank's stakeholders into its decision-making process.

Focusing on its clients, while balancing the needs of its employees as well as the requirements of the society for long-term prosperity and the integrity of the environment, is paramount for the long-term strategy of the Bank.

J. Safra Sarasin has developed from this understanding, five strategic corporate sustainability objectives. The sustainability report is structured in accordance with these.

1. We embed sustainability in our corporate strategy and governance
2. We incorporate sustainability considerations in our core investment offering
3. We live a sustainable corporate culture
4. We are part of the society
5. We manage resources efficiently

This report demonstrates the progress achieved in 2016.

### **Corporate sustainability at a glance**

Bank J. Safra Sarasin's Corporate Sustainability Manager serves as a facilitator and catalyst for embedding sustainability in the Group's corporate strategy (objective 1). The Corporate Sustainability Board, which reports directly to the Bank's Executive Committee, has rallied all major decision-makers of the Bank behind this single goal throughout the year 2016. Once again, the Asset Management division launched several innovations in the field of sustainable investment. For example, the Bank comprehensively revised its Active Ownership strategy in 2016, and introduced a detailed sustainability analysis of the entire client's portfolio (objective 2). In order to foster a sustainable corporate culture (objective 3), the Bank has chosen a two-pronged approach: first, by further deepening the knowledge of its employees regarding compliant and competitive banking services and second, by strengthening employee relations by organising employee events and awarding prizes to its loyal and highly motivated workforce. J. Safra Sarasin has once again also been an active sponsor in its social environment (objective 4). Besides sponsoring projects in the field of philanthropy, arts and sports, the Bank sponsors an award that fosters best practice in Responsible Investment reporting by asset owners. Several energy efficiency enhancing projects have been launched in order to steadily reduce the carbon footprint of the company (objective 5).

### **Objective 1: We embed sustainability in our corporate strategy and governance**

#### **Commitment to sustainability – since 1841**

Sustainability has been a firm component of J. Safra Sarasin's identity and stability as a Swiss private banking group for over 175 years. J. Safra Sarasin does not view sustainability as an end in itself, but rather as a key factor in its success. Sustainability enables the Group to project a distinctive image on the market and creates continuity across time and generations. J. Safra Sarasin is committed to operating its core business in a consis-

## J. Safra Sarasin Group's sustainability indicators 2016 at a glance

	2016	2015	2014
<b>Financial</b>			
CET1 ratio (%)	28.2	27.0	24.9
Total assets under management (billion CHF)	148.4	144.0	147.4
Sustainably managed assets (billion CHF)	10.9	11.3	15.0
Responsibly managed assets (billion CHF)	16.1	17.7	8.1
Volume of J. Safra Sarasin sustainable investment funds (billion CHF)	2.4	3.1	3.6
Volume of J. Safra Sarasin responsible investment funds (billion CHF)	1.0	1.5	3.9
<b>Social</b>			
Total number of employees (FTEs <sup>1</sup> )	2,095	2,022	1,981
Part-time jobs	190	212	216
Proportion of women (%)	36.1	36.0	35.2
Proportion of women in management positions (%)	12.8	13.0	14.5
Fluctuation rate (%)	12.4	15.0	17.3
Number of apprentices	7	14	15
<b>Environmental</b>			
Greenhouse gas emissions (kg CO <sub>2</sub> per FTE)	2,334	2,603	2,233
Electricity consumption (kwh per FTE)	4,662	5,946	5,768
Heating energy consumption (kwh per FTE)	862	723	1,456
Paper consumption (kg per employee)	64	63	90
Proportion of recycled paper (%)	80	84	66
Proportion of energy from renewable sources (%)	64	41	52

tently sustainable manner. This is a commitment for the future. The associated principles and rules of corporate governance provide the framework for every aspect of our business activity. The sustainability strategy is strictly implemented at management and operational levels in order to ensure credibility and reliability.

**Figure: Pyramid of sustainability strategy**



### The Sustainability strategy of J. Safra Sarasin

The mission statement of the J. Safra Sarasin Group, the mission statement of the Corporate Sustainability Board, the Bank's strategic goals as well as its annual objectives and operational actions constitute the pyramid that demonstrates how J. Safra Sarasin organises its sustainability strategy.

### The Corporate Sustainability Board

To ensure that high sustainability standards are firmly embedded in the core business strategy, the Executive Committee set up the internal Corporate Sustainability Board (CSB), comprising members of the Executive Committee and top managers from different divisions across the entire Bank. Annually, there are several meetings to define and monitor progress against defined strategic objectives. The Corporate Sustainability Board's responsibilities are to develop the sustainability strategy as part of the Bank's overall business strategy, identify strategically relevant sustainability

<sup>1</sup>) FTE stands for full-time equivalent.

themes and monitor the operational implementation of the strategically developed initiatives and measures based on key performance indicators (KPIs).

The mission statement of the Corporate Sustainability Board is derived from the Group's Mission Statement and summarises how the J. Safra Sarasin Group regards itself in the context of sustainability, how it sets out its goals and how these are to be achieved. The mission statement consists of the five strategic corporate sustainability objectives mentioned above.

The Corporate Sustainability Board was responsible for the implementation of the "Controversial Weapon Guidelines of J. Safra Sarasin Group" that belong to effective risk management, where all risks and the relevant risk drivers are accurately identified, measured and assessed. The quality of risk management is not merely a question of adhering to formal internal and external regulations. The risk awareness of decision-makers is just as important. Quantitative approaches represent only one component of a comprehensive risk management system. The development of an appropriate risk culture as a part of the Bank's corporate culture is of equal significance.

#### The Sustainability Advisory Council

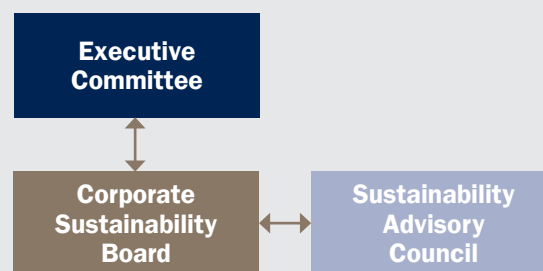
The Corporate Sustainability Board of Bank J. Safra Sarasin is advised by an external Sustainable Investment Advisory Council. It has been set up to ensure that

#### Controversial Weapon Guidelines of J. Safra Sarasin Group

J. Safra Sarasin actively meets its responsibility when it comes to controversial weapons, and has therefore implemented a policy outlining the Group's principles in this area. Controversial weapons are those types of weapons that have become controversial because of their humanitarian impact and/or the large numbers of civilian casualties they cause, often for many years after the conflicts in which they were deployed have ended. They include biological, chemical and nuclear weapons, cluster munitions and anti-personnel mines. J. Safra Sarasin has committed itself not to invest its treasury money in securities of companies that are active in the domain of controversial weapons.

the investment division receives regular guidance and advice relating to recent development in sustainable investment of experienced international experts. There are two to three formal meetings every year. The Council provides access to the latest academic research in the field of sustainable investing. Joint presentations at internal educational sessions and external client events are also part of the Advisory Council's responsibilities. Furthermore, joint investment research projects are conducted in order to further improve the investment approach and benefit from external specialist know-how and experience.

**Figure: The interaction between the Executive Committee and the Sustainability Board**



#### Legal & Compliance

J. Safra Sarasin conducts its business activities within the scope of the applicable statutory and regulatory provisions and in compliance with rules of business conduct for the banking industry. The Executive Committee and the management of the business divisions and branches/affiliates are responsible for compliance with all legal and regulatory provisions. Legal & Compliance provides support to the management in meeting this responsibility. Central management of the Legal & Compliance units by the General Counsel, who reports to the Head of Corporate Centre & Logistics, ensures independence from the operating business.

The Group's Code of Compliance defines the key principles and rules of conduct which lay the foundation for irreproachable business activity that demonstrates integrity and complies with the relevant regulations. Every member of staff is required to meet the standards set out in the Code of Compliance. Employees joining J. Safra Sarasin are obliged to submit written

confirmation in this regard. All the key business processes are governed by internal Group provisions and directives and are conducted in a standardised form. In the 2016 reporting year, there were no incidents of corruption and no legal actions on the basis of anticompetitive conduct or the formation of cartels or monopolies.

### Changes in the regulatory environment

The rapid pace of change in the regulation of the financial services industry has an impact on internal corporate processes, control and monitoring systems and on the development and introduction of new products and services. Projects involving all stakeholders were implemented to tackle such changes. The Bank has also put in place a training concept to ensure the required education and ongoing training of staff, for example in the area of money-laundering prevention.

### Oekom Prime Rating

Once again, the Bank was awarded the oekom Prime Status. The sustainability rating agency oekom research AG assesses the companies' responsibility towards persons affected by corporate activities and the natural environment. Out of a pool of 700 indicators, an average of 100 indicators is selected for each company from this pool on an industry-specific basis so that a targeted evaluation of the problems specific to



that company can be carried out. oekom research awards Prime Status to those companies that are among the leaders in their industry and which meet industry-specific minimum requirements.

### Objective 2: We incorporate sustainability considerations in our core investment activities

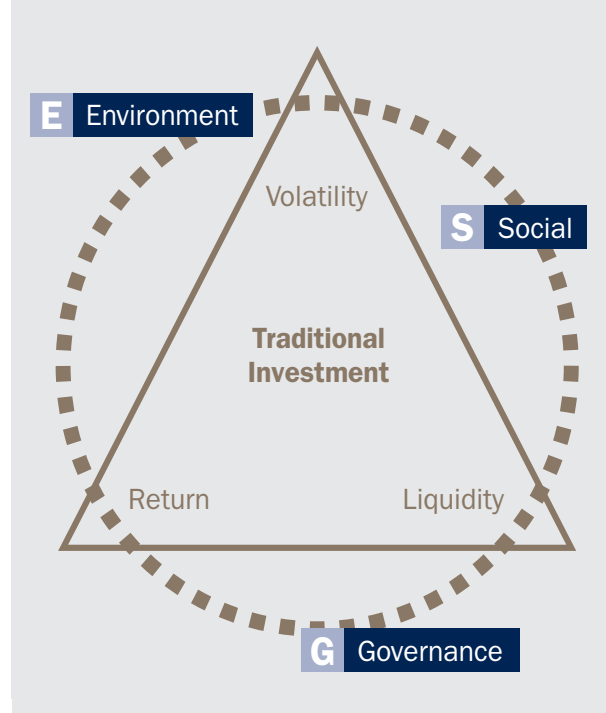
#### Sustainable Investing 2.0 for our clients

The basis of J. Safra Sarasin's success is also founded on its sustainable investment strategy and its solid, sustainable know-how gleaned from over 27 years of experience. Bank J. Safra Sarasin believes that the identification, analysis and management of company- and sector-specific environmental, social, and governance (ESG) risks and opportunities enhance its investment decisions and form an integral part of its fiduciary duty vis-à-vis its advised and discretionarily managed clients.

In order to further strengthen the pioneer role and become an internationally respected innovation and thought leader, Bank J. Safra Sarasin has completed the transition from Sustainable Investing 1.0 to 2.0. In this transition, Bank J. Safra Sarasin strives to demonstrate added value to clients in each step of the investment process: from macro research to constructing the investment universe, through to stock selection and client portfolio reporting. Embedding sustainability has the clear objective to improve investment decisions and results, reduce the adverse environmental and social footprint of clients' portfolios and promote sustainable financial markets.

Besides incorporating sustainability into every stage of the investment process, Bank J. Safra Sarasin has further developed investment-supporting activities such as the exercising of voting rights (also by retaining specialised firms) and engaging in a strategic dialogue with decision-makers of invested companies. One key aspect of our offering is the ability to discuss with clients their specific requirements across a broad spectrum of sustainable investing approaches and criteria, which enables us to provide customised client solutions.

**Figure: Integration of Environmental, Social and Governance (ESG) aspects to traditional investment analysis**





### Sustainable Investing 2.0

- We integrate sustainability into each step of our sustainable investment process and take the United Nations supported Principles for Responsible Investment literally
- We are able to customise sustainable investment solutions to the client's needs
- We achieve Sustainable Alpha by identifying financially material aspects of sustainability
- Our proprietary Sarasin Sustainability Matrix® reduces reputational risks and creates Sustainable Beta
- We reduce the environmental and social footprint of our clients' investment portfolios
- We promote sustainable financial markets

### J. Safra Sarasin's Sustainable Investment Process

The investment process comprises the following five steps:

#### 1. Industry Analysis

The Industry Analysis identifies long-term investment drivers, which differ between industries. It focuses on understanding how industry structure and demand or supply dynamics drive competitiveness, assessing the industry's drivers of profitability, and identifying the key industry metrics. These include sustainability mega trends such as climate change or demographical change. Among the ESG key issues of each industry, we identify those that are potentially financially material.

#### 2. Sustainability Analysis

The Sustainability Analysis assesses and compares a company's ability to manage its ESG risks and opportunities, relative to its industry peers. Several ESG key issues are common to all industries; in particular the governance issues such as board structure, remunera-

tion, ownership & control. Other key issues are more important in some industries and/or specific to only a few industries (e.g. carbon footprint or water risk). The methodology takes these differences into account by selecting and weighting key issues by sector, on the basis of Bank J. Safra Sarasin's Industry Analysis.

The Sustainability Analysis allows the Bank to produce two scores (company ratings and respective industry ratings) which can be combined and displayed in the Bank's proprietary Sarasin Sustainability Matrix® (see below). In exposed industries with low sustainability ratings, such as oil & gas or materials, companies must achieve a high company rating to be included in the sustainable investment universe, whereas in less exposed industries (e.g. telecommunication, IT) companies must only achieve an average company score to be included.

The x-axis of the Sarasin Sustainability Matrix® displays the industry rating score between 0 (low) and 5 (high). The y-axis displays the company score between 0 (low) and 5 (high).

The shaded area contains Bank J. Safra Sarasin's sustainable investment universe. The white area underneath contains the companies which the Bank excludes from the universe due to insufficient sustainability ratings.

#### 3. Sustainable Beta

Bank J. Safra Sarasin constructs the Sustainable Beta Portfolio. The main objective of creating sustainable beta is to identify and correct unwanted tilts in the sustainable investment universe. Moreover, sustainable beta measures the impact of the factor sustainability on financial performance and helps to separately monitor the different steps of the investment process. As such, sustainable beta provides an important input for the fifth step of the investment process: portfolio construction and integrated risk management.

**Figure: Bank J. Safra Sarasin's Sustainable Investment Process at a glance**



### Sustainable Alpha and Sustainable Beta

Bank J. Safra Sarasin's **sustainable investment strategies** combine the concepts of sustainable alpha and sustainable beta: they focus on the sustainable companies of the benchmark universe, making them suitable for sustainable investors seeking active equity exposures within their asset allocation. Bank J. Safra Sarasin's **responsible investment strategies** contain only sustainable alpha and intend to cover the client's entire benchmark universe, making this strategy suitable as a core investment for equity investors.

In sustainable investing, active performance against a classical benchmark may stem from two distinct kinds of investment decisions:

1. From the creation of a (sustainable or ESG-thematic) investment universe that deviates from the benchmark universe. Integrating sustainability in this way (Best-In-Class ESG Approach) creates a new benchmark index or "beta". Bank J. Safra Sarasin defines this new sustainable index as **sustainable beta**.
2. From selecting mispriced companies by considering the fair value after the integration of financially material sustainability aspects into the investment analysis (ESG integration Approach). Bank J. Safra Sarasin defines this source of performance as **sustainable alpha**.

### 4. Sustainable Investment Analysis

The fourth step of the Investment Process, the Sustainable Investment Analysis, draws on the fundamental understanding of the industry which Bank J. Safra Sarasin acquires in the first step "Industry Analysis". In this step, Bank J. Safra Sarasin identifies the industry-specific financially material sustainability aspects which the Bank integrates into its investment analysis. It uses both qualitative and quantitative tools.

### 5. Portfolio Construction

The Portfolio Construction process relies on a quantitative multi-factor risk model to construct portfolios and to control for external risks.

### List of exclusion criteria

A preliminary step of the Sustainability Analysis is the screening for controversial business activities and practices. Bank J. Safra Sarasin applies several standard criteria in order to exclude business practices which are in breach of global norms and/or highly controversial business activities. The standard set for controversial business activities screening is embedded in all our sustainable investment strategies.

Bank J. Safra Sarasin introduced the new exclusion criterion "coal". This move is part of our commitment to address climate change and building on a 2°C scenario as outlined at the Paris Summit on Climate Change (COP21). In particular, the Bank excludes companies that have a significant involvement in coal mining or coal power generation activities while lacking an appropriate climate and transition strategy.

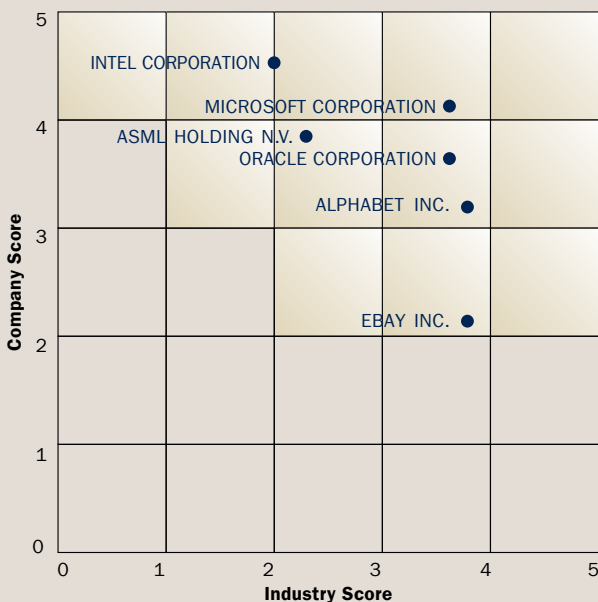
A list of exclusion criteria is applied for all sustainable and responsible investment strategies. They reflect the relevant ethical and financial risks. Companies with the following activities are excluded from the investment universe:

Criterion	Short description
Nuclear Energy	Companies that own or operate nuclear power plants (utilities) and companies that supply key nuclear-specific products or services to the nuclear power industry (suppliers)
Coal	Companies that simultaneously have a significant involvement in the coal business and lack a solid transition strategy towards a low carbon economy
GMO – Agriculture	Companies that genetically modify organisms for agricultural use
GMO – Medicine	Human cloning and other manipulations of the human gene line
Defence & Armament	Producers of civilian firearms, conventional weapons (systems and critical components) and weapon support systems & services (e.g. weapon control systems, target navigation systems etc.)
Tobacco	Producers of tobacco products
Adult Entertainment	Producers of adult entertainment materials
Violation of human rights	Companies involved in severe violations of human rights. This criterion takes into account established international standards & principles (e.g. UN Global Compact)

### Case study Microsoft: Sustainability analysis of an IT sector company

In terms of sustainability performance (see figure below) the IT sector is positioned more to the right-hand side of the matrix due to the fewer ESG risks compared with other sectors such as materials or energy. A higher percentage of companies is thus eligible for Bank J. Safra Sarasin's sustainable investment funds (grey shaded area of the matrix). There are important differences between sub-segments though. For example, the score of semiconductors falls into the "average" quintile, while software-related segments get an "above-average" industry score. Besides, we observe new risks within certain sub-sectors, such as cybersecurity or human capital attractiveness.

Figure: Sarasin Sustainability Matrix® of the IT industry



In terms of content, the focus of the Sustainability Analysis of companies rests on the three areas of Environment, Social and Governance (ESG). Between five and ten specific key issues are defined for each industry, and these are used to assess the individual companies.

The individual key issues are weighted differently in the overall sustainability rating depending on the industry in question. In the IT industry the Social pillar, such as Human Capital Development and Data Security criteria, has the highest weighting at 40–50 %, followed by corporate governance (30 %) and the environmental pillar, such as opportunities in clean tech (20–30 %). Every IT company is assessed on the basis of these key issues, which collectively result in the final sustainability rating.

Microsoft perfectly illustrates the challenges in the sector. With the development of its cloud offering, risks related to cybersecurity have become more acute (concentration of clients' data). However, the company has best-in-class data security systems including data security response plans or third-party IT security certifications, all of which are more proactive than most of its peers. Regarding human capital, the company has been facing challenges related to the restructuring of its hardware activity. Despite that, Microsoft was able to remain one of the most attractive employers in the industry due to its strong employee benefits and programmes as well as its technology leadership.

### Portfolio Reporting and Portfolio ESG Analysis for Institutional and Private Banking clients

After the five steps of the investment process the reporting of the portfolio based on a standard format follows. Having integrated sustainability and risk management along the entire investment process, Bank J. Safra Sarasin can provide clients with an attribution across the full set of risk factors as well as the factor sustainability. Client reporting is seen as an integral step in the investment process.

In addition, Bank J. Safra Sarasin offers a detailed ESG Analysis for a client's entire portfolio. The analysis provides more concrete ESG insights to clients and holdings profile of their investments from a sustainability point of view. It includes for example the portfolio's carbon footprint compared with a benchmark portfolio, or an aggregated portfolio controversy score that shows the controversy and negative reputational news exposure; or a summary of the active ownership actions

performed for the holdings in the specific portfolio. Bank J. Safra Sarasin responds to the trend towards increased disclosure on corporate ESG factors and the force of voluntary investor initiatives, stock exchange requirements and stricter legal regulations throughout the world. Clients benefit from this service, which provides a complimentary portfolio analysis beyond traditional performance discussions. In addition, it is a good basis for an interactive and strong bank-client relationship.

### Country Sustainability Ratings

The fully integrated sustainability investment approach is not limited to corporations, but also extends to countries: as issuers for sovereign bonds, they collectively account for more than a quarter of all debt issued on international capital markets.

Bank J. Safra Sarasin measures the sustainable economic performance of a country based on the availability of natural resources and the efficiency with which these resources are put to use. Here the availability of natural resources provides the foundation for sustained economic growth (illustrated on the horizontal axis in the next figure). These include four key issues:

- I. Water: including freshwater availability and water stress
- II. Land: including availability/use of forests and arable land
- III. Energy: including renewable energy quota and energy efficiency
- IV. External environmental costs: including biodiversity and air pollution

The other dimension (“resource efficiency” illustrated on the vertical axis in the next figure), includes the assessment of economic, social and political aspects and general conditions which, building on the available resources, are required to expedite sustainable development. Resource efficiency covers four key issues:

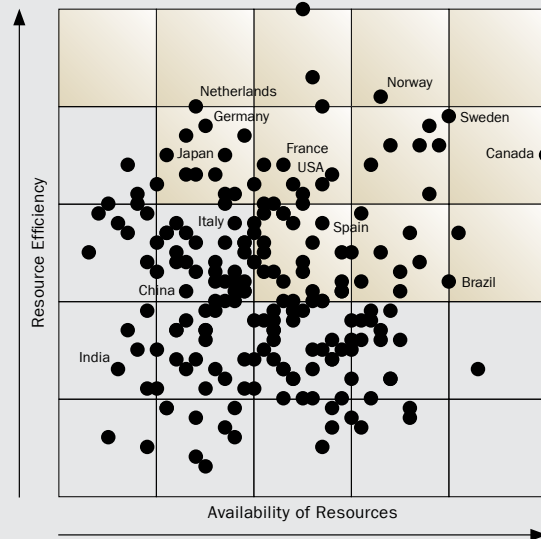
- I. Human capital: including population structure and educational qualifications
- II. Overall economic conditions: including distribution of income and business climate
- III. Financial governance: including level of debt and foreign trade
- IV. Political governance: including institutions and corruption

Bank J. Safra Sarasin plots the 198 countries analysed across the two dimensions resource availability and resource efficiency on the J. Safra Sarasin Sustainability Matrix. The countries in the shaded area are relatively better positioned and can be invested in, while the countries in the white area are not investable (status August 2016).

Bank J. Safra Sarasin’s sustainability rating for countries is based upon 98 data points from publicly accessible sources, including Amnesty International, United Nations, World Bank, Economist Intelligence Unit, Freedom House, IMF, OECD and the US Central Intelligence Agency.

The main benefit of the sustainability rating to the client is the ability to identify structural changes at an early stage. Although the country rating serves as a complimentary tool for credit ratings based on financial criteria, it is not a substitute for them.

**Figure: Sustainability matrix of countries**



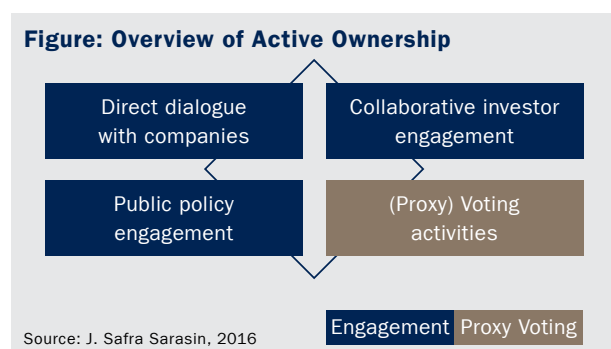
Source: J. Safra Sarasin, 2016

### Re-launch of the Active Ownership strategy

Bank J. Safra Sarasin comprehensively revised its Active Ownership strategy in 2016. Active Ownership – comprising of active dialogue (engagement) and the exercising of voting rights (proxy voting) – is gaining importance especially since it is increasingly seen as a fiduciary duty for investors and asset managers. This is partially driven by regulatory requirements, such as the Ordinance against excessive compensation in Swiss listed

companies (VegüV) in response to the “Minder” initiative in Switzerland. The Bank’s aim of Active Ownership is to actively influence companies’ strategic business decisions in the sense of being a partial owner. Our aim is to promote sustained profitability and risk management in invested companies, in order to protect shareholder value and enhance long-term returns. The Bank has therefore developed an Active Ownership Approach 2.0. This includes elements such as the Active Ownership Policy, the operational Proxy Voting Guidelines and client-specific reporting.

The approach is aligned with Bank J. Safra Sarasin’s sustainable investment methodology and takes into account numerous international guidelines and standards, such as the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises. The Bank’s Active Ownership activities can be split into four relevant areas.



#### Direct dialogue with companies

Every year, Bank J. Safra Sarasin’s sustainable investment analysts and portfolio managers meet with the management of around 400 companies to discuss material ESG issues relevant to the specific business case. In addition, there are specific, more extensive dialogues over a longer period to provide a more detailed understanding of strategically relevant ESG issues or to improve investor communication in the area of sustainability. In cases where companies are not aware of relevant ESG risks and/or manage them insufficiently Bank J. Safra Sarasin would downgrade the sustainability rating of a company and would refrain from an investment as the last step. Recent successes include, for example:

- An insurance company that has drawn up a sustainability strategy and that has consciously addressed material ESG risks for the first time.

- A real estate company that carried out a review of its buildings portfolio to assess their sustainability credentials (“green real estate”).

#### Collaborative investor engagement

Bank J. Safra Sarasin collaborates with other investors in order to maximise the impact of engagement initiatives. For example, the Bank is currently active as lead investor in an initiative coordinated by the United Nations supported Principles for Responsible Investment (PRI) to look into water risks in the agricultural supply chain of consumer discretionary and staples companies. In addition, the Bank regularly signs up to investor initiatives such as the Paris Pledge for Action in the wake of the UN Climate Conference 2015. The Bank was part of the following collaborative engagement activities in 2016:

- Access to Medicine Index
- Carbon Disclosure Project Cities (Pilot project)
- Chemical Footprint Network
- PRI – Arctic shareholder engagement – phase 3
- PRI – Engagement on carbon footprint disclosure
- PRI – Engagement initiative on water risks in agricultural supply chains
- PRI – Investor statement on ESG in Credit Ratings

#### Public policy engagement

Bank J. Safra Sarasin actively participates in political dialogue in various ways. Through involvement in leading sustainable investment initiatives and organisations such as Eurosif and Swiss Sustainable Finance (SSF), the Bank fosters contacts with politics and other stakeholders to promote the consideration and integration of relevant ESG themes on a regulatory level as well. For example, the Bank signed the PRI – Investor letter to G20 on climate change and the PRI – Investor statement on investor obligations and duties. The Bank is also committed to promoting a better understanding of sustainable investments. The Innovation, Technology & Stewardship conferences in Zurich and Geneva in cooperation with the PRI are examples of this.

#### Exercising voting rights at Bank J. Safra Sarasin

For numerous sustainability funds, as well as for various institutional mandates, voting rights are exercised by J. Safra Sarasin taking into account environmental, social and corporate governance criteria. Although the majority of votes concern corporate governance issues, J. Safra

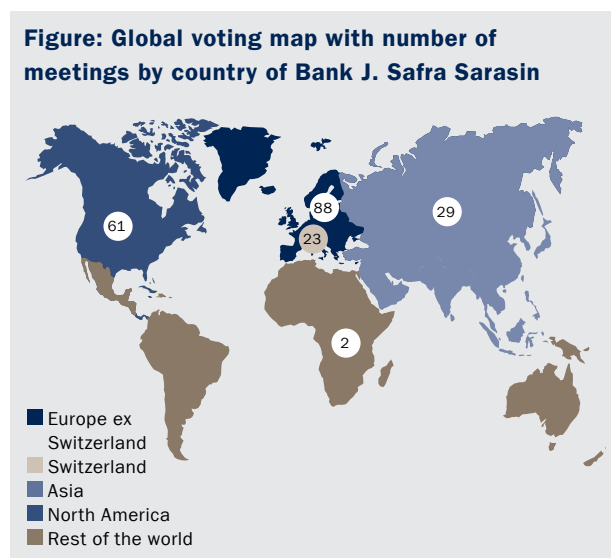
Sarasin also considers social and environmental issues. In the year under review, J. Safra Sarasin voted for shares equivalent to CHF 13 billion. Looking specifically at the results of the asset management of Bank J. Safra Sarasin, 76% of the proposals were voted FOR by Bank J. Safra Sarasin.

In so doing, the Bank receives operational support from Institutional Shareholder Services (ISS). The votes however, are always cast in line with the Bank's own customised operational proxy voting guidelines. Based on this document, which has been developed by the Bank to reflect its own sustainable investment approach, the asset management of Bank J. Safra Sarasin has voted on more than 3,032 agenda items at over 203 AGMs on a global level in 2016. At these AGMs, Bank J. Safra Sarasin voted against one or several of the management's recommendations over 24% of the time. Common topics which the Bank voted against management recommendations included executive pay practices or lack of cultural and gender diversity in the composition of the Board.

Table: Overview of voting activity (meetings, ballots, proposals) of Bank J. Safra Sarasin

Number of meetings	203
Number of ballots	295
Number of Proposals	2,032
AGAINST the management	24%
E and S proposals	30

Figure: Global voting map with number of meetings by country of Bank J. Safra Sarasin



### Promising trend in 2017: Impact Investing and Sustainable Development Goals

In 2017 investors committed to sustainability will have to address the topic around impact investing, partly following the launch of the United Nations' Sustainable Development Goals (SDG) in 2015. The SDGs provide for the first time an international framework for positive reporting. In the autumn of 2016, the biggest institutional investors in the Netherlands and Sweden came to a voluntary agreement to consider positive environmental and social impacts in their investment decisions in support of the SDG objectives. This strong signal from leading investors is bound to be noted and copied in other countries.

The most important category of impact investing over the past five years has been microfinance. In this case the microfinance institutions have been funded in developing countries to offer very small loans to micro entrepreneurs. Despite the great success and growth of this category, today's investors are increasingly searching for large and liquid investment solutions outside these niches which allow them to make a positive environmental and social impact. These changing client expectations have encouraged the Bank J. Safra Sarasin to develop three impact investing innovations for 2017:

1) Integration of the positive impacts of the current sustainable investment strategies into the standardised client reporting. Here the Bank will also use the SDGs as a framework. The intention is to improve portfolio transparency for all clients.

2) Developing specific impact investing strategies to invest in companies listed on the stock exchange. These companies have to meet strict criteria regarding the positive impact of their products and services, combined with a best-in-class performance in the area of corporate sustainability. In addition, Bank J. Safra Sarasin is creating a quality standard for the long-term oriented distribution of profits among the relevant stakeholders.

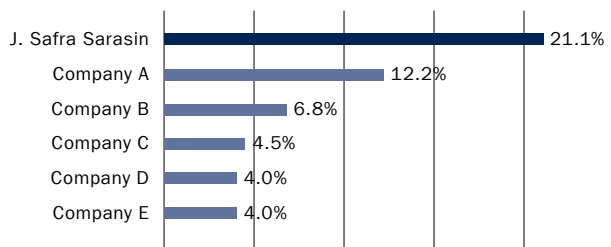
3) Evaluating specialised external solution providers for a potential collaboration in order to develop impact investing solutions for companies not quoted on the stock market.

In 2017 Bank J. Safra Sarasin will make its innovative powers and expertise available to its clients in the form of new sustainable investment solutions designed to make an impact which they are looking for.

**Bank J. Safra Sarasin continues to reign as market leader in Switzerland**

Sustainably managed assets at Bank J. Safra Sarasin amounted to CHF 10.9 billion as of 31 December 2016, while responsibly managed assets totalled CHF 16.1 billion on the same date. The sustainable investment market in Switzerland has continued to develop positively. With a market share of 21.1% in 2016, the Bank continues to reign as market leader in sustainable investments in Switzerland.<sup>2</sup>

Figure: Market Shares of the leading Swiss Asset Managers (in percent)



**Transparency logo for sustainability funds**

Bank J. Safra Sarasin’s sustainability funds bear the European Transparency Logo for Sustainability Funds. This label is awarded to the signatories of the European Transparency Code for Sustainability Funds and is intended to enable investors to determine quickly and reliably whether detailed information on the sustainable investment strategy of an investment product is available, and where to find it. The transparency code and transparency logo make the investment strategy of a fund easier to understand for both the general public and also other interested groups such as asset managers and rating agencies.

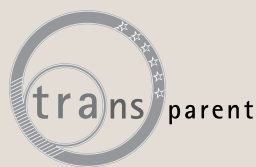
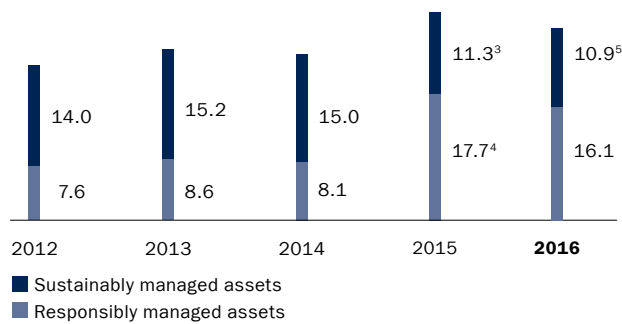


Figure: Development of assets managed sustainably and responsibly by J. Safra Sarasin (billion CHF)



**Contributing to the good of society and earning money at the same time**

Charity funds combine donations for a good cause with sustainable investment. One fund<sup>6</sup> launched by the Swiss League against Cancer and the Swiss Cancer Research Foundation follows this principle: Investors participate in selected companies that are active in the fight against cancer, with 50% of the returns given as a donation to the non-profit institutions for their achievement in the fight against cancer. The fund management company, fund management and custodian bank, in this case Bank J. Safra Sarasin, likewise waive half of their fees, which are donated as well.<sup>7</sup>

**Private Banking Discretionary Mandates**

Bank J. Safra Sarasin offers not only institutional investors but also private clients an innovative and sustainable product range catered to their individual investment needs, while enabling them to benefit from customised management of their assets. In the field of mandates, the offer ranges between pure sustainable mandates and classic sustainable mandates that differentiate between the ratio of fully sustainable investment selection. Clients can also sign up to customised mandates where they individually choose their asset classes and the respective share of sustainable assets.

<sup>2)</sup> Source: Forum Nachhaltiger Geldanlagen (FNG e.V.), 2016 report on the sustainable investment market.  
<sup>3)</sup> Due to reclassification, the formerly sustainable assets from Sarasin & Partners have been reclassified as “responsible”.  
<sup>4)</sup> Sarasin & Partners have developed a responsible investment approach which integrates ESG factors into their investment process across all assets. Their formerly sustainable mandates have therefore been reclassified as “responsible” as well.  
<sup>5)</sup> The Assets under Management that in the Private Banking Classic Sustainable Mandates are based on the Bank J. Safra Sarasin sustainable investment approach. All direct holdings of equities and bonds have to be rated “sustainable”.  
<sup>6)</sup> This fund has a marketing licence in Switzerland.  
<sup>7)</sup> The cooperation stopped in October 2016.

## Asset management products

		Only sustainable	Sustainable and responsible	Only responsible
Investment Funds and Securities Products	Equity funds	<ul style="list-style-type: none"> <li>– Theme: renewable energies and energy efficiency</li> <li>– Theme: water</li> <li>– Real Estate/REITS shares</li> <li>– Switzerland</li> <li>– Europe</li> <li>– USA</li> <li>– Emerging Markets</li> <li>– Global</li> </ul>	– Multi-themes	– Brazil
	Balanced funds	– Neutral asset allocation	<ul style="list-style-type: none"> <li>– Defensive asset allocation</li> <li>– Flexible asset allocation (also risk-controlled)</li> </ul>	
	Bond funds	<ul style="list-style-type: none"> <li>– Europe</li> <li>– EUR Corporate</li> <li>– EUR High grade</li> </ul>	<ul style="list-style-type: none"> <li>– CHF</li> <li>– EUR</li> <li>– USD</li> </ul>	
	Tracker certificates on sustainable indexes	<ul style="list-style-type: none"> <li>– Open-end: DAXglobal® Sarasin Sustainability Index Switzerland; DAXglobal® Sarasin Sustainability Index Germany; Euro STOXX Sustainability 40 Index; STOXX Europe Sustainability 40 Index<sup>8</sup></li> <li>– Thematic Sustainable Actively Managed Certificate (Strategy Advisors = Sustainable Research)</li> <li>– (Partial) Capital Guaranteed Products on Sustainable indexes</li> </ul>		
J. Safra Sarasin Investment Foundation	Equity investment products	– Emerging Markets	<ul style="list-style-type: none"> <li>– Switzerland</li> <li>– International excl. Switzerland</li> </ul>	
	Balanced investment products		<ul style="list-style-type: none"> <li>– Defensive asset allocation</li> <li>– Neutral asset allocation</li> </ul>	
	Bond investment products		<ul style="list-style-type: none"> <li>– CHF</li> <li>– International excl. CHF</li> </ul>	
	Property investment products	– Swiss Real Estate		
	Alternatives	– Commodities ex. Agro/Livestock		
J. Safra Sarasin Investment Foundation 2	Shares		<ul style="list-style-type: none"> <li>– International excl. Switzerland</li> </ul>	
Mandates	For private clients	<ul style="list-style-type: none"> <li>– Bond Mandates</li> <li>– Defensive asset allocation<sup>9</sup></li> <li>– Balanced asset allocation<sup>9</sup></li> <li>– Dynamic asset allocation<sup>9</sup></li> <li>– Equity Mandates</li> </ul>	<ul style="list-style-type: none"> <li>– Premium Mandates</li> <li>– Equity Mandates with focus on dividends</li> </ul>	– Bond Mandates Emerging Markets
	For institutional clients		<ul style="list-style-type: none"> <li>– Bonds</li> <li>– Balanced</li> <li>– Equities</li> </ul>	
	Managed Fund Portfolios	<ul style="list-style-type: none"> <li>– Equity mandates</li> <li>– Dynamic asset allocation</li> <li>– Balanced asset allocation</li> <li>– Defensive asset allocation</li> </ul>		
Advisory services	Third-party funds and advisory mandates	<ul style="list-style-type: none"> <li>– Equities (classic, thematic)</li> <li>– Balanced (defensive, defensive with risk limitation)</li> <li>– Real Estate Europe</li> <li>– Convertibles<sup>10</sup></li> </ul>		
	Advisory and joint management	<ul style="list-style-type: none"> <li>– Different mandates for institutional customers</li> <li>– Portfolio Sustainability Analysis</li> </ul>		

<sup>8)</sup> These certificates are approved for distribution in Switzerland.

<sup>9)</sup> Some of the mandates are managed mainly sustainably due to non-existent or insufficient sustainable alternatives in different asset classes.

<sup>10)</sup> At least 80% of the fund's securities must be rated as sustainable.



**STOXX® made by Bank J. Safra Sarasin**

Since March 2011 Bank J. Safra Sarasin has been responsible for the composition of the Stoxx® Sustainability Indices. The constituents of the Stoxx® Europe 600 Index are assessed regarding their ESG (environmental, social and governance) opportunities and risks using the Bank J. Safra Sarasin research methodology. If the issuers show a good enough sustainability rating, they are admitted to the Stoxx® Sustainability Indices.<sup>11</sup>

**J. Safra Sarasin's awards****DEUTSCHER FONDSPREIS 2016 for J. Safra Sarasin Sustainable Equity Water Fund<sup>12</sup>**

The DEUTSCHER FONDSPREIS 2016 was awarded to the J. Safra Sarasin Sustainable Water Fund EUR P dist in the category Sustainable Investment. The fund was rated as having “Outstanding” investment results by the independent testers of FONDS Professionell and its media partner Frankfurter Allgemeine Zeitung.

**AUSTRIAN FONDSPREIS 2016 for Bank J. Safra Sarasin Sustainable Equity Water Fund<sup>12</sup>**

The AUSTRIAN FONDSPREIS 2016 was awarded to the J. Safra Sarasin Sustainable Water Fund EUR P dist in the category Sustainable Investment. The fund was rated as having “Outstanding” investment results by the independent testers of FONDS Professionell and its media partner DIE PRESSE.

**Sarasin-FairInvest-Universal-Funds<sup>13</sup> awarded AA+ Rating by TELOS**

By awarding their AA+ rating in 2016, Telos has certified that the Sarasin-FairInvest-Universal-Fund meets very

high quality standards. In their full rating report, TELOS GmbH appreciates J. Safra Sarasin’s “sustainable investment approach” as well as the fact that sustainability criteria are understood to be a key risk management tool.

**MSCI ESG QUALITY SCORE**

The MSCI ESG Quality Score for Funds measures the overall ESG quality, for example of the holdings of mutual funds, as measured by the ability of constituent companies to manage medium- to long-term risks and opportunities arising from ESG exposures. It assesses funds on a scale from 0 to 10, with 10 reflecting underlying holdings that rank best-in-class globally based on their exposure to – and management of – ESG risks and opportunities, while a score of 0 reflects holdings that generally rank worst in class globally based on their exposure to similar factors. Numerous flagship strategies of Bank J. Safra Sarasin were ranked in the top 10% of funds globally on the basis of their ESG credentials, even more strategies were ranked in the top 10% of their fund peer group.

**INVESTMENT INNOVATION BENCHMARK (IIB)**

Bank J. Safra Sarasin was awarded by the IIB for its innovative ESG integration process “as an innovative process to construct ESG-focused equity universes using a data-driven calculation engine and the largest sustainable investment analyst team in Europe” (IIB, 2016). The Investment Innovation Benchmark Project aims to enhance the incentives for innovation among investment professionals and thereby induce the regenerative functions of financial markets to create a more sustainable financial system for the beneficiaries of pension funds and anyone else.

**Passing on knowledge about sustainability-related investment topics**

J. Safra Sarasin compiles and shares leading sustainable investment analysis to clients either in the form of publications or in the form of knowledge-sharing events.

<sup>11</sup> The STOXX® Sustainability Indices are the intellectual property of STOXX Limited. STOXX makes no investment recommendations and shall not be held liable for any errors or delays in the index calculation or data distribution.

<sup>12</sup> This fund is approved for distribution in Singapore, Spain, Switzerland, Germany, Austria, Liechtenstein, France, Italy, Luxembourg, Belgium, Netherlands, Great Britain, Ireland, Sweden, and Denmark.

<sup>13</sup> This fund is approved for distribution in Germany and Austria.

In 2016, Bank J. Safra Sarasin's sustainability investment research team released the following publications: The Sustainable Investment Spotlight, The Sustainable Investment Focus, and The Sustainable Investments Newsletter. These publications provide clients, employees and the public with interesting information and deeper knowledge about sustainable issues relevant for asset management.

In 2016, Bank J. Safra Sarasin's sustainability investment research team also released the following publications:

- Investment risks and rewards from climate change
- Sustainable Investing 2.0: Delivering portfolio transparency
- Investors' new power: Re-launch of the Active Ownership strategy
- Overweight and diabetes – a global epidemic
- Implications of the US election for sustainable investors
- Sustainable investing in the financial sector – Still many challenges and risks ahead

At the same time, different authors made their expertise widely available in various specialist articles. Additionally, J. Safra Sarasin contributed strongly to the new Swiss Sustainable Finance (SSF) Handbook of Sustainable Investments. The Head of Sustainable Investment Research sat on the committee advising the editors while two sustainable investment research analysts contributed to the content as authors. The handbook intends to provide an introduction to sustainable investment for ins-

#### **Pension Fund of Bank J. Safra Sarasin signs the Principles for Responsible Investment**

By signing the internationally recognised and UN-supported Principles for Responsible Investment (PRI) the Pension Fund of Bank J. Safra Sarasin emphasises its long-standing commitment to be an active owner and to integrate environmental, social and governance considerations into its investment decisions. The PRI has grown constantly since it began more than ten years ago and currently represents approximately 1500 signatories and 62 US\$ trillion assets under management. Bank J. Safra Sarasin acted as a founding signatory of the initiative back in 2006.

#### **RI Reporting Awards 2016**

Bank J. Safra Sarasin sponsored the RI Reporting Awards 2016 that showcase excellence in responsible investment reporting, encouraging best practice and transparency by recognising the highest standards in the disclosure of responsible investment activities by asset owners globally. Using publicly available information, the judging panel looks for reporting best practice in terms of simplicity, relevance, disclosure and process of the largest institutional investors.



titutional investors especially. It gives a comprehensive and practical overview of existing approaches and current developments in the field of sustainable investments.

Throughout 2016, several events with the aim of sharing knowledge were organised by Bank J. Safra Sarasin. These events aimed at private clients, institutional clients, and the professional audience. For example, a Roundtable on "Impact Investing" took place, where experts from the Bank and from the outside shared their inside knowledge with clients.

Additionally, Bank J. Safra Sarasin organised in cooperation with MSCI, the Swedish environmental foundation MISTRA and the Investment Innovation Benchmark (IIB) a joint event about innovation in sustainable investments in Vienna. Various speakers discussed how sustainable investors can contribute to the attainment of the Sustainability Development Goals set by the United Nations and at the same time generate superior returns. Furthermore, the Bank organised an investment forum for institutional clients in Germany. Besides various speakers from the Bank talking on different topics in the field of sustainable investment, the German meteorologist and oceanographer Mojib Latif was the key speaker. The Bank also jointly conducted with MSCI the conference "Decarbonisation and Responsible Investment race: what are the challenges for investors?" in Geneva, where clients, asset managers and asset owners were invited to join the discussion about the role of institutional investors in the transition to a low carbon economy.

### Objective 3: We live a sustainable corporate culture

J. Safra Sarasin's most valuable capital is its employees. They are essential to the success of the organisation, now and in the future. Their technical expertise, professional qualifications and social skills are highly valued by the Group's clients and business partners. The success of J. Safra Sarasin depends on the enthusiasm and commitment of every one of its employees worldwide and J. Safra Sarasin is particularly keen to ensure that they are treated in a fair manner. At J. Safra Sarasin, employees are very much aware of their entrepreneurial responsibilities.

The Group is an attractive employer, thanks to its clear positioning. The Group attracts first-rate applicants both in Switzerland and abroad.

The headcount increased this year by 73 full-time equivalent positions (+3.6%) to a total of 2,095 full-time equivalent positions at the end of 2016. 190 employees worked part-time as at 31.12.2016. The proportion of women in management positions (female employees in the two uppermost management levels with the title Managing Director or Executive Director) was 12.8%. The percentage of women working in the Group totalled 36.1% in 2016. The employees at J. Safra Sarasin originate from 59 different countries portraying a high degree of diversity. The majority of employees are between 35 and 45 years old. A split by job titles can be seen below.

**Table: Number of employees as per 31.12.16 (full-time equivalents)**

	31.12.2016	31.12.2015
<b>Total</b>	2,095	2,022
Abroad	950	889
Switzerland	1,145	1,133

**Table: Age structure of employees (full-time equivalents in %)**

Men	Years	Women
2	< 25	3
15	25-34	20
27	35-44	34
32	45-54	27
24	> 55	16

**Table: Headcount by job title (full-time equivalent in %)**

Men	Title	Women
7	Managing Director	2
13	Executive Director	3
20	Director	11
21	Vice President	17
14	Assistant Vice President	21
9	Authorized Officer	19
16	Staff	27

### Code of Business Conduct as an obligatory guide

The foundation for the Group's success is the trust it instils in existing and potential clients. This trust depends on how the Group is experienced on a daily basis. A Group-wide Code of Business Conduct covers the underlying principles, which have to be observed by all the Group's employees as well as by the members of the Board of Directors as part of their business-related activities. These principles outlay the daily behaviour in dealing with clients, colleagues and all other stakeholders.

### Attractive terms of employment and social benefits

The staff regulations for each J. Safra Sarasin Group company specify employees' rights and obligations, working hours and holiday entitlements as well as social and other fringe benefits. The rules form part of employment contracts and apply to all employment relationships. The employee benefits offered by J. Safra Sarasin Group companies are at least equivalent to the legal requirements at individual locations, or exceed them. Remuneration within the J. Safra Sarasin Group is determined by the demands of the position, the qualifications and performance of the employee, and the performance of the Group and its subsidiaries.

### Respectful working environment

The Group pursues a strict policy of equal opportunities and encourages a working environment characterised by a dignified and respectful atmosphere. The Group relies on the diversity of its employees with their variety of skills and talents. Discrimination or harassment of any kind, e.g. due to gender, ethnic background, religion, age, nationality, or sexual orientation is not

tolerated. This is firmly anchored in, the Code of Business Conduct and a directive applicable to the whole Group on sexual harassment and mobbing.

#### **Employee representation at Bank J. Safra Sarasin Ltd in Switzerland**

For the protection of the common interests of employees, Bank J. Safra Sarasin has a Staff Representative Council (ANV) to represent employees in the Bank's home market. The "Regulations on employee participation through the Staff Representative Council" forms the foundation of the ANV. These regulations are based on the Swiss Federal Act on Information and Consultation of Employees in the Workplace. The members of the ANV are elected for three years. Depending on the respective matter, the ANV has information or consultation rights. The aim of this cooperation is to promote a dialogue between the top management and Bank J. Safra Sarasin's employees and thus contribute to a good working relationship. Well-informed employees tend to identify more closely with the company, which in turn can have positive effects on motivation and productivity.

#### **Learning & Development**

J. Safra Sarasin emphasises the importance of continuous training and education to realise the full potential of its global staff and to ensure its employees act in a fully compliant way at all times. The hiring of a Head Learning & Development, the newly established Learning Committee, the ongoing enhancement of the Bank's learning curriculum along business-relevant training categories and the successful implementation of a Learning Management System are increasing the Group's ability to deliver online learning programmes, classroom- and blended training opportunities.

#### **Specific development of young professionals at Bank J. Safra Sarasin Ltd in Switzerland**

In Banking and IT, seven apprentices are currently trained by Bank J. Safra Sarasin and the Centre for Young Professionals. In recent years all apprentices have successfully completed their apprenticeship and the vast majority of all graduating young professionals were offered a job with the Bank. A number of highly talented University graduates with an excellent degree in economics or law are admitted to Bank J. Safra Sarasin's Graduate Trainee Program (GTP) to gain a comprehensive insight into our business.

#### **Social engagement of our apprentices:**

##### **"Project changeover"**

Five of the Bank's apprentices went for several days to a home for disabled people to learn and contribute to their daily life in Switzerland. The personal encounter and interaction with the disabled people helped the young colleagues to understand their own perception and behaviour patterns while supporting a local social institution.

#### **Healthy and sustainable employees**

J. Safra Sarasin Group views the promotion of health as an important element of its corporate culture. At Bank J. Safra Sarasin in Switzerland free flu vaccinations are offered every year. Employees in Switzerland have the opportunity to benefit from reduced health insurance premiums. In some locations, fitness studios offer a membership discount to our employees.

With targeted activities, the Group encourages employees to exercise more in everyday life. For example, Bank J. Safra Sarasin in Switzerland took part again in the "bike to work" campaign launched by Pro Velo Schweiz: over 43 cycling fans from the Swiss locations pedalled to their office on at least half the days they worked in the previous month. Additionally, employees from the Bank participated in the Swiss wide company run "B2RUN" in Basel. Colleagues from various business areas participated in the six km runs which ended in the St. Jakob Arena. In Geneva, 30 employees represented Bank J. Safra Sarasin colours in the "Course de l'Escalade". In so doing, they not only increased their own fitness, but also sent a positive message on sustainable mobility and showed strong team spirit.

In Monaco, Banque J. Safra Sarasin (Monaco) SA participated in the "No Finish Line Race" organised by the Principality's Children & Future Association. For each kilometre, donations were made in favour of the association's aid projects. In 2016, the J. Safra Sarasin team with 12 engaged runners, ran over 443.17 km and transformed those miles in donations for the charity.

#### **Annual participation in the Swiss national "Zukunftstag" of Bank J. Safra Sarasin Ltd**

The National Future Day is an annual happening that allows children of our employees in Switzerland to gain first-hand impressions of the working environment of their parents. This year, 52 boys and girls participated

in the event which promotes gender equality at a young age in preparation for career choices and life planning. The project builds on collaboration between schools, employers and parents. Bank J. Safra Sarasin takes part in this initiative every year and organises an interesting programme of activities for children of the Bank's employees.

#### **Launch of Women Network**

In 2015, Bank J. Safra Sarasin created the "women@jss" network in Zurich. The aim of the initiative is to create and develop awareness of challenges facing employed women in Switzerland. The focus lies on networking, exchange of knowledge and experiences, and sharing of different perspectives. The founding members organise informative meetings and roundtables.

#### **Objective 4: We are part of the society**

The entire J. Safra Sarasin Group and its employees have a natural desire to make an active contribution to sustained social development. This can be done by entering into various commitments. It is important for the Group to uphold an ongoing dialogue with all its stakeholders. For business-policy decisions made at corporate management level, management strives to take into account interests of all stakeholders connected with the Group.

#### **Sustainable events & procurement**

Bank J. Safra Sarasin has developed and introduced the "Handbook of Sustainability" that includes standards for events and hospitality, donations and sponsorships, procurement and guidelines for suppliers. The handbook ensures that corporate activities do not support projects or partners whose values diverge from those of J. Safra Sarasin Group. The principles set forth therein include for example, minimum standards for the procurement of paper and wood products, as well as office equipment, within the scope of building management and in the automotive segment.

#### **Sustainability in sponsoring**

The Bank invests in its social environment by engaging in sponsoring partnerships. To ensure that these activities do not support projects or partners whose values diverge from those of the J. Safra Sarasin Group, the "Handbook of Sustainability" was extended to the entire Group.

Philanthropy, art and sports were the main strategic focuses for the Group's sponsoring activities in 2016. These included, for example, financial support for the Esmeralda Charity Golf Cup 2016 organised by the Limmat Foundation in Zurich.

In the UK, the London charity "Keen" providing one-to-one sport and fun for children and young adults with special needs, at no cost to their families and caregivers was supported financially. Staff from J. Safra Sarasin's London office raised significant sums of money to support a programme allowing disabled children access to personal training with an experienced coach in their favourite sport activity.

As part of its cultural sponsorship of institutions promoting art, Bank J. Safra Sarasin is continuing its long-standing partnership with the Beyeler Foundation in Riehen near Basel in support of Classical Modernism. Additionally, the exhibition on the "Mechanism of Antikythera" at the Antikenmuseum Basel was sponsored. In Monaco, J. Safra Sarasin is the main sponsor of "The Monte Carlo Violin Masters" which offers talented artists, all previously finalists in an international competition, the opportunity to compete against each other.

In the area of sports, the Bank sponsored the ATP 500 Swiss Indoors tennis tournament in Basel and the Sky Lounge at the FC Basel Stadium. Additionally, Bank J. Safra Sarasin was the sponsor of the Swiss Open Gstaad and the CSI Horseriding event in Basel.

#### **Children's art competition**

For the eighth consecutive year, the Bank supported the children's art competition organised on April 22, 2016 by the Swiss Association for Quality and Management Systems (SQS). The topic this year was the ecological footprint. The instructions for the competition were: "Draw a picture illustrating the value, the influence, the effect or your emotion in regards with the topic". The Bank supported the competition by offering three special prizes. The Bank's involvement in this project is to try and encourage the appreciation of art and make children more aware of sustainability issues.

### Public engagement: Together for more sustainability

J. Safra Sarasin also supports social and environmental concerns in the form of seats on company boards. The members of the Board of Directors and the Executive Committee hold a number of different mandates and official functions in these organisations. J. Safra Sarasin supports employees who work voluntarily on behalf of the company.

For many years, J. Safra Sarasin has been actively involved in numerous initiatives and organisations which work for sustainable development. This is another way in which the Bank is fulfilling its responsibility to make a contribution to sustainable development. The Bank participates exclusively in political opinion forming via these initiatives and its membership in various organisations.

- Business Energy Agency (EnAW)
- Carbon Disclosure Project (CDP)
- CDP Water Disclosure Project
- European Sustainable Investment Forum (Eurosif)
- Forum für Nachhaltige Geldanlagen (FNG)
- Global Footprint Network
- öbu-Network for sustainable business
- Swiss Climate Foundation
- Swiss Sustainable Finance (SSF)
- Sustainable Finance Geneva (SFG)
- UN supported Principles for Responsible Investment (PRI)

### Bank J. Safra Sarasin is a founding member of Swiss Sustainable Finance

Bank J. Safra Sarasin is a founding member of the new platform set up in Switzerland: Swiss Sustainable Finance. Its mission is to promote Switzerland as a leading centre for sustainable financial services.

Together with other Swiss banks, Bank J. Safra Sarasin is a sponsor of the Swiss Finance Institute. By establishing this foundation, the Swiss banks, the Swiss Federal government and leading universities have expressed a strong commitment to strengthening research and teaching in the field of banking and finance in Switzerland. The Swiss Finance Institute is active in both research and executive education. Both areas aim to strengthen the attraction of Switzerland to outstanding researchers, teachers, students and participants in Executive Education programmes.

## Objective 5: We manage resources efficiently

### Overall table of environmental Key Performance Indicators

Indicator	Unit	2016	2015	2014	2013*
Electricity consumption	MJ/FTE	16,785	21,407	20,765	20,226
Fossil fuel energy consumption	MJ/FTE	3,104	2,603	4,459	3,726
Other energy consumption (district heating)	MJ/FTE	1,204	1,319	1,424	2,191
Business travel	km/FTE	5,306	5,382	6,593	4,853
Paper	kg/FTE	64	63	90	95
Greenhouse gas emissions	kg CO <sub>2</sub> -				
Scope 1, 2, 3*	equiv./FTE	2,334	2,603	2,233	2,109

FTE = full-time equivalent; MJ = Megajoule (1MJ = 0.278 kWh), equiv. = equivalent

\* The greenhouse gas emissions are based on the GHG-protocol in 2015.

\*\*In 2013 the boundaries of the reporting system were extended to Luxembourg, Monaco and Panama.

The Group's fifth objective is to achieve commercial success with an acceptable ecological footprint. It therefore seeks to contain energy consumption and use resources carefully. J. Safra Sarasin uses the software (SoFi) developed for financial service providers in drawing up its environmental performance report. The software makes it easier to record and analyse the data material and then identify suitable measures to improve performance on an ongoing basis.

### Climate protection

Total CO<sub>2</sub> emissions decreased by 10% in 2016 from the previous year to 2334 kg CO<sub>2</sub>-equivalent per employee. The largest sources of emissions are power consumption and long-haul flights. Besides the absolute level of energy consumption, the amount of greenhouse gas (GHG) depends crucially on how electricity is generated. In most countries, power generation involves far higher CO<sub>2</sub> emissions than in Switzerland.

In 2016, business travel activity per employee decreased to 5306 kilometres per employee. This decrease by 2% is mainly due to the Bank's effort to reduce travelling by supporting the use of video conferences, for example. Generally, the Group seeks to use ecologically appropriate means of transport for business travel wherever possible. Staff commuting to and from work is not included.

### Systematic promotion of energy efficiency measures

J. Safra Sarasin regularly implements appropriate measures in its drive to become more energy efficient. In all Swiss locations, various lamps were changed into energy-saving LEDs, and two elevators were refurbished in the Basel offices. These changes led to a slight increase in efficiency level. Additionally all PCs were replaced by EE ThinClients in Switzerland which led to a reduction of 281 200kWh/year. J. Safra Sarasin continuously looks for energy reduction measures in its offices.

#### Bank J. Safra Sarasin committed to reducing carbon emissions

Bank J. Safra Sarasin has agreed targets with the Business Energy Agency (EnAW) in Switzerland to reduce its carbon emissions by 2022. It intends to achieve these through annual energy efficiency measures and by giving preference to renewable energies. It will liaise with EnAW to regularly monitor the annual measures and their effectiveness.

#### Bank J. Safra Sarasin supports "The Paris Pledge for Action"

The signatories affirm their strong commitment to a safe and stable climate in which temperature rise is limited to under 2 degrees Celsius. Taking strong action to reduce emissions can not only reduce the risks of climate change but also deliver better growth and sustainable development. The greenhouse gas emissions are based on the GHG-protocol in 2015.

In 2016, fossil fuel energy consumption increased by 17% per employee, whereas the use of electricity consumption decreased by 22%.

### Energy from renewable sources

As a pioneer in environmental protection, the Bank showed its colours as early as 1993 when it installed its own photovoltaic system on the roof of its Basel head office. Each year, the system produces power for several four-person households. In 2016, this amounted to 18 335 kilowatt hours. Renewable sources account for 64% of the electricity consumed in the Group; at the Swiss sites, the figure is already 100%. The Basel office uses only district heating as a source of heating energy. This comes from process heat generated by the nearby refuse incineration plant in Basel and is 100% renewable. All the locations in Germany have switched to renewable energy sources.

### Increasing share of recycled paper

In 2016, the paper use per employee was 64 kilos whereby 80% of this paper was recycled. To reduce absolute paper consumption, duplex printing is the default setting in most offices. Finally, careful management of print-runs for internal and external publications pays off both ecologically and economically. Numerous publications are published primarily in electronic format and paper versions are provided to interested parties only upon request.

### Participation at the EARTH HOUR in Hong Kong

The idea is to switch off all lights in the office to be part of the global Earth Hour initiative as a strong visual reminder of the globe's determination to tackle the planet's biggest environmental challenge – climate change. Our participation is a gesture highlighting our commitment to sustainability as a key differentiator of J. Safra Sarasin.

To the management of  
**J. Safra Sarasin Group, Basel**

## **Our engagement**

You engaged us to perform a limited review of the following quantitative key performance indicators (KPIs) disclosed in the sustainability report of J. Safra Sarasin Group (comprising J. Safra Sarasin Holding Ltd. and subsidiaries):

- KPIs on sustainable and responsible investments in the chapter "Asset Management" for the reporting period 1 January to 31 December 2016 on page 76 of the sustainability report;
- The social KPIs in the chapter "Corporate culture" for the reporting period 1 January to 31 December 2016 (pages 76 and 89 of the sustainability report).

Our procedures were planned to obtain limited assurance as a basis for our conclusion. The scope of work to obtain evidence is reduced, compared to the scope required to obtain reasonable assurance (e.g., in an audit of financial statements) such that a lower degree of audit assurance is obtained.

## **Limitations of the engagement**

Our engagement was limited to a review of the KPIs listed above. We have not assessed the following KPIs or information disclosed in the sustainability report:

- KPIs for the reporting period 1 January to 31 December 2016 not explicitly listed;
- KPIs for the previous reporting periods were not reviewed for this engagement;
- All qualitative statements in the sustainability report;
- Our engagement did not include a review of forward-looking statements.

## **Responsibility of J. Safra Sarasin Group Management**

The Management of J. Safra Sarasin Group is responsible for the preparation of the sustainability report and the information contained therein in accordance with the aforementioned criteria. This responsibility includes developing, implementing and safeguarding internal controls of material importance for the preparation of a report that is free of material misstatements. In addition, the responsibility includes selecting and applying suitable reporting standards as well as measurement methods and estimates deemed suitable in view of the circumstances.

## **Our responsibility**

Our responsibility is to express a conclusion on the information disclosed in the sustainability report based on our review to obtain limited assurance. We planned and performed our engagement in accordance with the International Federation of Accountants (IFAC) International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE3000) and the Code of Ethics for Professional Accountants, which includes requirements in relation to our independence. In accordance with the engagement agreement, our duty of care for this engagement only extends to the Management of J. Safra Sarasin Group.





### Our approach

We performed all of the procedures needed to ensure a sufficient and suitable basis for our conclusion. Within the scope of our engagement, we obtained evidence on a sample basis considering materiality and assurance engagement risk to obtain limited assurance on the compliance of the KPIs with the reporting principles and criteria. The nature and scope of our work, including appropriate samples, were based on our professional judgment used in forming our conclusion.


The performance of our engagement included the following procedures:

- Assessment of the suitability of the underlying criteria and their consistent application;
- Interviews with employees responsible for preparing the sustainability report to assess the process of preparing the sustainability report, the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for a review of the sustainability report;
- Review of the documentation of the systems and processes for compiling, analysing and aggregating sustainability data and testing such documentation on a sample basis;
- Analytical considerations, interviews and review of documents on a sample basis with respect to the compilation and reporting of quantitative data;
- Interviews and review of documents on a sample basis relating to the collection and reporting of KPIs during walkthroughs at the site in Basel.

### Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the KPIs do not comply in all material respects with the aforementioned criteria.

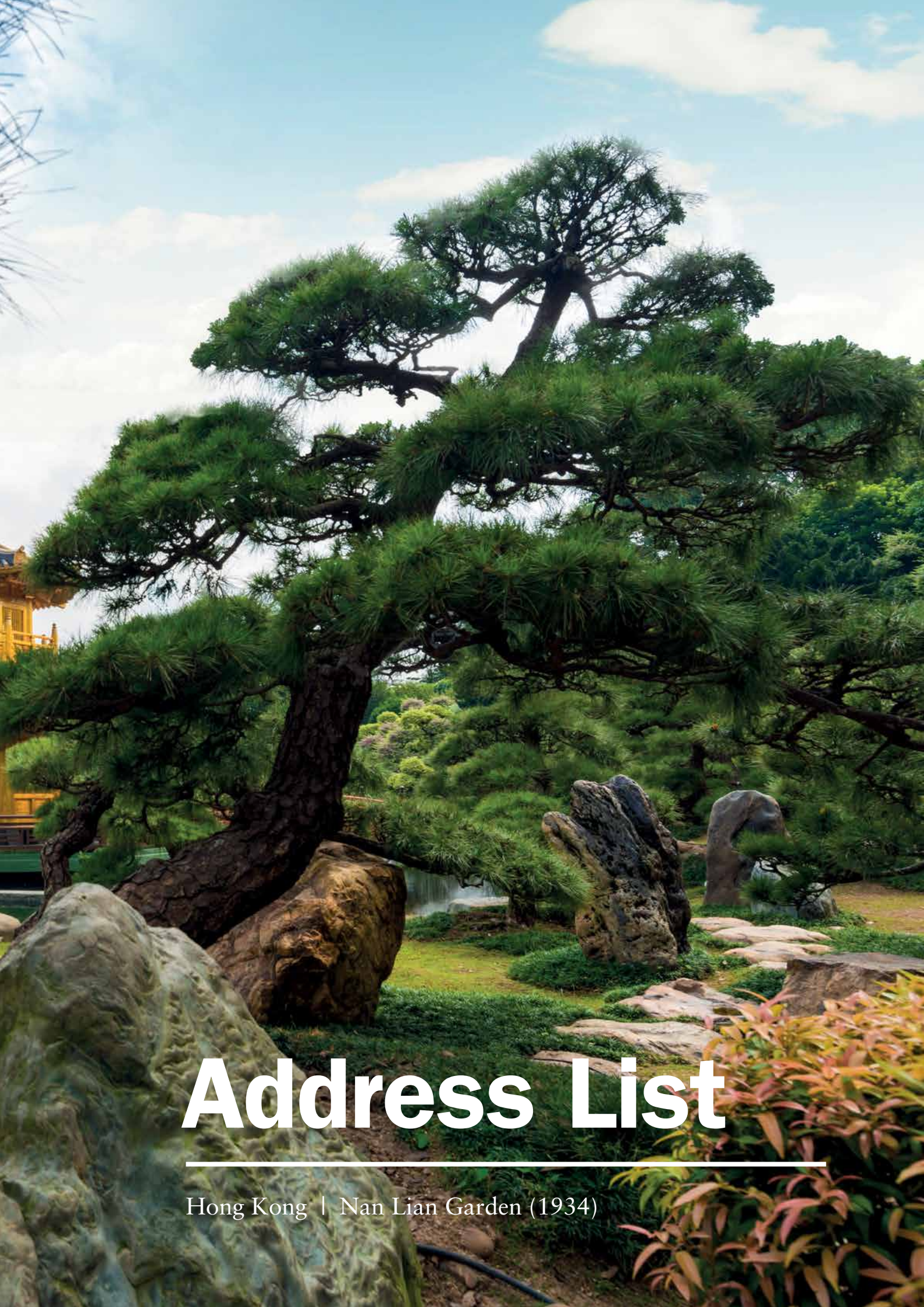
#### Deloitte AG

  
Alexandre Buga  
Licensed Audit Expert  
Auditor in Charge

  
Sandro Schönenberger  
Licensed Audit Expert

Zurich, 1 March 2017



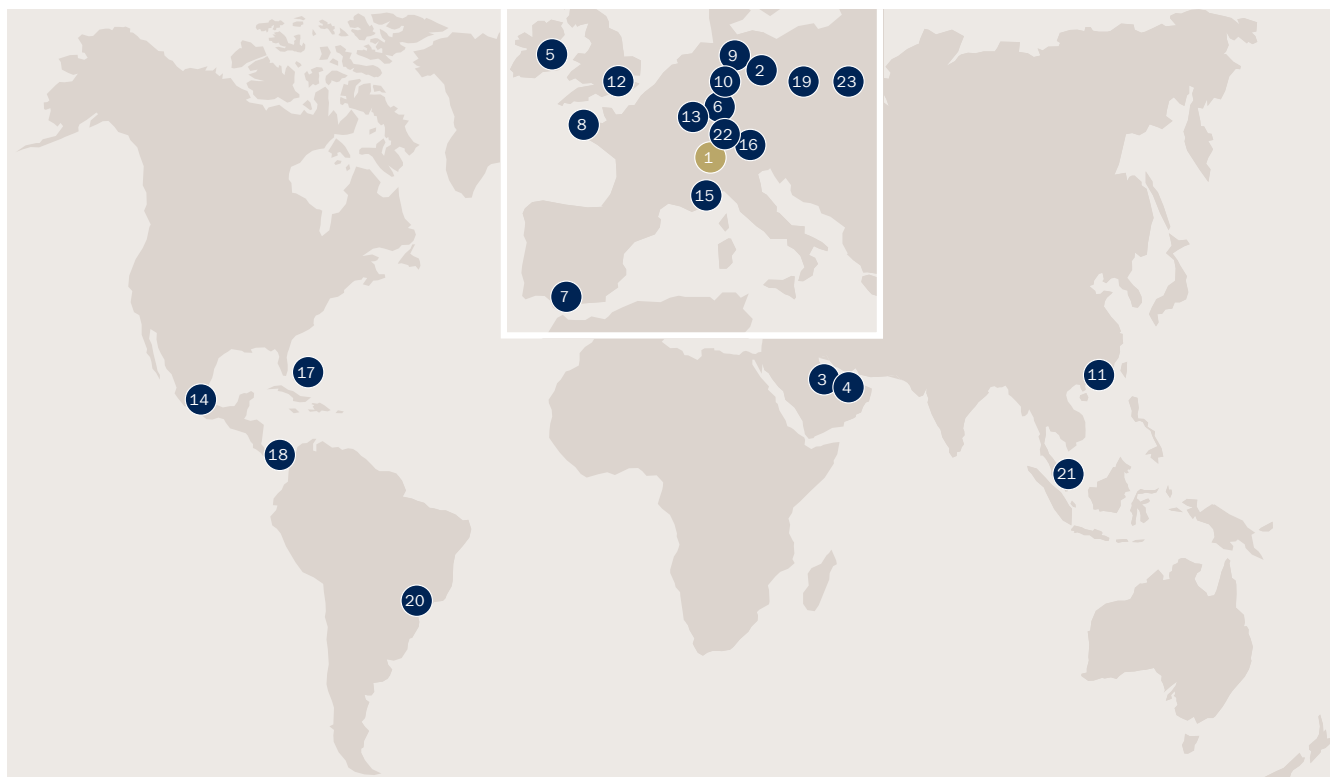


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### **Impressum**

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J. Safra Sarasin Holding Ltd. accepts no responsibility for the information provided on the third-party internet sites mentioned in this publication and does not endorse their content.

### **Precautionary notice regarding forward-looking statements**

This report contains forward-looking statements. These statements may include specific assumptions about J. Safra Sarasin Group's future business performance and development of income as well as general assumptions underlying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific. There is therefore a risk that predictions, forecasts and other expectations described or implied in the forward-looking statements will not be achieved.

A number of factors can lead to actual outcomes and developments that are materially different from those described in the forward-looking statements. These factors include the economic situation, the state of the financial markets worldwide and possible loan losses or potential defaults of trading counterparties.

J. Safra Sarasin Holding Ltd. does not assume any responsibility for updating such forward-looking statements and adapt them to new information or future events.

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J. SAFRA SARASIN

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