Annual Report 2019

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)

GREENLAND
Greenland Sea
Baffin Bay
Beaufort Sea
ARCTIC ARCHIPELAGO
ICELAND
CANADA
Hudson Bay
Labrador Sea
Gulf of Alaska
CANADIAN SHIELD
NORTH PACIFIC OCEAN
NORTH ATLANTIC OCEAN
UNITED STATES
NORTH AMERICA
EUROPE
IRELAND
MOROCCO
MAURITANIA
MALI
GMT–5
GMT–6
GMT+1
Gulf of Mexico
CUBA
BAHAMAS
BERMUDA
Sargasso Sea
CENTRAL AMERICA
VENEZUELA
COLOMBIA
BRAZIL
PERU
BOLIVIA
CHILE
ARGENTINA
GMT–3
POLYNESIA
FR. POLYNESIA
SOUTH PACIFIC OCEAN
SOUTH AMERICA
SOUTH ATLANTIC OCEAN
Scotia Sea
Drake Passage
Amundsen Sea
Weddell Sea


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GMT+3
GMT+2
GMT+3
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GMT+8
RUSSIA
KAZAKHSTAN
MONGOLIA
CHINA
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INDIA
PAKISTAN
AFGHANISTAN
IRAQ
SAUDI ARABIA
OMAN
YEMEN
EGYPT
LIBYA
SUDAN
CHAD
NIGER
ETHIOPIA
KENYA
TANZANIA
ANGOLA
ZAMBIA
ZIMBABWE
BOTSWANA
NAMIBIA
SOUTH AFRICA
MADAGASCAR
MOZAMBIQUE
SOMALIA
NORWAY
SWEDEN
FINLAND
POLAND
UKRAINE
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GREECE
ITALY
TUNISIA
MYANMAR
THAILAND
VIETNAM
PHILIPPINES
INDONESIA
MALAYSIA
PAPUA NEW GUINEA
AUSTRALIA
NEW ZEALAND
MICRONESIA
MELANESIA
SIBERIA
ASIA
AFRICA
SAHARA
Barents Sea
Kara Sea
Laptev Sea
Norwegian Sea
Sea of Okhotsk
Mediterranean Sea
Arabian Sea
Bay of Bengal
Philippine Sea
South China Sea
Coral Sea
Tasman Sea
INDIAN OCEAN

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18:00 Mexico (GMT–6)
00:00 GMT 08:00 Hong Kong (GMT+8)
08:00 Singapore (GMT+8)

Group Chairman's Foreword

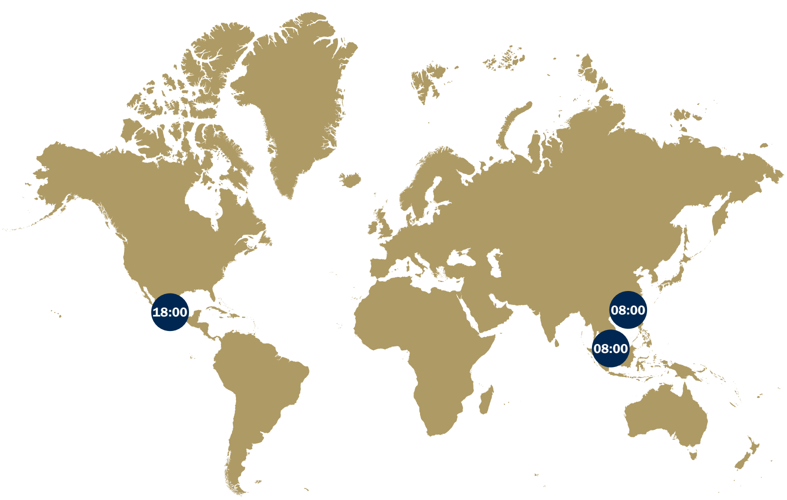
Group Chairman's Foreword

Welcome to the Annual Report of J. Safra Sarasin Group for 2019. I am pleased to report another year of robust results, which are testament to our founding principle: "If you choose to sail upon the seas of banking, build your bank as you would build your boat, with the strength to sail safely through any storm."

I have had the privilege of witnessing many economic cycles, and steering our Group through different environments. What struck me most about 2019 was the increasing concern amongst many parts of society about environmental risks and climate change. These topics are now top of the agenda for many policy makers and it is clear that the financial sector has a major responsibility and role to play. I can state proudly that the Group has been a pioneer in developing sustainable investments as its core offering to clients for over 30 years, and we are determined to use this expertise to deliver further innovative solutions. Moreover, as a family-owned bank with a heritage since 1841, we are naturally conscious of our responsibilities of stewardship and the duty of care we owe to future generations.

Switzerland remains the best country from which to operate a global private bank. Political neutrality, economic competitiveness, low government debt, a reliable legal system and a safe-haven currency, all provide a bedrock of stability. There is also a very strong commitment to science and innovation, with many efforts now directed to new sustainable products and business practices. 2019 has seen a particular focus on sustainable finance and it is clear that Switzerland has all the expertise and resources to become one of the global leaders in this field.

This Swiss cornerstone of stability is synonymous with the strength of our Group. We are naturally prudent and conservative, with the privilege of having a long-term perspective thanks to no competing voices or interests. We regularly reinvest into equity capital, adding to the Group's stability. The Group's shareholders' equity stands today at CHF 5.1 billion, making J. Safra Sarasin one of the best-capitalised banks in Switzerland.



Our Group's longevity is also due to wise and considered investments, as well as a clear understanding of our evolving environment. Deep involvement, risk management, tight controls: these are trademarks of the consistent way we run the Group. At its heart, wealth management is a simple business – focusing on risk-adjusted performance, but also ensuring good service, knowing our clients, and thinking about them all the time.

This brings me to a guiding principle of banking: if you look after your clients carefully, and foster your staff, then everything else falls into line. When you lose sight of what is best for your clients or for your staff, then you endanger the very essence of banking: trust and reputation.

The importance of "sight" is captured in the theme of round-the-clock global awareness and responsiveness we have used to illustrate this year's Annual Report. Our duty is to scan the horizons for our clients, spotting opportunities as well as possible challenges ahead. Just as important is our commitment to respond quickly, and that is why our global network of offices can act for our clients at any time and across all time zones.

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 their needs, then we will do our job properly and prosper together.

I would like to thank all our clients and employees for their trust and collaboration in 2019. I am confident that the Group has the financial strength and human qualities to ensure consistent performance in the years ahead.

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

Consolidated income statement	2019 CHF 000	2018 CHF 000
Operating income	1,154,820	1,209,223
Operating expenses	–688,798	–671,673
Consolidated profit	**380,229**	**347,264**

Consolidated balance sheet	31.12.2019 CHF 000	31.12.2018 CHF 000
Total assets	36,627,438	35,230,892
Due from customers	13,770,508	13,904,706
Due to customers	28,479,913	26,848,174
Equity	**5,116,716**	**5,119,114**

Ratios	2019 %	2018 %
Cost-income ratio	59.6%	55.5%
CET1 ratio	31.3%	31.8%

Assets under management	31.12.2019 CHF million	31.12.2018 CHF million
Assets under management	185,797	164,609

Headcount (full-time equivalents)	31.12.2019	31.12.2018
Consolidated headcount	2,178	2,151

Assets under management by booking centre

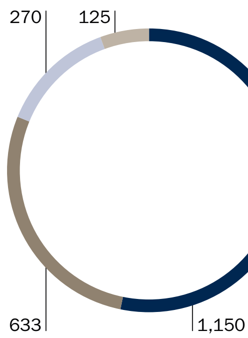
(CHF billion) **31.12.2019**

Total 185.8

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

Headcount by location

(full-time equivalents) **31.12.2019**



Total 2,178

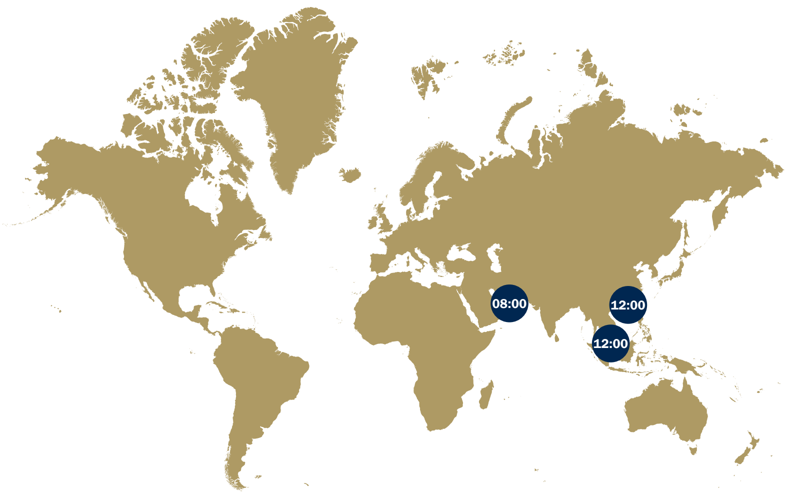
- Switzerland
- Europe (excluding Switzerland)
- Asia
- Other


12:00 **Hong Kong** (GMT+8)
12:00 **Singapore** (GMT+8)
04:00 GMT
08:00 **Dubai, UAE** (GMT+4)

Report of the Board of Directors

Report of the Board of Directors

We are pleased to report another solid performance in 2019 for the J. Safra Sarasin Group, as global financial markets outperformed expectations against a backdrop of slowing trade and concerns over climate change. This is reflected in the level of the Group's assets under management, which have reached an all-time high of CHF 185.8 billion at the end of the year, as well as a satisfactory increase of 9.5% in the Group's net profit. We are proud to be ranked amongst the leading banks of Switzerland[1], and to be recognised globally as an employer of choice.



The quality of our staff, and the loyalty so many have demonstrated over decades of service, enable us to provide exceptional service to our clients. We are privileged to accompany many of these clients across generations as they build patrimony that requires careful stewardship. This duty of care, natural conservatism, and a long-term perspective are clear benefits of our culture as a family-owned private bank. Thanks to this ownership and its financial strength, J. Safra Sarasin continues to play a leading role in the ongoing industry consolidation.

2019 has seen the issues of the environment and sustainability dominate the headlines across the globe. The Group has been a leader in the field of sustainable investment for over 30 years, and we see significant room to grow this business further, aided by proactive measures of central bankers, policy makers and regulators. The next generation demand that the financial sector plays its part in finding solutions to these challenges.

Capital strength and risk management

J. Safra Sarasin Group is ranked as the 5th-largest banking group in Switzerland by Tier 1 capital, the ultimate measure of a bank's financial strength, holding more than twice its regulatory requirements.

Our commitment to such strong foundations is also reflected in the conservative structure of the Group's balance sheet, which maintained a high level of liquidity.

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.

1) The Banker Top 1000 World Banks, July 2019.

Solid results in 2019

Client assets under management increased by 13% to CHF 185.8 billion, thanks to strong client net new assets of CHF 5.6 billion as well as good market performance.

Operating income slightly decreased by 4.5% to CHF 1,154.8 million in 2019 compared to 1,209.2 million in 2018, mainly due to a decline in net interest income.

Operating expenses reached CHF 688.8 million in 2019 against CHF 671.7 million in 2018, a moderate increase of 2.5% thanks to our continued focus on efficiency. The Group cost-income ratio of 59.6% remains one of the best in class in the wealth management industry.

There were two major adjustments that reflect the strength of our balance sheet. We were able to increase and accelerate the amount of goodwill amortisation and shorten it to 10 years, for which we released general banking reserves that had been built up prudently over the past few years.

Consequently, the Group net profit rose solidly by 9.5% to CHF 380.2 million for 2019 against CHF 347.3 million for 2018.

The consolidated balance sheet at 31 December 2019 rose to CHF 36.6 billion. The Group maintained high levels of liquid assets at CHF 8.0 billion at the end of 2019 compared with CHF 7.1 billion at the end of 2018.

Group shareholders' equity stood at CHF 5.1 billion at the end of 2019 with a CET1 ratio of 31.3%[2].

Total headcount (full-time equivalents) slightly increased to 2,178 at the end of 2019 compared with 2,151 in 2018.

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, Latin America and the Caribbean.

Outlook 2020

As we enter 2020, several themes dominate the global agenda: instability in the Middle East, the US-China relationship, the continued rise in populism, and the serious changes which have to be made to how governments, business and society combat climate change.

The global manufacturing cycle appears to be bottoming out, and there is a good chance that economic performance will improve. However, how the financial markets perform will be driven largely by central bank policies, geopolitical risk and whether equity valuations are supported by real earnings growth.

Our heritage as private bankers since 1841, with a culture of discipline and conservatism, helps us accompany our clients and support their goals, whatever the prevailing environment. We are confident that the Group will deliver another solid performance in 2020. Our business continues to generate reliable revenues with sector-leading efficiency. This is supported by exceptional capital strength, built up over years of prudent risk management and reinvestment of retained earnings.

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 grow and thrive.

Jacob J. Safra
Chairman of J. Safra Holdings International (Luxembourg) S.A.
Vice-Chairman of J. Safra Sarasin Holding Ltd.

[2)] Capital adequacy disclosures under FINMA Circulars 08/22 and 16/1 are published on our website www.jsafrasarasin.com.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10:00 **United Arab Emirates** (GMT+4)
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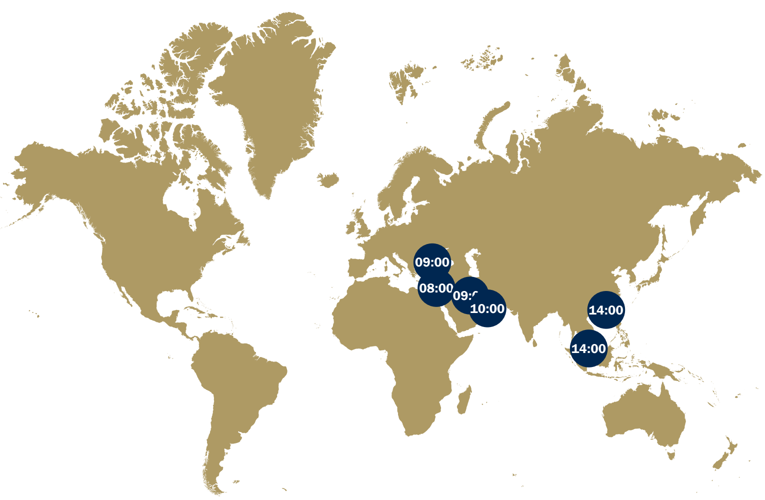
06:00 GMT 09:00 **Istanbul, Turkey** (GMT+3)
08:00 **Israel** (GMT+2)

Year in Review

Year in Review

2019 turned out better than expected for most asset classes. Although global trade and economic growth slowed markedly, exacerbated by the US-China trade war, financial markets were boosted by the significant policy accommodation of major central banks. The second half of the year in particular saw investors hunt for yield away from government bonds, with investment grade, high-yield corporate bonds and most emerging market asset classes delivering double-digit returns. Equity markets also rallied as the US Federal Reserve cut interest rates and increased its balance sheet again.

Against this backdrop, we continued to operate with the key principles that assure the Group's stable performance year after year: client focus and internal discipline. It is our first responsibility to ensure that the Group remains as strong as possible to weather different economic cycles, to provide a safe harbour to our clients and to guide them accordingly.



Our resilience and performance continue to be founded on stable family ownership, exceptional capital strength, prudent controls, and investments with a long-term perspective. These qualities ensure that the Group is well positioned to benefit from opportunities that may arise as the banking industry develops.

2019 – a solid performance

Client assets under management benefited from positive net new assets of CHF 5.6 billion and good market performance, increasing by 13% to CHF 185.8 billion. Operating income decreased slightly by 4.5%, mainly due to a decline in net interest income as rates continued to be held down by central banks. Operating expenses were kept under control, as we strictly follow our discipline. The consolidated net profit rose 9.5% to CHF 380.2 million, with a cost-income ratio of 59.6% remaining one of the best in class in the global private banking industry.

Our steady financial returns are regularly reinvested into the Group to augment even further its strong capital reserves. With shareholders' equity of CHF 5.1 billion, the Group significantly exceeds its regulatory requirements.

In January 2019, Standard and Poor's affirmed the Group's "A" long-term and "A-1" short-term counterparty credit ratings together with a stable outlook, reflecting "a strong brand name recognition and a solid private banking franchise; sound liquidity and very strong capitalisation supported by committed family shareholders".

Prudence and client focus

As a family-owned business we take care of our clients' wealth like our own. Our client base is very diverse across professions, nationalities, genders and age. We have built up relations with many clients over generations and accompanied them through several economic cycles, helping them with changes in direction for both their professional and personal interests. Our first duty is to ensure security and stability for their wealth, and to provide an appropriate mix of investments in line with their risk appetite, always reflecting our natural prudence as private bankers with a heritage of over 175 years.

Sector leadership

As a result of our strong base and brand positioning, the Group continues to be a proactive consolidator in the private banking industry. Thanks to our ownership and size, we are focused, agile and can react quickly to opportunities as the sector undergoes further challenges. Our approach is to be very selective, ensuring that potential targets fit with our values, bring clear benefits to our clients and add to the qualities of our talent pool.

Healthy environment for talent

A sure sign of sector leadership is the credibility of our brand and our reputation as an attractive employer. We firmly believe in creating a healthy environment for talent to thrive, as it is only with the right staff that we can ensure our clients are happy and continue to entrust us with their wealth today and in the future. Key qualities we reward are a positive outlook, a sense of ownership and entrepreneurship. Our teams' loyalty and depth of knowledge of clients and products create continuity and a legacy of know-how that is unequalled.

Environment and sustainability

2019 saw sustainability and climate change become one of the main concerns across the globe for many parts of society, driving the agenda for policy makers, politicians, bankers and corporations. We feel somewhat vindicated by this spotlight on these critical issues and are proud of our contribution through the sustainable investment approach for which the Bank has been a pioneer for over 30 years. In 1989, the Bank undertook its first analysis of a company and potential investments through the lens of sustainability – one of the first done by any bank in the world. Today, Bank J. Safra Sarasin is one of Switzerland's market leaders amongst private banks in sustainable investments – a market enjoying an extremely dynamic pace of growth and valued at CHF 716.6 billion in 2019.

Almost all the world's leading central banks, with the exception of the US, have come out in favour of a growing greening of finance. Although there has long been a small group of fund houses who placed greater emphasis on environmental considerations, many big asset managers are only now paying attention in response to widespread public pressure. Research shows that more than two-thirds of investors under 30 would prefer their investments to have a positive social or environmental aspect. Wall Street has lagged on this issue for a few years, and some bankers see this as a chance for Europe to lead on capital markets thanks to sustainable finance. A key aspect to be resolved is the proliferation of different sustainable standards and reporting mechanisms, an area where Europe and Asia currently lead. The financial sector has a significant role to play in incentivising, measuring and holding to account how companies invest in sustainable best practices.

The claim, "Sustainable Swiss Private Banking since 1841", is a clear expression of J. Safra Sarasin's commitment to ensuring that sustainability is firmly embedded in every aspect of its business activities. As a Group, we follow a clear corporate sustainability strategy, and our comprehensive approach is described in chapter 10 of this Annual Report.

For the second consecutive year, we were pleased to receive the award of "Best Private Bank for Social Responsibility" from Global Finance. Also, in 2019 we were proud to be recognised as the "Best Private Bank for Thematic Investing" by Professional Wealth Management/The Banker.

Global awareness across all time zones

This year's Annual Report focuses on the theme of global awareness and responsiveness. The Group's network of offices looks after our clients across all time zones, and we effectively provide round-the-clock coverage via the major cities where we operate. During 2019, we were proud to add Amsterdam and Istanbul to our global network. The images we have selected feature the cities and their skylines in each time zone as our clients and world markets open up in the East and go about their business during the working day towards evening in the West. The skylines reflect how the Group is continually scanning the horizon for our clients, looking for opportunities but also for the first signs of challenges ahead. After all, changes in climate often first become visible through changes to our skies. Global awareness and responsiveness have been key factors in the resilience and performance of our Group since 1841.

It is reassuring to our clients that we have the heritage and capacity to perform robustly even as we face potential volatility in the political, economic and physical environment of the year ahead. In conclusion, on behalf of the leadership team, we would like to thank all of our clients, employees and business partners for their valuable trust and confidence as we continue to grow a truly exceptional global private bank of which we can all be proud.

Juerg Haller
Chairman
Bank J. Safra Sarasin Ltd

Daniel Belfer
Chief Executive Officer
Bank J. Safra Sarasin Ltd

16:00 **Hong Kong** (GMT+8)
16:00 **Singapore** (GMT+8)
12:00 **United Arab Emirates** (GMT+4)
11:00 **State of Qatar** (GMT+3)
11:00 **Turkey** (GMT+3)

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Market Environment

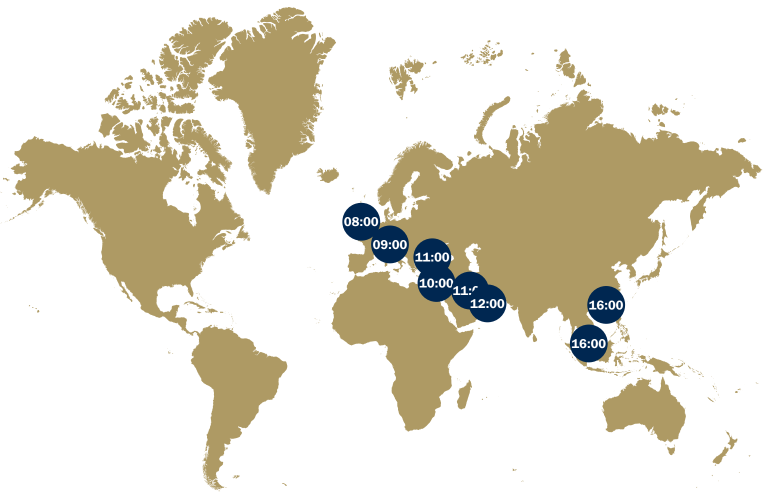
Market Environment

Despite a sharp slowdown in global growth, risk assets delivered strong returns in 2019, helped by significant policy accommodation by major central banks.

Review of 2019

Concerns about the health of the global economy were a major headwind for financial markets in the first half of 2019. The lagged effects of deleveraging in China and tighter monetary policy in the US, coupled with a downturn in the manufacturing inventory cycle, weighed on economic growth in many countries and raised fears of a global recession. Export-led economies such as Japan, Taiwan, South Korea and Germany suffered most as global trade weakened. The deterioration in economic fundamentals was aggravated by geopolitical risks, such as the trade war between the US and China and uncertainty about the UK's exit from the European Union, and caused volatility in financial markets to increase.

The challenging global backdrop drove a strong rally in bond markets, and fears of recession were heightened after the US Treasury yield curve became inverted. Ultimately, this forced the Federal Reserve (Fed) to abandon plans to further tighten monetary policy and instead cut rates three times during 2019. Almost every other major central bank followed suit and the European Central Bank (ECB) restarted its programme of Quantitative Easing. The significant policy accommodation, plus tentative signs of an improvement in the global business cycle, eventually soothed fears about the economic outlook and led to some retracement in bond yields in the second half of the year. The 10-year US Treasury yield dropped to a low of 1.4% in September before rebounding to 1.9% by year-end. European bond yields displayed a similar pattern, with Bund yields falling to –0.7%, before rising to –0.2%.



Such low rates of return from government bonds eventually led investors to hunt for yield in lower-rated fixed income sectors, generating double-digit returns on most credit subsectors of the market. Similarly, euro area peripheral bonds also experienced a substantial tightening of credit spreads over core euro area bonds.

Emerging market assets also posted solid returns in 2019, despite the bumpy ride as investors battled a broad range of risks. Fears of a hard landing in China in the first half of the year were a particular threat to emerging markets, while increasing trade tensions between China and the US periodically dented risk appetite. However, the second half of the year brought better news as evidence of a cyclical upturn in China began to emerge and the benefits of the Fed's mid-cycle adjustment became apparent. News of a tentative trade deal between the US and China buoyed sentiment. All these factors combined drove a strong rally into year-end that underpinned double-digit returns for the calendar year.

Finally, global equity markets delivered a very strong performance in 2019 in an environment where liquidity conditions played a dominant role over economic trends. They recovered after the Federal Reserve stopped tightening monetary policy in January 2019, while escalating trade sanctions enforced by the US against China triggered a sharp setback in May and August. The Fed's decision in September 2019 to start increasing its balance sheet again created a renewed favourable backdrop for equity markets. It is noteworthy that earnings growth played no role in supporting equity index gains outside the US market, and only a modest one for US equities.

Outlook for 2020

Looking ahead, evidence that the global manufacturing cycle is slowly improving has brightened the economic outlook for 2020. However, economic growth rates are likely to remain lower than in earlier cycles as capacity utilisation is high, labour markets are tight and elevated policy uncertainty makes a strong increase in investment spending unlikely. As doubts about the effectiveness of monetary policy are growing, we expect calls for a more expansionary fiscal policy to become louder.

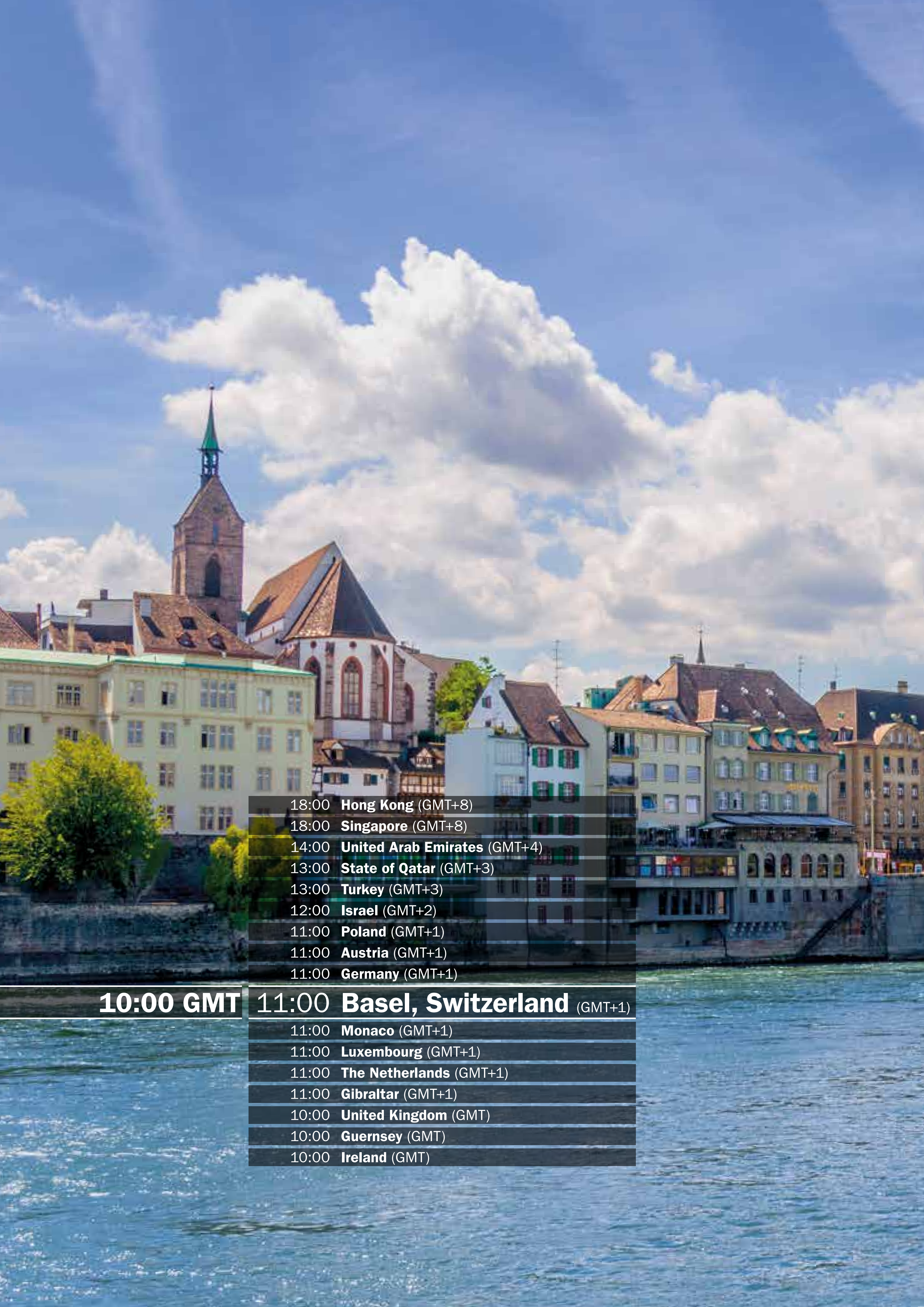
The outbreak of the Coronavirus will negatively impact China's economic growth in the first quarter of 2020 and is a threat to risk appetite. If the proliferation of the virus is contained quickly, the adverse effects from lower consumer spending and shutdown of production facilities are likely to be temporary and asset prices should quickly recover any losses. However, if the spread of virus is unchecked for an extended period of time, it has the potential to cause more serious damage to the global economy and financial markets.

In the US, we expect GDP to grow by 1.8% in 2020 after an expansion of 2.3% in 2019. A strong labour market and rising real wages should continue to support private consumption, while the expected improvement in global growth should help the US manufacturing sector to recover. The truce with China has alleviated some risks in the tradable sectors, but geopolitical tensions are unlikely to disappear entirely and may curb some investment spending. Trade-dependent economies elsewhere should benefit more from an upturn in the global business cycle, and now that some of the risks from Brexit have receded, we expect a cyclical recovery in Europe to take hold from very low levels. We forecast the euro area to grow 0.9% in 2020 before accelerating to 1.3% in 2021. A continued low unemployment rate and higher wages should also support domestic demand, pushing core inflation slightly higher in 2020.

Major central banks will remain very accommodative and while we do not expect them to cut short-term interest rates in 2020, the bar for raising rates is very high. Indeed, even a temporary overshoot in inflation rates would probably be tolerated. Valuations in global bond markets are elevated, while lower potential growth rates and inflation expectations or demographic challenges suggest that bond yields will remain substantially lower compared to earlier cycles. We therefore do not expect to see sudden and large shifts that would lead to a new period of financial instability. Instead, central banks' forward guidance speaks for a gradual adjustment of bond yields. The upshot is that we expect long-term bond yields to rise moderately in the months ahead, causing yield curves to steepen.

The strength of the upturn in the global business cycle will have important implications for Emerging Market assets in 2020. Equities and high-yield hard currency bonds usually perform well during the expansion phase of the global cycle. As these expansionary periods are usually accompanied by a weaker US Dollar, this should also support returns from local currency government bonds. Even a relatively shallow expansion of the global business cycle should therefore drive solid returns in 2020.

Improving manufacturing indicators and advantageous liquidity conditions are likely to create a favourable backdrop for equity markets in 2020. As the Chinese economy is leading the global recovery, we expect Asian equity markets to remain in a sweet spot in 2020. Political uncertainty ahead of the US Presidential Election of November 2020 will also influence politically sensitive US equity sectors.



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11:00 **Germany** (GMT+1)

10:00 GMT 11:00 **Basel, Switzerland** (GMT+1)

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10:00 **Ireland** (GMT)

Corporate Governance

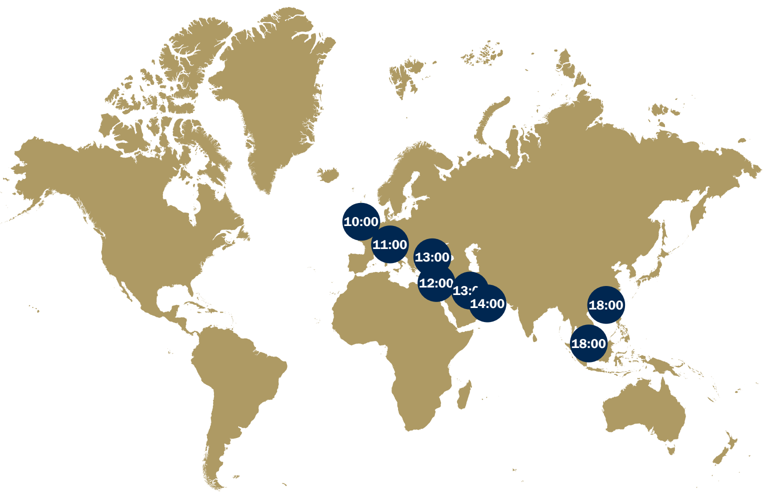
Corporate Governance

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.

Group structure and shareholder

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 33 and the information provided in the section "Group Companies" 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.



J. Safra Holdings International (Luxembourg) S.A., Luxembourg, holds the entire share capital and voting rights of JSSH. JSSH is ultimately owned by Mr. Joseph Y. Safra and his family.

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

Consolidated supervision

The JSS 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 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 organisation, the financial consolidation and the risk diversification as well as the supervision on a consolidated basis of the JSS Group's activities.

Accordingly, the implementation of the criteria for the consolidated supervision of the JSS Group is the responsibility of the Board of Directors and the Group Executive Board ("GEB") 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, exercise Group-wide consolidated supervision on the JSS Group:

- Finance
- Credit
- Legal and Compliance
- Risk Management
- Treasury and Trading
- IT
- 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 and combatting the financing of terrorism;
- Group-wide regulatory compliance, risk management and internal audit; and
- Immediate access to any information required to ensure the integrated management of all entities within the JSS Group.

Board of Directors

Area of responsibility

The Board of Directors (the "Board") of JSSH is the ultimate governing body of the JSS Group. It lays down the Group's objectives and business strategy and supervises the GEB, entrusted with the management of the business.

Furthermore, the Board 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.

The Board is also responsible for all business matters that the Articles of Association and the law do not specifically reserve for the General Meeting of shareholders.

The Board signs off the Group-wide risk management framework and is responsible for monitoring and controlling the main risks of the JSS Group as required by Swiss banking regulation and the implementation of an appropriate business organisation and the consolidated supervision framework.

The Board delegates the running of the JSS Group to the CEO of BJSS and the GEB in accordance with the applicable Organisational Regulations and is regularly briefed by the CEO and the members of the GEB.

The allocation of responsibilities between the Board, the CEO and the GEB is further specified in the Regulations on Allocation of Competencies of JSSH.

Internal organisational structure

Meetings of the Board are convened by its Chairman or, should he be impeded, by the Vice-Chairman. Meetings take place as often as business requires, generally once a quarter. In addition, any Board member may submit a request that a meeting be convened. Usually the Boards of BJSS and JSSH meet on the same day and both meetings together last several hours. In 2019, the Board of JSSH met six times and the Board of BJSS met five times.

Board members have access to all information concerning the business and the affairs of the JSS Group as may be necessary or appropriate for them to fulfil their duties. During Board meetings, any Board member is entitled to request information on any matter relating to the JSS Group regardless of the agenda.

The Board has set up an Audit & Risk Committee.

Information and control instruments vis-à-vis senior management

The CEO and the GEB assure the implementation of the Board's decisions and of plans and projects approved by the Board. The GEB and the CEO are responsible for the operational management of the JSS Group.

In coordination with the Chairman of the Board, the CEO is responsible for promptly informing the Board and/or the Audit & Risk Committee of any aspects of the JSS Group or a Group Company that are material for decision-making and monitoring.

In addition, the CEO or, in certain cases, the competent Division Head (or Function Head) provides the Board with the general information it requires to carry out its supervisory and control functions. This includes regular information about the general course of business, the Group's financial performance and the implementation of the Group's risk management framework.

The Board may invite the Division Heads or Business Units Heads to Board meetings to discuss unit-specific matters.

Composition of the Board

As of 31 December 2019, the composition of the Board of JSSH was as follows:

• Joseph Y. Safra	Chairman
• Jacob J. Safra	Vice-Chairman
• Pierre Alain Bracher	Member*
• Philippe Dupont	Member*
• Juerg Haller	Member*
• Jorge A. Kininsberg	Member*

* Independent member

During the financial year 2019, Jorge A. Kininsberg was elected to the Board of Directors of JSSH on 13 June. In addition, Ilan Hayim stepped down as a member of the Board of Directors on 30 September and Juerg Haller was elected as a new member with effect from 1 October.

As of 31 December 2019, the composition of the Board of BJSS was as follows:

• Juerg Haller	Chairman
• Pierre Alain Bracher	Vice-Chairman
• Philippe Dupont	Member
• Jorge A. Kininsberg	Member
• Jacob J. Safra	Member

During the financial year 2019, Ilan Hayim stepped down as a member and Chairman of the Board of Directors of BJSS on 30 September and Juerg Haller was elected as a new member and Chairman of the Board of Directors with effect from 1 October.

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.

Joseph Y. Safra

Born in 1938; Brazilian national; lives in Switzerland

Joseph Y. Safra heads the J. Safra Group, which consists of privately owned banks under the Safra name and investment holdings in asset-based business sectors such as real estate and agribusiness. The J. Safra Group's banking interests are: J. Safra Sarasin Holding Ltd., headquartered in Basel, Switzerland; Banco Safra SA, headquartered in São Paulo, Brazil; and Safra National Bank of New York, headquartered in New York City, USA, all independent from one another from a consolidated supervision standpoint.

From 2000 until 2012, Joseph Y. Safra was Chairman of the Board of Directors of Banque J. Safra (Suisse) SA. Since 2001, he is Chairman of the Board of Directors of JSSH. Currently, he is also a member of the Board of Directors of Safra National Bank of New York, USA (since 1986).

Jacob J. Safra
Born in 1975; lives in Switzerland;
Bachelor of Sciences in Economics; Finance Major – Wharton School, University of Pennsylvania, Philadelphia, USA

Since 1998, Jacob J. Safra is responsible for the main business activities of the J. Safra Group outside of Brazil. From 1998 until 2005, he served as COO and subsequently CEO of Safra National Bank of New York, USA, where he is currently Vice-Chairman of the Board of Directors (since 2015). In 2002, he became Director of the Joseph Safra Foundation, a position he holds to this day. Since 2005, Jacob J. Safra is a member of the Board of Directors of BJSS (including Banque J. Safra (Suisse) SA) and since 2008 he is Vice-Chairman of JSSH. He is also a member of the Board of Directors of various entities of the J. Safra Group and member of the Board of Banque J. Safra Sarasin (Monaco) SA (from 2006 until 2014 as Vice-Chairman and since 2014 as Chairman). In addition, since 2015 he is a member of the Board of Directors of Chiquita Brands International.

Pierre Alain Bracher
Born in 1947; Swiss national; lives in Switzerland;
Chartered Accountant Diploma – EXPERTsuisse, Swiss Institute of Accounting & Tax Experts

Pierre Alain Bracher joined the accounting firm Deloitte Ltd, Zurich, in 1972 as junior accountant in the financial industry group. He moved to Geneva in 1974 and became a partner at Deloitte Ltd from 1984 until 2007. From 2007 until 2013, he was a member of the Board of Directors of Banque J. Safra (Suisse) SA and from 2009 until 2015 member of the Board of Directors of Royal Bank of Canada (Suisse) SA. Since 2012, Pierre Alain Bracher is member of the Board of Directors of BJSS and JSSH. Since 2017, he is also a member of the Board of Directors of Banque J. Safra Sarasin (Monaco) SA.

Philippe Dupont
Born in 1961; Luxembourg national; lives in Luxembourg;
Master's Degree in Law – University of Paris, France;
Master of Laws (LL.M.) – London School of Economics and Political Science, UK; Member of the Luxembourg Bar

Philippe Dupont began his professional career as a lawyer in 1986. He is a founding partner of Arendt & Medernach where he serves as head of the firm's banking and finance industry group. Philippe Dupont is a member of the Board of Directors of Pictet & Cie (Europe) SA, Luxembourg. He further acts as conciliator and arbitrator at the International Centre for Settlement of Investment Disputes of the International Bank for Reconstruction and Development. Since 2012, Philippe Dupont is member of the Board of Directors of BJSS and JSSH.

Juerg Haller
Born in 1957; Swiss national; lives in Switzerland;
Graduate of the Zurich University of Applied Sciences (ZHAW); Advanced Management Program – Harvard Business School

Juerg Haller began his professional career at Raiffeisenbank Baden-Wettingen in 1973, and worked for J.P. Morgan in New York and Zurich from 1981 to 1984. He was employed with the UBS Group in various senior leadership positions in the areas of wealth management, corporate banking and investment banking from 1984 (originally Swiss Bank Corporation) until July 2019, most recently as Executive Vice-Chairman Global Wealth Management since February 2018. In 2019, Juerg Haller was elected as Chairman of the Board of Directors of BJSS and a member of the Board of Directors of JSSH.

Jorge A. Kininsberg
Born in 1950; Brazilian national; lives in Panama; Bachelor in Business Management – Mackenzie University, Faculty of Economics/Accounting and Administrative Science, São Paulo, Brazil

During his professional career, Jorge A. Kininsberg collected extensive experience in the banking sector both at the managerial level and as a member of Boards of Directors. Jorge A. Kininsberg held various leading managing positions amongst others at Banco Safra de Investimento SA and Banco Safra SA, São Paulo, Brazil. In 1982, he became CEO of Trade Development Bank (Uruguay) S.A., Montevideo, Uruguay. Between 1985 and 1989, he was CEO of Safra National Bank of New York, USA. In 1990, Jorge A. Kininsberg moved to Luxembourg taking the positon as CEO and member of the Board of Directors of Banque J. Safra Sarasin (Luxembourg) SA, Luxembourg, positions he held until early 2017. Between 2008 and 2015, he was member of the Board of Directors of Bank J. Safra Sarasin (Bahamas) Ltd., Bahamas, and since 2018 he was again elected to this Board of Directors. Since 2017, Jorge A. Kininsberg is a member of the Board of Directors of BJSS and since June 2019 he is a member of the Board of Directors of JSSH.

Audit & Risk Committee
The Board has set up an Audit & Risk Committee (ARC).

As of 31 December 2019, the ARC was composed of the following members:

• Pierre Alain Bracher	Chairman
• Philippe Dupont	Member
• Jorge A. Kininsberg	Member

During the financial year 2019, Jorge A. Kininsberg was elected as a new member of the ARC with effect from 13 June and Ilan Hayim stepped down as a member of the ARC on 30 September.

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

The ARC 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 for approval.

The ARC regularly receives information regarding compliance with legal and regulatory obligations by Group Companies as well as with regard to the existence of adequate and effective internal controls on financial reporting. The ARC is also responsible for monitoring and assessing the adequacy and effectiveness of the internal control systems, specifically risk controls, compliance and internal audit. The ARC sets down the standards and methodologies for risk controls 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 or management bodies within the JSS Group. The ARC reviews and proposes to the Board the JSS Group-wide framework for risk management and its guiding principles. It controls and assesses them periodically (at least annually), making recommendations of any required changes to that framework.

The ARC 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 and monitors their performance and independence as well as their cooperation with Group Internal Audit. The Chairman of the ARC regularly reports its activities and findings to the Board. Until his resignation in September 2019, the previous Chairman of the Board of BJSS was also a member of the ARC.

External audit firm

Deloitte Ltd has been appointed as external auditor of J. Safra Sarasin Holding Ltd. and all relevant JSS Group Companies in 2013. For 2019, the audit firm and its affiliated companies were appointed by the General Assembly of J. Safra Sarasin Holding Ltd. and all relevant Group Companies for a one-year term for the financial and the regulatory audits. Re-election is possible.

Sandro Schoenenberger is the responsible partner leading the audit activities. He holds this function since 2018.

Auditing fees

The JSS Group paid Deloitte Ltd and its affiliated companies fees totalling CHF 3,287,000 for services connected with the financial and regulatory audit for the year 2019.

Additional fees

The JSS Group paid Deloitte Ltd and its affiliated companies fees totalling CHF 346,000 for services not connected with the financial and regulatory audit for the year 2019.

Information instruments pertaining to external audit

The ARC holds regular discussions with representatives of the external audit firm regarding the audit planning, the results of the audit activity in relation to supervisory controls and the preparation of financial statements, as well as the adequacy of internal control systems, in light of the Group's risk profile.

During 2019, representatives of Deloitte Ltd attended six meetings of the ARC and one meeting of the Board for specific agenda items.

The ARC monitors the scope and organisation of the audit activity and evaluates the performance of the external audit firm. The audit firm and its affiliated companies must be independent from J. Safra Sarasin Holding Ltd. and its Group Companies.

Representatives of the external audit firm have direct access to the ARC at all times.

Group Internal Audit (GIA)

GIA is the internal audit function responsible for the entire JSS Group.

The Board has issued regulations for GIA setting out its tasks, duties and responsibilities. GIA prepares its audit reports without instructions from any other party.

GIA reports to the Boards of BJSS and JSSH and to the ARC. In addition, GIA representatives also report to the respective board of directors and audit committees of the Group Companies for their related matters.

GIA has an independent and objective monitoring and consulting role designed to add value and improve BJSS' and JSS Group's operations. It helps each Group Company to accomplish its 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 appropriateness and effectiveness of processes implemented to define strategy and risk tolerance, as well as the overall adherence to the strategy approved by the Board;
ii. the appropriateness and effectiveness of governance processes;
iii. the effectiveness of risk management, including whether risks are appropriately identified and controlled;
iv. the appropriateness and effectiveness of internal controls, specifically whether they are commensurate with the risks taken;
v. the effectiveness and sustainability of the implementation of remedial actions;
vi. the reliability and integrity of financial and operational information, i.e. whether activities are properly, accurately and completely recorded, as well as the quality of underlying data and models; and
vii. the compliance with legal, regulatory and statutory requirements, as well as with internal directives and contractual obligations.

GIA has unrestricted auditing rights within the JSS Group. It has access to any relevant documents and information required to fulfil its auditing responsibilities.

GIA reports in a timely manner on all material findings directly to the Board, through the ARC and/or the GEB. GIA publishes at least annually a report describing the key audit findings and important activities during the audit period and submits this report with any corresponding conclusions to the ARC, the GEB and the external audit firm.

Group Executive Board

Under the leadership of the CEO, the Group Executive Board (GEB) has executive management responsibility for the steering of the JSS Group and its business in line with the direction given by the Board. The GEB is entitled to delegate certain responsibilities and authorities to other management bodies such as the Executive Committee or other operational committees according to the relevant Organisational Regulations of BJSS and the Regulations on Allocation of Competencies of JSSH. In his capacity as Chairman of the GEB, the CEO provides the Board 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 according to relevant internal regulations.

During the 2019 financial year, Edmond Michaan stepped down as CEO and member of the GEB on 31 October and Daniel Belfer was appointed by the Board of Directors as CEO with effect from 1 November. The Board of Directors also appointed Oliver Cartade as Head of the Trading, Treasury and Asset Management division of BJSS and member of the GEB with effect from 1 November.

The following individuals are members of the GEB:

Stephane Astruc

Born in 1969; Swiss and French national;
lives in Switzerland;
Master’s Degree in Private Law – University of Nice Sophia Antipolis; Qualified French Lawyer – Bar of Paris

Stephane Astruc began his professional career in 1993 at HSBC Private Bank (Monaco) SA where his main responsibilities were Head of the Legal and Compliance department, Member of General Management and Corporate Secretary. In 2005, he moved to Geneva (Switzerland) and joined Banque J. Safra (Suisse) SA as Head Legal and Compliance. Since 2013, Stephane Astruc is General Counsel of BJSS and since April 2017, member of the GEB.

Daniel Belfer

Born in 1975; Brazilian national; lives in Switzerland;
Bachelor of Science in Business Administration – Boston University, Boston, USA; CFA Charterholder

Daniel Belfer began his professional career in 1997 at BancBoston Robertson Stephens Inc. in Boston, USA, in the Emerging Markets Sales, Trading & Research department. In 2000, he joined Safra National Bank of New York where he was responsible for Fixed Income Trading and Structured Products. In 2004, he was promoted to Head of Trading. From 2008 to 2010, he was CEO and member of the Board of Directors of Bank J. Safra Sarasin (Bahamas) Ltd. In 2010, he moved to Geneva (Switzerland) where he joined Banque J. Safra (Suisse) SA. In 2013, he became Head of the Trading, Treasury and Asset Management division of BJSS. Since November 2019, Daniel Belfer is CEO of BJSS. He chairs the GEB.

Oliver Cartade
Born in 1976; UK national; lives in the United Kingdom;
Bachelor of Sciences in Economics – Wharton School, University of Pennsylvania, Philadelphia, USA;
MBA from INSEAD, Fontainebleau, France;
CFA Charterholder

Oliver Cartade began his professional career in 1998 at Prudential Securities in New York in the Investment Banking division focused on the technology sector. In 2000, Oliver Cartade joined PIPE9 Corporation, an internet start-up focused on B2B e-commerce, as a Vice President of Business Development. He then joined Kaufman Bros. LP, a boutique investment bank in New York, where he focused on M&A and private equity transactions across various industries. In 2003, he joined Safra National Bank of New York where he was primarily focused on performing research on and investing in hedge funds. In 2007, Oliver Cartade moved to London to open the London Branch of Bank J. Safra Sarasin (Gibraltar) Ltd where he then became the General Manager. In 2009, he also helped set up J. Safra Sarasin Asset Management (Europe) Ltd, where he became the Managing Director. Since November 2019, he is Head of the Trading, Treasury and Asset Management division of BJSS and a member of the GEB.

Elie Sassoon
Born in 1954; Swiss and Brazilian national;
lives in Switzerland;
Studied Economics at the Pontificia Universidade Católica, São Paulo, Brazil

Elie Sassoon began his professional career in 1977 at Banco Safra SA in São Paulo where he was active in various functions in the back and front office. In 1985, he joined Banque Safra (Luxembourg) SA in Luxembourg first as director of Private Banking and then as managing director responsible for the operation. In 2000, he moved to Geneva (Switzerland) where he joined Banque J. Safra (Suisse) SA where he was active in various management functions in the Private Banking division and since 2012 as Deputy CEO. Since 2013, Elie Sassoon is Head of the Private Banking Region II & EXAM division of BJSS. He is member of the GEB.

Marcelo Szerman
Born in 1977; Brazilian national; lives in Switzerland;
Bachelor in Business Administration – Finance – EAESP – Fundação Getulio Vargas (FGV), São Paulo, Brazil

Marcelo Szerman began his professional career in 1999 at Brascan S.A. CTV (Brascan Holdings/Mellon Bank) in São Paulo as International Equities and Futures Sales trader. In 2000, he joined Safra National Bank of New York where he acted as Vice President in the Investment Advisory Group. In 2005, he moved to Geneva (Switzerland) where he joined Banque J. Safra (Suisse) SA in the Trading & Treasury department and from 2008 as CEO. From 2012 to 2013, he was CEO of JSSH. Since 2013, Marcelo Szerman is the COO of the JSS Group. He is a member of the GEB.

Remuneration

Basic principles

JSS Group's compensation principles are issued by the Board of BJSS and govern the fundamentals of the compensation systems for the entire JSS Group.

The compensation philosophy of the JSS Group is based on a transparent and sustainable approach to operating a performance-related compensation system. Compensation is based on quantitative and qualitative performance measurement criteria which are as objective as possible. Such criteria are graded according to specific responsibilities and positions held, with the aim to align reward closely with performance and conduct of the JSS Group, the Group Company concerned and the individual employee.

Any performance measurement criteria shall in particular foster ongoing compliance with all applicable laws, rules and internal regulations and promote the general risk awareness of employees as well as encourage them to perform their business activities in a sustainable client-orientated manner.

Elements of remuneration

The JSS Group aims to offer competitive remuneration aligned with the market in order to attract, develop and retain employees for the long term.

Total remuneration generally consists of fixed and variable remuneration and applicable fringe benefits.

The elements of compensation are communicated to employees in a transparent manner and form an integral part of their employment contracts.

Procedure for determining compensation

Certain members of the Board receive Board member fees, graded according to position held and membership of committees.

The Board periodically reviews the Compensation Rules and obtains information each year on the operational implementation of and trends in the compensation systems. In accordance with the Regulations on Allocation of Competencies of JSSH, the Board approves the annual total pool for all variable pay and the annual salary increase, including the GEB.

The payment of variable remuneration is at the discretion of management and is in principle contingent on the fulfilment of certain conditions, including performance and conduct.

Employees and senior executives who hold controlling, auditing, legal, compliance and risk management functions are generally paid a fixed salary in line with the market and the calculation of variable remuneration is not directly dependent on the performance of the business units, specific products or transactions.

Risk strategy and risk profile

Private banking and asset management are business activities which inevitably entail inherent direct and indirect risks.

The main risks are:

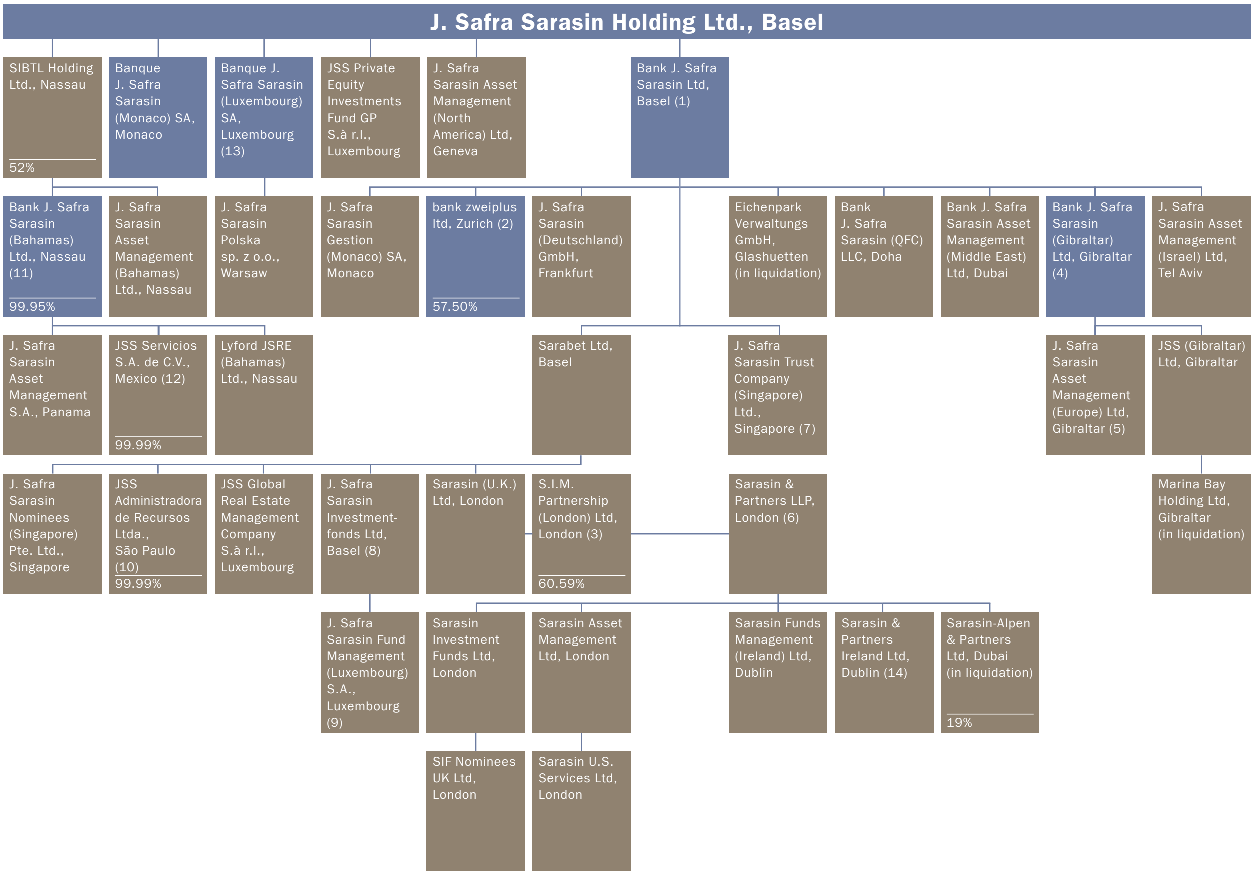
- Market, liquidity and financing risk
- Credit risk
- Operational and reputational risk
- Legal conduct and compliance risk
- Business and strategic risk

The section on Risk Management (page 55) describes in detail the main risks to which JSS Group is exposed. The Group considers that its risk management framework is a central component of its strategy, and maintaining it constantly adequate to the regulatory environment, to the business evolution, and to the customer needs is an absolute condition for a sustainable and long-term success.

The Board defines the risk strategy by which certain risks will be avoided, mitigated or transferred, and the residual risks will be assigned a level of appetite and tolerance. The strategy is implemented by the GEB, who ensures that the controls and processes are in place and efficiently performed. A sound monitoring and accurate reporting with a fast escalation process complete the risk management framework.

By complementing the expertise of the front units with a strong risk culture and adequate levels of controls, the JSS Group strives to preserve its client assets, keep a solid capital base and maintain its reputation in the long run.

Legal structure as at 31.12.2019



■ Banking status

Except as indicated, 100% ownership.

(1) Branches in Bern, Geneva, Lugano, Lucerne, Zurich
Branches abroad: Guernsey, Hong Kong, Singapore
Representative Offices: Istanbul, Tel Aviv
(2) 42.5% with Falcon Private Bank Ltd.
(3) 39.41% with Management
(4) Head Office: Gibraltar – Branch: London
(5) Head Office: Gibraltar – Branch: London
(6) Head Office: London – Branch: Dublin
(7) The company owns the following subsidiaries: Asia Square Holdings Ltd. (BVI), Edinburgh Management Ltd. (BVI), Shenton Management Ltd. (BVI)
(8) Head Office: Basel – Branches: Geneva, Zurich
(9) Head Office: Luxembourg – Branch: Vienna
(10) The remaining 0.01% of the shares are held by Bank J. Safra Sarasin Ltd
(11) The remaining 0.05% of the shares are held by Fiduciary
(12) The remaining 0.01% of the shares are held by SIBTL Holding Ltd.
(13) Branch: Amsterdam; Representative Office: Tel Aviv
(14) Not yet operational

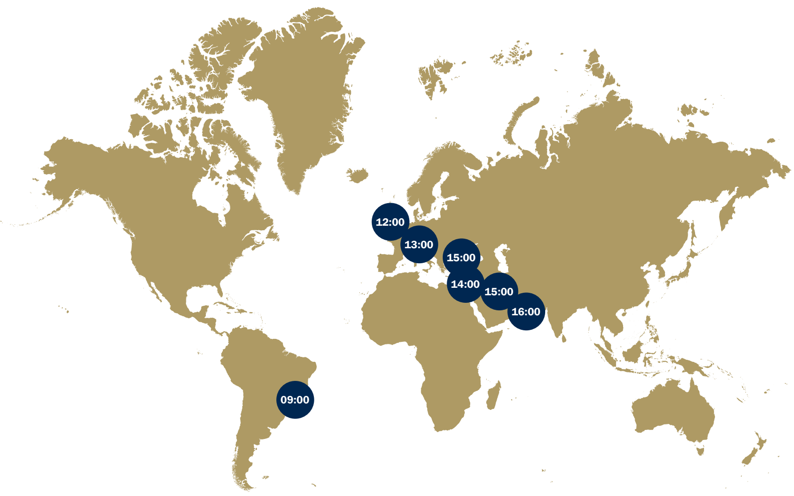

16:00 United Arab Emirates (GMT+4)
15:00 State of Qatar (GMT+3)
15:00 Turkey (GMT+3)
14:00 Israel (GMT+2)
13:00 Poland (GMT+1)
13:00 Austria (GMT+1)
13:00 Germany (GMT+1)
13:00 Switzerland (GMT+1)
13:00 Monaco (GMT+1)
13:00 Luxembourg (GMT+1)
13:00 The Netherlands (GMT+1)
13:00 Gibraltar (GMT+1)
12:00 GMT
12:00 London, UK (GMT)
12:00 Guernsey (GMT)
12:00 Ireland (GMT)
09:00 Brazil (GMT–3)

Group Companies

Group Companies

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.

The companies described in this chapter are the main operating companies of the J. Safra Sarasin Group. For a complete list of all companies being consolidated under J. Safra Sarasin Holding Ltd., please see the notes to the consolidated financial statements on page 67. A chart showing the legal structure of the Group is available as part of the chapter on "Corporate Governance" on page 33. 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 Ltd has offices in Basel (head office), Bern, Geneva, Lucerne, Lugano and Zurich. It has also branches in Guernsey, Hong Kong and Singapore and representative offices in Israel and Turkey.

Bank J. Safra Sarasin Ltd 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.

Banque J. Safra Sarasin (Monaco) SA

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, Elisabethenstrasse

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.

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 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. The team develops comprehensive and flexible private banking services to individuals and families, as well as the full array of financial services to corporate clients.

Geneva, Quai de l'Ile

Bank J. Safra Sarasin Ltd, Guernsey Branch
The Bank established a presence in Guernsey in 1992. 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, was established in 2010 by conversion from a Hong Kong-based investment services subsidiary and is an authorised institution licensed by the Hong Kong Monetary Authority. The branch offers private banking services and accepts deposits both from individual and corporate clients.

Bank J. Safra Sarasin Ltd, Singapore Branch
Bank J. Safra Sarasin Ltd, Singapore Branch, was established in 2012 by conversion from a Singapore-based banking subsidiary and operates under a wholesale bank licence granted by the Monetary Authority of Singapore. The branch offers private banking services and accepts deposits from both individual and corporate clients.

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 by developing financial strategies to achieve their targets in accordance with their investment profiles. Banque J. Safra Sarasin (Luxembourg) SA has a branch in the Netherlands and a representative office in Israel.

Zurich, Paradeplatz

Luxembourg, Boulevard Joseph II

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 bespoke 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

Gibraltar, Neptune House

Regulatory Authority. It offers residents of Qatar and other international clients based in the Middle East and Africa comprehensive and bespoke 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 in-house funds.

J. Safra Sarasin Asset Management (Israel) Ltd
Established in November 2017 in Tel Aviv, J. Safra Sarasin Asset Management (Israel) Ltd has obtained in 2018 the relevant licences for investment marketing and portfolio management from the Israel Securities Authority (ISA). J. Safra Sarasin Asset Management (Israel) Ltd provides investment services mainly to private clients.

J. Safra Sarasin Asset Management (North America) Ltd
Incorporated in 2018, the company has its registered office and place of business in Geneva. J. Safra Sarasin Asset Management (North America) Ltd is registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and member of the Swiss Association of Asset Managers (SAAM), a self-regulatory organisation (SRO) supervised by the Swiss Financial Market Supervisory Authority (FINMA). The business focus of the company consists in providing investment advisory and discretionary asset management services mainly to clients resident in the United States of America.

London, Berkeley Square

Monaco, La Belle Epoque

J. Safra Sarasin (Deutschland) GmbH

J. Safra Sarasin (Deutschland) GmbH is licensed under § 34f German Trade Act and supervised by the Chamber of Commerce. It provides investment advice and investment broking services in relation to domestic, foreign and EU registered open/closed-ended investment funds, which may be marketed in accordance with the German Capital Investment Code.

J. Safra Sarasin Polska sp. z o.o.

J. Safra Sarasin Polska sp. z o.o. has been incorporated in Warsaw and has started its operations in April 2019. The company is a wholly owned subsidiary of Banque J. Safra Sarasin (Luxembourg) SA and acts as its tied agent.

JSS Administradora de Recursos Ltda.

Incorporated under the laws of Brazil, it commenced business in 2017 and operates under a portfolio manager licence of the Brazilian Securities and Exchange Commission (CVM). JSS Administradora de Recursos Ltda. offers investment advisory and discretionary asset management services mainly to private clients.

Singapore, Asia Square Tower 1

J. Safra Sarasin Trust Company (Singapore) Ltd.
Incorporated under the laws of Singapore, J. Safra Sarasin Trust Company (Singapore) Ltd. obtained its licence from the Monetary Authority of Singapore under the Trust Companies Act 2004 and commenced business in December 2010. It 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 LLP 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 "stewardship" principles, embedding environmental, social and governance considerations into the investment process. Sarasin & Partners LLP is 61% owned by Bank J. Safra Sarasin Ltd and 39% 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 ltd also has a sophisticated product offering specifically tailored to clients of financial services providers, independent asset managers and insurance companies.

Mexico, Edificio Forum

Panama, BICSA Financial Center

Amsterdam, Rembrandt Tower

Istanbul, Süzer Plaza

Nassau, Lyford Financial Centre

Tel Aviv, Sarona Azrieli Tower

Doha, Qatar Financial Centre

Dubai, Burj Daman

Hong Kong, Edinburgh Tower


18:00 **Israel** (GMT+2)
17:00 **Poland** (GMT+1)
17:00 **Austria** (GMT+1)
17:00 **Germany** (GMT+1)
17:00 **Switzerland** (GMT+1)
17:00 **Monaco** (GMT+1)
17:00 **Luxembourg** (GMT+1)
17:00 **The Nethelands** (GMT+1)
17:00 **Gibraltar** (GMT+1)
16:00 **United Kingdom** (GMT)
16:00 **Guernsey** (GMT)
16:00 **Ireland** (GMT)
16:00 GMT 13:00 **São Paulo, Brazil** (GMT–3)
11:00 **The Bahamas** (GMT–5)
11:00 **Panama** (GMT–5)
10:00 **Mexico** (GMT–6)

Consolidated Financial Statements

Consolidated balance sheet

Assets	**31.12.2019** **CHF 000**	31.12.2018 CHF 000
Liquid assets	8,008,877	7,095,720
Amounts due from banks	1,696,657	1,804,564
Amounts due from securities financing transactions	58,101	59,148
Amounts due from customers	10,536,404	10,758,968
Mortgage loans	3,234,104	3,145,738
Trading portfolio assets	2,244,966	1,655,311
Positive replacement values of derivative financial instruments	433,210	692,417
Other financial instruments at fair value	1,334,200	1,058,177
Financial investments	8,230,699	7,725,000
Accrued income and prepaid expenses	216,513	229,982
Non-consolidated participations	24,285	24,286
Tangible fixed assets	308,428	318,748
Intangible assets	112,211	381,049
Other assets	188,783	281,784
Total assets	**36,627,438**	**35,230,892**
Total subordinated claims	239,000	157,333
of which subject to mandatory conversion and/or debt waiver	–	–

Liabilities		
Amounts due to banks	709,825	770,591
Liabilities from securities financing transactions	0	0
Amounts due in respect of customer deposits	28,479,913	26,848,174
Trading portfolio liabilities	19,429	8,136
Negative replacement values of derivative financial instruments	602,634	623,693
Liabilities from other financial instruments at fair value	839,899	805,997
Bond issues and central mortgage institution loans	291,119	384,303
Accrued expenses and deferred income	355,280	440,658
Other liabilities	180,757	207,681
Provisions	31,866	22,545
Reserves for general banking risks	44,742	360,742
Share capital	848,245	848,245
Capital reserve	1,745,862	1,745,862
Retained earnings reserve	1,320,741	1,060,990
Currency translation reserve	22,393	66,334
Minority interests in equity	754,504	689,677
Consolidated profit	380,229	347,264
of which minority interests in consolidated profit	76,666	87,513
Total liabilities	**36,627,438**	**35,230,892**
Total subordinated liabilities	–	–
of which subject to mandatory conversion and/or debt waiver	–	–

Consolidated off-balance sheet

CHF 000	**31.12.2019**	31.12.2018
Contingent liabilities	370,912	663,626
Irrevocable commitments	19,146	18,390
Obligations to pay up shares and make further contributions	1,487	1,487
Credit commitments	0	0

Consolidated income statement

CHF 000	**2019**	2018
Interest and discount income	497,626	448,972
Interest and dividend income from trading portfolios	0	0
Interest and dividend income from financial investments	170,157	154,490
Interest expense	–265,704	–194,303
Gross result from interest operations	402,079	409,159
Changes in value adjustments for default risks and losses from interest operations	–67,491	–3,305
Subtotal net result from interest operations	334,588	405,854
Commission income from securities trading and investment activities	603,651	587,031
Commission income from lending activities	4,129	3,883
Commission income from other services	63,943	68,160
Commission expense	–74,743	–77,084
Subtotal result from commission business and services	596,980	581,990
Result from trading activities and the fair value option	217,381	215,805
Result from the disposal of financial investments	3,532	–42
Income from participations	10,730	3,923
of which, participations recognised using the equity method	0	0
of which, from other non-consolidated participations	10,730	3,923
Result from real estate	697	796
Other ordinary income	6,263	6,210
Other ordinary expenses	–15,351	–5,313
Subtotal other result from ordinary activities	5,871	5,574
Operating income	**1,154,820**	**1,209,223**
Personnel expenses	–535,427	–524,290
General and administrative expenses	–153,371	–147,383
Operating expenses	**–688,798**	**–671,673**
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	–298,917	–115,547
Changes to provisions and other value adjustments, and losses	–16,343	–37,591
Operating result	**150,762**	**384,412**
Extraordinary income	1,525	251
Extraordinary expenses	–1	–43
Changes in reserves for general banking risks	316,000	0
Taxes	–88,057	–37,356
Consolidated profit	**380,229**	**347,264**
of which minority interests in consolidated profit	76,666	87,513

Consolidated cash flow statement

	2019		2018	
CHF 000	**Source of funds**	**Use of funds**	Source of funds	Use of funds
Consolidated profit	380,229	0	347,264	0
Change in reserves for general banking risks	0	–316,000	0	0
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	298,917	0	115,547	0
Provisions and other value adjustments	9,664	0	0	–46,571
Change in value adjustments for default risks and losses	67,491	0	23,388	0
Accrued income and prepaid expenses	11,150	0	0	–49,989
Accrued expenses and deferred income	0	–79,567	56,368	0
Other items	0	0	0	0
Previous year's dividend	0	0	0	0
Cash flow from operating activities	**371,884**		**446,007**	
Share capital	0	0	0	0
Capital reserves	0	0	0	0
Retained earnings reserve	0	0	0	0
Minority interests in equity	0	–8,693	0	–9,967
Cash flow from equity transactions		**–8,693**		**–9,967**
Participating interests	0	0	0	–3,195
Bank building	0	–43	0	–7,374
Other fixed assets	0	–8,879	0	–8,997
Intangible assets	0	–11,027	0	–11,296
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets		**–19,949**		**–30,862**

Consolidated cash flow statement

CHF 000	2019 Source of funds	2019 Use of funds	2018 Source of funds	2018 Use of funds
Medium and long-term business (>1 year)				
Amounts due to banks	20,485	0	19,453	0
Amounts due in respect of customer deposits	246,689	0	0	–20,255
Liabilities from other financial instruments at fair value	63,205	0	0	–78,573
Bonds	0	0	0	0
Central mortgage institution loans	0	–40,846	0	–49,067
Loans of central issuing institutions	0	–49,513	0	–17,035
Other liabilities	0	–24,780	0	–7,384
Amounts due from banks	92,277	0	0	–3,455
Amounts due from customers	454,234	0	128,956	0
Mortgage loans	0	–136,081	0	–44,110
Other financial instruments at fair value	0	–110,190	0	–14,296
Financial investments	0	–698,275	722,411	0
Other accounts receivable	53,529	0	0	–197,793
Short-term business				
Amounts due to banks	0	–81,655	0	–185,591
Liabilities from securities financing transactions	0	0	0	–151,609
Amounts due in respect of customer deposits	1,766,829	0	1,090,106	0
Trading portfolio liabilities	11,293	0	8,136	0
Negative replacement values of derivative financial instruments	0	–18,042	0	–176,427
Liabilities from other financial instruments at fair value	0	–52,847	0	–331,863
Amounts due from banks	8,810	0	0	–578,289
Amounts due from securities financing transactions	1,047	0	151,154	0
Amounts due from customers	0	–434,741	0	–393,197
Trading portfolio assets	0	–602,162	0	–506,649
Positive replacement values of derivative financial instruments	254,583	0	167,872	0
Other financial instruments at fair value	0	–161,623	266,847	0
Financial investments	64,706	0	115,149	0
Cash flow from banking operations	**626,932**			**–85,509**
Conversion differences		**–57,016**		**–36,403**
Change in liquid assets	**913,157**		**283,267**	

CHF 000	31.12.2019	31.12.2018
Liquid assets at beginning of the year (cash)	**7,095,720**	**6,812,453**
Liquid assets at the end of the year (cash)	**8,008,877**	**7,095,720**
Change in liquid assets	**913,157**	**283,267**

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 reserve	Minority interests	Result of the period	**Total**
Equity on 01.01.2019	**848,245**	**1,745,862**	**1,320,741**	**360,742**	**66,334**	**777,190**		**5,119,114**
Currency translation differences					–43,941	–13,993		–57,934
Dividends and other distributions						–8,693		–8,693
Reserves for general banking risks				–316,000				–316,000
Consolidated profit						76,666	303,563	380,229
Equity on 31.12.2019	**848,245**	**1,745,862**	**1,320,741**	**44,742**	**22,393**	**831,170**	**303,563**	**5,116,716**

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

	31.12.2019				31.12.2018			
CHF 000	Total nominal value	Number of units	Dividend bearing capital	%	Total nominal value	Number of units	Dividend bearing capital	%
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. JSSH is ultimately owned by Mr. Joseph Y. Safra and his family.

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. Capital adequacy disclosures under FINMA Circulars 08/22 and 16/1 are published on our website www.jsafrasarasin.com.

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 reported 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 67. 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:

Currency	31.12.2019	31.12.2018
USD/CHF	0.968	0.986
EUR/CHF	1.087	1.127

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 the item “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 and the fair value option”. 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:

	2019	2018
Fixed assets		
Bank premises and other buildings	50 years	50 years
Leasehold improvements/ Renovations	10–20 years	10–20 years
Furniture and machines	3–10 years	3–10 years
Hardware	3–8 years	3–8 years
Software	3–8 years	3–8 years
Intangible assets		
Goodwill	5–10 years	5–20 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 due from banks or 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

Achieving a high standard of risk management is not simply a question of compliance with formalised internal and external rules. Moreover, quantitative criteria are only one component of comprehensive risk management systems. Indeed, risk awareness must be a key governance element to spur the appropriate risk culture and become an integral part of an organisation. Only then will such risk culture demonstrate itself through the discipline and thoroughness with which employees perform their tasks.

Governance

The Board of Directors carries ultimate responsibility in the Group's business strategy and principles for the corporate culture. It is responsible for establishing the business organisation, for issuing the necessary rules and regulations, and ensuring that the Group has the adequate level of personnel and infrastructure.

The Board defines the risk strategy, approves the Group-wide risk management framework, and is responsible for establishing an effective risk management function and for managing the Group's overall risks. It ensures that the risk and control environment is adequate and that the internal control system is efficient. The Board of Directors formulates the Group's risk policy and monitors its implementation by the Group Executive Board, which is responsible for running the operational business activities and for the day-to-day risk management.

Risk management framework

The risk management framework is developed by the Group Executive Board and approved by the Board of Directors. It is based on a comprehensive assessment of the inherent risks resulting from the activities of the Group. For each of these activities, the existing controls of first, second and third lines of defence are assessed and revised if necessary. These controls, together with other mitigating factors, will serve to derive the residual risks which in turn are classified in the corresponding principal risk categories.

Risk tolerance, defined as the level of risk that the Group is prepared to assume to achieve its business objectives, is determined by risk category. Corresponding limits are set where applicable.

Under the responsibility of the Board of Directors, the Group Executive Board ensures that the necessary instruments and organisational structures allow for the identification, monitoring and reporting of all risk categories.

The elements of risk tolerance are integrated into internal regulations, directives and policies which govern the activities performed within the Group and contribute to enforcing the risk culture. Those policies and related documents define the operating limits and describe the procedures to follow in case of breaches. A programme of training and e-learning is also designed to educate and inform personnel on risks and restrictions related to the activities.

The risk management framework is reviewed annually.

Committees

To ensure holistic risk management, the Board of Directors and the Group Executive Board have appointed the necessary committees to deal with risks and which act as decision-making bodies for key issues and risks. Their roles also include the promotion of risk awareness and compliance with the approved risk standards.

The **Audit and Risk Committee ("ARC")** reports to the Board of Directors. The committee assesses the effectiveness of the internal control system, the risk control, the compliance function and internal audit. It monitors the implementation of risk strategies and ensures that they are in line with the defined risk tolerance and risk limits. In addition, the ARC assesses the risk management framework and makes relevant recommendations to the Board of Directors.

The **Risk Committee** is the Group's highest management committee concerned with risk. Its primary function is to assist the Group Executive Board and ultimately the Board of Directors in fulfilling their responsibilities by implementing the risk guidelines set by the Board and reassessing the Group's risk profile. When evaluating risks, the Risk Committee takes into consideration the findings and measures of other committees.

The **Operational Risk Committee** reviews the causes of operational incidents and when necessary may propose certain changes in the processes. Ad-hoc topics are analysed and reviewed, with the constant objective of reducing risks and improving efficiency.

The **Central Credit Committee ("CCC")** administers the credit portfolio and controls the Group's credit risk. It is responsible for the review and approval of the Group's client credit exposure and non-client counterparty limits and utilisations and for the review of the Group's credit policy.

The **Treasury Committee** is responsible for the consolidated supervision of the treasury, liquidity, investment activities and cash management of the Group. It controls and manages interest rate risk, short-term liquidity risk and mid- to long-term refinancing risks. The Treasury Committee is mandated in particular to supervise liquidity, refinancing, interest risk exposure, investment income and interest-bearing products and accounts.

The **Product Committees** oversee the idea generation, the development and the sales support activities for new products offered within the Group. These committees bear ultimate functional responsibility for the product approval process and for managing the product development process.

All operational committees are made up of representatives from different divisions and meet at regular intervals, at least quarterly.

Organisation of risk management

Risk management is structured along three lines of defence. The first line of defence is operated by the revenue-generating and operational units. The second line is assured by independent control units, with unlimited access to information. The third line of defence is provided by the Internal Audit function.

Independent controls are executed by Risk Office, the Credit department and the Legal & Compliance departments which, from an organisational perspective, are all independent from the first line of defence units. 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. This structure prevents potential conflicts of interest and incompatible objectives as early and as effectively as possible.

The Chief Risk Officer heads the Risk Office department, which is responsible for the comprehensive and systematic control of risk exposure. It ensures that the risk profile of the Group is consistent with the risk tolerance and limits approved in the risk management framework. Risk Office performs in-depth analysis of the Group's exposure to market, treasury, non-client credit, operational and other risks. It anticipates risk, makes recommendations and takes necessary measures to adjust to the Group's risk profile. It is responsible for ensuring compliance with the risk management process. Risk Office has developed its own risk infrastructure allowing for efficient risk monitoring and robust reporting. The infrastructure undergoes regular updates and enhancements. Risk Office also submits periodic and ad-hoc reports to the Audit and Risk Committee, to the Group Executive Board and to business units.

The Credit department analyses, grants and records client credits and if necessary initiates measures to prevent credit losses. Client credits include cash loans, contingent liabilities and transactions with initial margin requirement such as forwards, futures or option contracts. The Credit department defines credit parameters relevant to credit, such as eligibility of assets for lending, lending-value rules and initial margin requirement according to the type of derivative transaction. An independent team monitors the client credit activity and the adherence to limits.

The Legal & Compliance function supports the Group Executive Board and the management of JSSH Group Companies in their efforts to ensure that the Group's business activities in Switzerland and abroad comply with applicable legal and regulatory frameworks, as well as with generally accepted market standards and practices. Compliance assures that an appropriate system of directives and procedures is in place and adequate training on compliance matters is provided to relevant staff. It also performs several controls of second line of defence. Other controls such as suitability and cross-border compliance are performed by the Business Development department. The Legal function guarantees that the Group structure and business processes adhere to a legally abiding format, particularly in the areas of service provision to clients and product marketing. Regular and comprehensive risk reporting on compliance and legal risk is provided to the Audit and Risk Committee and the Group Executive Board.

A clearly structured and transparent risk management process allows for the timely identification of risks, their documentation, escalation, resolution and/or close monitoring. The process is applied to all risk categories, both individually and collectively. When introducing new business transactions and procedures, the risk management process is the basis for the comprehensive assessment and rating of risks associated with a new activity or 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 indicators

In-depth risk profiling will result in defining quantitative and qualitative risk indicators. In the case of quantitative indicators and depending on the required level of granularity, these will be measured at minimum against an internal limit as well as a regulatory limit (if applicable). Qualitative indicators are assessed in the context of the "appetite statement" defined in the risk management framework. To the extent possible, these indicators are standardised throughout the Group. The Group makes use of stress testing in order to evaluate the impact of adverse scenarios on different elements: capital adequacy, liquidity, interest rate sensitivity and collateral value of the credit portfolios. In order to estimate the financial impacts on capital adequacy, different scenarios are considered that can be systemic or idiosyncratic. Several scenarios occur yearly while others are defined on an ad-hoc basis. For each scenario, all possible direct and indirect consequences on the profit and loss and on the equity of the Group are considered. A detailed three-year schedule for capital planning and development describes the impact of each scenario on capital adequacy over several years. The ARC assesses the Group's capital and liquidity planning and reports them to the Board of Directors.

Risk categories

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

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

Market risk

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. The Group is exposed to market risk on its trading book in a limited way. Specific limits are set on different parameters at granular level. The monitoring of the limits is automated and performed on an ongoing basis ensuring a timely intervention when justified. A clear and efficient escalation process is in place so that in case of breach the remediation measures are presented to the competent limit owner. Regarding the banking book, market risk limits are in place for the interest rate and foreign exchange exposures as well as regarding derivatives exposures. The interest rate risk in the banking book is measured using the regulatory predefined scenarios as well as additional internal scenarios. Specifically, the exposure to interest rate risk is measured via diverging maturities of interest-sensitive positions per currency (gap). The interest rate risk stress testing assesses the impact on the economic value of the balance sheet and on the projected interest income for the following twelve months.

Liquidity risk

Liquidity risk refers to the potential inability of the Group to meet its payment obligations or failure to meet 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 ensure compliance with legal requirements on liquidity. A key task of the Committee is to monitor all 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. The liquidity aspects are considered in aggregate but also per currency. As a supporting strategy, target bandwidths are set for surplus coverage of minimum liquidity. These are actively monitored and corresponding measures are taken if liquidity falls below the specified targets. A contingency funding plan may be triggered if certain conditions are met. Stress testing allows for the impact of larger outflows combined with the deterioration of Group assets on the liquidity indicators to be assessed.

Credit risk

Credit or counterparty risk is the risk related to 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. Such potential counterparty failures may result in financial losses for the Group.

Lending business with clients

Lending activities are mainly limited to private client loans which are secured against securities or mortgages. Lending criteria are very strictly formulated and their appropriateness is continuously reviewed. The lending business with clients respects a strict separation rule between front and support functions where the assessment, approval and monitoring of such 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 them in line with the delegated authority and the policy defined. Client loans and mortgages are classified by risk classes through an internal rating system, which considers criteria such as the applied lending value, the average daily turnover and dynamic weightings.

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 which are in line with Swiss banking industry common practice. 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 class 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 analysis performed according to a clearly defined procedure. A stress testing on the collateral value of the credit portfolio is performed at least on a quarterly basis.

Lending business with banks, governments and corporates

Transactions entered into with banks, governments and corporates (non-client credit activities) may represent direct exposures or serve the Group's need 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 strong focus is also 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 via a set framework and limits which are both 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, prior to entering into positions involving non-clients the Group's Risk Office checks that the critical size of the concentrations is not exceeded.

Operational risk

Operational risk is defined as the risk of loss that arises through the inadequacy or failure of internal procedures, people or systems, or as a consequence of external events.

The risk of fraud is embedded in operational risk. In order to mitigate that risk, strict procedures are in place and their application is monitored.

All operational risk incidents are notified to and analysed by Risk Office. Various reports are produced and presented to the Group Executive Board. An Operational Risk Committee meets at regular intervals to review the incidents and, when necessary, issues recommendations. The continuous measurement, reporting and assessment of segment-specific key risk indicators allows potential weaknesses to be detected well in advance, monitored and escalated. Ongoing risk and control self-assessment is performed involving representatives from all business units and risk experts in order to identify and catalogue the risks and inadequacies of a specific area. If necessary, targeted action plans are designed to decrease the risk level and align with the Group's risk appetite.

Business Continuity Management (BCM) is designed to maintain or restore critical business functions as quickly as possible in the event of internal or external incidents. BCM aims to minimise financial impact, and protect client assets as well as the Group's reputation. The BCM plan is reviewed yearly by the BCM Board. Regular crisis management exercises are conducted to validate the efficiency of the plan.

In addition to the BCM and the operation risk framework, the Group mitigates potential consequences of risk with tailored insurance solutions. These solutions are regularly reassessed to comply with new emerging risks and regulations.

IT and information security risk

IT risk refers to a subset of operational risk due to technology-related factors. It may lead to potential business disruptions as a result of a deficient implementation of IT risk governance. It comprises, but is not limited to, user access management, the evolution of the IT infrastructure and the IT operations management.

Information security risk relates to the potential inability of the Group to anticipate, resist, or react to a threat that exploits vulnerabilities, causing harm to the organisation. This includes cyber risk which is more specific to the use of technology. The Group aims at ensuring that data is protected against intentional and unintentional abuse. The emergence of new potential threats is continuously monitored by the Group.

In relation to both IT and information security, a dedicated IT Risk Management Committee meets on a quarterly basis to review and address those risks.

Reputational risk

Reputation is a critical element shaping stakeholders' perception of the Group's public standing, professionalism, integrity and reliability. Reputational risk can be defined as the existing or potential threat of negative commercial impacts on the Group created by stakeholders' negative perception of the Group. It is most often an event which has occurred as a direct consequence of another risk materialising. To identify potential reputational risks at an early stage and take appropriate preventive measures, the Group strives to instil an intrinsic risk culture in its staff, structures and processes.

Legal and compliance risk

Legal risks relate 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 as soon as a potential risk has been identified. It assesses the situation and, if appropriate, retains an external lawyer with whom it works to resolve the issue. Such 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 applicable laws, its own regulations, code of conduct, and standards of best/good practice. Compliance risk relates to many areas, such as anti-money laundering and combating the financing of terrorism, regulatory tax compliance, breaches of the cross-border rules, conduct risks including suitability and appropriateness of products and investments, or market conduct rules.

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 containing option components 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 position "Positive (or negative) replacement values of derivative financial instruments". Assets (stocks, bonds derivatives from third parties, etc.) bought to hedge self-issued structured products are recognised in the respective balance sheet position. For self-issued structured products where the fair value option is applied, the product itself and the corresponding hedging positions in stocks, bonds and funds are recognised in the balance sheet position "Liabilities from other financial instruments at fair value" or "Other financial instruments at fair value", respectively. Potential derivative positions also held for hedging purposes are reported under "Positive (or negative) replacement values of derivative financial instruments".

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 regularly followed by means of a daily monitoring and the aforementioned credit reviews. 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, lending values rules are set and periodically reviewed by the Group's Central Credit Committee for each asset type. 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 embedded within the portfolios on which the Group lends is also reviewed periodically, as necessary. Lombard loans are monitored on a daily basis for margin purposes, and in relevant periodic intervals for repayment purposes. The CRC of a Lombard facility or group of facilities is reassessed at each credit review interval. In addition, periodic interim controls are performed to flag CRC inconsistencies. 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 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 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 facilities are assessed individually and provisions are set aside on a case-by-case basis.

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

The lending business is basically limited to Lombard loans and mortgages. In case of a Lombard loan, the collateral is accepted at a percentage of its market value according to the Group's credit policy. The lending value 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 Group's business policy regarding the use of derivative financial instruments, including explanations relating to the use of hedge accounting

The Group enables clients to trade different types of derivatives. Client derivatives trading activities include options, forwards, futures, swaps on equities, foreign exchange, precious metals, commodities and interest rates. The Group can trade derivative products for its own account, either for proprietary trading or for balance sheet management activities, as long as the necessary limits are approved by the Board of Directors, or square 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 the risk in its banking book. In order to avoid asymmetric profit and loss recognition, the Group may apply hedge accounting if possible. Interest rate risk of assets and liabilities are typically hedged by interest rate swaps (IRS), but other instruments 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 transactions are documented and periodically reviewed.

The effectiveness of hedging transactions is measured prospectively either by the differential of sensitivity to the risk parameter, within a predefined corridor, of the hedged item(s) and the hedging transaction, or by matching the cash flows of the hedge and the risk position. 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 profit and loss item "Result from trading activities".

Subsequent events

No events affecting the balance sheet or income statement are to be reported for the financial year 2019.

Consolidated notes –
Information on the balance sheet

Breakdown of securities financing transactions (assets and liabilities)

CHF 000	**2019**	2018
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions (before netting agreements)	58,101	59,148
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions (before netting agreements)	0	0
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	77,902	150,541
with unrestricted right to resell or pledge	77,902	150,541
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	368,144	428,439
of which, repledged securities	2,658	2,704
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
Loans (before netting with value adjustments)				
Amounts due from customers	327,103	10,485,778	33,573	10,846,454
Mortgages loans				
Residential property	1,141,208	0	0	1,141,208
Office and business premises	1,721,435	0	0	1,721,435
Trade and industry	362,998	0	0	362,998
Others	8,464	0	0	8,464
Total loans (before netting with value adjustments)				
Current year	**3,561,208**	**10,485,778**	**33,573**	**14,080,559**
Previous year	3,398,775	10,745,135	34,793	14,178,703
Total loans (after netting with value adjustments)				
Current year	**3,395,053**	**10,373,814**	**1,641**	**13,770,508**
Previous year	3,273,572	10,629,280	1,854	13,904,706
Off-balance-sheet transactions				
Contingent liabilities	0	366,611	4,301	370,912
Irrevocable commitments	0	19,146	0	19,146
Obligations to pay up shares and make further contributions	0	0	1,487	1,487
Total current year	**0**	**385,757**	**5,788**	**391,545**
Previous year	640	680,421	2,442	683,503

Impaired loans

CHF 000	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Current year	**472,587**	**162,536**	**310,051**	**310,051**
Previous year	403,484	129,487	273,997	273,997

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

CHF 000	31.12.2019	31.12.2018
Assets		
Trading portfolios		
Debt securities, money market securities/ transactions	1,295,448	804,059
of which, listed	399,369	229,768
Equity securities	318,854	361,598
Precious metals and commodities	564,022	437,810
Other trading portfolio assets	66,642	51,844
Other financial instruments at fair value		
Debt securities	259,944	144,123
Structured products	651	0
Other	1,073,604	914,054
Total assets	**3,579,166**	**2,713,488**
of which, determined using a valuation model	0	0
of which, securities eligible for repo transactions in accordance with liquidity requirements	0	0
Liabilities		
Trading portfolios		
Debt securities, money market securities/transactions	204	0
of which, listed	204	0
Equity securities	19,224	8,080
Precious metals and commodities	0	0
Other trading portfolio liabilities	1	56
Other financial instruments at fair value		
Debt securities	267,941	147,267
Structured products	0	0
Other	571,958	658,730
Total liabilities	**859,328**	**814,133**
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
Trading instruments			
Interest rate instruments			
Forward agreements	10	10	12,280
Swaps	62,463	173,667	8,304,954
Futures	0	0	0
Total interest rate instruments	**62,473**	**173,677**	**8,317,234**
Foreign exchange			
Forward agreements	30,583	35,528	4,251,075
Combined interest/currency swaps	153,049	235,130	24,168,279
Futures	0	0	786,023
Options (OTC)	28,806	27,127	5,528,612
Total foreign exchange	**212,438**	**297,785**	**34,733,989**
Equity securities/indices			
Forward agreements	187	177	59,288
Futures	0	0	0
Options (OTC)	75,790	68,571	2,173,556
Options (exchange traded)	43,513	19,792	1,259,123
Total equity securities/indices	**119,490**	**88,540**	**3,491,967**
Precious metals			
Forward agreements	933	614	71,071
Swaps	2,635	2,931	258,567
Options (OTC)	34,170	33,307	1,764,911
Total precious metals	**37,738**	**36,852**	**2,094,549**
Commodities			
Options (OTC)	12	0	8
Total commodities	**12**	**0**	**8**
Credit derivatives			
Credit default swaps	0	12	968
Total credit derivatives	**0**	**12**	**968**
Other			
Forward agreements	27	31	25,332
Total other	**27**	**31**	**25,332**
Total trading instruments before netting agreements on 31.12.2019	**432,178**	**596,897**	**48,664,047**
Total trading instruments before netting agreements on 31.12.2018	688,886	618,428	62,064,245
Hedge instruments			
Interest rate instruments			
Swaps	1,032	5,737	342,415
Total hedge instruments on 31.12.2019	**1,032**	**5,737**	**342,415**
Total hedge instruments on 31.12.2018	3,531	5,265	329,027
Total before netting agreements on 31.12.2019	**433,210**	**602,634**	**49,006,462**
of which, determined using a valuation model	0	0	–
Total before netting agreements on 31.12.2018	692,417	623,693	62,393,272
of which, determined using a valuation model	0	0	–
Total after netting agreements on 31.12.2019	**104,284**	**334,844**	
Total after netting agreements on 31.12.2018	97,506	217,243	

Breakdown by counterparty	Central clearing houses	Banks and securities dealers	Other customers
CHF 000			
Positive replacement values (after netting agreements) on 31.12.2019	**518**	**42,727**	**61,039**
Positive replacement values (after netting agreements) on 31.12.2018	4,014	60,370	33,122

Financial investments

CHF 000	**Book value 31.12.2019**	**Fair value 31.12.2019**	Book value 31.12.2018	Fair value 31.12.2018
Debt securities	7,206,977	7,344,840	6,938,384	6,944,752
of which, intended to be held until maturity	7,155,450	7,290,451	6,550,454	6,549,148
of which, not intended to be held to maturity (available for sale)	51,527	54,389	387,930	395,604
Equity securities	952,544	1,138,496	732,011	948,276
of which, qualified participations	0	0	0	0
Precious metals	0	0	0	0
Real estate	71,178	71,178	54,605	54,605
Total financial investments	**8,230,699**	**8,554,514**	**7,725,000**	**7,947,633**
of which, securities eligible for repo transactions in accordance with liquidity regulations	**59,369**		**87,506**	

Breakdown of counterparties by rating

CHF 000	AAA to AA–	A+ to A–	BBB+ to BBB–	BB+ to B–	Below B–	Unrated
Debt securities						
Book value on 31.12.2019	**2,542,265**	**1,983,734**	**1,180,240**	**1,048,550**	**107**	**452,080**
Book value on 31.12.2018	1,809,665	2,621,590	1,226,408	884,840	4,419	391,462

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

Participations

CHF 000	Acquisition costs	Accumulated value adjustments	Book value as at 31.12.2018	Reclassi-fications	Additions	Disposals	Value adjustments	**Book value as at 31.12.2019**	Market value
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	24,551	–265	24,286	0	0	–1	0	24,285	127,171
without market value	0	0	0	0	0	0	0	0	–
Total participations	**24,551**	**–265**	**24,286**	**0**	**0**	**–1**	**0**	**24,285**	**127,171**

Significant participating interests

	Place of incorporation	Activity	Currency	Share capital '000s	% of equity/ votes	Direct/ indirect 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	235	100.00%	indirect
Marina Bay Holding Ltd	Gibraltar	Holding	GBP	100	100.00%	indirect
Banque J. Safra Sarasin (Monaco) SA	Monaco	Bank	EUR	67,000	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
J. Safra Sarasin Polska sp. z o.o.	Poland	Advisory	PLN	5	100.00%	indirect
JSS Private Equity Investments Fund GB S.à r.l.	Luxembourg	Fund Management	EUR	12	100.00%	direct
J. Safra Sarasin Asset Management (North America) Ltd	Geneva	Asset Management	CHF	1,350	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
Lyford JSRE (Bahamas) Ltd.	Bahamas	Real Estate	USD	50	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
J. Safra Sarasin Asset Management (Israel) Ltd	Tel Aviv	Advisory	ILS	350	100.00%	indirect
Eichenpark Verwaltungs GmbH	Glashuetten	Holding	EUR	25	100.00%	indirect
bank zweiplus ltd	Zurich	Bank	CHF	35,000	57.50%	indirect
J. Safra Sarasin (Deutschland) GmbH	Frankfurt	Advisory	EUR	50	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	60.59%	indirect
Sarasin & Partners LLP	London	Asset Management	GBP	18,273	60.59%	indirect
Sarasin Asset Management Ltd	London	Asset Management	GBP	250	60.59%	indirect
Sarasin U.S. Services Ltd[1)]	London	Advisory	GBP	0.1	60.59%	indirect
Sarasin Investment Funds Ltd	London	Fund Management	GBP	250	60.59%	indirect
Sarasin Funds Management (Ireland) Ltd	Dublin	Fund Management	GBP	500	60.59%	indirect
Sarasin & Partners Ireland Ltd[1)]	Dublin	Asset Management	EUR	100	60.59%	indirect
JSS Administradora de Recursos Ltda.	Sao Paulo	Advisory	BRL	1,711	100.00%	indirect
JSS Global Real Estate Management Company S.à r.l.	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

[1)] Fully consolidated for the first time.

Non-consolidated investments in subsidiary companies

SIX Group AG	Zurich	Stock exchange	CHF	19,522	2.40%	indirect
PFBK Schweizerische Hypothekarinstitute AG	Zurich	Mortgage company	CHF	900,000	0.30%	indirect

Tangible fixed assets

CHF 000	Acquisition costs	Accumulated depreciation	Book value as at 31.12.2018	Change in scope of consolidation	Reclassi-fications	Additions	Disposals	Depreciation	**Book value as at 31.12.2019**
Real estate: bank buildings	350,308	–87,541	262,767	0	0	43	–218	–6,131	256,461
Real estate: other real estate	4,985	–1,912	3,073	0	0	0	0	–83	2,990
Proprietary or separately acquired software	21,322	–15,995	5,327	0	0	4,805	1	–3,052	7,081
Other fixed assets	128,503	–80,922	47,581	0	0	4,080	20	–9,785	41,896
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
Total fixed assets	**505,118**	**–186,370**	**318,748**	**0**	**0**	**8,928**	**–197**	**–19,051**	**308,428**

Operating leases

CHF 000	**31.12.2019**	31.12.2018
Remaining maturity <1 year	14,677	13,279
Remaining maturity 1–5 years	30,706	32,985
Remaining maturity >5 years	2,434	5,198
Total liabilities from operating lease	**47,817**	**51,462**
of which, remaining maturity <1 year that can be terminated within one year	2,448	117

Intangible assets

CHF 000	Acquisition costs	Accumulated amortisation	Book value as at 31.12.2018	Reclassi-fications	Additions	Disposals	Amortisation	**Book value as at 31.12.2019**
Goodwill	563,895	–182,845	381,049	0	0	0	–268,838[1)]	112,211
Patents	0	0	0	0	0	0	0	0
Licences	0	0	0	0	0	0	0	0
Other intangible assets	86,186	–86,186	0	0	11,028	0	–11,028[2)]	0
Total intangible assets	**650,081**	**–269,031**	**381,049**	**0**	**11,028**	**0**	**–279,866**	**112,211**

1) The amortisation period of the historical goodwill, previously grandfathered according to Swiss accounting principles applicable for banks (FINMA Circular 2015/1 in connection with 2008/2), was shortened from 20 years to 10 years.
2) Corresponds to the amortisation of the remaining inventory of “Other intangible assets” related to previous acquisitions. Book value, previously recognised on a straight-line basis over five years from the acquisition date, was amortised as such non-transformative intangible assets acquired were fully integrated into the core business and individual cash flows can no longer be reliably measured with probable assumptions and reasonable effort.

Other assets/Other liabilities

CHF 000	**31.12.2019**	31.12.2018
Other assets		
Compensation account	79,042	25,195
Deferred income taxes recognised as assets	6,980	53,197
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	102,761	203,392
Total	**188,783**	**281,784**
Other liabilities		
Compensation account	3,952	14,594
Others	176,805	193,087
Total	**180,757**	**207,681**

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

		Effective		Effective
	Book value	**commitment**	Book value	commitment
CHF 000	**31.12.2019**	**31.12.2019**	31.12.2018	31.12.2018
Financial instruments	273,071	234,295	459,424	437,476
Other assets	331,741	331,741	247,678	247,678
Total pledged assets	**604,812**	**566,036**	**707,102**	**685,154**

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	**31.12.2019**	31.12.2018
Liabilities to own pension plans	**47,063**	**43,220**

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)

CHF 000	**Nominal value 31.12.2019**	**Renunciation of use 31.12.2019**	**Creation 2019**	**Balance sheet 31.12.2019**	Balance sheet 31.12.2018	**Result from ECR in personnel expenses 2019**	Result from ECR in personnel expenses 2018
Patronage funds/pension schemes	**0**	**0**	**0**	**0**	0	**0**	0

Economic benefit / economic obligation and pension benefit expenses

CHF 000	**Surplus/ (deficit) 31.12.2019**[1)]	**Economical part of the organisation 31.12.2019**	Economical part of the organisation 31.12.2018	**Change in the prior-year period or recognised in the current result of the period**	**Contributions concerning the business period**	**Pension benefit expenses within personnel expenses 2019**	Pension benefit expenses within personnel expenses 2018
Pension schemes							
with surplus	**19,753**	**0**	0	**0**	**23,450**	**23,450**	23,043
without surplus / (deficit)	**0**	**0**	0	**0**	**9,926**	**9,926**	9,607
Total	**19,753**	**0**	0	**0**	**33,376**	**33,376**	32,650

[1)] 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 2018.

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: Value of the host instrument	Value of the derivative	Total 31.12.2019	Valued separately: Value of the host instrument	Value of the derivative	Total 31.12.2018
Interest rate instruments						
With own debenture component (oDC)	**0**	**0**	**0**	0	0	0
Without oDC	**0**	**0**	**0**	0	0	0
Equity securities						
With own debenture component (oDC)	**596,162**	**–5,836**	**590,326**	703,986	–113,966	590,020
Without oDC	**0**	**0**	**0**	0	0	0
Foreign currencies						
With own debenture component (oDC)	**231,284**	**–1,159**	**230,125**	193,042	–794	192,248
Without oDC	**0**	**0**	**0**	0	0	0
Commodities/precious metals						
With own debenture component (oDC)	**204**	**–60**	**144**	882	–251	631
Without oDC	**0**	**0**	**0**	0	0	0
Total	**827,650**	**–7,055**	**820,595**	897,910	–115,011	782,899

Presentation of bonds outstanding and mandatory convertible bonds

		Year of issuance	Early termination possibilities	Weighted average interest rate	Maturity date	Amount outstanding CHF 000
Issuer						
Bank J. Safra Sarasin Ltd	Non-subordinated	2014	no	1%	28.05.2020	154,500
Bank J. Safra Sarasin Ltd	Non-subordinated	2017, 2019	no	0%	2020	109,552
Bank J. Safra Sarasin Ltd	Non-subordinated mortgage-backed bonds	2012–2013	no	1.77%	2020–2024	27,067

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**
Issuer							
Bank J. Safra Sarasin Ltd	284,114	2,999	0	2,000	2,006	0	**291,119**

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

CHF 000	Balance as at 31.12.2018	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 31.12.2019**
Provisions for deferred taxes	3,487	0	0	0	–87	0	3,371	–812	5,959
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	2,617	–85	0	0	–49	0	67	0	2,550
Provisions for restructuring	0	0	0	0	0	0	0	0	0
Other provisions	16,441	–1,636	0	0	–206	0	10,081	–1,323	23,357
Total provisions	**22,545**	**–1,721**	**0**	**0**	**–342**	**0**	**13,519**	**–2,135**	**31,866**
Reserves for general banking risks	**360,742**	**0**	**0**	**0**	**0**	**0**	**0**	**–316,000**	**44,742**
Value adjustments for default and country risks	**300,995**	**–49,042**	**0**	**0**	**–3,054**	**16,644**	**67,569**	**–78**	**333,034**
of which, value adjustments for default risks in respect of impaired loans/receivables	273,997	–29,728	0	0	–3,050	19,479	49,431	–78	310,051
of which, value adjustments for latent risks	0	0	0	0	0	0	0	0	0

Disclosure of amounts due from/to related parties

	Amounts due from		Amounts due to	
CHF 000	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Holders of qualified participations	–	–	–	–
Group companies	–	–	–	–
Linked companies	1,706,709	1,675,453	3,096,162	1,979,903
Transactions with members of governing bodies	16,526	11,359	10,475	10,525
Other related parties	14,146	49,993	1,463,879	1,770,287

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 3 months	Due within 3 to 12 months	Due within 12 months to 5 years	Due more than 5 years	No maturity	Total
Liquid assets	8,008,877	0	0	0	0	0	0	8,008,877
Amounts due from banks	964,905	0	272,595	405,768	53,389	0	0	1,696,657
Amounts due from securities financing transactions	0	0	58,101	0	0	0	0	58,101
Amounts due from customers	1,279,042	0	6,971,058	1,106,911	978,217	201,176	0	10,536,404
Mortgage loans	3,533	0	527,320	845,991	1,317,826	539,434	0	3,234,104
Trading portfolio assets	2,244,966	0	0	0	0	0	0	2,244,966
Positive replacement values of derivative financial instruments	433,210	0	0	0	0	0	0	433,210
Other financial instruments at fair value	1,334,200	0	0	0	0	0	0	1,334,200
Financial investments	1,023,613	0	1,241,146	650,345	4,257,132	1,058,463	0	8,230,699
Total 31.12.2019	**15,292,346**	**0**	**9,070,220**	**3,009,015**	**6,606,564**	**1,799,073**	**0**	**35,777,218**
Total 31.12.2018	13,585,807	356,267	9,878,970	1,529,042	6,573,967	2,070,990	0	33,995,043
Due to banks	325,560	1,565	359,187	23,513	0	0	0	709,825
Liabilities from securities financing transactions	0	0	0	0	0	0	0	0
Amounts due in respect of customer deposits	16,652,991	1,701,215	8,255,516	978,422	891,769	0	0	28,479,913
Trading portfolio liabilities	19,429	0	0	0	0	0	0	19,429
Negative replacement values of derivative financial instruments	602,634	0	0	0	0	0	0	602,634
Liabilities from other financial instruments at fair value	839,899	0	0	0	0	0	0	839,899
Bond issues and central mortgage institution loans	0	0	109,551	174,563	7,005	0	0	291,119
Total 31.12.2019	**18,440,513**	**1,702,780**	**8,724,254**	**1,176,498**	**898,774**	**0**	**0**	**30,942,819**
Total 31.12.2018	16,227,572	2,192,698	9,090,166	1,078,891	849,560	2,007	0	29,440,894

Assets and liabilities by domestic and foreign origin

	31.12.2019		31.12.2018	
CHF 000	**Swiss**	**Foreign**	Swiss	Foreign
Assets				
Liquid assets	6,978,545	1,030,332	6,637,494	458,226
Amounts due from banks	398,680	1,297,977	193,761	1,610,803
Amounts due from securities financing transactions	0	58,101	0	59,148
Amounts due from customers	1,051,838	9,484,566	1,059,883	9,699,085
Mortgage loans	752,465	2,481,639	584,387	2,561,351
Trading portfolio assets	737,650	1,507,316	690,960	964,351
Positive replacement values of derivative financial instruments	114,590	318,620	113,115	579,302
Other financial instruments at fair value	776,599	557,601	535,809	522,368
Financial investments	403,839	7,826,860	379,089	7,345,911
Accrued income and prepaid expenses	66,411	150,102	53,538	176,444
Non-consolidated participations	24,043	242	24,043	243
Tangible fixed assets	291,802	16,626	301,021	17,727
Intangible assets	112,211	0	381,049	0
Other assets	103,002	85,781	91,914	189,870
Total assets	**11,811,675**	**24,815,763**	**11,046,063**	**24,184,829**
Liabilities				
Amounts due to banks	281,639	428,186	312,015	458,576
Liabilities from securities financing transactions	0	0	0	0
Amounts due in respect of customer deposits	7,533,869	20,946,044	7,463,871	19,384,303
Trading portfolio liabilities	12,037	7,392	5,978	2,158
Negative replacement values of derivative financial instruments	92,271	510,363	102,624	521,069
Liabilities from other financial instruments at fair value	571,958	267,941	658,686	147,311
Bond issues and central mortgage institution loans	291,119	0	384,303	0
Accrued expenses and deferred income	185,432	169,848	163,364	277,294
Other liabilities	16,741	164,016	64,928	142,753
Provisions	25,599	6,267	15,693	6,852
Reserves for general banking risks	34,971	9,771	350,971	9,771
Share capital	848,245	0	848,245	0
Capital reserve	1,745,862	0	1,745,862	0
Retained earnings reserve	–212,995	1,533,735	–320,735	1,381,725
Currency translation reserve	138,873	–116,480	138,873	–72,539
Minority interests in equity	22,425	732,079	22,645	667,032
Consolidated profit	50,205	330,024	52,292	294,972
Total liabilities	**11,638,253**	**24,989,185**	**12,009,615**	**23,221,277**

Assets by countries/country groups

	31.12.2019		31.12.2018	
CHF 000	**Total**	**Part as a %**	Total	Part as a %
Europe	8,033,649	21.9%	7,687,056	21.8%
Americas	12,455,484	34.0%	11,363,695	32.2%
Asia	3,915,551	10.7%	4,704,638	13.4%
Others	411,080	1.1%	429,440	1.2%
Total foreign assets	**24,815,763**	**67.8%**	**24,184,829**	**68.6%**
Switzerland	11,811,675	32.2%	11,046,063	31.4%
Total assets	**36,627,438**	**100.0%**	**35,230,892**	**100.0%**

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

	31.12.2019		31.12.2018	
	Net foreign exposure CHF 000	Part as a %	Net foreign exposure CHF 000	Part as a %
Standard & Poor's				
AAA to AA–	9,459,614	95.3%	9,313,029	90.7%
A+ to A–	462,665	4.7%	955,109	9.3%
Total net foreign assets	**9,922,279**	**100.0%**	**10,268,138**	**100.0%**

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
Assets					
Liquid assets	6,978,533	1,022,133	532	7,679	8,008,877
Amounts due from banks	306,684	286,290	756,281	347,402	1,696,657
Amounts due from securities financing transactions	0	0	58,101	0	58,101
Amounts due from customers	1,119,174	2,183,386	5,610,052	1,623,792	10,536,404
Mortgage loans	681,078	667,963	361,881	1,523,182	3,234,104
Trading portfolio assets	331,126	11,600	544,036	1,358,204	2,244,966
Positive replacement values of derivative financial instruments	190,877	52,390	132,308	57,635	433,210
Other financial instruments at fair value	741,034	88,421	457,195	47,550	1,334,200
Financial investments	1,005,248	1,263,429	4,816,099	1,145,923	8,230,699
Accrued income and prepaid expenses	26,892	31,623	118,298	39,700	216,513
Non-consolidated participations	24,043	242	0	0	24,285
Tangible fixed assets	291,050	1,272	13,021	3,085	308,428
Intangible assets	112,211	0	0	0	112,211
Other assets	48,081	31,253	93,278	16,171	188,783
Total balance sheet assets	**11,856,031**	**5,640,002**	**12,961,082**	**6,170,323**	**36,627,438**
Delivery entitlements from spot exchange, forward forex and forex options transactions	4,042,357	6,130,867	15,291,044	4,952,310	30,416,578
Total assets 31.12.2019	**15,898,388**	**11,770,869**	**28,252,126**	**11,122,633**	**67,044,016**
Liabilities					
Amounts due to banks	37,020	107,264	331,960	233,581	709,825
Liabilities from securities financing transactions	0	0	0	0	0
Amounts due in respect of customer deposits	3,480,821	4,510,668	16,231,047	4,257,377	28,479,913
Trading portfolio liabilities	12,079	137	7,204	9	19,429
Negative replacement values of derivative financial instruments	207,339	69,245	266,500	59,550	602,634
Liabilities from other financial instruments at fair value	191,060	144,698	485,248	18,893	839,899
Bond issues and central mortgage institution loans	291,119	0	0	0	291,119
Accrued expenses and deferred income	126,260	87,619	91,420	49,981	355,280
Other liabilities	51,164	31,723	80,253	17,617	180,757
Provisions	21,696	10,170	0	0	31,866
Reserves for general banking risks	34,971	9,771	0	0	44,742
Share capital	848,245	0	0	0	848,245
Capital reserve	1,745,862	0	0	0	1,745,862
Retained earnings reserve	394,185	328,106	578,414	20,036	1,320,741
Currency translation reserve	138,873	–95,464	–1,582	–19,434	22,393
Minority interests in equity	22,425	0	714,992	17,087	754,504
Consolidated profit	58,869	86,127	185,032	50,201	380,229
Total balance sheet liabilities	**7,661,988**	**5,290,064**	**18,970,488**	**4,704,898**	**36,627,438**
Delivery obligations from spot exchange, forward forex and forex options transactions	8,894,315	6,138,014	9,090,055	6,395,629	30,518,013
Total liabilities 31.12.2019	**16,556,303**	**11,428,078**	**28,060,543**	**11,100,527**	**67,145,451**
Net currency positions 31.12.2019	**–657,915**	**342,791**	**191,583**	**22,106**	**–101,435**

Consolidated notes – Information on off-balance-sheet transactions

Breakdown and explanation of contingent assets and liabilities

CHF 000	31.12.2019	31.12.2018
Guarantees to secure credits and similar	239,108	334,352
Performance guarantees and similar	112,487	226,084
Irrevocable commitments arising from documentary letters of credit	0	0
Others	19,317	103,190
Total contingent liabilities	**370,912**	**663,626**
Contingent assets arising from tax losses carried forward	22,765	21,243
Other contingent assets	0	0
Total contingent assets	**22,765**	**21,243**

Breakdown of credit commitments

CHF 000	31.12.2019	31.12.2018
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	31.12.2019	31.12.2018
Fiduciary investments with third-party banks	1,595,167	1,252,213
Fiduciary investments with linked companies	0	0
Fiduciary loans	248,625	386,215
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
Total fiduciary transactions	**1,843,792**	**1,638,428**

Breakdown of managed assets and presentation of their development

CHF million	**2019**	2018
Type of managed assets		
Assets in collective investment schemes by the Group	19,619	17,530
Assets under discretionary asset management agreements	27,513	24,324
Other managed assets	138,665	122,755
Total managed assets (including double-counting)	**185,797**	**164,609**
Of which double-counted items	16,477	15,408

Development of managed assets		
Total managed assets (including double-counting) at beginning	164,609	170,019
+/– net new money inflow or net new money outflow	5,613	4,650
+/– price gains/losses, interest, dividends and currency gains/losses	15,323	–10,381
+/– other effects	252	321
Total managed assets (including double-counting) at end	**185,797**	**164,609**

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	**2019**	2018
Breakdown by business area		
Trading profit with market risk	64,131	59,322
Trading profit without market risk	104,768	98,252
Trading profit from treasury activities	48,482	58,231
Total result from trading activities	**217,381**	**215,805**
Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
Interest rate instruments	28,693	86,808
Equity securities (including funds)	92,062	36,761
Foreign currencies	76,110	90,574
Commodities/precious metals	20,516	1,662
Total result from trading activities	**217,381**	**215,805**
of which, from fair value option	–6,292	–69,983

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

CHF 000	**2019**	2018
Material refinancing income in the item “Interest and discount income”	0	0
Material negative interest	43,922	37,372

Breakdown of personnel expenses

CHF 000	**2019**	2018
Salaries	449,239	441,326
of which, expenses relating to share-based compensation and alternative forms of variable compensation	119,480	118,448
Social charges	70,030	66,962
Changes in book value for economic benefits and obligations arising from pension schemes	0	0
Other personnel expenses	16,158	16,002
Total personnel expenses	**535,427**	**524,290**

Breakdown of general and administrative expenses

CHF 000	**2019**	2018
Office space expenses	30,913	31,828
Expenses for information and communications technology	16,595	16,853
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	840	793
Fees of audit firm	3,633	3,556
of which, for financial and regulatory audits	3,287	3,325
of which, for other services	346	231
Other operating expenses	101,390	94,353
of which, compensation for any cantonal guarantee	0	0
Total general and administrative expenses	**153,371**	**147,383**

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

Corresponds to the release of reserves for general banking risks to compensate the acceleration of the amortisation period of the historical goodwill, which was shortened from 20 years to 10 years (2018: no material comments).

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 acquistion cost have taken place.

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

	2019			2018		
CHF 000	**Swiss**	**Foreign**	**Total**	Swiss	Foreign	Total
Net result from interest operations	111,100	223,488	334,588	169,186	236,668	405,854
Subtotal result from commission business and services	276,760	320,220	596,980	270,161	311,829	581,990
Result from trading activities and the fair value option	72,426	144,955	217,381	80,129	135,676	215,805
Subtotal other result from ordinary activities	–130	6,001	5,871	7,485	–1,911	5,574
Operating income	**460,156**	**694,664**	**1,154,820**	**526,961**	**682,262**	**1,209,223**
Personnel expenses	–300,647	–234,780	–535,427	–286,277	–238,013	–524,290
General and administrative expenses	–76,212	–77,159	–153,371	–73,817	–73,566	–147,383
Subtotal operating expenses	**–376,859**	**–311,939**	**–688,798**	**–360,094**	**–311,579**	**–671,673**
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	–287,459	–11,458	–298,917	–64,625	–50,922	–115,547
Changes to provisions and other value adjustments, and losses	–11,035	–5,308	–16,343	–37,698	107	–37,591
Operating result	**–215,197**	**365,959**	**150,762**	**64,544**	**319,868**	**384,412**

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

CHF 000	**2019**	2018
Current income and capital tax expenses	39,305	46,154
Allocation to provisions for deferred taxes	2,559	–15,072
Recognition of deferred income taxes	46,193	6,274
Total	**88,057**	**37,356**

The weighted average tax rate amounts to 18.1% (2018: 7.8%).

In 2019, the ordinary net tax expense effect of the use of losses carried forward was nil (2018: CHF 7.4 million).

Deloitte.

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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 46 to 81) of J. Safra Sarasin Holding Ltd., which comprise the consolidated balance sheet as at December 31, 2019, and the consolidated statement of income, consolidated statement of cash flows, consolidated statement of changes in equity, 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, 2019

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2019 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

Sandro Schönenberger
Licensed Audit Expert
Auditor in Charge

Dr. Philippe Wuest
Licensed Audit Expert

Zurich, February 26, 2020


17:00 Brazil (GMT–3)
20:00 GMT
15:00 Nassau, The Bahamas (GMT–5)
15:00 Panama (GMT–5)
14:00 Mexico (GMT–6)

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18:00 Panama (GMT–5)
23:00 GMT 17:00 Mexico City, Mexico (GMT–6)
07:00 Hong Kong (GMT+8)
07:00 Singapore (GMT+8)

Sustainability Report

Sustainability Report 2019

In the Sustainability Report 2019, J. Safra Sarasin Group documents how forward-looking decisions help to support 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.

As a thought-leader in sustainability, Bank J. Safra Sarasin is proactively adapting its strategy and reporting to new global developments and standards. As such, we were among the first institutions in the financial industry to initiate the implementation of the reporting recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)[1] in our Annual Report. We are convinced that risks and opportunities stemming from climate change are material to our business, and have set out to consider them throughout our sustainable investments approach. As a member of the UN Global Compact, we have not only decided to report on the Ten UN Global Compact Principles, but also on the Sustainable Development Goals (SDGs), which are increasingly used as a framework by international institutions to drive the agenda towards sustainable development. Our recent signing of the Principles for Responsible Banking (PRB) reinforces this commitment towards sustainability even further.

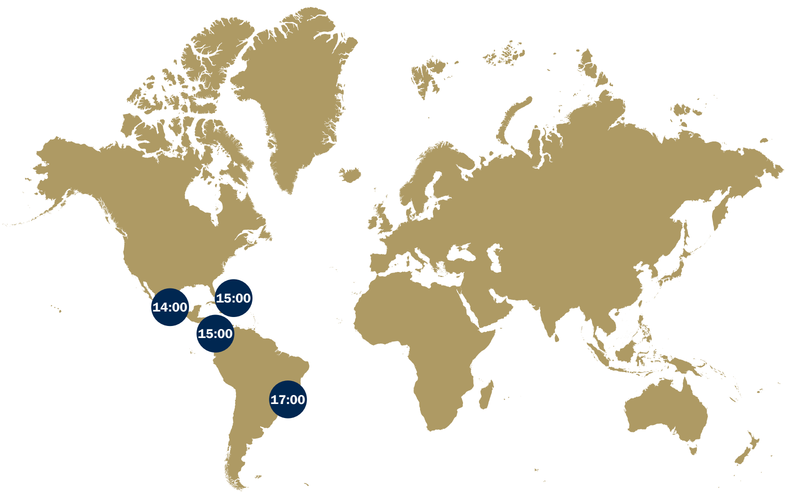
The information provided in this Sustainability Report is selected and presented according to principles of completeness, balance, accuracy, timeliness, clarity and reliability. In general, the figures published in this Sustainability Report cover the entire J. Safra Sarasin Group, including branches and consolidated affiliates.

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 Group'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 Group.

[1] Reporting recommendations to be gradually and fully implemented over time.



From this understanding, J. Safra Sarasin has developed five strategic Corporate Sustainability objectives. This Sustainability Report is structured in accordance with these objectives.

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

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

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 (CSB), which reports directly to the Group Executive Board, has rallied all major decision makers of the Group behind this single goal throughout the year 2019. Once again, Bank J. Safra Sarasin's Asset Management division offered its expertise to clients through its range of existing sustainable investment funds, including one new thematic equities fund (objective 2). In order to foster a sustainable corporate culture (objective 3), the Group 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 events and awarding prizes to its loyal and highly motivated workforce. J. Safra Sarasin has once again been an active sponsor in its social environment (objective 4). The Group sponsors projects mainly in the field of philanthropy, arts and sports. Several energy efficiency-enhancing projects have been continued or launched in order to improve the carbon footprint of the Group (objective 5).

This report demonstrates the progress achieved in 2019.

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 almost 180 years. J. Safra Sarasin does not view sustainability as an end in itself, but rather as a key factor of its success. Sustainability enables the Group to project a distinctive image in the market and creates continuity across time and generations. J. Safra Sarasin is committed to operating its core business in a consistently 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. We believe that this business model, which is also reflected in our product offering, contributes to wider societal objectives as expressed by the UN SDGs.

The sustainability strategy of J. Safra Sarasin

Figure: Pyramid of sustainability strategy

The mission statement of the J. Safra Sarasin Group, the mission statement of the Corporate Sustainability Board, the Group'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 (CSB)

To ensure that high sustainability standards, including climate-related issues, are firmly embedded in the core business strategy, the Group Executive Board set up the internal Corporate Sustainability Board, comprising members of the Group Executive Board, the Executive Committee and top managers from different divisions across the 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 Group's overall business strategy, identify strategically relevant environmental, especially climate-related and social themes, and monitor the operational implementation of the strategically developed initiatives and measures based on environmental and social Key Performance Indicators (KPIs). For the Group's business, especially climate-related transition risks are important over the medium and long term. Policy makers all over the world discuss possible regulatory changes to tackle climate change as a consequence of the global climate agreement. At the same time, J. Safra Sarasin sees these developments as opportunities. As pioneer in the field of sustainable investments, the Group is already at the forefront of innovating and forward-looking products described in this report.

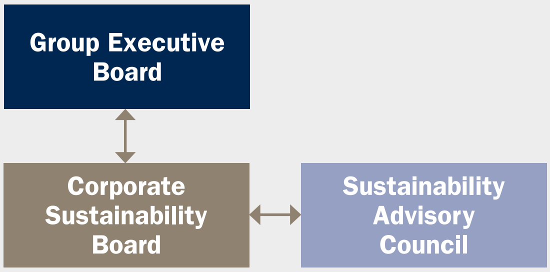
The mission statement of the Corporate Sustainability Board is derived from the Group's Mission Statement. It summarises how the J. Safra Sarasin Group regards itself in the context of sustainability, how it sets out its environmental and social goals and how these are to be achieved. The mission statement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

Among others, 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 part of the Group's corporate culture is of equal significance.

The Sustainability Advisory Council (SAC)

The Corporate Sustainability Board is advised by the external Sustainability Advisory Council, which has been set up to ensure that the Asset Management division receives regular guidance and advice relating to recent developments in sustainable investment of experienced international experts. There are two to three formal meetings every year. The SAC provides access to the

Figure: The interaction between the Group Executive Board, the Corporate Sustainability Board and the Sustainability Advisory Council



latest academic research in the field of sustainable investing. Joint presentations at internal educational sessions and external client events are also part of the SAC'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.

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 Group Executive Board and the management of the business divisions and branches/affiliates are responsible for compliance with all legal and regulatory provisions. Legal & Compliance provide support to the management in meeting this responsibility. Legal & Compliance units functionally report to the General Counsel, thereby ensuring their 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 directives and procedures and are conducted in a standardised form. In the 2019 reporting year, there were 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 business processes, control and monitoring systems and on the development and introduction of new products and services. The Group has 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.

The regulatory efforts in the area of sustainable investments, particularly in the European region, deserve special mention. The European Union Action Plan for Financing Sustainable Growth groups together a host of regulatory reforms in the field of sustainable finance. The EU Action Plan, announced in 2018, foresees that financial institutions make changes in how they incorporate sustainability considerations into investment decision-making and adapt to changes to existing regulations ranging from MiFID II to the existing disclosures regime. Depending on how extensive and far-reaching the legal basis will be, it may have a strong influence on sustainable investment activities.

Climate

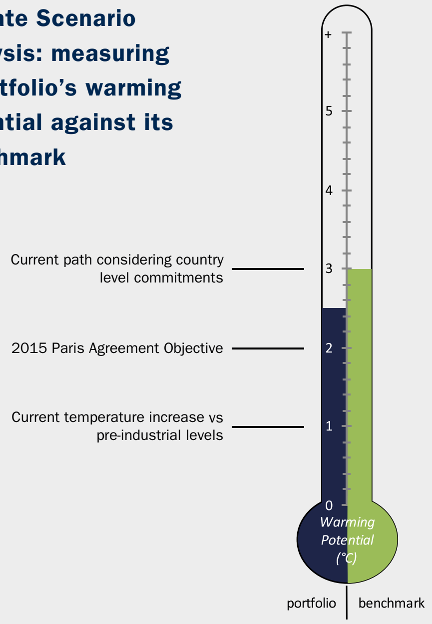
As the debate on sustainability continues to evolve and climate becomes an increasingly prominent element of government action, business activity and society as a whole, J. Safra Sarasin continues to adapt to and mitigate the risks and opportunities represented by this trend.

As a Group with offices in predominantly urban areas, we have limited physical risk exposure from acute or chronic climate-related events. Risks are highest for offices in coastal locations (approximately 23% of Group employees) that may be more easily exposed to extreme weather conditions. Global long-term temperature rises, however, would likely impact the majority of the Group's locations due to increased energy consumption from office cooling. Policy risks exist around tighter energy efficiency and carbon emissions regulations in the countries that we operate. The Group continues to seek to reduce its dependencies on natural resources to mitigate its impact on the environment. At the corporate level climate-related opportunities present themselves in terms of resource efficiency, carbon emission reductions and cost savings. At J. Safra Sarasin, climate-related risks and opportunities are most extensively harnessed through its business activities in terms of sustainable product offerings, our thorough ESG-integrated investment processes and climate impact tools described in this Sustainability Report and other publicly available information.

4-pillar climate investment strategy

As sustainable investor, J. Safra Sarasin is convinced of the financial materiality of transition and physical risks arising from climate change while embracing the opportunities from its mitigation efforts. To fulfil this pledge, and in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which call for consistent climate-related financial risk disclosures, we have developed a comprehensive strategy for managing risks and opportunities in managed portfolios that has been in place since January 2017 and is based on 4 pillars:

Climate Scenario Analysis: measuring a portfolio's warming potential against its benchmark



<u>1) Smart Divestment: selectively excluding companies</u>

The Bank's approach, based on companies' exposure to coal and their mitigation strategies, led it to formalise the exclusion of a number of firms from its investable universe. As a starting point, we screen our universe and identify companies with a significant share of revenues and/or activity related to coal. We have defined an ambitious threshold of 20% considering coal's current share in the global energy mix and its trajectory in a scenario below 2°C. In sectors such as mining, we consider companies' sales exposure to coal, while the generation mix provides the best insight for utilities. The second step of our divestment process is a qualitative review of companies crossing the threshold. We analyse the importance of coal within a company's overall activity (a company may own a coal plant but it could represent only a small fraction of revenues), their exposure to renewable energies and, most importantly, their strategies to combat climate change.

<u>2) Best-in-Class & Integration: beyond divestment</u>

Companies are compared within their peer group on their ability to reduce their negative climate impact. The industry leaders are then analysed further and material climate issues are integrated into the financial analysis, while underperformers are discarded. This approach, known as Best-in-Class, is described in more detail on pages 93ff.

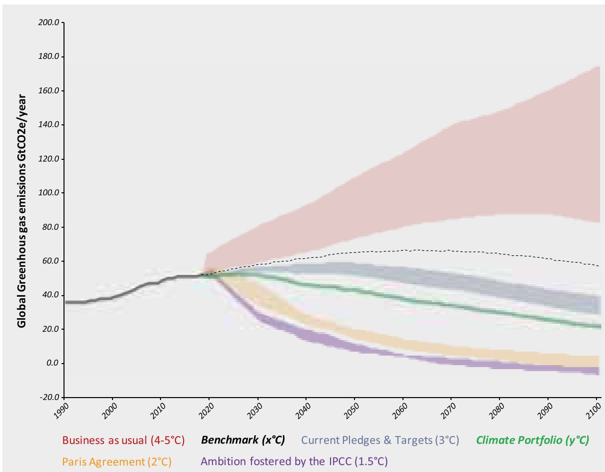
<u>3) Active Ownership: engagement and voting activities</u>

We actively engage with companies to foster their efforts in aligning with a below 2°C world in pillar 3. We see engagement as a dialogue between investors and companies with the dual objective of impacting how companies operate and enhancing shareholder returns. Overall, around 36.8% of our direct company dialogues related partially or solely to climate change topics in 2019. In addition, Bank J. Safra Sarasin contributes to different collaborative engagement initiatives. For example, the Bank continued to participate in the Investor Decarbonisation Initiative led by ShareAction. Our full Active Ownership strategy is described below and is also outlined in our publicly available Active Ownership Policy and Active Ownership reports.

<u>4) Opportunities: related to climate solutions</u>

Beyond the risk perspective, J. Safra Sarasin perceives and actively looks for investment opportunities in companies that provide solutions to climate challenges. Specifically, such companies should have answers to issues caused by climate change and/or help this trend to happen more smoothly in general. J. Safra Sarasin's climate investment strategy is complemented by an in-depth **climate portfolio analysis**. By conducting this analysis, we make carbon risks tangible to our clients and are able to tackle them differently. If, for example, we deem the risk of potentially stranded assets too high, this might lead to a divestment action (pillar 1).

Portfolio and benchmark alignment with different warming scenarios



Active Ownership strategy

As far as investors are concerned, Bank J. Safra Sarasin sees its role as a sustainable asset manager with a long-term perspective. Active Ownership, comprising of engagement and proxy voting, is an important component of this process. The Bank's approach is not only designed to encourage robust corporate governance structures but also to ensure that the rights of shareholders are protected. In the same vein, we aim to encourage forceful initiatives in the social and environmental domain, together with greater transparency, so as to produce a positive impact.

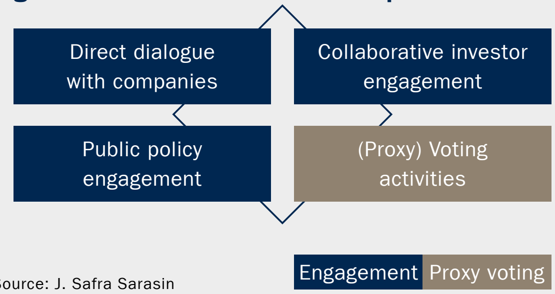
Bank J. Safra Sarasin exercises voting rights for its sustainable investment funds on behalf of clients. The Bank has its own operating guidelines for exercising voting rights, and these are fully aligned with the Bank's sustainable investment strategy. These guidelines contain the Bank's specific understanding of various themes, such as the structure and experience of the board of directors or compensation packages for executives, as well as certain environmental and social aspects.

Bank J. Safra Sarasin actively pursues three different forms of engagement:

- Direct dialogue with companies
- Collaborative engagement
- Engagement for the common good

Different areas of impact are associated with each form of engagement. In our direct dialogue with companies we strive to put forward our investment arguments, while in the case of collaborative engagement the focus is more on systemic environmental, social and governance (ESG) aspects. The approach is aligned with 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.

Figure: Overview of Active Ownership



Source: J. Safra Sarasin

Direct dialogue with companies

Every year, Bank J. Safra Sarasin's sustainable investment analysts and portfolio managers meet with the management of around 500 companies to discuss material ESG issues relevant to the specific business case. In addition, there are concrete, 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 their sustainability rating and refrain from an investment as the last step. A recent example of a successful engagement is a global luxury company that has adjusted their practices on water-related risks in agricultural supply chains. Whilst the aggregation of firm-wide figures still proves difficult, there is evidence of stronger risk management and increased collaboration with farmers and other stakeholders to mitigate water risks in cotton, leather and grape supply chains. We gained confidence that the company will be able to ensure continuity of operations even in a scenario of increased water stress in certain risk areas.

Collaborative investor engagement

Bank J. Safra Sarasin collaborates with other investors in order to maximise the impact of engagement initiatives and is currently active in various initiatives through the Principles for Responsible Investment (PRI) that offers the largest global platform for collaborative investor engagement activities. Bank J. Safra Sarasin is a member of the Carbon Disclosure Project (CDP). These organisations help investors to build up knowledge and skills and give broader access to information.

Overall, the Bank was part of the following collaborative engagement activities in 2019:

- Access to Medicine Index
- Carbon Disclosure Project – Non-disclosure engagement
- Chemical Footprint Project
- FAIRR – Global Investor Statement on Antibiotic Use
- Open letter to Global Index Providers
- PRI – Engagement Initiative on Water Risks in Agricultural Supply Chains

- PRI – Engagement on Cyber Security
- ShareAction – Investor Decarbonisation Initiative
- ShareAction – Workforce Disclosure Initiative

Public policy engagement

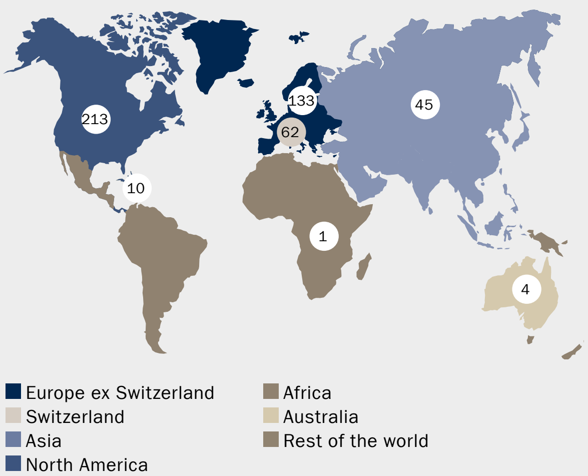
Bank J. Safra Sarasin actively participates in political dialogue in various ways. Through involvement in leading sustainable investment initiatives and organisations such as Eurosif and Swiss Sustainable Finance (SSF), the Bank fosters contacts with politics and other stakeholders to promote the consideration and integration of relevant ESG themes on a regulatory level as well. The Bank is also committed to promoting a better understanding of sustainable investments.

In 2019, Bank J. Safra Sarasin signed the "Investor Statement for mandatory human rights due diligence legislation" in Switzerland. This joint investor action consists of backing the introduction of mandatory human rights due diligence for Swiss corporates in order to avoid breaches of human rights and environmental standards in their subsidiaries and supply chains.

Table: Overview of voting activity

	2019	2018
Number of meetings	468	263
Number of proposals	6,800	4,031
"Against" management	27%	25%
E and S proposals	47	36

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



Exercising voting rights at Bank J. Safra Sarasin

For all sustainable equity funds as well as for numerous 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 of CHF 19.8 billion. Looking specifically at the results of the Bank's asset management, 73% 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 Bank's asset management has voted on 6,800 agenda items at 468 AGMs on a global level in 2019. At these AGMs, Bank J. Safra Sarasin voted "Against" one or several of the management's recommendations in 27% of all cases. 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.

The 2019 Annual General Meeting (AGM) season witnessed again activist investor campaigns and growing support for environmental and social shareholder resolutions. In Switzerland, Active Ownership continues to be on the rise, ranking fourth amongst sustainable investment approaches and recording an 82% increase when compared to 2018[2].

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

The basis of J. Safra Sarasin's success is also founded on its sustainable investment strategy and its solid, sustainable know-how gleaned from more than 30 years of experience. A series of events in quick succession from 1986 onwards – starting with the Chernobyl nuclear disaster and the spill from the Swiss chemical plant that polluted the Rhine around Basel for years – made the analysts of the Bank acutely aware that the value of company shares is not determined purely by financial numbers, and that other determinant factors need to be

[2] Swiss Sustainable Investment Market Study 2019, Swiss Sustainable Finance

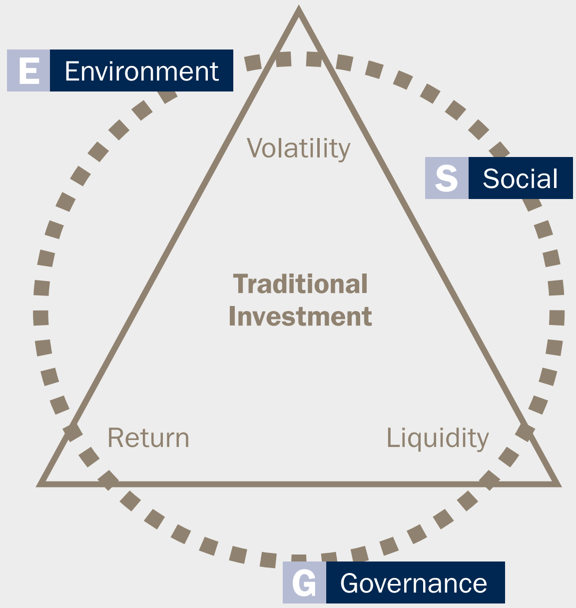
taken into account. The first sustainability analysis in 1989 heralded a new era in company analysis.

Bank J. Safra Sarasin still believes that the identification, analysis and management of company- and sector-specific environmental, social, and governance (ESG) risks and opportunities enhance its investment decisions. This forms an integral part of its fiduciary duty vis-à-vis its advised clients as well as client assets managed on a discretionary basis.

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, generate positive impact and promote sustainable financial markets. The Bank takes the United Nations supported Principles for Responsible Investment (UN PRI) literally.

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

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



of the Bank's offering is the ability to discuss with clients their specific requirements across a broad spectrum of sustainable investing approaches and criteria, which enables it to provide customised client solutions.

J. Safra Sarasin Sustainable Investments

On the forefront of J. Safra Sarasin's sustainable investment philosophy stand three fundamental goals that drive its sustainable investment process:

Reducing Risks

By looking at risks using both financial and ESG metrics, we mitigate longer-term risks often overlooked in traditional investment approaches. Controversial business activities and practices that come with reputational risks are avoided.

Delivering Returns

We invest in companies that operate with excellent ESG practices by harnessing long-term transformational trends to find attractive thematic opportunities.

Changing Behaviour

We aim to target positive outcomes by fostering robust corporate governance structures and shareholder rights and strong social and environmental performance. Active Ownership through engagement and voting gives us an opportunity to influence positively and to encourage transparency.

The investment process comprises the following four steps:

1. Universe Definition

The Universe Definition stage comprises the exclusion of controversial activities as well as the sustainability analysis consisting of both industry and company assessments. Exclusions are determined based on whether they meet two fundamental conditions:

i. Whether general societal consensus exists on the activity, and
ii. Whether the business is exposed to financial volatility risks.

Within the Sustainability Analysis, the **Industry Assessment** 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 megatrends such as climate change or demographical change.

In addition, the **Company Assessment** evaluates and compares a company's ability to manage its Environmental, Social and Governance (ESG) risks and opportunities (such as those arising from climate change), relative to its industry peers. Several ESG key issues are common to all industries: in particular the governance issues such as board structure, remuneration, shareholder ownership and control rights. Other key issues are more material 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 page 100). In exposed industries with low sustainability ratings, such as oil and 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 rating score between 0 (low) and 5 (high).

Controversial Weapon Guidelines of J. Safra Sarasin Group

J. Safra Sarasin actively meets its responsibility when it comes to controversial weapons, and has implemented a policy outlining the Group's principles in this area. Controversial weapons are types of weapons that are categorised as controversial because of their long-term humanitarian impact and/or the large numbers of civilian casualties they cause. They include biological, chemical and nuclear weapons, cluster munitions and anti-personnel mines. J. Safra Sarasin has committed itself not to invest its treasury in companies that are active in the domain of controversial weapons.

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 Sustainable Investment Strategies.

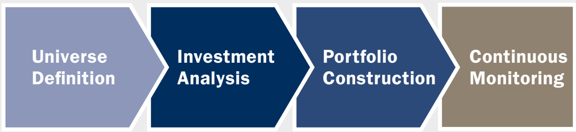
Bank J. Safra Sarasin introduced the exclusion criterion "coal" in 2017. This exclusion is part of the Bank's commitment to address climate change and building on a 2°C scenario as outlined at the Paris Summit on Climate Change (COP21). In particular, the Bank excludes companies that have a significant involvement in coal-mining or coal power-generation activities while lacking an appropriate climate and transition strategy to tackle the resulting physical risks.

A list of exclusion criteria is applied to 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 and 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 and principles (e.g. UN Global Compact)

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.

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



2. Investment Analysis

In the second step of the investment process, we draw on the fundamental understanding of the industry which Bank J. Safra Sarasin derives from the first step above. We identify the industry-specific financially material sustainability aspects which the Bank integrates into its investment analysis. Finally, we harness opportunities from long-term transformational trends and identify companies with ESG operational excellence. In this process we use both qualitative and quantitative tools.

3. Portfolio Construction

The Portfolio Construction process relies on a quantitative multifactor risk model to construct portfolios and to control external risks. With respect to climate-related risks, Bank J. Safra Sarasin assesses key metrics in its portfolios, including carbon emissions, energy efficiency, carbon footprint of products, climate change vulnerability, financing of environmental impact, water stress, biodiversity and land use, raw material sourcing, toxic emissions and waste, packaging material and waste, and electronic waste. Metrics on the opportunities side include clean technologies, green buildings and renewable energy. The Bank's integrated climate investment strategy encompasses a carbon policy with a multilayered carbon metrics analysis for all equity investment strategies labelled sustainable and responsible.

4. Continuous Monitoring

In the last step of the process, the Bank monitors portfolios through its ESG portfolio reporting. This allows building awareness about ESG issues and risk management. In addition, through our Active Ownership strategy, we engage with companies on ESG issues and responsible voting on key topics.

Country Sustainability Ratings

The fully integrated sustainable 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.

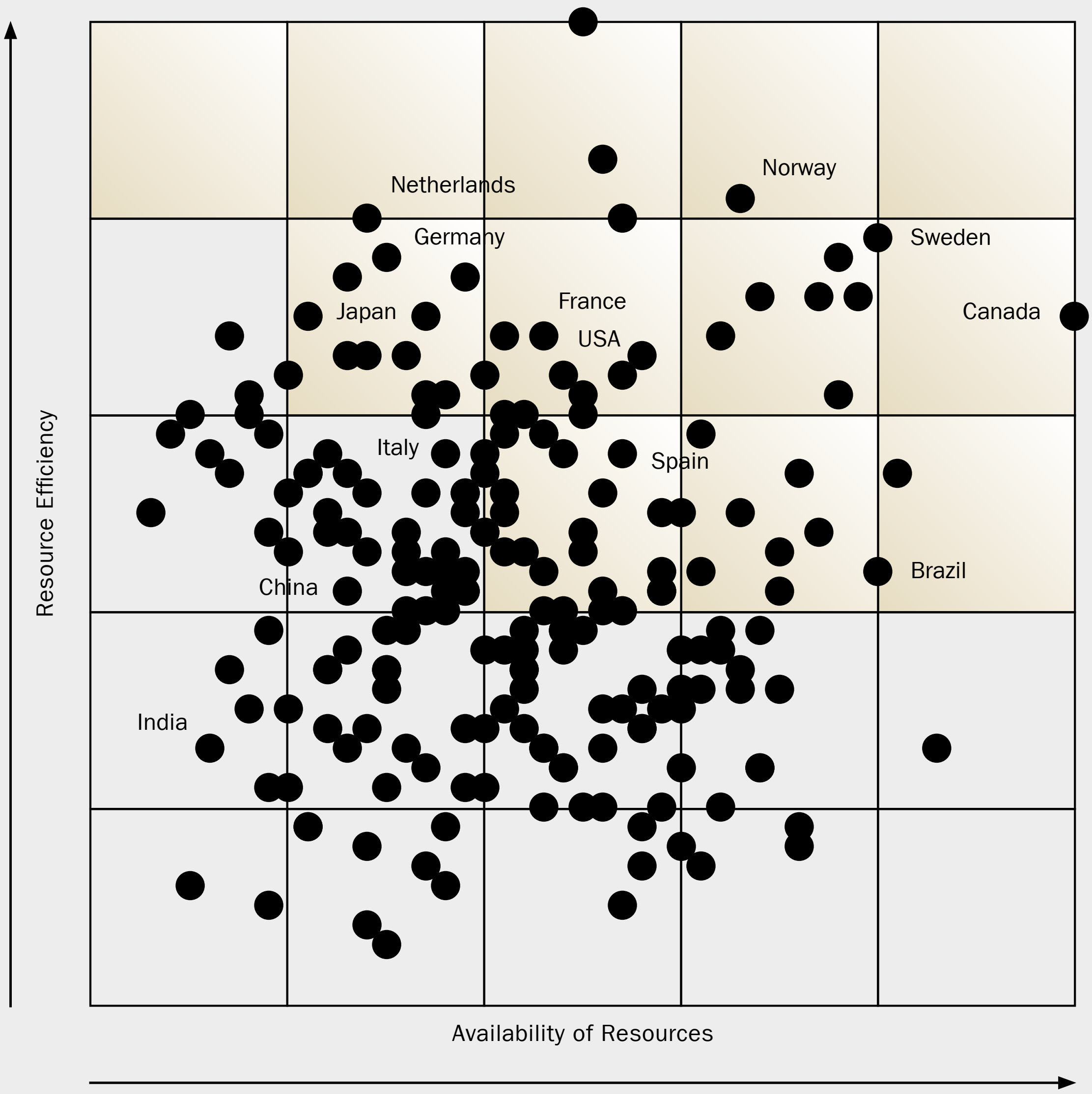
Bank J. Safra Sarasin measures the sustainable economic performance of a country based on the availability of natural resources and the efficiency with which these resources are put to use. Here the availability of natural resources provides the foundation for sustained economic growth (illustrated on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

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 elements:

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

Figure: Sarasin Sustainability Matrix® of countries



Source: J. Safra Sarasin

Bank J. Safra Sarasin plots the 198 countries analysed across the two dimensions (resource availability and resource efficiency) on the Sarasin Sustainability Matrix®. The countries in the shaded area are relatively better positioned and can be invested in, while the countries in the grey area are not investable (status November 2017). Bank J. Safra Sarasin's sustainability rating for countries is based on 98 data points from publicly available 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.

Case study Roche: Future Health

The healthcare sector, and with it also the pharmaceutical industry, is at the heart of several megatrends that will substantially influence their business in the coming years. Societal impacts can be expected in the form of:

- An ageing and further growing global population
- Lifestyle changes marked by increasing urbanisation and new health conscience in developed markets
- Fast and far-reaching technological development
- Rapidly developing emerging markets looking for better access to healthcare services
- Antibiotic Resistance Mechanisms (ARMs), pandemics, rapidly increasing spread of cancer

In the context of the pharmaceutical industry, this translates into higher research and development requirements, outside-the-box thinking and new forms of business collaborations to remain at the forefront of scientific and medical advances, and to successfully manage complexities ranging from the threat of new entrants, emerging markets with unstable political and bureaucratic structures, ever increasing regulatory requirements and public health spending coming further under pressure. In parallel, management teams are still facing classical and industry-inherent risks such as product quality and safety concerns, corruption control, pricing transparency and responsible marketing practices that require appropriate management and oversight. All these elements are integral to Bank J. Safra Sarasin's sustainability ratings which serve as a basis for defining our investment universe.

Swiss pharmaceutical company Roche AG represents a good example in comprehensively addressing these industry challenges driven by its global scale and exposure. Through a broadly set up "Access to Healthcare" programme, the company has strongly positioned itself to contribute to and benefit from the improvement of healthcare in developing countries. Furthermore, it has implemented various measures to address corruption risks, although controversies remain and reflect challenges in the implementation of a globally present pharmaceutical company. At a manufacturing level, despite efforts to reduce relevant operational, business and legal risks, product safety and quality remain areas requiring progress demonstrating the tension between the pressure to rapidly develop new drugs while maintaining the highest quality and ethical standards.

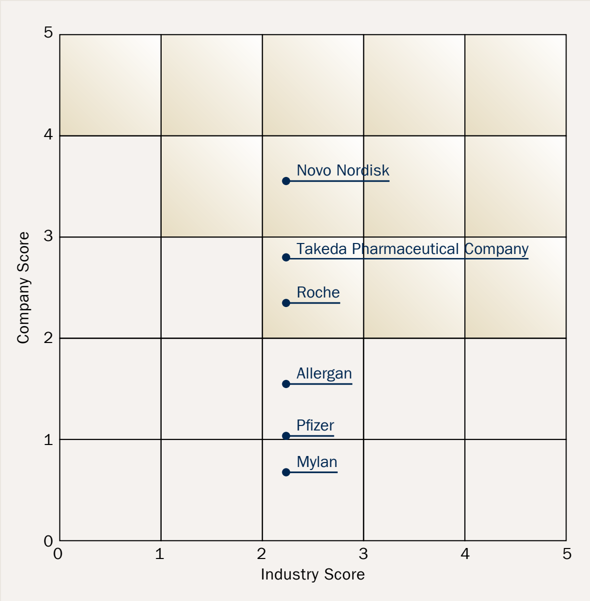
Figure: Criteria and weightings applied to assess companies in the pharmaceutical industry

	Operations	Costs	Revenues
Environment (10%)			
Toxic Emissions & Waste (100%)		Capex Extraordinary	
Social (50%)			
Human Capital Development (20%)	Quality	Opex	Business Development
Product Safety & Quality (40%)	Continuity	Opex Extraordinary	Business Preservation
Access to Healthcare (40%)			Business Development
Governance (40%)			
Corruption and Instability (50%)		Extraordinary	Business Preservation
Board Structure (17%)	Quality	Cost of Capital	
Management Remuneration (17%)	Quality	Cost of Capital	
Ownership & Control (17%)	Quality	Cost of Capital	

Potential impact on the related value driver: Null or Limited | Medium | High

Source: J. Safra Sarasin, 2019

Figure: Sarasin Sustainability Matrix® of the pharmaceutical industry



Latest Launches of Innovative Sustainable Investments

In 2019, Bank J. Safra Sarasin added a new sustainable strategy for thematic equities to its product range of sustainability-themed investments.

Sustainable Thematic Equities

1) Future Health (2019)

Society is tackling health challenges in new ways. Longer life expectancy, evolving consumer behaviour towards healthier lifestyles and technological improvements have created investment opportunities. In addition to investing in the healthcare sector, the strategy targets companies that deliver products and services for better health outcomes, including remote access to medical services, healthier food options and fitness enablers. Investors gain exposure to a well-diversified, high-conviction portfolio of carefully selected sustainable stocks benefiting from these structural changes.

2) Global Lifestyle Brands (2018)

Around the world, the growing middle class has become a sophisticated client base seeking products of superior quality, tailored to individual needs and reflecting personal values. Driven by this trend, the strategy invests in strong global consumer players from the Bank's sustainable investing universe with a significant degree of brand awareness in the field of entertainment, travel, sports, apparel, or cosmetics. Investors gain exposure to the theme through an actively managed, high-conviction portfolio of carefully selected sustainable stocks.

3) Tech Disruptors (2018)

A series of technological breakthroughs, ranging from big data processing to robotics and automation, are changing current business models and entire industries. The application of technological innovations in many sectors is reaching a tipping point, offering very high economic rewards but also posing substantial risks. The Bank's actively managed, benchmark-agnostic equity strategy with a global scope strikes a sensible balance. It focuses on companies that are either developing or harnessing innovations in information processing, connectivity and high-tech products. Investors gain exposure to emerging and transformational technological trends and benefit from in-depth cross-sector insights of an experienced team of sustainable investment analysts.

Sustainable Regional Equities

4) European Smaller Companies (2018)

Small and medium-sized enterprises (SMEs) have a distinct advantage over larger companies when it comes to sustainability. Bank J. Safra Sarasin's research shows that the performance of SMEs is actually much better in terms of ESG criteria. SMEs are good at transferring green technologies from niche markets over to the mass market. Often family-owned, and hence based on family values, SMEs tend to have a more sustainable corporate culture that enhances the motivation, loyalty and productivity of the workforce while at the same time benefitting from a clear corporate governance structure. The strategy targets European shares of small and medium-sized industry leaders that distinguish themselves through their strategic focus on environmentally friendly, eco-efficient management and proactive relations with key shareholders.

5) Global Multifactor (2018)

The strategy targets a global sustainable equity portfolio that provides exposure to factors that tend to outperform over the economic cycle, such as Value, Momentum, Quality and Low Volatility. Given that no factor outperforms at all times, the Bank's approach dynamically allocates to factors based on its quantitative model. The exposure to the four factors is predefined for each of the four economic cycle stages: Early, Mid, Late and Recession.

Sustainable Fixed Income

6) Green Bonds Strategy (2018)

In 2007, the European Investment Bank issued the first green bond for the purpose of financing environmentally friendly infrastructure projects. Since 2012, this market niche has enjoyed impressive growth with green bonds issuances reaching a new record of USD 216.4 billion in 2019[3]. The trend received a significant boost in 2015 after the signing of the UN Paris Agreement foreseeing the gradual scaling back of global greenhouse gas emissions. Green bonds not only give investors access to investments with potentially low volatility and attractive returns, but also allow them to make an active contribution towards financing the energy transition worldwide. J. Safra Sarasin's Sustainable Green Bonds Strategy provides an interesting solution for risk-averse, sustainably minded private clients as well as institutional clients looking for impact-investing opportunities.

7) Global High-Yield Strategy (2018)

The global universe of high-yield bonds qualifying as sustainable has achieved higher-than-average growth. In a persisting climate of low interest rates, the realisation of higher yields demands a more comprehensive analysis of the associated risks. A sensible way to reduce potential downside risks is to combine sustainability analysis with fundamental credit analysis. Following these lines, the Sustainable Global High-Yield Strategy targets high-yield bonds of sovereign, private or public-private entities globally. It is suitable for long-term-oriented investors looking to complement their traditional investments.

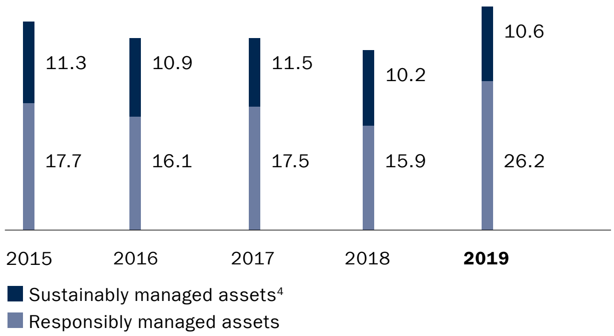
[3] Climate Bonds Initiative, Green Bonds Market 2019

Bank J. Safra Sarasin celebrates 30 years of sustainable investing

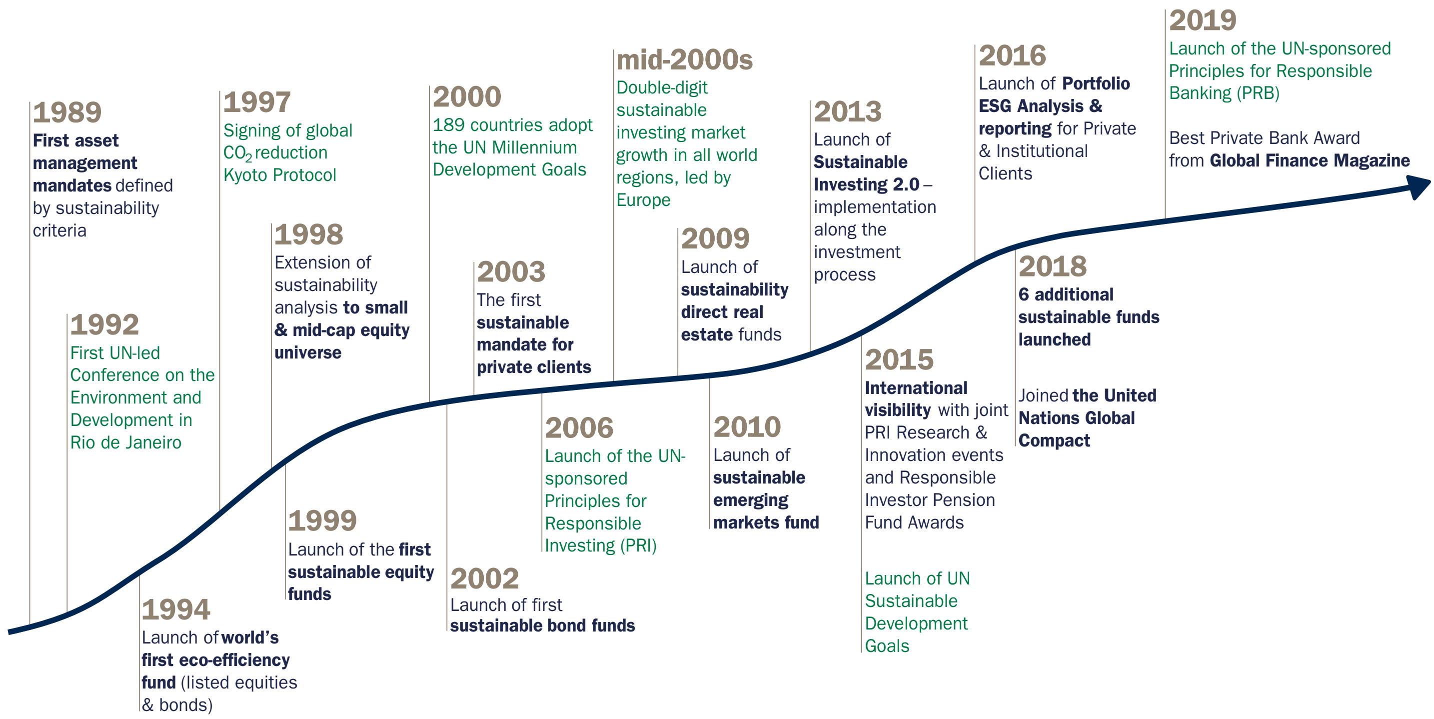
2019 marked a milestone achievement for Bank J. Safra Sarasin: the 30-year anniversary since the launching of its first sustainable investment mandate. For 30 years, sustainability has been engrained in the Bank's investment philosophy, process and corporate values. To mark the occasion, key influencers and decision makers, current and past, reported their experiences in the Bank's *Sustainable Investments Quarterly* turning J. Safra Sarasin into the pioneer and leader in sustainable investments that it is today.

Sustainably managed assets at Bank J. Safra Sarasin reached CHF 10.6 billion as of 31 December 2019, while responsibly managed assets reached CHF 26.2 billion on the same date.

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



Sustainability Milestones



In blue: Milestones for Sustainable Investing at Bank J. Safra Sarasin
In green: World events and international milestones in Sustainable Investing
Source: Bank J. Safra Sarasin Ltd, December 2019.

4) The assets under management 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".

Asset management products[5]

		Sustainable	Responsible
Investment funds and securities products	Equity funds	– Theme: Water, Lifestyle Brands, Tech Disruptors, Future Health – Real Estate/REITS shares – Switzerland (also Small & Mid Caps) – Europe (also Small & Mid Caps) – USA – Emerging markets – Global – Global Thematic – Global Multifactor	– Brazil
	Balanced funds	– Neutral asset allocation – Defensive asset allocation	
	Bond funds	– EUR – CHF – EUR Corporate – Global High Yield – Green Bond Global	
	Tracker certificates on sustainable strategies	– Sustainable Actively Managed Certificates: Sustainable Technology Disruptors Sustainable Technology Trends Sustainable Demography Health Sustainable Entrepreneurial Sustainable North America	
J. Safra Sarasin Investment Foundation	Equity investment products	– International excl. Switzerland – Switzerland	
	Balanced investment products	– Defensive asset allocation – Neutral asset allocation	– Dynamic asset allocation
	Bond investment products	– International excl. CHF – CHF	
	Property investment products	– Swiss Direct Real Estate	
	Alternatives	– International excl. Switzerland	– Commodities ex. Agro/Livestock
J. Safra Sarasin Investment Foundation 2	Shares	– International excl. Switzerland	
Mandates	For private clients	– Defensive asset allocation[6] – Balanced asset allocation[6] – Dynamic asset allocation[6]	– Bond mandates Emerging Markets – Premium mandates – Equity mandates with focus on dividends
	For institutional clients	– Bonds – Balanced – Equities	
	Multimanager		– Dynamic asset allocation – Balanced asset allocation – Defensive asset allocation
Advisory services	Third-party funds and advisory mandates	– Real Estate Europe – Convertibles[7]	– Equities (classic and thematic) – Balanced (defensive and defensive with risk limitation)

5) In 2019, investment products were assigned to one of the two categories (sustainable or responsible).
6) Some of the mandates are managed mainly sustainably due to non-existent or insufficient sustainable alternatives in different asset classes.
7) At least 80% of the fund's securities must be rated as sustainable.

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 from pure sustainable mandates to classic sustainable mandates that differentiate between the ratio of fully sustainable investment selection. Clients can also sign up to customised mandates where they freely select asset classes and the respective share of sustainable assets individually according to their motivation and needs.

Sustainable Real Estate research

The fully integrated sustainable investment approach is not limited to corporations and sovereigns, but also extends to real estate. All properties are subject to an initial and ongoing sustainability audit in accordance with ecological, social and economic aspects that meet Bank J. Safra Sarasin's sustainability standards. The Bank is convinced that especially physical risks resulting from climate change are material for real estate investments. A good management of these risks is key for future success.

At the beginning of the assessment there is the determination of the investment universe. The metropolitan cities are predefined based on the following ratings:

- **Country Rating** based on sustainable criteria from Bank J. Safra Sarasin. For more information, please see page 99.
- **Metropolitan Rating** based on sustainable and economic criteria from Bank J. Safra Sarasin. European city centres that are sustainable, economically prospering and offer a good social surrounding allowing a high quality of life and environmental safety are evaluated.
- **Real Estate Market Analysis** based on financial criteria. This rating looks at major central European investment locations, and uses financial indicators, such as market liquidity, new construction activity, vacancy, level of employment, market availability and new rental activity, for its assessment. A risk premium is calculated for each investment location, which includes an implicit risk premium on a loan that reflects the volatility of the markets, as well as currency risks, liquidity risk and market transparency.

Properties within the resulting universe of predefined metropoles are assessed. The sourcing of prospect acquisitions is primarily done by the Bank's external partners. The assessment phase comprises the following six steps:

1. Initial examination

The examination starts with the initial universe and serves as a general screen to filter out properties which do not fit the fund's investment strategy and sustainable criteria. The initial universe is reduced by up to 60% being eligible for the next step of the assessment.

2. Analysis

The filtered properties should satisfy the financial criteria, and the expected yield under consideration of risk. All properties are subjected to an initial and ongoing sustainability audit in accordance with ecological, social and economic aspects that meet the Bank's sustainability standards.

The sustainability analysis focuses on the following elements from a top-down perspective:

- Macro location, international connectivity and perspective
- Micro location, regional connectivity, social aspects
- Property level quality and comfort
- Building future orientation and multitenant perspective
- Operational costs and future tradability
- Energy consumption and CO_2 output
- Green elements and surrounding nature

Sustainable real estate research: Energy optimisation with a material role

Energy optimisation can lower costs and increase returns while reducing carbon emissions when investing in real estate for the long term. The relevant physical risks must be monitored closely.

The importance of energy costs

The total rent paid from tenants consists of two components: the net rent and the additional costs. According to the Swiss Federal Office for Statistics the additional costs are 12.6% of the total rent. Real estate funds that can reduce the additional costs provide positive impact for the tenants and may over the long term increase the net rent received and thus their performance. The analysis, based on the Swiss residential sector, shows that a 10% reduction of the additional costs including energy consumption costs could result in 5 basis points per year higher fund performance over the long term. The costs related to the consumption of electricity, water and heating surpass 50% of the total additional costs.

Energy monitoring in practice

In the Environmental Management System (EMS) diagram, the Bank presents the methodology on how to efficiently control and optimise the variable costs of a property via an environmental monitoring system. Properties should be monitored based on annual bookkeeping numbers for heating, electricity and water consumption. The results are analysed in three dimensions:

- Benchmarked over a portfolio average
- Intensity compared with previous years
- Controlled according to local design regulations of the year constructed.

The illustration shows the greenhouse gas emissions (GHG) and the energy consumption on a property level per square metre for 2018 of an exemplary portfolio. All properties are benchmarked according to the average portfolio GHG output and their energy consumption. Moreover, properties that have consumption above their expected value according to local regulations or green building certificates are controlled to determine optimisation measures. The local energy consumption regulations for different time periods are indicated on the diagram as grey vertical lines.

Better ventilation and heating

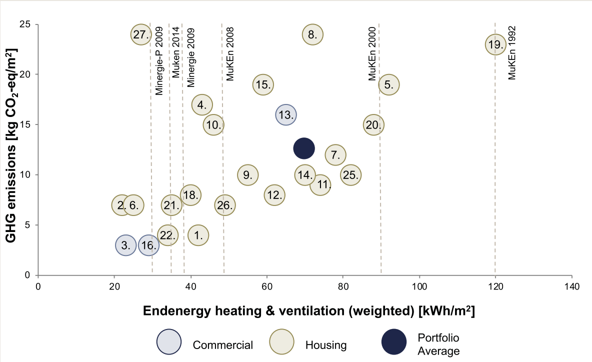
Properties with extended ventilation systems or high-energy-intensity office buildings may also be monitored on a quarterly basis to identify further potential. The related measures concentrate on the ventilation and heating configurations, as well as energy consumption at the hours that the property is not used during the night and the weekend.

Reducing electricity consumption

The Bank's environmental monitoring report indicated a commercial property with very high consumption data. A third-party system review of the property identified an energy savings potential of 13% and corresponding annual cost reduction.

Overall, good management of GHG emissions and energy consumption are essential to control the physical risks of these investments and to be successful in the long term. In the future, funds with a current buy-and-hold strategy should be transformed into a buy and actively manage strategy in order to reduce further costs, GHG emissions, engage with the tenants and increase the value of the properties.

Bank J. Safra Sarasin – Environmental Management System (EMS)



3. Detailed due diligence
Only 50% of the screened properties achieve a sufficient rating to continue in the assessment process. With this shortened list, individual property analyses can start, focusing on the main factors such as occupancy rate, yield, energy requirements and supply, public transport network to mention a few. This leads to a further concentration of the property universe.

4. Viewing
Viewings are then organised, during which a careful individual evaluation of the building itself, its surroundings, the location's demographics as well as regional economy are analysed during an intensive due diligence process.

5. Negotiation
The sustainability-integrated assessment is the basis for a valuation which is used for negotiations with the other party.

6. Purchasing
Finally, in this last step of the assessment, the properties are acquired.

Portfolio ESG Analysis and ESG Reporting for institutional and private banking clients

Reporting of the portfolio based on a standard format follows the four-step investment process. 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 strength of voluntary investor initiatives, stock exchange requirements, the TCFD recommendations 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.

Bank J. Safra Sarasin can also provide clients with an Impact Monitor, measuring and demonstrating the impact of a specific portfolio on the Sustainable Development Goals. Therefore, the Bank is able to measure the respective impact return of a portfolio as a percentage of total corporate revenues.

Knowledge-sharing and communication

J. Safra Sarasin compiles and shares leading sustainable investment analysis with clients either in the form of publications or in the form of knowledge-sharing events. In 2019, Bank J. Safra Sarasin's sustainability investment research team released three publication styles, including: *Sustainable Investment Spotlight* 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. A new, third publication format was introduced with the release of the first *Active Ownership Report*, made publicly available on the Bank's website.

In 2019, the following publications were released by Bank J. Safra Sarasin's sustainability investment research team:

- *Targeting the SDGs: Impact and Performance in Listed Equities*
- *Sustainability – a key factor for real estate*
- *Active Ownership is making an impact!*
- *J. Safra Sarasin celebrates 30 years of sustainable investing*

At the same time, different authors continued to make their expertise widely available in various specialist articles. Also throughout 2019, several events to share knowledge were organised by the Bank. These events were organised for private and institutional clients and professional audiences. In September, the Chief Strategist & Head Sustainability held a speech on sustainability at the Sustainability Congress in Cologne, as well as at the Building Bridges event in Geneva in October, where members of the International Network of Financial Centres for Sustainability came together to build bridges between Swiss financial experts and the 17 Sustainable Development Goals (SGDs). Among the various other events in which Bank representatives actively participated in sustainability discussions were the Oikos Conference in St. Gallen, the European Investor CIO Conference in Vienna and the Fund Forum in Copenhagen. As in previous years, the Bank's annual Outlook Events also included sustainability themes: in 2019, the events addressed climate indicators at a tipping point in both Asia and Europe.

Awards and Labels

"Best Private Bank for Social Responsibility" by *Global Finance*

In 2019, Bank J. Safra Sarasin received the "Best Private Bank for Social Responsibility" award from Global Finance. It selects the World's Best Private Banks with the "wealth management teams that are responding most effectively to the mix of challenges and opportunities that characterises private banking at the start of the 21st century." This is the second consecutive year that Bank J. Safra Sarasin received this award.

"Best Private Bank for Thematic Investing" by *PWM/The Banker*

In 2019, Bank J. Safra Sarasin received the "Best Private Bank for Thematic Investing" award from Professional Wealth Management/The Banker. The award recognises the impact-based view that has become central to the Bank's Sustainable Investment strategy. Other than the 2018 and 2019 thematic equity launches, the Bank has recently added the Blue Horizon Venture Capital Fund to its product offering, a fund aiming at capitalising from global food technology companies that focus on plant-based food tech, cultivated meat, synthetic biology and other sustainability related topics.

ISS-oekom Prime Rating

The Bank was awarded the ISS-oekom Prime Status. The sustainability rating agency ISS-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. ISS-oekom research awards Prime Status to those companies that are among the leaders in their industry and which meet industry-specific minimum requirements.

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.

MSCI Fund ESG Quality Score

The MSCI ESG Fund Quality Score 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. A score of 10 reflects underlying holdings that rank best in class globally based on their exposure to and management of ESG risks and opportunities. A score of 0 reflects holdings that generally rank worst in class globally based on their exposure to similar factors. Since inception in 2016, numerous flagship strategies of Bank J. Safra Sarasin were ranked in the top 10% of funds globally on the basis of their ESG credentials, and even more strategies were ranked in the top 10% of their fund peer group.

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.

Austrian Ecolabel

Bank J. Safra Sarasin is also a holder of the Austrian Ecolabel (Österreichisches Umweltzeichen), granted by the Austrian government, which certifies ethically oriented projects and companies that generate profits through sustainable investments.

Assets under Licence

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 Bank J. Safra Sarasin's research methodology. If the issuers show a good enough sustainability rating, they are admitted to the STOXX® Sustainability Indices.[8]

[8] The STOXX® Sustainability Indices are the intellectual property of STOXX Ltd. STOXX makes no investment recommendations and shall not be held liable for any errors or delays in the index calculation or data distribution.

Assets under Research

Bank J. Safra Sarasin offers external partners sustainability research for their in-house investment strategies.

Forum Nachhaltige Geldanlagen (FNG) Seal

In 2019, the FNG Seal, the quality standard for sustainable investment funds, was awarded in Berlin for the fifth time. Bank J. Safra Sarasin provides its sustainable investment methodology and investment universe to one of its partner firms.

Febelfin Label

In November 2019, based on Bank J. Safra Sarasin's research, one of our partner firms was awarded the Febelfin label, a quality standard for sustainable and socially responsible financial products offered in Belgium. The quality standard requires exclusion of the financing of certain practices considered as unsustainable and is focused on transparency.

Objective 3: We live a sustainable corporate culture

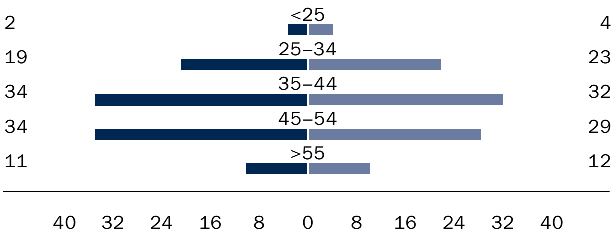
J. Safra Sarasin's most valuable capital is its employees. They are essential to the success of the organisation, now and in the future. Their technical expertise, professional qualifications and social skills are highly valued by the Group's clients and business partners. The success of J. Safra Sarasin depends on the enthusiasm and commitment from 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. It attracts first-rate applicants both in Switzerland and abroad. As of 31 December 2019, the headcount increased by 27 full-time equivalent positions (FTEs) (+1.26%) totalling 2,178 FTEs, of which 154 employees worked part-time. The proportion of women in management positions (female employees in the two uppermost management levels with the title Managing Director or Executive Director) stood at 15.8%. The percentage of women working in the Group totalled 35.6% in 2019. The employees at J. Safra Sarasin originate from 68 different countries, displaying a high degree of cultural diversity.

Table: Number of employees as per 31.12.2019 (full-time equivalents)

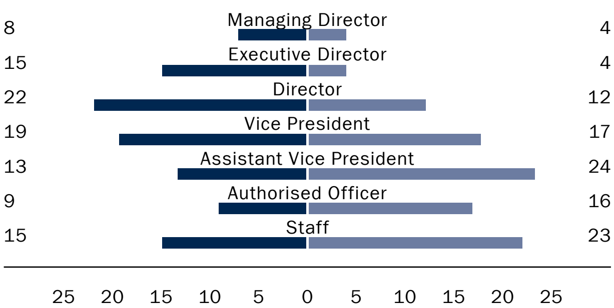
	31.12.2019	31.12.2018
Total	2,178	2,151
Abroad	1,028	1,003
Switzerland	1,150	1,148

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



Men	Years	Women
2	<25	4
19	25–34	23
34	35–44	32
34	45–54	29
11	>55	12

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



Men	Title	Women
8	Managing Director	4
15	Executive Director	4
22	Director	12
19	Vice President	17
13	Assistant Vice President	24
9	Authorised Officer	16
15	Staff	23

Code of Business Conduct

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 perceived 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 provide the basis for daily behaviour in dealing with clients, colleagues, and all other stakeholders.

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 an integral part of employment contracts and apply to all employment relationships. The employee benefits offered by J. Safra Sarasin Group 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, performance and conduct of the employee, and the performance of the Group and its subsidiaries. Compensation and reward structures follow the principles of performance, conduct and risk awareness, client orientation, conflicts of interest, and malus or clawback.

Pension Fund of Bank J. Safra Sarasin is a signatory to 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 emphasised 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 in 2006. Currently, it has more than 2,600 signatories globally, representing approximately USD 89 trillion assets under management. Bank J. Safra Sarasin acted as a founding signatory of the initiative in April 2006.

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, for example due to gender, ethnic background, religion, age, nationality or sexual orientation, is not tolerated. This policy is anchored in the Code of Business Conduct as well as the directive "Protection against Sexual Harassment, Bullying and Discrimination in the Workplace" applicable to the entire Group.

Employee representation at Bank J. Safra Sarasin in Switzerland

For the protection of the common interests of employees, Bank J. Safra Sarasin has a Staff Representative Council (Arbeitnehmervertretung, ANV) to represent employees in the Bank's domestic market. The Regulations on Employee Participation through the Staff Representative Council form 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, thus contributing to a good working relationship. Well-informed employees tend to identify more closely with the Bank, which in turn can have positive effects on motivation and productivity.

Learning and 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 commitment of the Executive Committee, the ongoing enhancements of the Bank's learning curriculum along business-relevant training categories and a Learning Management System ensure the Group's ability to deliver online learning programmes, classroom and blended training opportunities. The person responsible for sustainability regularly conducts sustainability training courses at the three major locations in Switzerland. Furthermore, the Bank is active in cooperating with universities in order to offer interesting working opportunities to new talents.

Healthy employees

The J. Safra Sarasin Group views the promotion of health as an important element of its corporate culture. A “Health at Work” Intranet site focuses on physical and psychological health. In Switzerland, free flu vaccinations are offered every year. Employees in Switzerland have the opportunity to benefit from a group rebate on supplementary insurance coverage that exceeds the basic coverage required by law. In some locations, fitness studios offer membership discounts to employees.

With targeted activities, the Group continues to encourage employees to exercise more in everyday life. Bank J. Safra Sarasin employees in Switzerland have again participated in the “bike to work” challenge launched by Pro Velo Schweiz. 43 employees from the Bank also joined the nationwide company run “B2RUN” in Basel, Geneva and Zurich. Colleagues from various business areas participated in the six-kilometre runs.

In December 2019, 17 employees represented Bank J. Safra Sarasin’s colours in the “Course de l’Escalade” in Geneva. In doing so, they not only increased their own fitness, but also sent a positive message on sustainable mobility and showed a strong team spirit.

Participation in the “Zukunftstag” in Switzerland

The “Zukunftstag” (Future Day) builds on collaboration between schools, employers and parents. It is an annual event that allows children of employees in Switzerland to gain first impressions of their parents’ working environment. Bank J. Safra Sarasin has been participating for a number of years by organising an interesting programme for its employees’ children. In 2019, 50 boys and girls joined the event which promotes gender equality at a young age.

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 for the challenges facing employed women in Switzerland. The focus lies on networking, exchange of knowledge and experiences, and sharing of different perspectives. The founding members and Human Resources continue to organise informative meetings, round tables and joint events with an external women network organisation, as well as informal networking opportunities.

Objective 4: We are part of the society

The 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 the interests of all stakeholders connected with the Group.

Sustainable events and procurement

Bank J. Safra Sarasin has developed and introduced a “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 the 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.

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” applies to the entire Group.

Sponsoring

Philanthropy, art and sports were again the main strategic focuses for the Group’s sponsoring activities in 2019.

In the UK, the Group engaged in fundraising, serving meals and donating IT equipment for “The Connection” at St Martins, a local homeless charity that works with over 4,500 homeless people every year. The charity helps people to get away from a life on the streets and back into full independence. They do this in various ways, including by helping people getting the skills they need to go back into the workforce. Other on-going projects include Group participation in supporting local environmental campaigns that range from waste reduction to woodland protection. In Switzerland, Group employees participated in the Unicef Cycling for Children fundraising event. In Hong Kong, the Group supported the Keren Hayessod-United Israel Appeal initiatives through the sponsoring of fundraising activities.

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.

In the area of sports, the Bank sponsored the ATP World Tour 500 tennis tournament Swiss Indoors in Basel and the Sky Lounge at the FC Basel Stadium. In addition, the Bank also sponsored the Davis Cup by Rakuten Madrid Finals at Madrid's Caja Mágica in November and the Swiss Open Gstaad tennis event in July. Bank J. Safra Sarasin is also a long-term sponsor of the Longines CSI Basel, part of the prestigious horse-jumping global champions tour.

Advocacy

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

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 in political opinion forming via these initiatives and its membership in various organisations.

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

Together with other Swiss banks, Bank J. Safra Sarasin sponsors the Swiss Finance Institute (SFI). By establishing this foundation, the Swiss banks, the Swiss Federal government and leading universities have expressed strong commitment to strengthening research and teaching in the field of banking and financing 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.

Bank J. Safra Sarasin is a member of the UN Global Compact

In 2018, Bank J. Safra Sarasin became a member of the UN Global Compact, the principles-based framework for businesses, with a commitment to fulfil the Ten Principles in the areas of human rights, labour, the environment and anti-corruption. The Bank also participated in a documentary video launched by the UN Global Compact Switzerland in their "Tour de Suisse" roadshow. Bank J. Safra Sarasin participated in this film to showcase the central message of the UN Global Compact, i.e. that "Sustainable Business is Smart Business". In the short movie, which was also shown at the UN General Assembly in New York, the Bank describes how sustainable investments foster innovation and viable business models while mitigating risks and overcoming global challenges. In 2019, we continued to be an active member of the initiative through the participation of UN Global Compact events such as thematic workshops and discussions. We have included the Communication on Progress towards the Ten Principles at the end of this Sustainability Report.

Bank J. Safra Sarasin becomes a founding signatory of the Principles of Responsible Banking

Founding Signatory of:

UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING

In 2019, J. Safra Sarasin joined the Principles for Responsible Banking (PRB) as a founding signatory, making another significant commitment towards a more sustainable future. The Principles developed by and for banks, gathered meaningful support from 130 signatory banks, representing about one-third of all banks globally. Targeting six key areas, the PRB provide a framework for a sustainable banking system and guides signatories to achieving society's goals as expressed in the UN's Sustainable Development Goals and the Paris Climate Agreement.

J. Safra Sarasin and the Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) adopted by all member states of the United Nations (UN) in 2015 form a core element of the UN Agenda 2030 for Sustainable Development. These goals are the plan of action for peace and prosperity for people and the planet, now and into the future. All countries and stakeholders, acting in collaborative partnership, recognise that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. Not only states are asked to stimulate action, but companies, the finance industry, NGOs, and the wider society.

J. Safra Sarasin contributes to the realisation of the SDGs in various ways. As one of the market leaders in the Swiss sustainable investment market, the Bank integrates the concept of sustainable development into the investment process (see pages 93ff.). The Bank can also report on the impact of a specific portfolio to reach the SDGs (see page 108). The Bank takes its responsibility as an employer (see pages 111ff.) and acts as a responsible citizen (see pages 113ff.). Additionally, the Bank takes its environmental footprint seriously (see pages 115ff.).

Bank J. Safra Sarasin is a founding member of Swiss Sustainable Finance (SSF)

Bank J. Safra Sarasin is a founding member of this platform set up in Switzerland in 2014. Its mission is to promote Switzerland in the global marketplace as a leading centre for sustainable finance by informing, educating and catalysing growth.

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 less than 2°C. 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 Greenhouse Gas (GHG) Protocol in 2015.

Objective 5: We manage resources efficiently

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 SoFi software 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.

Bank J. Safra Sarasin as part of the successful Swiss Climate Foundation

Bank J. Safra Sarasin has been a founding member of the Swiss Climate Foundation for over 10 years. Catering to its claim "Protecting the climate. Strengthening SME", the Climate Foundation supports projects of small and medium-sized enterprises that help to reduce carbon dioxide emissions. The Foundation is a voluntary initiative by the Swiss financial sector which has benefited from the reimbursement of the proceeds of the CO_2 levy introduced by the Swiss Federal Government in 2008. As service providers are lower CO_2 emitters, Bank J. Safra Sarasin and 26 other financial service companies decided to use the proceeds to make an active contribution to mitigating climate change.

Climate protection

Over the course of 2019, total CO_2 emissions slightly decreased to 1,853 kg CO_2-equivalent per employee. The average business travel activity per employee remained consistent with the previous year at 7,713 kilometres. As in the past, the Group seeks to use ecologically appropriate means of transport for business travel wherever possible (staff commuting to and from work is not included).

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_2 emissions than in Switzerland. The overall electricity consumption per employee in 2019 was 4,742 kWh, a small increase from the previous year.

Energy efficiency

J. Safra Sarasin oversees and regularly implements appropriate measures in its efforts to become more energy efficient. Within the last two years, the Group has undertaken an IT infrastructure upgrade that involved the installation of new multifunctional and energy-saving printers in all Swiss locations. Furthermore, the Bank replaced circulating air cooling units in its printing centre with more energy-efficient units and began with the replacement of computer screens with more energy-efficient and lower heat-generating equipment. Further, existing lighting is gradually replaced by LED light sources in the Bank's own offices. The aim is to reduce energy consumption in the long term.

Reducing carbon emissions

Since 2013, Bank J. Safra Sarasin has participated in an energy efficiency programme and agreed on setting energy efficiency and carbon reduction targets with the Business Energy Agency (EnAW) in Switzerland to reduce its carbon emissions by 2022. It achieves this through the implementation of annual energy efficiency measures and by giving preference to renewable energies. We liaise with EnAW to regularly monitor the annual activities and their effectiveness. New targets are expected to be announced for 2022 onwards. Since signing the Paris Agreement in 2015, Switzerland has announced new emission reduction targets which are in line with achieving zero net emissions by 2050. We expect to continue to participate and contribute towards this effort going forward.

Renewable energy

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 2019, the production amounted to 25,707 kWh, a slight improvement of 5% over 2018. In 2019, J. Safra Sarasin negotiated multi-year all hydroelectric power contracts for its largest locations in Switzerland. Further opportunities lie in extending renewable energy use to other locations, while exploring opportunities for cost savings where possible. Renewable sources account for 60% of the electricity consumed in the Group. 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.

Recycled paper

In 2019, the paper use per employee decreased to 53 kilogrammes, whereby 76% came from recycled sources. The overall decrease in the Group's paper consumption (approximately 20% year-on-year) can be linked to the introduction of new and more efficient printers across the Group's largest locations. The Group also continues to carefully manage print runs for internal and external publications. As such numerous publications continue to be published primarily in electronic format and paper versions are provided to interested parties only upon request.

Table: J. Safra Sarasin Group's sustainability indicators 2019 at a glance

	2019	2018	2017
Financial			
CET1 ratio (%)	31.3	31.8	28.8
Total assets under management (billion CHF)	185.8	164.6	170.0
Sustainably managed assets (billion CHF)	10.6	10.2	11.5
Responsibly managed assets (billion CHF)	26.2	15.9	17.5
Volume of J. Safra Sarasin sustainable investment funds (billion CHF)	3.8	2.8	3.0
Volume of J. Safra Sarasin responsible investment funds (billion CHF)	2.2	1.5	2.0
Social			
Total number of employees (FTEs)	2,178	2,151	2,155
Part-time jobs	154	160	177
Proportion of women (%)	35.6	35.4	35.4
Proportion of women in management positions (%)	15.8	15.8	13.7
Turnover rate (%)	13.9	13.9	16.8
Environmental			
Electricity consumption (kWh per FTE)	4,742	4,599	4,631
Proportion of energy from renewable sources (%)	60	58	58
Paper consumption (kg per FTE)	53	61	63
Proportion of recycled paper (%)	76	84	86
Business travel (km/FTE)	7,713	7,623	6,856
Greenhouse gas emissions (kg CO_2 per FTE)	1,853	1,954	1,719

Note: As a rule, all offices with more than 15 employees are integrated into the environmental indicator reporting system. At local level, estimates are used if no exact figures are available.

FTE = full-time equivalent

UN Global Compact: Communication on Progress (COP)

Launched in 2000, the United Nations Global Compact is a call to companies around the world to align their strategies and operations with ten universal principles in the areas of human rights, labour, environment, and anti-corruption, and to take action in support of broader UN goals. It is the world's largest voluntary corporate responsibility initiative with more than 9,500 signatories in more than 160 countries.

The Ten Principles of the UN Global Compact	Implementation at J. Safra Sarasin	Report reference
Human Rights		
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;	**Bank specific:**	
	• Code of Business Conduct	111–112
	• Staff Regulation	112
	• Directive "Protection against Sexual Harassment, Bullying and Discrimination in the Workplace"	112
	Financial sector-specific indicators: product portfolio and active ownership:	
	• Portfolio-based commitment to social and environmental issues	93–103
	• Assets subject to environmental or social screening	93–103
Principle 2: make sure that they are not complicit in human-rights abuses.	**Bank specific:**	
	• Code of Business Conduct	111–112
	• Staff Regulation	112
	• Directive "Protection against Sexual Harassment, Bullying and Discrimination in the Workplace"	112
	Financial sector-specific indicators: product portfolio and active ownership:	
	• Portfolio-based commitment to social and environmental issues	93–103
	• Assets subject to environmental or social screening	93–103
Labour		
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	**Bank specific:**	
	• Regulations on Employee Participation	112
	• Swiss Collective Labour Agreement (Agreement on Conditions of Employment for Bank Employees, VAB)	112
	Financial sector-specific indicators: product portfolio and active ownership:	
	• Portfolio-based commitment to social and environmental issues	93–103
	• Assets subject to environmental or social screening	93–103
Principle 4: the elimination of all forms of forced and compulsory labour;	**Bank specific:**	
	• Code of Business Conduct	111–112
	Financial sector-specific indicators: product portfolio and active ownership:	
	• Portfolio-based commitment to social and environmental issues	93–103
	• Assets subject to environmental or social screening	93–103
Principle 5: the effective abolition of child labour;	**Bank specific:**	
	• Code of Business Conduct	111–112
	Financial sector-specific indicators: product portfolio and active ownership:	
	• Portfolio-based commitment to social and environmental issues	93–103
	• Assets subject to environmental or social screening	93–103
Principle 6: the elimination of discrimination in respect of employment and occupation.	**Bank specific:**	
	• Code of Business Conduct	111–112
	• Employee Rules and Regulations – Bank J. Safra Sarasin Ltd	112
	• Directive "Protection against Sexual Harassment, Bullying and Discrimination in the Workplace"	112
	Financial sector-specific indicators: product portfolio and active ownership:	
	• Portfolio-based commitment to social and environmental issues	93–103
	• Assets subject to environmental or social screening	93–103

The Ten Principles of the UN Global Compact	Implementation at J. Safra Sarasin	Report reference
Environment		
Principle 7: Businesses should support a precautionary approach to environmental challenges;	**Bank specific:**	
	• Handbook of Sustainability	113
	• Objective 5 of the Corporate Sustainability Strategy	115–116
	– Energy consumption within the organisation	
	– Reduction of energy consumption	
	– Reduction of greenhouse gas emission	
	– Reduction of the use of materials	
	Financial sector-specific indicators: product portfolio and active ownership:	
	• Portfolio-based commitment to social and environmental issues	93–103
	• Assets subject to environmental or social screening	93–103
	• 4-pillar climate strategy	93–94
Principle 8: undertake initiatives to promote greater environmental responsibility;	**Bank specific:**	
	• Handbook of Sustainability	113
	• Objective 5 of the Corporate Sustainability Strategy	115–116
	• Sustainability training	112
	Financial sector-specific indicators: product portfolio and active ownership:	
	• Portfolio-based commitment to social and environmental issues	93–103
	• Assets subject to environmental or social screening	93–103
	• 4-pillar climate strategy	93–94
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	**Bank specific:**	
	• Objective 5 of the Corporate Sustainability Strategy	115–116
	– Reduction of energy consumption	
	– Reduction of greenhouse gas emission	
	Financial sector-specific indicators: product portfolio and active ownership:	
	• Portfolio-based commitment to social and environmental issues	93–103
	• Assets subject to environmental or social screening	93–103
	• 4-pillar climate strategy	93–94
Anti-Corruption		
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	**Bank specific:**	
	• Code of Business Conduct	111–112
	• Code of Compliance	93
	Financial sector-specific indicators: product portfolio and active ownership:	
	• Portfolio-based commitment to social and environmental issues	93–103
	• Assets subject to environmental or social screening	93–103

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To the Management of
J. Safra Sarasin Holding Ltd.

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 for the reporting period 1 January to 31 December 2019 on page 104 and 117 of the sustainability report
– The social KPIs in the chapter "Corporate culture" for the reporting period 1 January to 31 December 2019 (page 111 and 117 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 2019 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.

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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

Sandro Schönenberger
Licensed Audit Expert
Auditor in Charge

Dr. Philippe Wüst
Licensed Audit Expert

Zürich, 26. February 2020

Impressum

Concept, design, layout and text: Bank J. Safra Sarasin Ltd, Cabinet Privé de Conseils s.a.
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Links to third-party Internet sites

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

Sustainable Swiss Private Banking since 1841