# Annual Report 2018

J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841

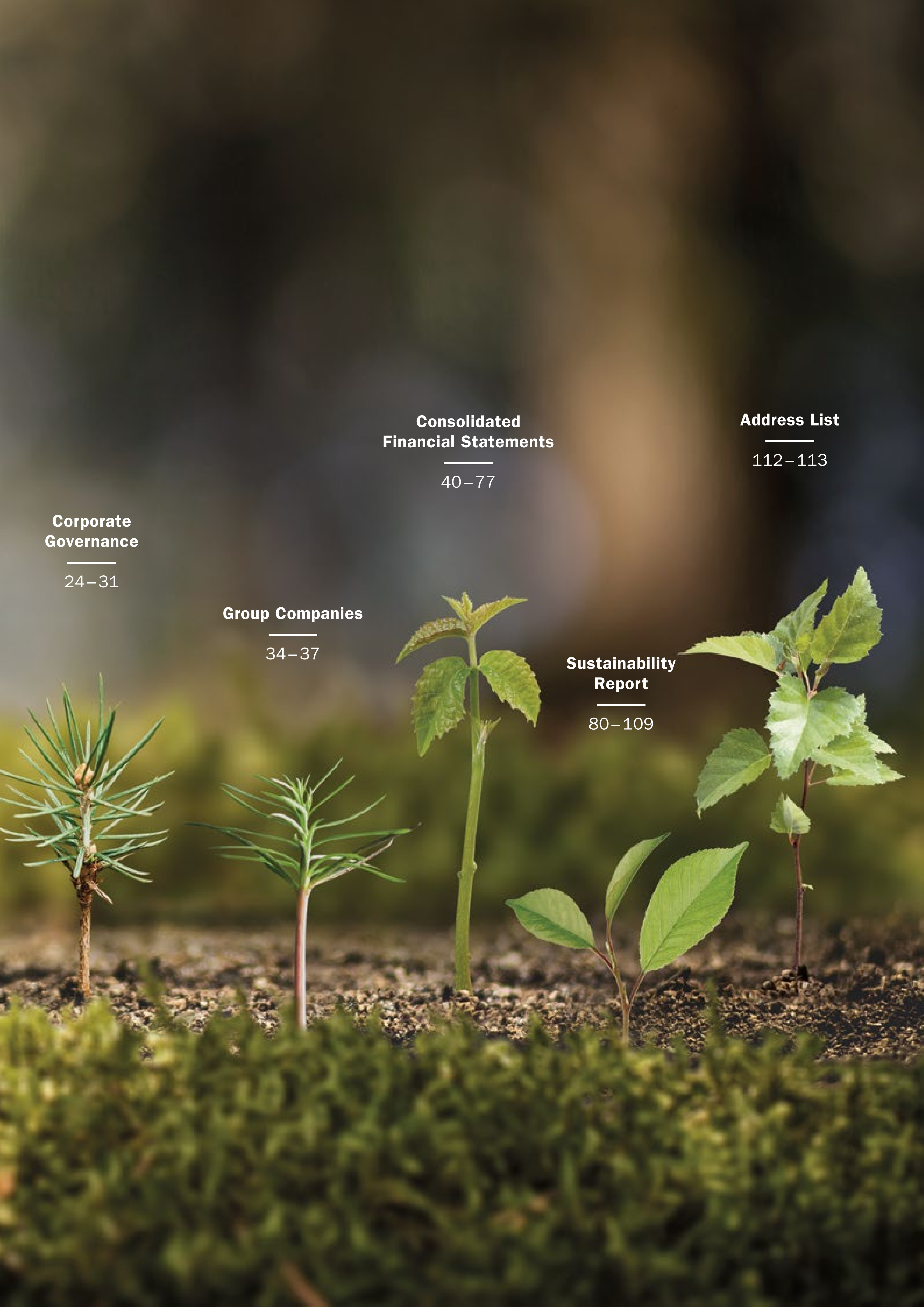
30 YEARS of SUSTAINABLE INVESTMENTS

*"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)

# Contents

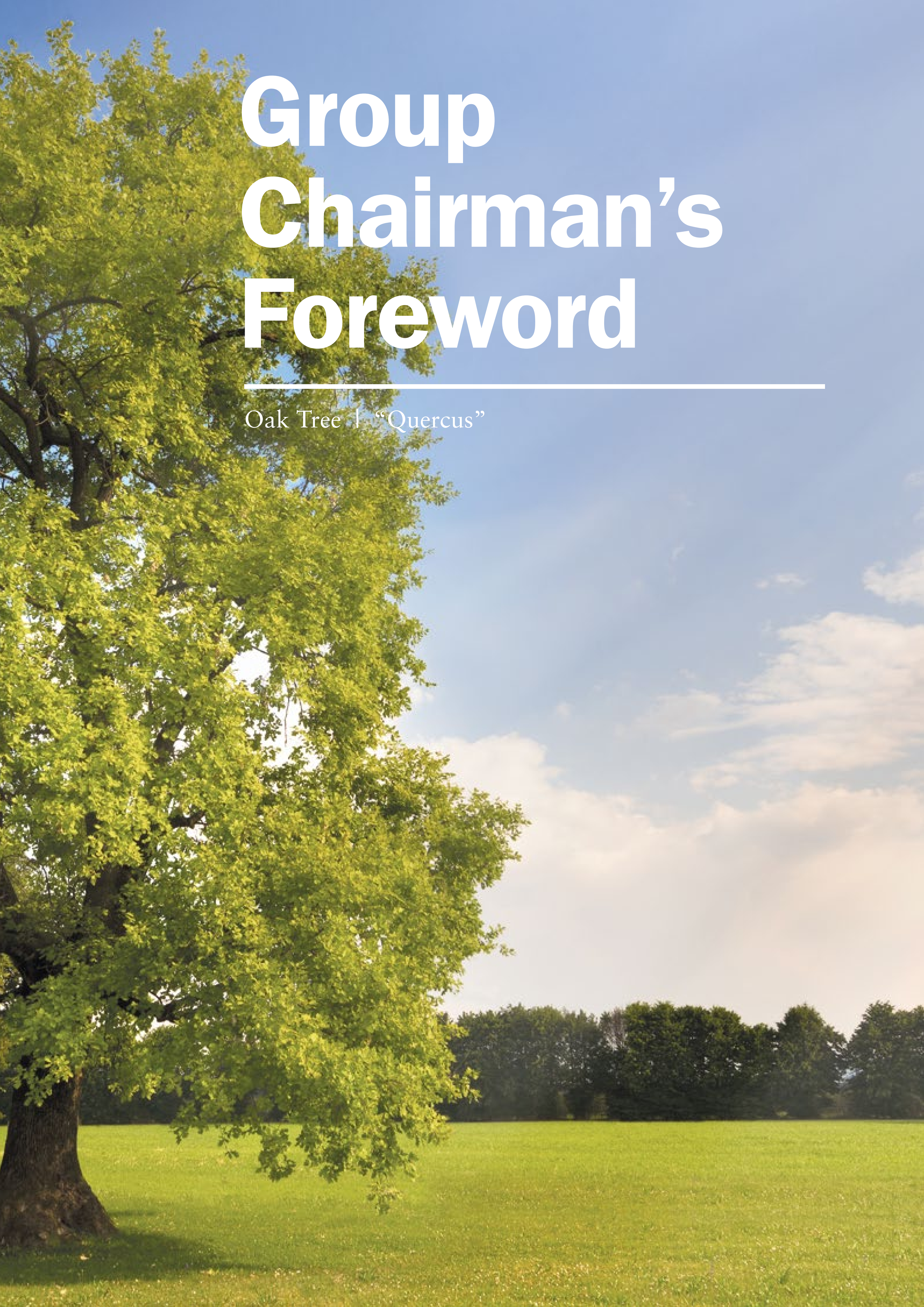





Endurance

# Group Chairman's Foreword

Oak Tree | "Quercus"



# Group Chairman's Foreword

Welcome to the Annual Report of J. Safra Sarasin Group for 2018. Once again we delivered robust results, particularly in the context of geopolitical uncertainty and a global economic slowdown. Our strong performance is 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."

In the second half of 2018 the storm clouds gathered, with the global economy entering the late stage of the business cycle and the transition by global central banks to a less accommodative monetary policy.

Against this backdrop, 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. The presence of international organisations and forums dedicated to good global governance further reinforce the region's ecosystem which we are part of.

This Swiss bedrock is synonymous with the strength of our Group. We remain naturally prudent and are privileged to be able to take 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.

I have had the privilege of witnessing many different economic cycles, and steering our Group through challenging environments. The world today may seem particularly perturbed by competing visions of how government should be conducted, of how economies should be regulated and of how the financial sector should act more responsibly. Broader challenges such as climate change and the increasing digitalisation of services and society impact all people and sectors across the world.

However, it is at times of greatest stress that humankind also shows the most resilience and ingenuity to learn and take different paths to progress. Within each

challenge exists an opportunity. As bankers, we are uniquely positioned to analyse the world and identify favourable circumstances for our clients.

This brings me to a guiding principle of banking: if you look after your clients carefully, and nurture 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.

Our Group's longevity is also due to simplicity through wise and considered investment, 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 your clients, and thinking about them all the time.

In 2019 we are celebrating 30 years since the Group conducted the first ever sustainability investment analysis of a company. Sustainability is at the heart of the Group's philosophy, and we continue to be a global leader in this investment approach. This year we have chosen the theme of trees to illustrate our commitment to sustainability. Trees are universally recognised as a core part of the planet's ecosystem. They also represent a continual cycle of renewal across generations, whatever the environmental conditions. Different species of trees symbolise distinct qualities, many of which exemplify our approach to wealth management – such as endurance, protection, wisdom and renewal.

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

I would like to thank all our clients and employees for their trust and their significant achievements in 2018. I am confident that the Group has the scale and strengths 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 | 2018<br>CHF 000 | 2017<br>CHF 000 |
|---|---|---|
| Operating income | 1,209,223 | 1,187,285 |
| Operating expenses | –671,673 | –650,797 |
| **Operating profit** | **537,550** | **536,488** |
| **Consolidated profit** | **347,264** | **315,261** |

| Consolidated balance sheet | 31.12.2018<br>CHF 000 | 31.12.2017<br>CHF 000 |
|---|---|---|
| Total assets | 35,230,892 | 35,170,035 |
| Due from customers | 13,904,706 | 13,687,354 |
| Due to customers | 26,848,174 | 26,107,696 |
| **Equity** | **5,119,114** | **4,792,113** |

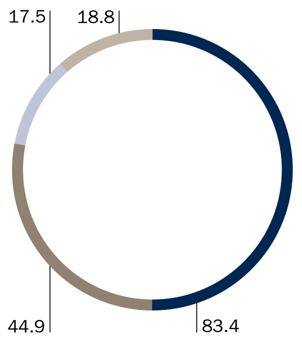
| Ratios | 2018<br>% | 2017<br>% |
|---|---|---|
| Cost-income ratio | 55.5% | 54.8% |
| CET1 ratio | 31.8% | 28.8% |

| Assets under management | 31.12.2018<br>CHF million | 31.12.2017<br>CHF million |
|---|---|---|
| Assets under management | 164,609 | 170,019 |

| Headcount (full-time equivalents) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Consolidated headcount | 2,151 | 2,155 |

## Assets under management by booking centre

(CHF billion) **31.12.2018**

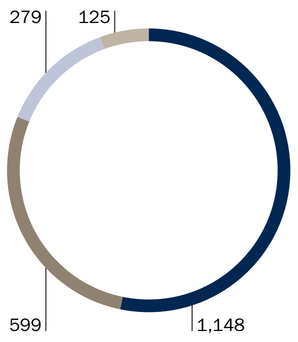



Total 164.6

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

## Headcount by location

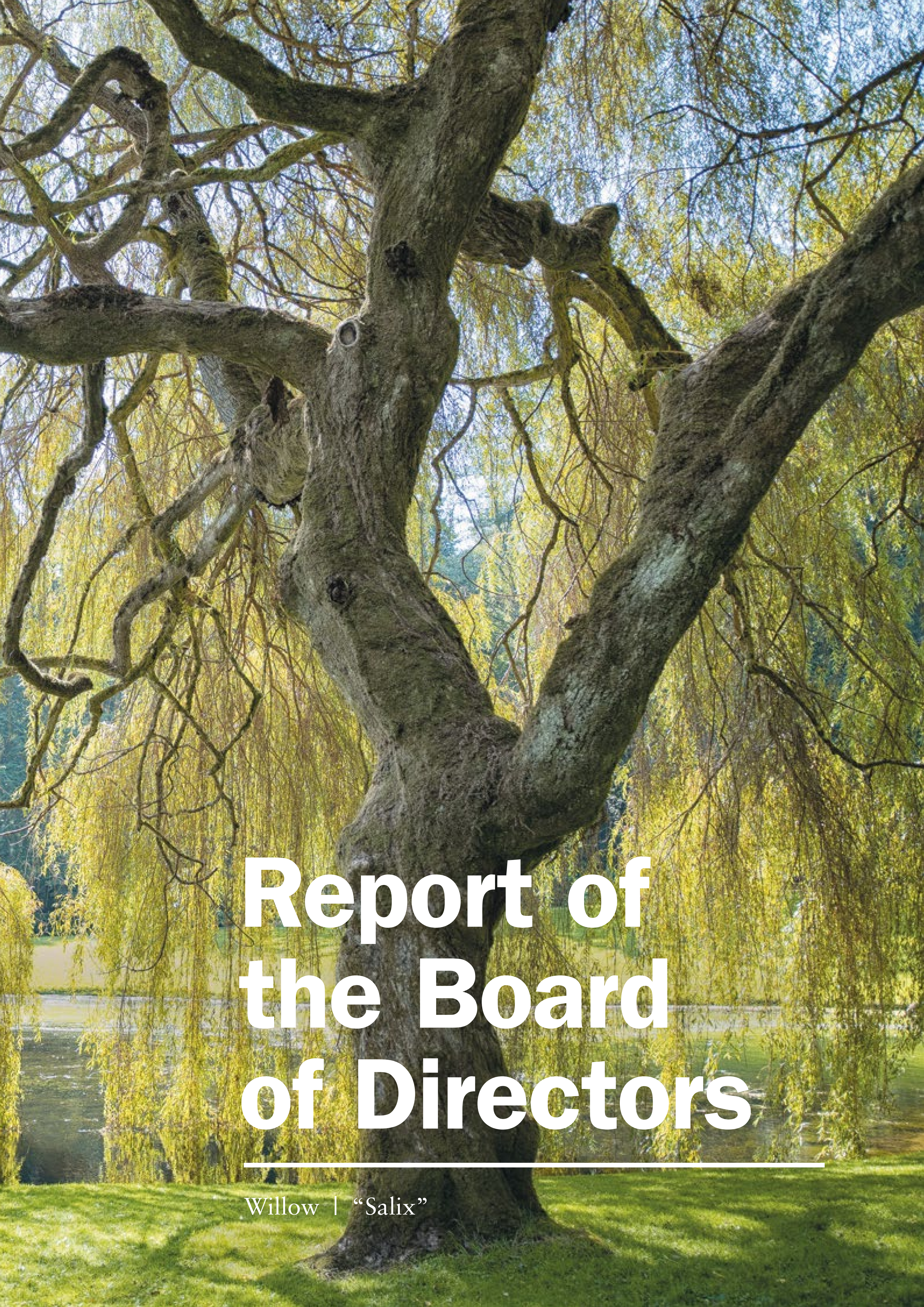
(full-time equivalents) **31.12.2018**




Total 2,151

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

# Adaptability



# Report of the Board of Directors

Willow | “Salix”

# Report of the Board of Directors

We are pleased to report another solid performance in 2018 for the J. Safra Sarasin Group, particularly in the context of worsening economic fundamentals and a decline in risk appetite. This year's robust results are a testament to the consistent revenue generation of our core business, and the prudence with which we manage the Group. We are proud to be ranked amongst the leading banks of Switzerland[1], and to be recognised globally as an employer of choice.

Client focus remains central to our success. We are privileged to accompany many clients across generations as they build patrimony that requires careful stewardship. That is why we are very selective in the talent we hire, the businesses we acquire, and the manner in which we integrate people into the culture of 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. During 2018 we welcomed clients and colleagues from Bank Hapoalim in Luxembourg and Switzerland, and we were delighted to announce the return of our physical presence to Israel.

In 2018, J. Safra Sarasin was proud to join the UN Global Compact Network in Switzerland. J. Safra Sarasin was also honoured to receive Global Finance magazine's "World's Best Private Bank for Social Responsibility" award, a trusted standard of excellence. These have been new milestones in our journey in sustainability which we began 30 years ago.

**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 with a CET1 ratio of 31.8%[2].

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

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.

**Robust results in 2018**

Client assets under management reduced slightly to CHF 164.6 billion as client net new assets of CHF 4.7 billion were offset by negative market performance.

[1] The Banker Top 1000 World Banks July 2018.

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

Operating income increased by 2% to CHF 1,209.2 million in 2018 compared to 1,187.3 million in 2017. Despite a challenging environment during the second half of the year, this overall increase and in particular the 3% rise in net commissions and fee income are a testament to the strength and dependability of our core wealth management services.

Operating expenses increased slightly by 3.2% to CHF 671.7 million in 2018 against CHF 650.8 million in 2017, thanks to the efficient integration of new teams and acquired businesses. Indeed, the Group cost income ratio of 55.5% remains one of the best in class in the wealth management industry.

The stable operating profit of CHF 537.6 million in 2018 demonstrates the reliability of our core business even in difficult headwinds.

Moreover, the real financial strength of the Group is reflected in how net profit rose solidly by 10.2% to CHF 347.3 million for the year 2018 against CHF 315.3 million for 2017.

The consolidated balance sheet at 31 December 2018 remained stable at CHF 35.2 billion. The Group maintained high levels of liquid assets at CHF 7.1 billion at the end of 2018 compared with CHF 6.8 billion at the end of 2017.

With the allocation of all Group net profit for 2018 to retained earnings, Group shareholders' equity reached CHF 5.1 billion at the end of 2018 compared with CHF 4.8 billion at the end of 2017.

Total headcount (full-time equivalents) remained stable at 2,151 at the end of 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 2019**

As we enter 2019, the geopolitical climate and economic environment remain volatile and challenging in many parts of the world. Public distrust of several institutions remains high. All sectors continue to face disruption from digitalisation, amidst the growing role of data, algorithms, blockchain and artificial intelligence.

At times like these, we can depend on the strength of the Group to sail through turbulent waters and provide a safe harbour to our valued clients. This also includes the next generation of "Millennial" clients, whose needs and expectations must be accounted for.

We are confident that the Group will deliver another solid performance in 2019. 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.

We continue to welcome new teams of bankers, and to also carefully evaluate potential opportunities as one of the leaders in the consolidation of the sector.

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.

# Protection

# Year in Review

Ash Tree | “Fraxinus”

# Year in Review

2018 was marked by dissynchronised economic growth across different regions. During the second half of the year most financial markets reflected concerns over a US-China trade war, the slow-down in China's economy, shrinking central bank liquidity, political instability across Europe and long-standing debt issues in emerging markets.

In last year's report we remarked about the disconnect between global economic performance and geopolitical tensions. As these came home to roost in 2018, we had already prepared well in advance, and so we are pleased to report robust results again this year. As conservative private bankers with a heritage of over 175 years, we always look way beyond a single year's performance. Indeed 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 continues 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.

**2018 – a strong performance**

We performed strongly in the context of worsening economic fundamentals and a decline in risk appetite. Client assets under management reduced slightly to CHF 164.6 billion as client net inflows were offset by market performance. Operating income increased by 2%, reflecting the strength of our core wealth management services. Operating expenses were kept under control even as we integrated new teams across the globe. Indeed, our cost income ratio of 55.5% remains one of the best in class in global private banking and reflects our discipline in managing the Group prudently at all times, not only due to lower costs but also thanks to the quality and consistency of our revenues.

The bottom line of our efforts is reflected in the consolidated net profit which reached CHF 347.3 million for the year 2018. Over the years 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 counter-party credit ratings together with a stable outlook, which reflects "strong brand name recognition and a solid private banking franchise; sound liquidity and very strong capitalisation supported by committed family shareholders".

**Prudence and efficiency**

A key point of differentiation for our Group is that as a family-owned business we take care of our clients' wealth like our own. This core philosophy means we evaluate risks thoroughly and above all keep things simple and efficient. We are also using this pragmatic approach to evaluate the potential of fintech and digitalisation on our business practices.

**Sector leadership**

Thanks to our strong base the Group continues to be a proactive consolidator in the private banking industry. The number of Swiss private banks has continued to decrease in 2018 and industry commentators expect that only the most efficient and competitive banks will thrive. Over the past few years, the Group has acquired several private banking businesses in Europe and this continued in 2018 with the successful integration of Bank Hapoalim's private banking businesses in Switzerland and Luxembourg.

As the sector undergoes challenges and pressures, there will be more opportunities for us to evaluate. However, such acquisitions would not be done solely for the sake of scale; they must fit with our client focus and culture. Indeed, each acquisition is looked at not just as a stand-alone deal, but as a stepping stone to future talent and clients.

In 2018 we were delighted to return to Israel with a physical presence thanks to the start of activities of J. Safra Sarasin Asset Management (Israel) Ltd, a company licensed by the Israel Securities Authority (ISA), together with the opening of a representative office, both located in Tel Aviv. We have also incorporated J. Safra Sarasin Asset Management (North America) Ltd in Geneva, a company registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser which provides investment advisory and discretionary asset management services mainly to clients resident in the United States of America.

A sure sign of sector leadership is the credibility of our brand and our reputation as an attractive employer. We are pleased to report that highly respected bankers and specialist staff continue to join us. We thank them for their new perspectives and client relationships, and the smooth manner in which they have become integrated into our entrepreneurial culture.

**Staff loyalty**

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

**Celebrating 30 years of sustainable investments**

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. The subsequent launch by the Bank of the first investment fund based on environmental criteria marked the start of a success story that triggered a boom in sustainably managed assets. Today, Bank J. Safra Sarasin is Switzerland's market leader amongst private banks in sustainable investments – a market enjoying an extremely dynamic pace of growth and valued at CHF 390.6 billion in 2018. This reflects broader trends in society and political determination to implement new sustainable ways of doing business. The financial sector has a significant role to play in incentivising, measuring and holding to account how companies invest in sustainable best practices.

For us, sustainability is not a niche offering, but an integral part of our brand. Our claim, "Sustainable Swiss Private Banking since 1841", is a clear expression of Bank J. Safra Sarasin's commitment to ensuring that sustainability is firmly embedded in every aspect of our business activities. As a Group we follow a clear corporate sustainability strategy. This is why we are also committed to the UN Global Compact with its Principles of the United Nations Global Compact. During 2018 we were delighted to be a prominent supporter of the launch of the "Tour de Suisse" by the Swiss Global Compact, aimed at educating companies, institutions, and the public about the fundamental benefits of managing all our activities in a sustainable manner. We were particularly pleased to receive the 2018 award for "Best Private Bank for Social Responsibility" by Global Finance magazine.

**Trees and sustainability**

This year's Annual Report focuses on the theme of trees as globally recognised symbols of life and sustainability. Trees are an integral part of the planet's ecosystem, and their health is a vivid litmus test of man's global footprint. However much we as a species destroy our habitat, trees remain extremely resilient and for millennia have managed constant renewal across generations. It has been demonstrated that trees have highly sophisticated mechanisms for communication and nourishment, protecting their young and sick, particularly in times of adversity.

Different species of trees symbolise distinct qualities. For example, the Oak represents endurance. We hope that you will recognise and empathise with the qualities of other trees illustrated in this Annual Report such as the Willow (adaptability), the Ash (protection), the Walnut (knowledge) and the Japanese Cherry (renewal). We strongly believe that we can only serve you best as clients if we stick to these same tried and tested qualities which have ensured the resilience and performance of our Group for over 175 years. It is reassuring to our clients that we have the heritage and capacity to perform robustly even as we face another year of economic volatility.

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

**Ilan Hayim**
Chairman
Bank J. Safra Sarasin Ltd

**Edmond Michaan**
Chief Executive Officer
Bank J. Safra Sarasin Ltd


Strength

# Market Environment

Huangshan Pine | "Pinus hwangshanensis"

# Market Environment

2018 started on a strong note thanks to US tax cuts. Global growth slowed in the second half, becoming particularly visible in China and Europe.

**Review of 2018**

2018 has been a year of dissynchronised growth, with the US outgrowing other developed markets as the large fiscal stimulus enacted in January supported domestic demand and boosted investments. Chinese economic growth gradually lost steam, as the Chinese government curtailed loan growth, aiming to reduce shadow banking as well as speculative lending activities. These measures gradually reverberated through East Asia, where manufacturing indicators in export-oriented economies like Japan, Taiwan and South Korea started heading south during 3Q 2018. Growth in continental Europe peaked in early 2018 and decelerated during the year, reflecting the effect of slowing Chinese growth and rising oil prices. Japanese 3Q 2018 GDP growth over past quarter even turned negative, while South Korean export growth declined sharply in late 4Q. Ongoing discussions between the UK and the European Union about a post-Brexit framework failed to bear fruits, as Mrs May struggled to get the negotiated deal approved by Parliament. Trade tensions between the US and China worsened significantly in June and intensified further in the second half of 2018, as President Trump implemented his plans of taxing numerous Chinese imports. Rising trade tensions, combined with previous policy tightening in China, have weighed on capital spending and global trade in the second half of 2018.

The Federal Reserve increased short-term rates by 100 basis points in 2018 as the US economy grew strongly, supported by fiscal stimulus in the form of tax cuts. US 10-year yield rose by 40 basis points in 2018. They reached their high in November at 3.2% before dropping to 2.8% by year end as the global economic outlook worsened and equity markets fell significantly. German 10-year bond yields, however, dropped by 20 basis points in 2018 as the European economy started to lose steam and consequently, the ECB was expected to keep its expansionary monetary policy for longer than anticipated.

Emerging Market (EM) assets suffered losses across the board in 2018. The normalisation of Fed policy and a booming US economy sent the hunt for yield that buoyed EM markets in past years into reverse. China's economy continued to slow, while fears of a trade war with the US triggered outflows. The difficult backdrop exposed long-standing debt problems in Argentina and Turkey, while Brazilian assets suffered ahead of the presidential election in October before recovering strongly after it. While the subsequent crises in those countries were contained, fears of contagion also contributed to a general repricing of EM assets.

US corporate tax cuts bolstered US earnings growth, which sustained significant outperformance of US equities until December 2018. Large US technology companies significantly contributed to this outperformance before topping in October. EM and Chinese equities drifted lower during the year. European equities gradually lost momentum during 1H 2018, as manufacturing activity slowed and Brexit uncertainty penalised British equities. They corrected more heavily in 4Q 2018 as shrinking central bank liquidity and trade war concerns put an end to the outperformance of US equities.

**Outlook for 2019**

The world economy is entering a later stage of the business cycle and global growth should slow further in 2019. However, the year is likely to be a tale of two halves, with a further drop in growth momentum in the first half of the year, reflecting tighter global liquidity and lower Chinese domestic demand. As we enter the second half of the year, global growth should pick up somewhat as the effects of policy loosening in China fully kick in and the impact from the recent spike in financial stress moderates.

The US should continue to grow above trend, with a strong labour market supporting higher wages and some further tightening in US monetary policy in the second half of the year. However, the Bank sees trade tensions posing a downside risk to 2019 growth forecasts. So far, the US administration has backed off from its stand-off with its allies, and trade talks with China have shown some signs of progress, raising hopes that the trade truce will be extended beyond February. Over the medium term, we expect the conflict with China to remain. Hardliners in Washington view the country as a strategic competitor to the US – on the technological, economic and geopolitical fronts – that needs to be contained. A "permanent" threat by the US administration to impose higher tariffs if China fails to comply with the terms of the "deal" could over time deter multinationals to expand their supply chains in China.

In Europe, political risks will continue to weigh on the economy. Indeed, the UK government and Parliament remain divided over Brexit, and the latest developments suggest that Article 50 will have to be extended; i.e. the UK will not leave on March 29. While there is very little appetite for a disorderly Brexit, the next steps remain uncertain. This uncertainty over the direction of travel will continue to weigh on the economy. Weaker global growth will also be a challenge for the euro area. While the external environment in 2018 was still quite supportive, 2019 might be more difficult and we expect euro area growth to slow towards its long-run potential of around 1.5%. A further decline in the unemployment rate and higher wages should support domestic demand, pushing core inflation higher in 2019.

After taking a "pause" in March, we expect the Fed to hike twice in the remainder of the year. The ECB and the SNB are expected to raise rates once towards the end of the year. As a result, we see scope for global long-term bond yields to rise from current levels. However, the move should be modest. We are already at an advanced stage in the rate cycle in the US with a slowing growth profile. In the euro area, the ECB will be very cautious in tightening monetary policy. Since growth and inflation rates are not likely to accelerate significantly, the upside for European yields is also going to be limited. As far as the UK is concerned, we do not regard a "hard Brexit" a base case, hence we would expect growth expectations and bond yields to increase somewhat once the worst fears are overcome.

Emerging markets will face many of the same challenges in 2019 as they did in 2018. In the near term, a further slowdown in China's economy and fears of a "hard landing" will continue to challenge sentiment. While we think that policy support will ultimately stabilise China's economy in mid-year, this will probably coincide with a resumption of Fed tightening. The good news, however, is that valuations are now more attractive, which will create selective opportunities for investors.

Equities will face more volatile conditions in 2019 and are unlikely to repeat their performance of the past three years as the global manufacturing cycle appears to have passed its peak. The leadership of IT stocks has probably come to an end, as the US-Chinese trade tensions have engulfed the technology sector too. The decline in central bank liquidity is likely to create headwinds for equities. A strong derating of equities in December 2018 has created some opportunities in terms of valuation, for instance among EM equities, and should open the way for a rebound during the first half of the year.

# Corporate Governance

Fir Tree | “Abies”

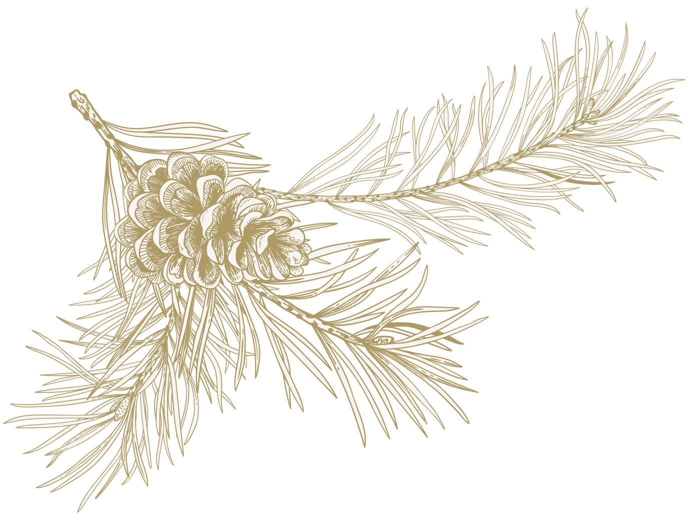
# Corporate Governance

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 31 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 & 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 2018, the Board of JSSH met five times and the Board of BJSS met six 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 2018, 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* |
| • Ilan Hayim | Member* |

* Independent member

As of 31 December 2018, the composition of the Board of BJSS was as follows:

| | |
|---|---|
| • Ilan Hayim | Chairman |
| • Pierre Alain Bracher | Vice-Chairman |
| • Philippe Dupont | Member |
| • Jorge A. Kininsberg | Member |
| • Jacob J. Safra | Member |

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.

**Ilan Hayim**
Born in 1951; Swiss national; lives in Switzerland; Master Degree in Economics (MBA) – University of Geneva

Ilan Hayim has extensive experience in the banking sector both at the operational level and as a member of the Board of Directors. He started his professional career at Paribas (from 1975 until 1988) where he was a member of the Executive Committee. Between 1988 and 2006, he held the CEO position in several banking institutions (Banque Unigestion, UBP Ltd, HSBC Guyerzeller Bank SA). In 2007, Ilan Hayim was elected member of the Board of Directors of Unigestion Holding SA, a position he held until 2010. Since 2013, Ilan Hayim is 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 the Board of Directors. Since 2017, Jorge A. Kininsberg is a member of the Board of Directors of BJSS.

**Audit & Risk Committee**
The Board has set up an Audit & Risk Committee (ARC).
As of 31 December 2018, the ARC was composed of the following members:

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

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. The Chairman of the Board of BJSS is 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 2018, 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 Schönenberger 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 3,325,000 for services connected with the financial and regulatory audit for the year 2018.

Additional fees

The JSS Group paid Deloitte Ltd and its affiliated companies fees totalling CHF 231,000 for services not connected with the financial and regulatory audit for the year 2018.

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 2018, 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's 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.

The following individuals are members of the GEB:

**Stephane Astruc**
Born in 1969; 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 2012, he became Head of Treasury, Trading & ALM and Head of Credit of JSSH and since 2013 Head of the division Trading, Treasury and Asset Management of BJSS. Daniel Belfer is member of the GEB.

**Edmond Michaan**
Born in 1970; Brazilian national; lives in Switzerland;
Bachelor of Arts in Political Science and International Relations – Bar Ilan University, Israel, and Master of Science in Management – Boston University

Edmond Michaan began his professional career in 1991 at First International Bank of Israel. In 1995, he moved to Brazil and started at Safra Leasing S.A. in São Paulo. In 1997, he joined Banco Safra SA in São Paulo first as senior account officer and then as general manager of a local Branch. In 2001, he relocated to Geneva (Switzerland) and joined Banque J. Safra (Suisse) SA where he was active in various management functions in the Private Banking division and after 2012 as CEO. Since 2013, Edmond Michaan is CEO of BJSS. He chairs 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 division Private Banking Region II & EXAM 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:

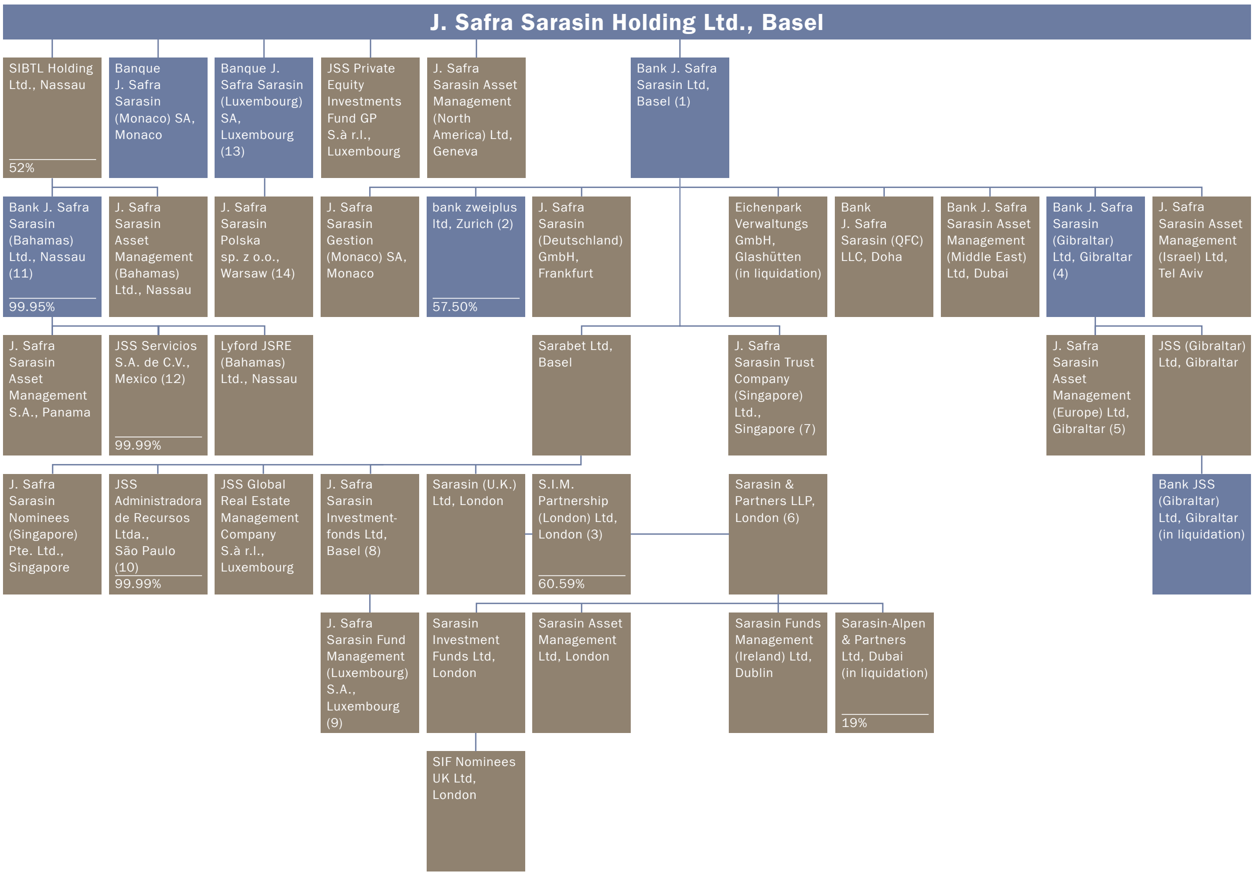
- Market, liquidity and financing risk
- Credit risk
- Operational and reputational risk
- Legal conduct and compliance risk
- Business and strategic risk

The section on Risk Management (page 49) describes in details 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. 2018




■ Banking status

Except as indicated, 100% ownership.

(1) Branches in Bern, Geneva, Lugano, Lucerne, Zurich
Branches abroad: Guernsey, Hong Kong, Singapore
Representative offices: Tel Aviv, Warsaw
(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) Representative office: Tel Aviv
(14) Not yet operational


Wisdom

# Group Companies

Redwood | “Sequoiadendron giganteum”

# 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 61. A chart showing the legal structure of the Group is available as part of the chapter on “Corporate Governance” on page 31. 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 also has representative offices in Poland and Israel and branches in Hong Kong, Singapore and Guernsey.

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.

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

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


Basel

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

**Bank 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.

**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.

Bern

Geneva

Lucerne

Lugano

Zurich

**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 representative office in Israel.

**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.

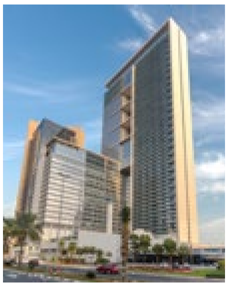
**Bank J. Safra Sarasin Asset Management (Middle East) Ltd**
Bank J. Safra Sarasin Asset Management (Middle East) Ltd has been incorporated in 2013 and is a wholly owned subsidiary of Bank J. Safra Sarasin Ltd, located in the Dubai International Financial Centre (DIFC), Dubai, and operating under a licence 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 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.

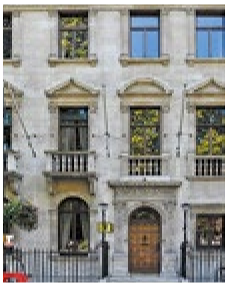
Doha



Dubai

Gibraltar

Hong Kong



London

**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 licenses 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.

**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.

**JSS Administradora de Recursos Ltda.**
Incorporated under the laws of Brazil, it commenced business in 2017 and operates under a portfolio manager license 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.

**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.

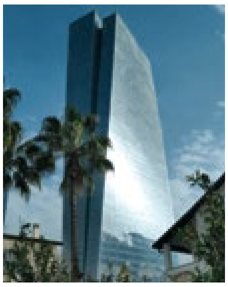
**bank zweiplus ltd**
Incorporated in 2008 in Switzerland, it offers custody services to clients of financial services providers, independent asset managers and insurance companies and in so doing supports these financial intermediaries in servicing their clients. bank zweiplus ltd also has a sophisticated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


Luxembourg


Monaco

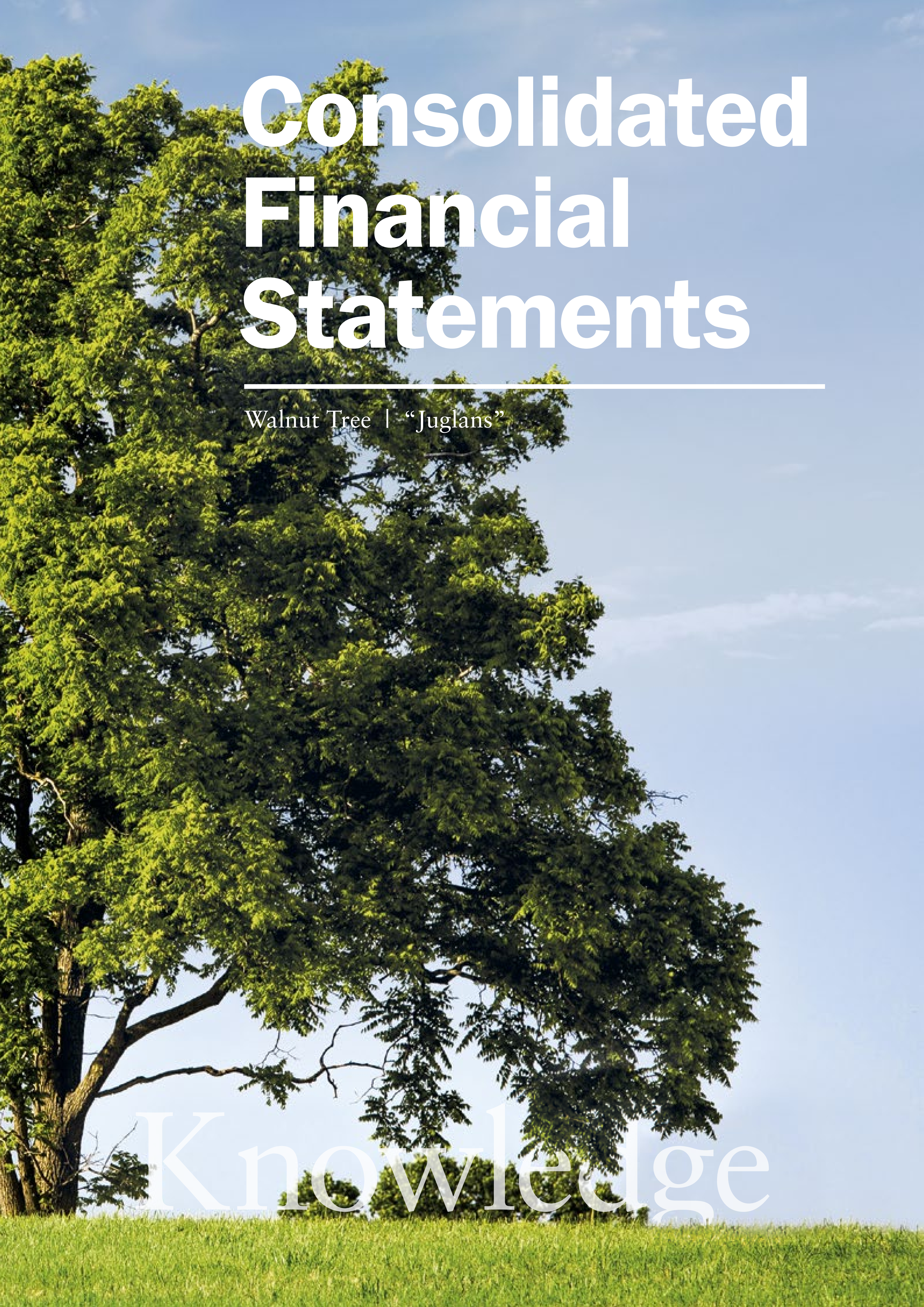

Panama


Singapore


Tel Aviv

# Consolidated Financial Statements

Walnut Tree | "Juglans"



Knowledge

# Consolidated balance sheet

| Assets | 31.12.2018<br>CHF 000 | 31.12.2017<br>CHF 000 |
|---|---|---|
| Liquid assets | 7,095,720 | 6,812,453 |
| Amounts due from banks | 1,804,564 | 1,226,028 |
| Amounts due from securities financing transactions | 59,148 | 210,079 |
| Amounts due from customers | 10,758,968 | 10,554,066 |
| Mortgage loans | 3,145,738 | 3,133,288 |
| Trading portfolio assets | 1,655,311 | 1,144,188 |
| Positive replacement values of derivative financial instruments | 692,417 | 866,505 |
| Other financial instruments at fair value | 1,058,177 | 1,317,015 |
| Financial investments | 7,725,000 | 8,610,233 |
| Accrued income and prepaid expenses | 229,982 | 183,320 |
| Non-consolidated participations | 24,286 | 20,230 |
| Tangible fixed assets | 318,748 | 322,088 |
| Intangible assets | 381,049 | 470,682 |
| Other assets | 281,784 | 299,860 |
| **Total assets** | **35,230,892** | **35,170,035** |
| | | |
| Total subordinated claims | 157,333 | 135,566 |
| of which subject to mandatory conversion and/or debt waiver | – | – |

| Liabilities | | |
|---|---|---|
| Amounts due to banks | 770,591 | 948,333 |
| Liabilities from securities financing transactions | 0 | 151,609 |
| Amounts due in respect of customer deposits | 26,848,174 | 26,107,696 |
| Trading portfolio liabilities | 8,136 | 0 |
| Negative replacement values of derivative financial instruments | 623,693 | 804,477 |
| Liabilities from other financial instruments at fair value | 805,997 | 1,230,926 |
| Bond issues and central mortgage institution loans | 384,303 | 453,372 |
| Accrued expenses and deferred income | 440,658 | 394,540 |
| Other liabilities | 207,681 | 217,296 |
| Provisions | 22,545 | 69,673 |
| Reserves for general banking risks | 360,742 | 360,742 |
| Share capital | 848,245 | 848,245 |
| Capital reserve | 1,745,862 | 1,745,862 |
| Retained earnings reserve | 1,060,990 | 852,811 |
| Currency translation reserve | 66,334 | 87,156 |
| Minority interests in equity | 689,677 | 582,036 |
| Consolidated profit | 347,264 | 315,261 |
| of which minority interests in consolidated profit | 87,513 | 107,082 |
| **Total liabilities** | **35,230,892** | **35,170,035** |
| | | |
| Total subordinated liabilities | – | 3,600 |
| of which subject to mandatory conversion and/or debt waiver | – | – |

# Consolidated off-balance sheet

| CHF 000 | **31.12.2018** | 31.12.2017 |
|---|---|---|
| Contingent liabilities | 663,626 | 738,821 |
| Irrevocable commitments | 18,390 | 17,919 |
| Obligations to pay up shares and make further contributions | 1,487 | 1,487 |
| Credit commitments | 0 | 0 |

# Consolidated income statement

| CHF 000 | **2018** | 2017 |
|---|---|---|
| Interest and discount income | 448,972 | 356,914 |
| Interest and dividend income from trading portfolios | 0 | 0 |
| Interest and dividend income from financial investments | 154,490 | 161,681 |
| Interest expense | –194,303 | –115,243 |
| Gross result from interest operations | 409,159 | 403,352 |
| Changes in value adjustments for default risks and losses from interest operations | –3,305 | –13,008 |
| Subtotal net result from interest operations | 405,854 | 390,344 |
| | | |
| Commission income from securities trading and investment activities | 587,031 | 576,638 |
| Commission income from lending activities | 3,883 | 4,079 |
| Commission income from other services | 68,160 | 59,834 |
| Commission expense | –77,084 | –74,477 |
| Subtotal result from commission business and services | 581,990 | 566,074 |
| | | |
| Result from trading activities and the fair value option | 215,805 | 205,107 |
| | | |
| Result from the disposal of financial investments | –42 | 9,832 |
| Income from participations | 3,923 | 3,755 |
| of which, participations recognised using the equity method | 0 | 0 |
| of which, from other non-consolidated participations | 3,923 | 3,755 |
| Result from real estate | 796 | 651 |
| Other ordinary income | 6,210 | 12,410 |
| Other ordinary expenses | –5,313 | –888 |
| Subtotal other result from ordinary activities | 5,574 | 25,760 |
| | | |
| **Operating income** | **1,209,223** | **1,187,285** |
| | | |
| Personnel expenses | –524,290 | –494,046 |
| General and administrative expenses | –147,383 | –156,751 |
| **Operating expenses** | **–671,673** | **–650,797** |
| | | |
| Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations | –115,547 | –67,144 |
| Changes to provisions and other value adjustments, and losses | –37,591 | –36,972 |
| **Operating result** | **384,412** | **432,372** |
| | | |
| Extraordinary income | 251 | 232 |
| Extraordinary expenses | –43 | –25 |
| Changes in reserves for general banking risks | 0 | –77,000 |
| Taxes | –37,356 | –40,318 |
| | | |
| **Consolidated profit** | **347,264** | **315,261** |
| of which minority interests in consolidated profit | 87,513 | 107,082 |

# Consolidated cash flow statement

| | 31.12.2018 | | 31.12.2017 | |
|---|---|---|---|---|
| CHF 000 | **Source of funds** | **Use of funds** | Source of funds | Use of funds |
| Consolidated profit | 347,264 | 0 | 315,261 | 0 |
| Change in reserves for general banking risks | 0 | 0 | 77,000 | 0 |
| Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets | 115,547 | 0 | 67,144 | 0 |
| Provisions and other value adjustments | 0 | –46,571 | 15,974 | 0 |
| Change in value adjustments for default risks and losses | 23,388 | | 39,125 | 0 |
| Accrued income and prepaid expenses | 0 | –49,989 | 0 | –9,880 |
| Accrued expenses and deferred income | 56,368 | | 59,221 | 0 |
| Other items | 0 | 0 | 0 | 0 |
| Previous year's dividend | 0 | 0 | 0 | 0 |
| **Cash flow from operating activities** | **446,007** | | **563,845** | |
| | | | | |
| Share capital | 0 | 0 | 0 | 0 |
| Capital reserves | 0 | 0 | 0 | 0 |
| Retained earnings reserve | 0 | 0 | 0 | 0 |
| Minority interests in equity | 0 | –9,967 | 0 | –10,847 |
| **Cash flow from equity transactions** | | **–9,967** | | **–10,847** |
| | | | | |
| Participating interests | 0 | –3,195 | 87,825 | 0 |
| Bank building | 0 | –7,374 | 0 | –80,598 |
| Other fixed assets | 0 | –8,997 | 0 | –7,263 |
| Intangible assets | 0 | –11,296 | 0 | 0 |
| **Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets** | | **–30,862** | | **–36** |

# Consolidated cash flow statement

| | 31.12.2018 | | 31.12.2017 | |
|---|---|---|---|---|
| CHF 000 | **Source of funds** | **Use of funds** | Source of funds | Use of funds |
| **Medium- and long-term business (>1 year)** | | | | |
| Amounts due to banks | 19,453 | 0 | 0 | –27,149 |
| Amounts due in respect of customer deposits | 0 | –20,255 | 0 | –418,956 |
| Liabilities from other financial instruments at fair value | 0 | –78,573 | 396,125 | 0 |
| Bonds | 0 | 0 | 0 | 0 |
| Central mortgage institution loans | 0 | –49,067 | 198,343 | 0 |
| Loans of central issuing institutions | 0 | –17,035 | 0 | –52,841 |
| Other liabilities | 0 | –7,384 | 20,461 | 0 |
| Amounts due from banks | 0 | –3,455 | 0 | –96,229 |
| Amounts due from customers | 128,956 | 0 | 0 | –123,402 |
| Mortgage loans | 0 | –44,110 | 0 | –83,895 |
| Other financial instruments at fair value | 0 | –14,296 | 219,593 | 0 |
| Financial investments | 722,411 | 0 | 0 | –38,158 |
| Other accounts receivable | 0 | –197,793 | 422,915 | 0 |
| **Short-term business** | | | | |
| Amounts due to banks | 0 | –185,591 | 0 | –66,766 |
| Liabilities from securities financing transactions | 0 | –151,609 | 151,609 | 0 |
| Amounts due in respect of customer deposits | 1,090,106 | 0 | 252,062 | 0 |
| Trading portfolio liabilities | 8,136 | 0 | 0 | 0 |
| Negative replacement values of derivative financial instruments | 0 | –176,427 | 182,312 | 0 |
| Liabilities from other financial instruments at fair value | 0 | –331,863 | 0 | –427,272 |
| Amounts due from banks | 0 | –578,289 | 1,395,136 | 0 |
| Amounts due from securities financing transactions | 151,154 | 0 | 74,009 | 0 |
| Amounts due from customers | 0 | –393,197 | 0 | –1,017,774 |
| Trading portfolio assets | 0 | –506,649 | 0 | –184,741 |
| Positive replacement values of derivative financial instruments | 167,872 | 0 | 0 | –143,853 |
| Other financial instruments at fair value | 266,847 | 0 | 0 | –73,106 |
| Financial investments | 115,149 | 0 | 0 | –307,508 |
| **Cash flow from banking operations** | | **–85,509** | **250,915** | |
| | | | | |
| **Conversion differences** | **0** | **–36,403** | **75,528** | **0** |
| | | | | |
| **Change in liquid assets** | **283,267** | **0** | **879,405** | **0** |

| CHF 000 | **31.12.2018** | **31.12.2017** |
|---|---|---|
| Liquid assets at beginning of the year (cash) | **6,812,453** | **5,933,048** |
| Liquid assets at the end of the year (cash) | **7,095,720** | **6,812,453** |
| **Change in liquid assets** | **283,267** | **879,405** |

# 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 01.01.2018** | **848,245** | **1,745,862** | **1,060,990** | **360,742** | **87,156** | **689,118** | | **4,792,113** |
| Currency translation differences | | | | | –20,822 | 6,954 | | –13,868 |
| Dividends and other distributions | | | | | | –9,967 | | –9,967 |
| Change in scope of consolidation | | | | | | 3,572 | | 3,572 |
| Consolidated profit | | | | | | 87,513 | 259,751 | 347,264 |
| **Equity on 31.12.2018** | **848,245** | **1,745,862** | **1,060,990** | **360,742** | **66,334** | **777,190** | **259,751** | **5,119,114** |

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

| | **31.12.2018** | | | | 31.12.2017 | | | |
|---|---|---|---|---|---|---|---|---|
| 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 61. 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 | 31.12.2018 | 31.12.2017 |
|---|---|---|
| USD/CHF | 0.986 | 0.975 |
| EUR/CHF | 1.127 | 1.170 |

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:

| | 2018 | 2017 |
|---|---|---|
| **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 | 5–20 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 level 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 in 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 risk, the Risk Committee takes into consideration the findings and measures of other committees.

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 the 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 level 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 level 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 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 for the Group. 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 new 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. The recurrent themes are the effects of a global recession and a local recession, the impact of a significant change of foreign exchange rates and interest rates and reputational damage. 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. 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

The 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. 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 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. It includes IT and information security risks.

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 issue the necessary 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 (fraud, information security) and new regulations.

### 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 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 constant monitoring of the adherence to the credit approval and the Group’s credit policy. Deviations from the agreed contractual terms with regard to interest payments and/or amortisation, representing potential indicators of default risk, are detected by the aforementioned regular credit-monitoring process and trigger a review and re-evaluation of the CRC.

With respect to Lombard facilities, the lending values are periodically reviewed and set by the Group’s Central Credit Committee on an asset-by-asset basis. Any lending value exceptions are approved in conjunction with the credit request in question. On this basis, each approved credit facility is given a CRC. Additionally, country concentration embedded within the portfolios on which the Group lends is also reviewed periodically, as necessary. Lombard loans are monitored daily for margin purposes, and in relevant periodic intervals for repayment purposes. At each such monitoring interval, the CRC of a Lombard facility or group of facilities are continuously reassessed. Any adverse change in the Group’s outlook with respect to the collateral shall, on a case-by-case basis, trigger an assessment for the purpose of establishing a 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 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 2018.

# Consolidated notes – Information on the balance sheet

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

| CHF 000 | **2018** | 2017 |
|---|---|---|
| Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions (before netting agreements) | 59,148 | 210,079 |
| | | |
| Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions (before netting agreements) | 0 | 151,609 |
| | | |
| 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 | 150,541 | 276,713 |
| with unrestricted right to resell or pledge | 150,541 | 125,105 |
| | | |
| 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 | 428,439 | 588,487 |
| of which, repledged securities | 2,704 | 1,930 |
| 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 | 253,037 | 10,745,135 | 34,793 | 11,032,965 |
| Mortgages loans | | | | |
| Residential property | 1,355,485 | 0 | 0 | 1,355,485 |
| Office and business premises | 1,444,627 | 0 | 0 | 1,444,627 |
| Trade and industry | 329,619 | 0 | 0 | 329,619 |
| Others | 16,007 | 0 | 0 | 16,007 |
| | | | | |
| **Total loans (before netting with value adjustments)** | | | | |
| Current year | **3,398,775** | **10,745,135** | **34,793** | **14,178,703** |
| Previous year | 3,392,906 | 10,533,361 | 34,587 | 13,960,854 |
| | | | | |
| **Total loans (after netting with value adjustments)** | | | | |
| Current year | **3,273,572** | **10,629,280** | **1,854** | **13,904,706** |
| Previous year | 3,272,667 | 10,413,348 | 1,339 | 13,687,354 |
| | | | | |
| **Off-balance-sheet transactions** | | | | |
| Contingent liabilities | 0 | 662,671 | 955 | 663,626 |
| Irrevocable commitments | 640 | 17,750 | 0 | 18,390 |
| Obligations to pay up shares and make further contributions | 0 | 0 | 1,487 | 1,487 |
| **Total current year** | **640** | **680,421** | **2,442** | **683,503** |
| Previous year | 0 | 755,662 | 2,565 | 758,227 |

## Impaired loans

| CHF 000 | Gross debt amount | Estimated liquidation value of collateral | Net debt amount | Individual value adjustments |
|---|---|---|---|---|
| **Current year** | **403,484** | **129,487** | **273,997** | **273,997** |
| Previous year | 414,923 | 141,423 | 273,500 | 273,500 |

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

| CHF 000 | **31.12.2018** | 31.12.2017 |
|---|---|---|
| | | |
| **Assets** | | |
| **Trading portfolios** | | |
| Debt securities, money market securities/ transactions | 804,059 | 358,817 |
| of which, listed | 229,768 | 257,302 |
| Equity securities | 361,598 | 316,436 |
| Precious metals and commodities | 437,810 | 468,935 |
| Other trading portfolio assets | 51,844 | 0 |
| | | |
| **Other financial instruments at fair value** | | |
| Debt securities | 144,123 | 496,470 |
| Structured products | 0 | 0 |
| Other | 914,054 | 820,545 |
| | | |
| **Total assets** | **2,713,488** | **2,461,203** |
| 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 | 0 | 0 |
| of which, listed | 0 | 0 |
| Equity securities | 8,080 | 0 |
| Precious metals and commodities | 0 | 0 |
| Other trading portfolio liabilities | 56 | 0 |
| | | |
| **Other financial instruments at fair value** | | |
| Debt securities | 147,267 | 501,999 |
| Structured products | 0 | 0 |
| Other | 658,730 | 728,927 |
| | | |
| **Total liabilities** | **814,133** | **1,230,926** |
| 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 | 0 | 0 | 415 |
| Swaps | 67,219 | 68,167 | 7,275,940 |
| Futures | 0 | 8 | 0 |
| **Total interest rate instruments** | **67,219** | **68,175** | **7,276,355** |
| | | | |
| **Foreign exchange** | | | |
| Forward agreements | 64,154 | 73,621 | 8,043,585 |
| Combined interest/currency swaps | 243,466 | 227,961 | 28,140,270 |
| Futures | 0 | 0 | 548,332 |
| Options (OTC) | 76,826 | 75,991 | 14,558,534 |
| **Total foreign exchange** | **384,446** | **377,573** | **51,290,721** |
| | | | |
| **Equity securities/indices** | | | |
| Forward agreements | 919 | 483 | 60,014 |
| Futures | 157 | 157 | 0 |
| Options (OTC) | 184,534 | 127,137 | 1,651,533 |
| Options (exchange traded) | 42,885 | 36,210 | 1,009,125 |
| **Total equity securities/indices** | **228,495** | **163,987** | **2,720,672** |
| | | | |
| **Precious metals** | | | |
| Forward agreements | 269 | 146 | 27,406 |
| Swaps | 3,454 | 4,009 | 229,319 |
| Options (OTC) | 4,958 | 4,488 | 396,807 |
| **Total precious metals** | **8,681** | **8,643** | **653,532** |
| | | | |
| **Credit derivatives** | | | |
| Credit default swaps | 0 | 14 | 986 |
| **Total credit derivatives** | **0** | **14** | **986** |
| | | | |
| **Other** | | | |
| Forward agreements | 45 | 36 | 121,979 |
| **Total other** | **45** | **36** | **121,979** |
| | | | |
| **Total trading instruments before netting agreements on 31.12.2018** | **688,886** | **618,428** | **62,064,245** |
| Total trading instruments before netting agreements on 31.12.2017 | 861,649 | 798,317 | 72,638,598 |
| | | | |
| **Hedge instruments** | | | |
| **Interest rate instruments** | | | |
| Swaps | 3,531 | 5,265 | 329,027 |
| **Total hedge instruments on 31.12.2018** | **3,531** | **5,265** | **329,027** |
| Total hedge instruments on 31.12.2017 | 4,856 | 6,160 | 278,885 |
| | | | |
| **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 before netting agreements on 31.12.2017 | 866,505 | 804,477 | 72,917,483 |
| of which, determined using a valuation model | 0 | 0 | – |
| | | | |
| **Total after netting agreements on 31.12.2018** | **97,506** | **217,243** | |
| Total after netting agreements on 31.12.2017 | 164,517 | 277,544 | |

| **Breakdown by counterparty** | Central clearing houses | Banks and securities dealers | Other customers |
|---|---|---|---|
| **Positive replacement values (after netting agreements) on 31.12.2018** | **4,014** | **60,370** | **33,122** |
| Positive replacement values (after netting agreements) on 31.12.2017 | 7,676 | 142,420 | 14,421 |

## Financial investments

| CHF 000 | **Book value 31.12.2018** | **Fair value 31.12.2018** | Book value 31.12.2017 | Fair value 31.12.2017 |
|---|---|---|---|---|
| Debt securities | 6,938,384 | 6,944,752 | 7,731,115 | 7,970,107 |
| of which, intended to be held until maturity | 6,550,454 | 6,549,148 | 6,503,229 | 6,594,669 |
| of which, not intended to be held to maturity (available for sale) | 387,930 | 395,604 | 1,227,886 | 1,375,438 |
| Equity securities | 732,011 | 948,276 | 833,823 | 965,934 |
| of which, qualified participations | 0 | 0 | 0 | 0 |
| Precious metals | 0 | 0 | 0 | 0 |
| Real estate | 54,605 | 54,605 | 45,295 | 45,295 |
| | | | | |
| **Total financial investments** | **7,725,000** | **7,947,633** | **8,610,233** | **8,981,336** |
| of which, securities eligible for repo transactions in accordance with liquidity regulations | **87,506** | | 226,644 | |

## 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 31.12.2018** | **1,809,665** | **2,621,590** | **1,226,408** | **884,840** | **4,419** | **391,462** |
| Book value on 31.12.2017 | 1,811,256 | 2,396,013 | 1,093,291 | 1,985,873 | 5,985 | 438,697 |

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 31.12.2017 | Reclassi-fications | Additions | Disposals | Value adjustments | **Book value as at 31.12.2018** | 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 | 20,495 | –265 | 20,230 | 0 | 4,056 | 0 | 0 | 24,286 | 66,674 |
| without market value | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | – |
| | | | | | | | | | |
| **Total participations** | **20,495** | **–265** | **20,230** | **0** | **4,056** | **0** | **0** | **24,286** | **66,674** |

## 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 |
| Bank JSS (Gibraltar) Ltd | Gibraltar | Bank | GBP | 5,000 | 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 |
| JSS Polska Sp. z o o. 1) | Poland | Advisory | PLN | 5 | 100.00% | indirect |
| JSS Private Equity Investments Fund GP S.à r.l. | Luxembourg | Fund Management | EUR | 12 | 100.00% | direct |
| J. Safra Sarasin Asset Management (North America) SA 1) | Geneva | Asset Management | CHF | 500 | 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 1) | 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 | 1,000 | 100.00% | indirect |
| J. Safra Sarasin Trust Company (Singapore) Ltd. | Singapore | Trust Company | USD | 1,000 | 100.00% | indirect |
| Sarabet Ltd | Basel | Holding | CHF | 3,250 | 100.00% | indirect |
| Sarasin (U.K.) Ltd | London | Holding | GBP | 17,900 | 100.00% | indirect |
| S.I.M. Partnership (London) Ltd | London | Holding | GBP | 727 | 60.59% | indirect |
| Sarasin & Partners LLP | London | Asset Management | GBP | 15,051 | 60.59% | indirect |
| Sarasin Asset Management Ltd | London | Asset Management | GBP | 250 | 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 |
| JSS Administradora de Recursos Ltda. | São Paulo | Advisory | BRL | 1,711 | 100.00% | indirect |
| JSS Global Real Estate Management Co 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.

## Participations removed from the scope of consolidation

| | | | | | | |
|---|---|---|---|---|---|---|
| cash zweiplus ltd | Zurich | Information | CHF | 1,000 | 28.75% | indirect |

## 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 31.12.2017 | Change in scope of consolidation | Reclassi-fications | Additions | Disposals | Depreciation | **Book value as at 31.12.2018** |
|---|---|---|---|---|---|---|---|---|---|
| Real estate: bank buildings | 342,072 | –82,553 | 259,519 | 0 | 1,747 | 7,374 | 107 | –5,980 | 262,767 |
| Real estate: other real estate | 4,985 | –1,829 | 3,156 | 0 | 0 | 0 | 0 | –83 | 3,073 |
| Proprietary or separately acquired software | 27,043 | –21,046 | 5,997 | –66 | 0 | 1,908 | –4 | –2,508 | 5,327 |
| Other fixed assets | 139,398 | –85,982 | 53,416 | 0 | –1,747 | 7,128 | –163 | –11,053 | 47,581 |
| 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** | **513,498** | **–191,410** | **322,088** | **–66** | **0** | **16,410** | **–60** | **–19,624** | **318,748** |

### Operating leases

| CHF 000 | **31.12.2018** | 31.12.2017 |
|---|---|---|
| Remaining maturity <1 year | 13,279 | 16,732 |
| Remaining maturity 1–5 years | 32,985 | 34,131 |
| Remaining maturity >5 years | 5,198 | 18,629 |
| **Total liabilities from operating lease** | **51,462** | **69,492** |
| of which, remaining maturity <1 year that can be terminated within one year | 117 | 261 |

### Intangible assets

| CHF 000 | Acquisition costs | Accumulated amortisation | Book value as at 31.12.2017 | Reclassi-fications | Additions | Disposals | Amortisation | **Book value as at 31.12.2018** |
|---|---|---|---|---|---|---|---|---|
| Goodwill | 568,333 | –147,725 | 420,608 | 0 | –4,437 | 0 | –35,123 | 381,049 |
| Patents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Licences | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other intangible assets | 76,838 | –26,764 | 50,074 | 0 | 11,296 | –569 | –60,800[1)] | 0 |
| | | | | | | | | |
| **Total intangible assets** | **645,171** | **–174,489** | **470,682** | **0** | **6,859** | **–569** | **–95,923** | **381,049** |

1) Corresponds to the amortisation of the entire remaining inventory of “Other intangible assets” related to recent acquisitions. Book value related to these assets, previously recognized on a straight-line basis over five years from the time of acquisition, was amortised as such non-transformative intangible assets acquired were fully integrated into the core business and individual cash flows can no longer, with reasonable effort, be reliably measured with probable assumptions.

### Other assets/Other liabilities

| CHF 000 | **31.12.2018** | 31.12.2017 |
|---|---|---|
| **Other assets** | | |
| Compensation account | 25,195 | 52,734 |
| Deferred income taxes recognised as assets | 53,197 | 59,467 |
| 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 | 203,392 | 187,659 |
| **Total** | **281,784** | **299,860** |
| | | |
| **Other liabilities** | | |
| Compensation account | 14,594 | 11,969 |
| Others | 193,087 | 205,327 |
| **Total** | **207,681** | **217,296** |

### 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 | **31.12.2018** | **31.12.2018** | 31.12.2017 | 31.12.2017 |
| Financial instruments | 459,424 | 437,476 | 719,948 | 558,311 |
| Other assets | 247,678 | 247,678 | 137,470 | 130,344 |
| **Total pledged assets** | **707,102** | **685,154** | **857,418** | **688,655** |

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 | **31.12.2018** | 31.12.2017 |
|---|---|---|
| **Liabilities to own pension plans** | **43,220** | **35,840** |

## 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 31.12.2018** | **Renunciation of use 31.12.2018** | **Creation 2018** | **Balance sheet 31.12.2018** | Balance sheet 31.12.2017 | **Result from ECR in personnel expenses 2018** | Result from ECR in personnel expenses 2017 |
|---|---|---|---|---|---|---|---|
| Patronage funds/pension schemes | **0** | **0** | **0** | **0** | 0 | **0** | 0 |

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

| CHF 000 | **Surplus/ (deficit) 31.12.2018[1)]** | **Economical part of the organisation 31.12.2018** | Economical part of the organisation 31.12.2017 | **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 2018** | Pension benefit expenses within personnel expenses 2017 |
|---|---|---|---|---|---|---|---|
| Pension schemes | | | | | | | |
| with surplus | **63,383** | **0** | 0 | **0** | **23,043** | **23,043** | 23,113 |
| without surplus / (deficit) | **0** | **0** | 0 | **0** | **9,607** | **9,607** | 9,459 |
| **Total** | **63,383** | **0** | 0 | **0** | **32,650** | **32,650** | 32,572 |

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 2017.

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<br>**Value of the host instrument** | **Value of the derivative** | **Total 31.12.2018** | Valued separately<br>Value of the host instrument | Value of the derivative | Total 31.12.2017 |
|---|---|---|---|---|---|---|
| **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) | **703,986** | **–113,966** | **590,020** | 791,548 | –18,316 | 773,232 |
| Without oDC | **0** | **0** | **0** | 0 | 0 | 0 |
| **Foreign currencies** | | | | | | |
| With own debenture component (oDC) | **193,042** | **–794** | **192,248** | 31,253 | –157 | 31,096 |
| Without oDC | **0** | **0** | **0** | 0 | 0 | 0 |
| **Commodities/precious metals** | | | | | | |
| With own debenture component (oDC) | **882** | **–251** | **631** | 1,007 | 41 | 1,048 |
| Without oDC | **0** | **0** | **0** | 0 | 0 | 0 |
| **Total** | **897,910** | **–115,011** | **782,899** | **823,808** | **–18,432** | **805,376** |

## 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 | 2017–2018 | no | 0% | 2019 | 153,223 |
| Bank J. Safra Sarasin Ltd | Non-subordinated mortgage-backed bonds | 2012–2013 | no | 1.03% | 2019–2024 | 76,580 |

## 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 | 202,565 | 174,733 | 2,998 | 0 | 2,000 | 2,007 | **384,303** |

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

| CHF 000 | Balance as at 31.12.2017 | Use in conformity with designated purpose | Change in scope of conso-lidation | Reclassi-fications | Currency differences | Past due interest, recoveries | New creations charged to income | Release to income | **Balance as at 31.12.2018** |
|---|---|---|---|---|---|---|---|---|---|
| Provisions for deferred taxes | 18,811 | 0 | 0 | 0 | –252 | 0 | 1,088 | –16,160 | 3,487 |
| 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 | 3,020 | –153 | 0 | 0 | –58 | 0 | 150 | –342 | 2,617 |
| Provisions for restructuring | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other provisions | 47,842 | –66,935 | 0 | 0 | –249 | 0 | 36,253 | –470 | 16,441 |
| **Total provisions** | **69,673** | **–67,088** | **0** | **0** | **–559** | **0** | **37,491** | **–16,972** | **22,545** |
| | | | | | | | | | |
| **Reserves for general banking risks** | **360,742** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **360,742** |
| | | | | | | | | | |
| **Value adjustments for default and country risks** | **290,723** | **–9,662** | **0** | **0** | **–3,454** | **20,083** | **9,651** | **–6,346** | **300,995** |
| of which, value adjust-ments for default risks in respect of impaired loans/receivables | 273,500 | –9,662 | 0 | 0 | –3,376 | 19,844 | 0 | –6,309 | 273,997 |
| of which, value adjust-ments 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 | **31.12.2018** | 31.12.2017 | **31.12.2018** | 31.12.2017 |
| Holders of qualified participations | – | – | – | – |
| Group Companies | – | – | – | – |
| Linked companies | 1,675,453 | 1,570,871 | 1,979,903 | 749,364 |
| Transactions with members of governing bodies | 11,359 | 14,817 | 10,525 | 14,025 |
| Other related parties | 49,993 | 32,396 | 1,770,287 | 1,246,753 |

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 | 7,095,720 | 0 | 0 | 0 | 0 | 0 | 0 | 7,095,720 |
| Amounts due from banks | 852,097 | 0 | 787,140 | 14,007 | 151,320 | 0 | 0 | 1,804,564 |
| Amounts due from securities financing transactions | 0 | 0 | 59,148 | 0 | 0 | 0 | 0 | 59,148 |
| Amounts due from customers | 1,441,179 | 356,267 | 6,635,332 | 656,968 | 1,294,738 | 374,484 | 0 | 10,758,968 |
| Mortgage loans | 4,289 | 0 | 638,555 | 344,569 | 1,899,092 | 259,233 | 0 | 3,145,738 |
| Trading portfolio assets | 1,655,311 | 0 | 0 | 0 | 0 | 0 | 0 | 1,655,311 |
| Positive replacement values of derivative financial instruments | 692,417 | 0 | 0 | 0 | 0 | 0 | 0 | 692,417 |
| Other financial instruments at fair value | 1,058,177 | 0 | 0 | 0 | 0 | 0 | 0 | 1,058,177 |
| Financial investments | 786,617 | 0 | 1,758,795 | 513,498 | 3,228,817 | 1,437,273 | 0 | 7,725,000 |
| **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** |
| Total 31.12.2017 | 13,217,754 | 379,334 | 8,752,503 | 1,900,609 | 7,282,406 | 2,341,249 | 0 | 33,873,855 |
| Due to banks | 372,457 | 2,251 | 368,576 | 27,307 | 0 | 0 | 0 | 770,591 |
| Liabilities from securities financing transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amounts due in respect of customer deposits | 14,417,289 | 2,190,447 | 8,568,367 | 1,002,242 | 669,829 | 0 | 0 | 26,848,174 |
| Trading portfolio liabilities | 8,136 | 0 | 0 | 0 | 0 | 0 | 0 | 8,136 |
| Negative replacement values of derivative financial instruments | 623,693 | 0 | 0 | 0 | 0 | 0 | 0 | 623,693 |
| Liabilities from other financial instruments at fair value | 805,997 | 0 | 0 | 0 | 0 | 0 | 0 | 805,997 |
| Bond issues and central mortgage institution loans | 0 | 0 | 153,223 | 49,342 | 179,731 | 2,007 | 0 | 384,303 |
| **Total 31.12.2018** | **16,227,572** | **2,192,698** | **9,090,166** | **1,078,891** | **849,560** | **2,007** | **0** | **29,440,894** |
| Total 31.12.2017 | 17,986,104 | 2,615,072 | 7,252,988 | 896,046 | 942,195 | 4,008 | 0 | 29,696,413 |

## Assets and liabilities by domestic and foreign origin

| | 31.12.2018 | | 31.12.2017 | |
|---|---|---|---|---|
| CHF 000 | **Swiss** | **Foreign** | Swiss | Foreign |
| **Assets** | | | | |
| Liquid assets | 6,637,494 | 458,226 | 6,516,667 | 295,786 |
| Amounts due from banks | 193,761 | 1,610,803 | 198,137 | 1,027,891 |
| Amounts due from securities financing transactions | 0 | 59,148 | 0 | 210,079 |
| Amounts due from customers | 1,059,883 | 9,699,085 | 833,361 | 9,720,705 |
| Mortgage loans | 584,387 | 2,561,351 | 590,982 | 2,542,306 |
| Trading portfolio assets | 690,960 | 964,351 | 643,549 | 500,639 |
| Positive replacement values of derivative financial instruments | 113,115 | 579,302 | 97,430 | 769,075 |
| Other financial instruments at fair value | 535,809 | 522,368 | 422,360 | 894,655 |
| Financial investments | 379,089 | 7,345,911 | 392,606 | 8,217,627 |
| Accrued income and prepaid expenses | 53,538 | 176,444 | 47,048 | 136,272 |
| Non-consolidated participations | 24,043 | 243 | 20,096 | 134 |
| Tangible fixed assets | 301,021 | 17,727 | 311,286 | 10,802 |
| Intangible assets | 381,049 | 0 | 433,813 | 36,869 |
| Other assets | 91,914 | 189,870 | 116,476 | 183,384 |
| **Total assets** | **11,046,063** | **24,184,829** | **10,623,811** | **24,546,224** |
| | | | | |
| **Liabilities** | | | | |
| Amounts due to banks | 312,015 | 458,576 | 364,440 | 583,893 |
| Liabilities from securities financing transactions | 0 | 0 | 0 | 151,609 |
| Amounts due in respect of customer deposits | 7,463,871 | 19,384,303 | 6,900,261 | 19,207,435 |
| Trading portfolio liabilities | 5,978 | 2,158 | | |
| Negative replacement values of derivative financial instruments | 102,624 | 521,069 | 90,498 | 713,979 |
| Liabilities from other financial instruments at fair value | 658,686 | 147,311 | 528,202 | 702,724 |
| Bond issues and central mortgage institution loans | 384,303 | 0 | 453,372 | 0 |
| Accrued expenses and deferred income | 163,364 | 277,294 | 152,097 | 242,443 |
| Other liabilities | 64,928 | 142,753 | 108,220 | 109,076 |
| Provisions | 15,693 | 6,852 | 49,817 | 19,856 |
| Reserves for general banking risks | 350,971 | 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 | –320,735 | 1,381,725 | –280,401 | 1,133,212 |
| Currency translation reserve | 138,873 | –72,539 | 138,873 | –51,717 |
| Minority interests in equity | 22,645 | 667,032 | 18,842 | 563,194 |
| Consolidated profit | 52,292 | 294,972 | 54,067 | 261,194 |
| **Total liabilities** | **12,009,615** | **23,221,277** | **11,523,366** | **23,646,669** |

## Assets by countries/country groups

| | **31.12.2018** | | 31.12.2017 | |
|---|---|---|---|---|
| CHF 000 | **Total** | **Part as a %** | Total | Part as a % |
| Europe | 7,687,056 | 21.8% | 7,578,284 | 21.5% |
| Americas | 11,363,695 | 32.2% | 11,871,697 | 33.8% |
| Asia | 4,704,638 | 13.4% | 4,706,517 | 13.4% |
| Others | 429,440 | 1.2% | 389,726 | 1.1% |
| **Total foreign assets** | **24,184,829** | **68.6%** | **24,546,224** | **69.8%** |
| Switzerland | 11,046,063 | 31.4% | 10,623,811 | 30.2% |
| **Total assets** | **35,230,892** | **100.0%** | **35,170,035** | **100.0%** |

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

| | **31.12.2018** | | **31.12.2017** | |
|---|---|---|---|---|
| | Net foreign exposure CHF 000 | Part as a % | Net foreign exposure CHF 000 | Part as a % |
| **Standard & Poor’s** | | | | |
| AAA to AA- | 9,313,029 | 90.7% | 7,051,379 | 89.5% |
| A+ to A- | 955,109 | 9.3% | 831,404 | 10.5% |
| **Total net foreign assets** | **10,268,138** | **100.0%** | **7,882,783** | **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 | 6,637,483 | 435,945 | 522 | 21,770 | 7,095,720 |
| Amounts due from banks | 102,843 | 510,631 | 902,202 | 288,888 | 1,804,564 |
| Amounts due from securities financing transactions | 0 | 0 | 59,148 | 0 | 59,148 |
| Amounts due from customers | 1,074,584 | 1,920,984 | 5,912,253 | 1,851,147 | 10,758,968 |
| Mortgage loans | 684,892 | 665,700 | 432,939 | 1,362,207 | 3,145,738 |
| Trading portfolio assets | 357,568 | 18,732 | 364,301 | 914,710 | 1,655,311 |
| Positive replacement values of derivative financial instruments | 313,593 | 147,519 | 178,002 | 53,303 | 692,417 |
| Other financial instruments at fair value | 512,317 | 97,232 | 381,019 | 67,609 | 1,058,177 |
| Financial investments | 1,040,367 | 1,697,987 | 3,367,037 | 1,619,609 | 7,725,000 |
| Accrued income and prepaid expenses | 29,574 | 32,330 | 136,888 | 31,190 | 229,982 |
| Non-consolidated participations | 24,043 | 243 | 0 | 0 | 24,286 |
| Tangible fixed assets | 299,512 | 1,081 | 15,281 | 2,874 | 318,748 |
| Intangible assets | 381,049 | 0 | 0 | 0 | 381,049 |
| Other assets | 92,391 | 139,227 | 37,308 | 12,858 | 281,784 |
| **Total balance sheet assets** | **11,550,216** | **5,667,611** | **11,786,900** | **6,226,165** | **35,230,892** |
| Delivery entitlements from spot exchange, forward forex and forex options transactions | 5,330,608 | 6,446,446 | 19,630,244 | 7,860,695 | 39,267,993 |
| **Total assets 31.12.2018** | **16,880,824** | **12,114,057** | **31,417,144** | **14,086,860** | **74,498,885** |

| | | | | | |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Amounts due to banks | 63,197 | 108,310 | 358,666 | 240,418 | 770,591 |
| Liabilities from securities financing transactions | 0 | 0 | 0 | 0 | 0 |
| Amounts due in respect of customer deposits | 3,344,060 | 4,823,433 | 14,813,850 | 3,866,831 | 26,848,174 |
| Trading portfolio liabilities | 6,009 | 1,145 | 975 | 7 | 8,136 |
| Negative replacement values of derivative financial instruments | 241,241 | 122,364 | 208,546 | 51,542 | 623,693 |
| Liabilities from other financial instruments at fair value | 211,618 | 165,384 | 425,228 | 3,767 | 805,997 |
| Bond issues and central mortgage institution loans | 384,303 | 0 | 0 | 0 | 384,303 |
| Accrued expenses and deferred income | 97,776 | 197,083 | 100,042 | 45,757 | 440,658 |
| Other liabilities | 43,283 | 37,473 | 111,138 | 15,787 | 207,681 |
| Provisions | 14,387 | 8,158 | 0 | 0 | 22,545 |
| Reserves for general banking risks | 350,971 | 9,771 | 0 | 0 | 360,742 |
| Share capital | 848,245 | 0 | 0 | 0 | 848,245 |
| Capital reserve | 1,745,862 | 0 | 0 | 0 | 1,745,862 |
| Retained earnings reserve | 272,621 | 289,003 | 480,742 | 18,624 | 1,060,990 |
| Currency translation reserve | 138,873 | –68,510 | 16,058 | –20,087 | 66,334 |
| Minority interests in equity | 22,645 | 0 | 651,709 | 15,323 | 689,677 |
| Consolidated profit | 66,115 | 56,331 | 189,782 | 35,036 | 347,264 |
| **Total balance sheet liabilities** | **7,851,206** | **5,749,945** | **17,356,736** | **4,273,005** | **35,230,892** |
| Delivery obligations from spot exchange, forward forex and forex options transactions | 9,642,703 | 5,941,755 | 13,942,298 | 9,737,106 | 39,263,862 |
| **Total liabilities 31.12.2018** | **17,493,909** | **11,691,700** | **31,299,034** | **14,010,111** | **74,494,754** |
| **Net currency positions 31.12.2018** | **–613,085** | **422,357** | **118,110** | **76,479** | **4,131** |

# Consolidated notes – Information on off-balance-sheet transactions

### Breakdown and explanation of contingent assets and liabilities

| CHF 000 | **31.12.2018** | 31.12.2017 |
|---|---|---|
| Guarantees to secure credits and similar | 334,352 | 297,545 |
| Performance guarantees and similar | 226,084 | 323,352 |
| Irrevocable commitments arising from documentary letters of credit | 0 | 0 |
| Others | 103,190 | 117,924 |
| **Total contingent liabilities** | **663,626** | **738,821** |
| | | |
| Contingent assets arising from tax losses carried forward | 21,243 | 22,965 |
| Other contingent assets | 0 | 0 |
| **Total contingent assets** | **21,243** | **22,965** |

### Breakdown of credit commitments

| CHF 000 | **31.12.2018** | 31.12.2017 |
|---|---|---|
| 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 | **31.12.2018** | 31.12.2017 |
|---|---|---|
| Fiduciary investments with third-party banks | 1,252,213 | 883,163 |
| Fiduciary investments with linked companies | 0 | 320,829 |
| Fiduciary loans | 386,215 | 5,552 |
| 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** | **1,638,428** | **1,209,544** |

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

| CHF million | **2018** | 2017 |
|---|---|---|
| **Type of managed assets** | | |
| Assets in collective investment schemes by the Group | 17,530 | 18,673 |
| Assets under discretionary asset management agreements | 24,324 | 26,739 |
| Other managed assets | 122,755 | 124,608 |
| **Total managed assets (including double-counting)** | **164,609** | **170,019** |
| Of which double-counted items | 15,408 | 16,645 |
| | | |
| **Development of managed assets** | | |
| Total managed assets (including double-counting) at beginning | 170,019 | 148,461 |
| +/- net new money inflow or net new money outflow | 4,650 | 4,592 |
| +/- price gains/losses, interest, dividends and currency gains/losses | –10,381 | 15,179 |
| +/- other effects | 321 | 1,787 |
| **Total managed assets (including double-counting) at end** | **164,609** | **170,019** |

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 | **2018** | 2017 |
|---|---|---|
| **Breakdown by business area** | | |
| Trading profit with market risk | 59,322 | 49,729 |
| Trading profit without market risk | 98,252 | 102,083 |
| Trading profit from treasury activities | 58,231 | 53,295 |
| **Total result from trading activities** | **215,805** | **205,107** |

| | | |
|---|---|---|
| **Breakdown by underlying risk and based on the use of the fair value option** | | |
| Result from trading activities from: | | |
| Interest rate instruments | 86,808 | 14,338 |
| Equity securities (including funds) | 36,761 | 95,383 |
| Foreign currencies | 90,574 | 91,730 |
| Commodities/precious metals | 1,662 | 3,656 |
| **Total result from trading activities** | **215,805** | **205,107** |
| of which, from fair value option | –69,983 | 27,349 |

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

| CHF 000 | **2018** | 2017 |
|---|---|---|
| Material refinancing income in the item “Interest and discount income” | 0 | 0 |
| Material negative interest | 37,372 | 31,947 |

## Breakdown of personnel expenses

| CHF 000 | **2018** | 2017 |
|---|---|---|
| Salaries | 441,326 | 407,519 |
| of which, expenses relating to share-based compensation and alternative forms of variable compensation | 118,448 | 94,053 |
| Social charges | 66,962 | 68,220 |
| Changes in book value for economic benefits and obligations arising from pension schemes | 0 | 0 |
| Other personnel expenses | 16,002 | 18,307 |
| **Total personnel expenses** | **524,290** | **494,046** |

## Breakdown of general and administrative expenses

| CHF 000 | **2018** | 2017 |
|---|---|---|
| Office space expenses | 31,828 | 36,083 |
| Expenses for information and communications technology | 16,853 | 18,761 |
| Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses | 793 | 794 |
| Fees of audit firm | 3,556 | 3,744 |
| of which, for financial and regulatory audits | 3,325 | 3,450 |
| of which, for other services | 231 | 294 |
| Other operating expenses | 94,353 | 97,369 |
| of which, compensation for any cantonal guarantee | 0 | 0 |
| **Total general and administrative expenses** | **147,383** | **156,751** |

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

No material comments. (2017: Extraordinary expenses reflect the creation of additional reserves for general banking risks recognised at consolidated level.)

## 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

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| CHF 000 | **Swiss** | **Foreign** | **Total** | Swiss | Foreign | Total |
| Net result from interest operations | 169,186 | 236,668 | 405,854 | 177,982 | 212,362 | 390,344 |
| Subtotal result from commission business and services | 270,161 | 311,829 | 581,990 | 264,771 | 301,303 | 566,074 |
| Result from trading activities and the fair value option | 80,129 | 135,676 | 215,805 | 111,328 | 93,779 | 205,107 |
| Subtotal other result from ordinary activities | 7,485 | –1,911 | 5,574 | 15,278 | 10,482 | 25,760 |
| **Operating income** | **526,961** | **682,262** | **1,209,223** | **569,359** | **617,926** | **1,187,285** |
| Personnel expenses | –286,277 | –238,013 | –524,290 | –276,307 | –217,739 | –494,046 |
| General and administrative expenses | –73,817 | –73,566 | –147,383 | –72,717 | –84,034 | –156,751 |
| **Subtotal operating expenses** | **–360,094** | **–311,579** | **–671,673** | **–349,024** | **–301,773** | **–650,797** |
| Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations | –64,625 | –50,922 | –115,547 | –49,217 | –17,927 | –67,144 |
| Changes to provisions and other value adjustments, and losses | –37,698 | 107 | –37,591 | –30,481 | –6,491 | –36,972 |
| **Operating result** | **64,544** | **319,868** | **384,412** | **140,637** | **291,735** | **432,372** |

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

| CHF 000 | **2018** | 2017 |
|---|---|---|
| Current income and capital tax expenses | 46,154 | 48,822 |
| Allocation to provisions for deferred taxes | –15,072 | –11,278 |
| Recognition of deferred income taxes | 6,274 | 2,774 |
| **Total** | **37,356** | **40,318** |

The weighted average tax rate amounts to 7.8% (2017: 9.2%).

In 2018, the ordinary net tax expense effect of the use of losses carried forward was CHF 7.4 million (2017: CHF 1.6 million).

Deloitte AG
General-Guisan-Quai 38
8022 Zurich
Switzerland

Phone: +41 (0)58 279 6000
Fax: +41 (0)58 279 6600
www.deloitte.ch

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 40 to 75) of J. Safra Sarasin Holding Ltd., which comprise the consolidated balance sheet as at December 31, 2018, 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, 2018

*Opinion*

In our opinion, the consolidated financial statements for the year ended December 31, 2018 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.

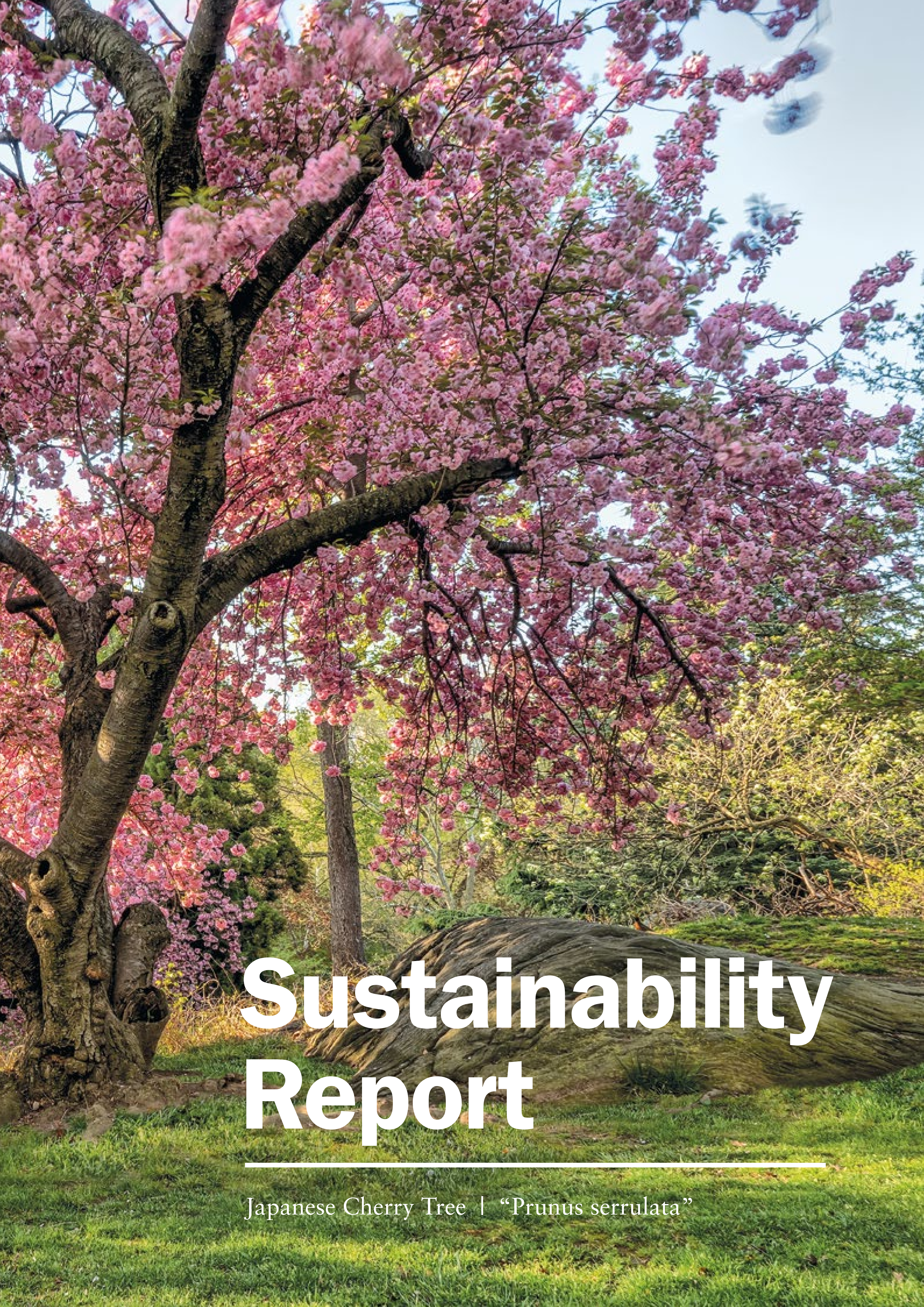
**Deloitte AG**

Sandro Schönenberger
Licensed Audit Expert
Auditor in Charge

Anick Fleury

Zurich, February 27, 2019


Renewal



# Sustainability Report

Japanese Cherry Tree | “Prunus serrulata”

# Sustainability Report 2018

In the Sustainability Report 2018, J. Safra Sarasin Group documents how forward-looking decisions help to guarantee commercial success. This is achieved thanks to a first-class team of employees and the Group's sustainable corporate policy, which strives for an acceptable ecological footprint.

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 are among the first institutions in the financial industry to implement 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. We are also a member of the UN Global Compact and have decided not only 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.

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 the Sustainability Report cover the J. Safra Sarasin Group as a whole, 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.

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

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

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**


This report demonstrates the progress achieved in 2018.

**Bank J. Safra Sarasin becomes member of the UN Global Compact**

Bank J. Safra Sarasin has signed up as a member of the UN Global Compact, a principles-based framework for businesses, with a commitment to fulfil the Ten Principles in the areas of human rights, labor, the environment and anti-corruption. In 2018, the Swiss network of this Initiative launched the "Tour de Suisse" roadshow, featuring a documentary video to promote Corporate Respon-

**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 86ff.). The Bank can now report on the impact of a specific portfolio to reach the SDGs (see pages 89-90). The Bank also takes its responsibility as an employer (see pages 99ff.), and acts as a responsible citizen (see pages 101ff.). Additionally, the Bank takes its environmental footprint seriously (see pages 103ff.).

**Table: J. Safra Sarasin Group's sustainability indicators 2018 at a glance**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **Financial** | | | |
| CET1 ratio (%) | 31.8 | 28.8 | 28.1 |
| Total assets under management (billion CHF) | 165 | 170.0 | 148.4 |
| Sustainably managed assets (billion CHF) | 10.7 | 11.5 | 10.9 |
| Responsibly managed assets (billion CHF) | 15.4 | 17.5 | 16.1 |
| Volume of J. Safra Sarasin sustainable investment funds (billion CHF) | 2.8 | 3.0 | 2.4 |
| Volume of J. Safra Sarasin responsible investment funds (billion CHF) | 1.5 | 2.0 | 1.0 |
| **Social** | | | |
| Total number of employees (FTEs[1]) | 2,151 | 2,155 | 2,095 |
| Part-time jobs | 160 | 177 | 190 |
| Proportion of women (%) | 35.4 | 35.4 | 36.1 |
| Proportion of women in management positions (%) | 15.8 | 13.7 | 12.8 |
| Turnover rate (%) | 13.9 | 16.8 | 12.4 |
| **Environmental** | | | |
| Electricity consumption (kWh per employee) | 4,599 | 4,631 | 4,662 |
| Proportion of energy from renewable sources (%) | 58 | 58 | 64 |
| Heating energy consumption (kWh per employee) | 549 | 466 | 862 |
| Paper consumption (kg per employee) | 61 | 63 | 64 |
| Proportion of recycled paper (%) | 84 | 86 | 80 |
| Greenhouse gas emissions (kg $CO_2$ per employee) | 1,954 | 1,719 | 2,334 |

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.

sibility and the Sustainable Development Goals (SDGs) in Switzerland. 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. We have included the Communication on Progress towards the Ten Principles at the end of this Sustainability Report.

**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 2018. Once again, Bank J. Safra Sarasin's Asset Management division offered its expertise to clients and launched six new sustainable investment funds (objective 2). In order to foster a sustainable corporate culture (objective 3), the Bank has chosen a two-pronged approach: first, by further deepening the knowledge of its employees regarding compliant and competitive banking services, and second, by strengthening employee relations by organising employee events and awarding prizes to its loyal and highly motivated workforce. J. Safra Sarasin has once again also been an active sponsor in its social environment (objective 4). The Bank sponsors projects mainly in the field of philanthropy, arts and sports. Several energy efficiency-enhancing projects have been launched in order to steadily improve the carbon footprint of the Group (objective 5).

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

**Commitment to Sustainability – since 1841**

Sustainability has been a firm component of J. Safra Sarasin's identity and stability as a Swiss private banking group for over 175 years. J. Safra Sarasin does not view sustainability as an end in itself, but

[1] FTE stands for full-time equivalent.

rather as a key factor in its success. Sustainability enables the Group to project a distinctive image on the market and creates continuity across time and generations.

J. Safra Sarasin is committed to operating its core business in a 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.

### 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 Bank 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.

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

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

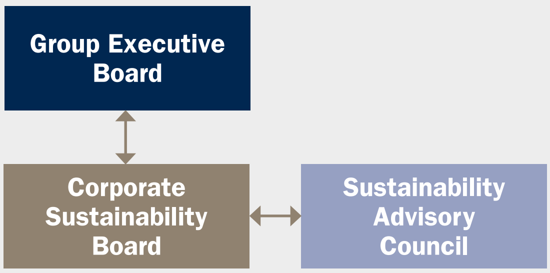
J. Safra Sarasin actively meets its responsibility when it comes to controversial weapons, and has therefore implemented a policy outlining the Group's principles in this area. Controversial weapons are those types of weapons that have become controversial because of their humanitarian impact and/or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

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. It has been set up to ensure that the investment 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 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.

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




### 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 provides 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 2018 reporting year, there were no incidents of corruption and no legal actions on the basis of anticompetitive conduct or the formation of cartels or monopolies.

### Changes in the regulatory environment

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

The regulatory efforts in the area of sustainable investments, particularly in the European region, deserve special mention. The European Union has decided to launch a host of regulations in the field of sustainable finance. They will move from a voluntary to a compulsory basis to touch all aspects of life in financial institutions, from the services they provide to the management of offices, staff, etc. Depending on how extensive and far-reaching the legal basis will be, it may have a strong influence on sustainable investment activities.

### ISS-oekom Prime Rating

Corporate Responsibility Prime rated by ISS-oekom

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.

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

In 2018, 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 opportunity that characterises private banking at the start of the 21st century."

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

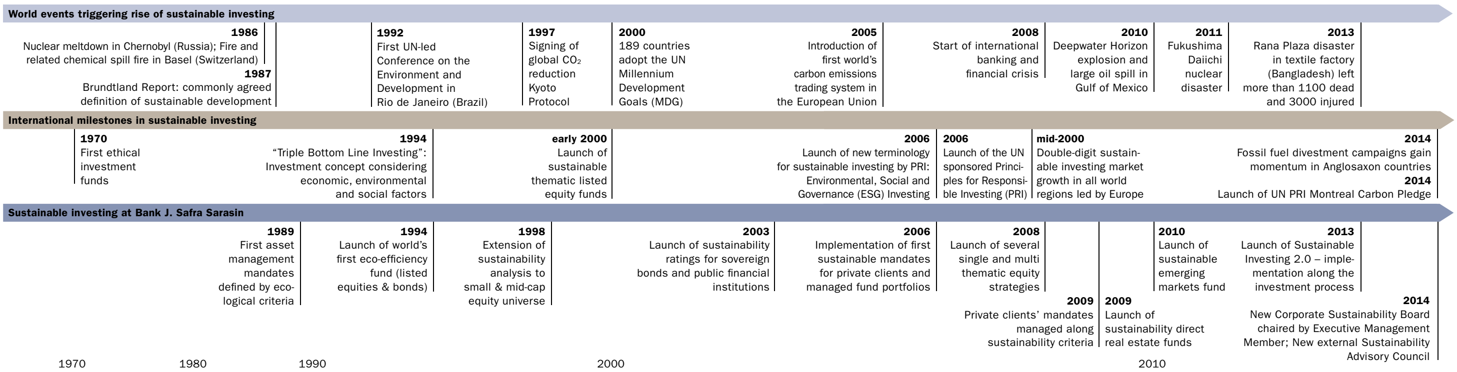
Bank J. Safra Sarasin still believes that the identification, analysis and management of company- and sector-specific environmental, social, and governance (ESG) risks and opportunities enhance its investment decisions. This forms an integral part of its fiduciary duty vis-à-vis its advised clients as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

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 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.

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

## Illustration: Key events, objectives and approaches




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

SUSTAINABLE DEVELOPMENT GOALS

The investment process comprises the following four steps:

#### 1. Industry Analysis

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

#### 2. Sustainability Analysis

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

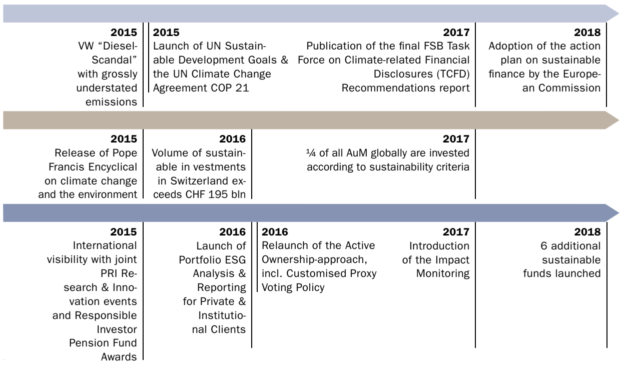
The Sustainability Analysis allows the Bank to produce two scores (company ratings and respective industry ratings) which can be combined and displayed in the Bank's proprietary Sarasin Sustainability Matrix® (see page 88). In exposed industries with low sustainability ratings, such as oil and gas or 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).

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**


#### 3. Sustainable Investment Analysis

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




## 4. Portfolio Construction

The Portfolio Construction process relies on a quantitative multifactor risk model to construct portfolios and to control external risks.

**"4-pillar climate strategy for managing climate-related risks & opportunities in the portfolios"**

In December 2015, the Financial Stability Board (FSB) established the industry-led Task Force on Climate-related Financial Disclosures (TCFD or Task Force) to develop a set of recommendations for voluntary and consistent climate-related disclosures in mainstream filings. As short-, medium- and long-term climate-related risks and opportunities are material for any organisation, companies will be better guided in providing information to investors, lenders, insurers, and other stakeholders. As sustainable investors, we are 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, we have developed a comprehensive strategy based on 4 pillars:

### 1) Smart Divestment: selectively excluding companies

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 2°C scenario. In sectors such as mining, we consider companies' sales exposure to coal, while the generation

### List of exclusion criteria

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

Bank J. Safra Sarasin introduced the exclusion criterion "coal". 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:

**Short description**

| 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) |

### Case study ABB: A Leading European Clean Tech Player

In an interconnected and energy-intensive world, power networks are the most critical infrastructures.

The future of power grids is defined by key sustainability trends:

- Increasing share of electricity from renewable sources with irregular supply and storage needs
- Electrification of transport and mobility reshaping demand
- Energy efficiency, management of complexity and interconnected objects and services from industrial automation to consumer experience

For electrical equipment companies this implies major technological evolutions and renewed business models with strong services components to address energy management challenges and complex applications. Simultaneously, companies embracing these trends will benefit from increased opportunities, for example with electric mobility: from grids extensions and upgrades to charging stations and services through to demand/ supply management.

To benefit from such opportunities, electrical equipment companies must also address material sustainability risks that are inherent to their business, e.g. by reducing the footprint of the production process from sourcing to waste management. From a social perspective, labour-intensive and relatively hazardous operations require a high level of safety and human resource stewardship to ensure continuity, quality and efficiency of the business while avoiding reputational damage and related (legal) costs. Finally, the companies operate in a global context and also have public entities as clients, and face corruption-related risks. Thorough business ethics rules and implementation mechanisms are therefore critical to develop and maintain the license to operate. These elements are integral to Bank J. Safra Sarasin's sustainability ratings which serve as a basis to define our investment universe.

For example, ABB, a Swiss-based industrial company, addresses the full scope of sustainability issues typical to its business with convincing measures. Indeed, on the operational side, environmental impact of operations and working safety risks are mitigated through adequate mechanisms including independent external reviews and certifications. Likewise, ABB's broad clean tech positioning, notably around clean mobility and industrial automation, provides significant sustainability opportunities already accounting for half of the company's revenue. Progress is nevertheless possible to better manage operational continuity and quality risks related to labour issues. The company is indeed compliant in this regard but faces higher challenges given its scale (ca. 140,000 employees worldwide). Finally, governance practices are in line with its peers. Overall, and on a relative basis, ABB displays high sustainability credentials and is therefore eligible to the sustainable investment universe.

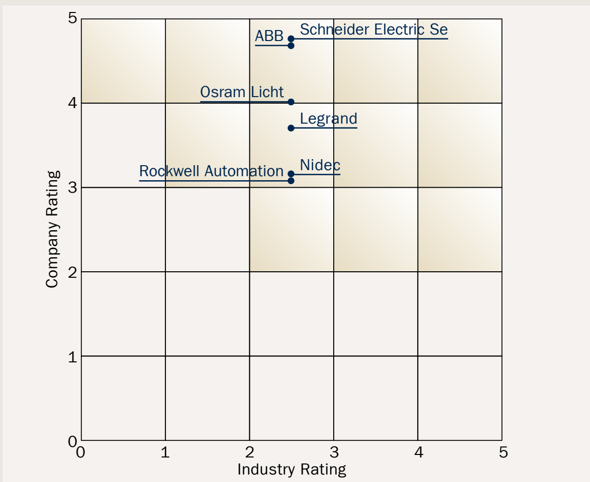
**Figure: Criteria and weightings applied to assess companies in the electrical-equipment industry**

| | Operations | Costs | Revenues |
|---|---|---|---|
| **Environment (50%)** | | | |
| Opportunities in Clean Tech | | | Business Development |
| Toxic Emissions and Waste | | Capex Extraordinary | |
| **Social (20%)** | | | |
| Labour Management | Continuity Quality | Opex | |
| Health and Safety | | Capex Extraordinary | |
| **Governance (30%)** | | | |
| Corporate Governance | Quality | Cost of Capital | |
| Corruption and Instability | | Extraordinary | Business Preservation |

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

Source: J. Safra Sarasin, 2018

**Figure: Sarasin Sustainability Matrix® of the electrical-equipment industry**



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.

2) Best-in-Class & Integration: beyond divestment

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 being integrated into the financial analysis, while underperformers are discarded. This approach, known as Best-in-Class, is described in more detail on pages 86ff.

3) Active Ownership: engagement and voting activities

We actively engage with companies to foster their efforts in aligning with a 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 47% of our direct company dialogues related partially or solely to climate change topics in 2018. In addition, Bank J. Safra Sarasin contributes to different collaborative engagement initiatives. For example, the Bank participated in the Investor Decarbonisation Initiative led by ShareAction. For more information, please refer to pages 93-94.

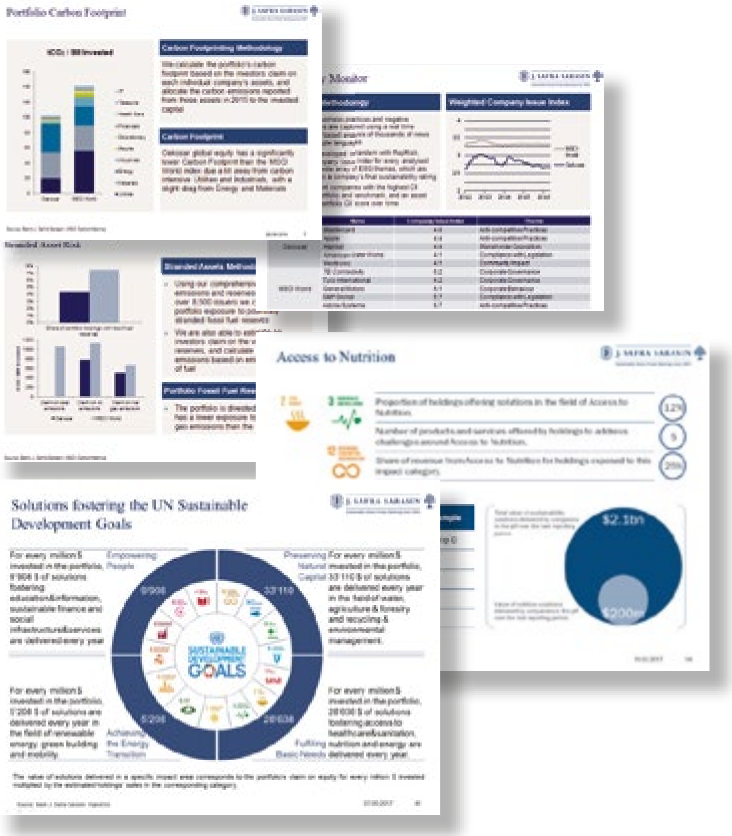
4) Opportunities: related to climate solutions

Beyond the risk perspective, we perceive and actively look for 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.

**Bank J. Safra Sarasin's 4-pillar climate investment strategy**


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 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 now 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.

### 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:

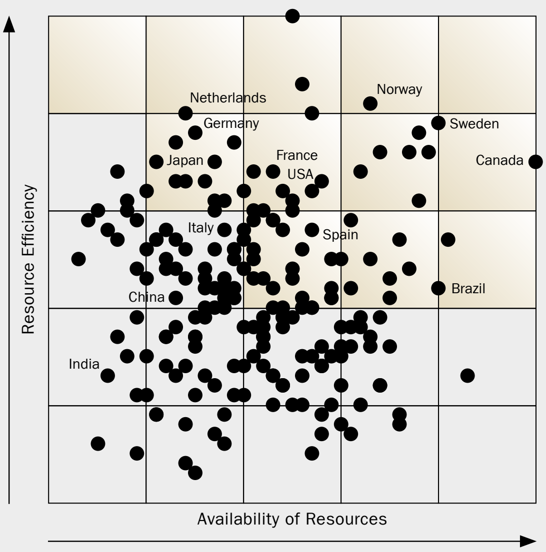
i. Human capital: including population structure and educational qualifications
ii. Overall economic conditions: including distribution of income and business climate
iii. Financial governance: including level of debt and foreign trade
iv. Political governance: including institutions and corruption

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 upon 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.

**Figure: Sarasin Sustainability Matrix® of countries**




Source: J. Safra Sarasin

### 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 subjected 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 90.
- **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.

In a second step, properties within these predefined metropoles are assessed. The sourcing of prospect acquisitions is primarily done by the Bank's external partners. The assessment phase comprises the following steps:

Step 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.

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

Step 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.

Step 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.

Step 5: Negotiation

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

Step 6: Purchasing

Finally in this last step the properties are acquired.

### 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 diagram below, the Bank presents the methodology on how to efficiently control and optimise the variable costs of a property via an energy and $CO_2$ 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 below also shows the $CO_2$ emissions and the energy consumption on a property level per square meter for 2017 of an exemplary portfolio. The size of the circles indicates the rentable area per property. Bigger circles have higher influence on portfolio level. All properties are benchmarked according to the average portfolio $CO_2$ 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 above 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

Our energy monitoring report indicated that a residential property had very high consumption of electricity that was caused from the wrong configuration of the heating pump. After the identification of the inefficiency and the appropriate correction, the consumption of the following year was reduced by 10%.

Overall, good management of $CO_2$ 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, $CO_2$ emissions, engage with the tenants and increase the value of the properties.

**Figure: Energy monitoring**

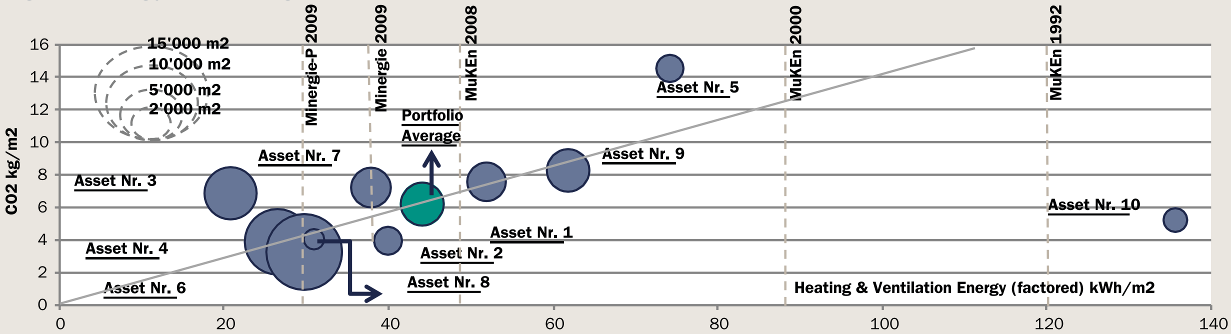
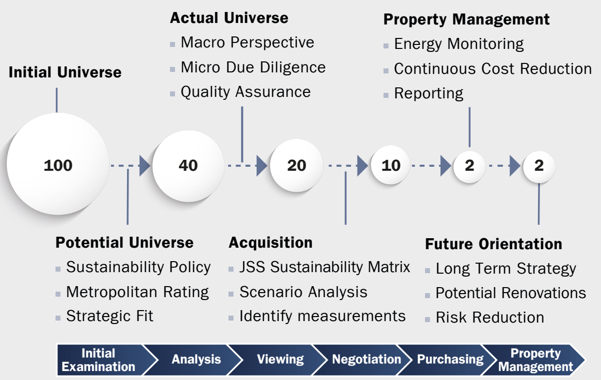


**Figure: The sustainable investment process for sustainable real estate**



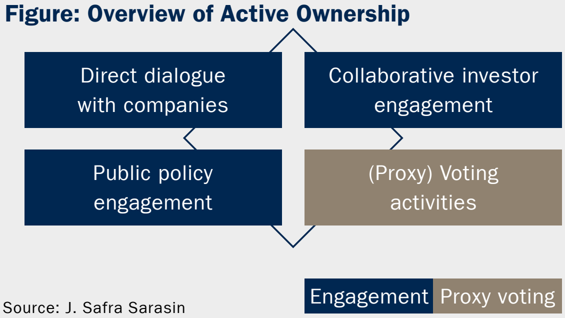

### Active Ownership strategy

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.

In 2018, Active Ownership has gained further prominence among investors and in the media. The 2018 Annual General Meeting (AGM) season has brought new topics to the fore, notably increasing activist investor campaigns and growing support for environmental and social shareholder resolutions. In Switzerland, Active Ownership – consisting of engagement and proxy voting – is one of the fastest growing sustainable investment strategies, with growth rates of 27% and 140%, respectively. Also in other countries, Active Ownership experiences strong growth numbers. This continued rise of Active Ownership is still partially driven by regulatory requirements, such as the Ordinance Against Excessive Compensation in Public Corporations (VegüV) in response to the "Minder Initiative" in Switzerland, or the revision of the Occupational Pension Fund Directive (IORP directive) in the European Union. Bank J. Safra Sarasin has its own Active Ownership approach (comprehensively revised in 2016) which includes elements such as the Active Ownership Policy, the operational Guidelines and client-specific reporting.

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

**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. An example for a recent successful engagement is an industrial company that has adjusted its pay practices significantly throughout 2018 following a vote against the board's recommendation during the company's last AGM. The proposal within the context of the 2018 AGM appears to be in line with Bank J. Safra Sarasin's expectations.

### 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 2018:

- 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.

Exercising voting rights at Bank J. Safra Sarasin

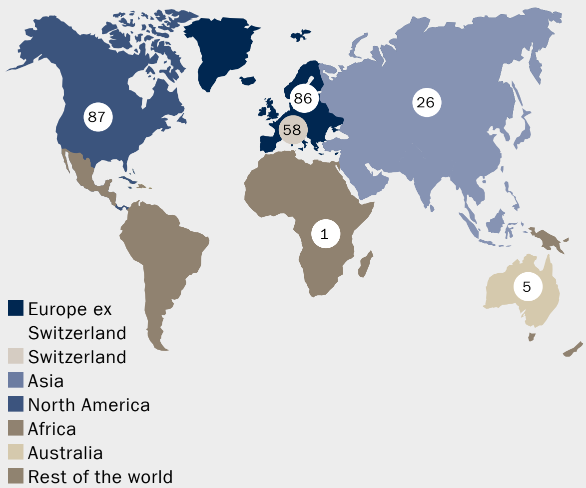
For numerous sustainable investment funds as well as for institutional mandates, voting rights are exercised by J. Safra Sarasin taking into account environmental, social and corporate governance criteria. Although the majority of votes concern corporate governance issues, J. Safra Sarasin also considers social and environmental issues. In the year under review, J. Safra Sarasin voted for shares equivalent of CHF 12.4 billion. Looking specifically at the results of the asset management of Bank J. Safra Sarasin, 75% of the proposals were voted "For" by Bank J. Safra Sarasin.

In so doing, the Bank receives operational support from Institutional Shareholder Services (ISS). The votes, however, are always cast in line with the Bank's own customised operational Proxy Voting Guidelines. Based on this document, which has been developed by the Bank to reflect its own sustainable investment approach, the asset management of Bank J. Safra Sarasin has voted on 4,031 agenda items at 263 AGMs on a global level in 2018. At these AGMs, Bank J. Safra Sarasin voted "Against" one or several of the management's recommendations in 25% 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.

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

| | **2018** | 2017 |
|---|---|---|
| Number of meetings | 263 | 227 |
| Number of proposals | 4,031 | 3,346 |
| "Against" the management | 25% | 24% |
| E and S proposals | 36 | 21 |

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



### Launch of Innovative Sustainable Investment in 2018

In 2018, Bank J. Safra Sarasin made its innovative strength and expertise available to its clients in the form of distinct new sustainable investment strategies for thematic equities, regional equities and fixed income.

#### Thematic Equities

##### 1) Sustainable Global Lifestyle Brands

The growing middle class in emerging markets and the ever-increasing demand for luxury goods give the market long-term tailwinds. Driven by this trend, the strategy invests in strong global lifestyle companies from our sustainable investing universe with a significant degree of brand awareness in the field of entertainment, fashion, sports, cosmetics, or travel. It holds an actively managed, high-conviction portfolio of around 50 carefully selected sustainable stocks.

##### 2) Sustainable Technology Disruptors

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.

#### Regional Equities

##### 3) Sustainable European Smaller Companies

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 new 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.

##### 4) Sustainable Equity – Global Multifactor

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 our quantitative model. The exposure to the four factors is predefined for each of the four economic cycle stages: Early, Mid, Late and Recession.

#### Fixed Income

##### 5) Sustainable Green Bonds Strategy

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 percentage growth rates averaging in the high double digits. This trend received a significant boost in 2015 when 195 nations signed an agreement at the UN climate conference in Paris to gradually scale back global greenhouse gas emissions to zero between 2045 and 2060. 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. The 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.

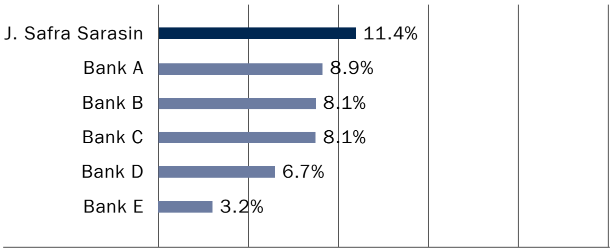
##### 6) Sustainable Global High-Yield Strategy

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.

**Bank J. Safra Sarasin continues to reign as one of the market leaders in Switzerland**

Sustainably managed assets at Bank J. Safra Sarasin reached CHF 10.7 billion as of 31 December 2018, while responsibly managed assets reached CHF 15.4 billion on the same date. The sustainable investment market in Switzerland has continued to develop positively. With a market share of 11.4% in 2018, the Bank continues to reign as one of the market leaders in sustainable investments in Switzerland.[2]

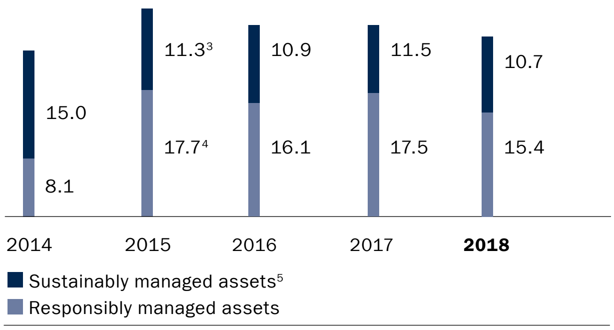
Figure: Market Shares Swiss Private Banks %




**Transparency Logo for Sustainability Funds**

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

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




**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.

[2] Swiss Sustainable Finance, Market Report 2018. Market shares do not include UBS and CS.
[3] Due to reclassification, the formerly sustainable assets from Sarasin & Partners have been reclassified as "responsible".
[4] Sarasin & Partners have developed a responsible investment approach which integrates ESG factors into their investment process across all assets. Their formerly sustainable mandates have therefore also been reclassified as "responsible".
[5] 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

| | | Only sustainable | Sustainable and responsible | Only responsible |
|---|---|---|---|---|
| Investment funds and securities products | Equity funds | – Theme: Water, Lifestyle Brands, Tech Disruptors<br>– Real Estate/REITS shares<br>– Switzerland (also Small & Mid Caps)<br>– Europe (also Small & Mid Caps)<br>– USA<br>– Emerging markets<br>– Global | – Multi-themes | – Brazil |
| | Balanced funds | – Neutral asset allocation | – Defensive asset allocation | |
| | Bond funds | – EUR<br>– EUR Corporate<br>– Global High Yield<br>– Green Bond Global | – CHF | |
| | Tracker certificates on sustainable strategies[6] | – 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 | – Emerging Markets<br>– International excl. Switzerland | – Switzerland | |
| | Balanced investment products | | – Defensive asset allocation<br>– Neutral asset allocation | – Dynamic asset allocation |
| | Bond investment products | – International excl. CHF | – CHF | |
| | Property investment products | – Swiss Real Estate | | |
| | Alternatives | | | – Commodities ex. Agro/Livestock |
| J. Safra Sarasin Investment Foundation 2 | Shares | | – International excl. Switzerland | |
| Mandates | For private clients | – Defensive asset allocation[7]<br>– Balanced asset allocation[7]<br>– Dynamic asset allocation[7] | – Premium mandates<br>– Equity mandates with focus on dividends | – Bond mandates Emerging Markets |
| | For institutional clients | | – Bonds<br>– Balanced<br>– Equities | |
| | Multi-Manager | – Dynamic asset allocation<br>– Balanced asset allocation<br>– Defensive asset allocation | | |
| Advisory services | Third-party funds and advisory mandates | – Equities (classic and thematic)<br>– Balanced (defensive and defensive with risk limitation)<br>– Real Estate Europe<br>– Convertibles[8] | | |
| | Advisory and joint management | – Different mandates for institutional customers<br>– Portfolio Sustainability Analysis and Reporting | | |

6) These certificates are approved for distribution in Switzerland.
7) Some of the mandates are managed mainly sustainably due to non-existent or insufficient sustainable alternatives in different asset classes.
8) At least 80% of the fund’s securities must be rated as sustainable.

**STOXX® made by Bank J. Safra Sarasin**
Since March 2011, Bank J. Safra Sarasin has been responsible for the composition of the STOXX® Sustainability Indices. The constituents of the STOXX® Europe 600 Index are assessed regarding their ESG (environmental, social and governance) opportunities and risks using the Bank J. Safra Sarasin research methodology. If the issuers show a good enough sustainability rating, they are admitted to the STOXX® Sustainability Indices.[9]

**J. Safra Sarasin's awards**

AUSTRIAN FONDSPREIS 2016 for Bank J. Safra Sarasin Sustainable Equity Water Fund[10]

The AUSTRIAN FONDSPREIS 2016 was awarded to the J. Safra Sarasin Sustainable Water Fund EUR P dist in the category Sustainable Investment. The fund was rated as having "Outstanding" investment results by the independent testers of *FONDS professionell* and its media partner *Die Presse*.

DEUTSCHER FONDSPREIS 2016 for J. Safra Sarasin Sustainable Equity Water Fund[10]

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

Forum Nachhaltige Geldanlagen (FNG) Seal

In November 2018, the FNG Seal, the quality standard for sustainable investment funds, was awarded in Berlin for the fourth time. Bank J. Safra Sarasin provides its sustainable investment methodology and investment universe to one of its partner firms. We were therefore very pleased that the advised fund obtained this coveted label.

Investment Innovation Benchmark (IIB)

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

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, even more strategies were ranked in the top 10% of their fund peer group.

9) 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.
10) This fund is approved for distribution in Austria, Belgium, Denmark, France, Germany, Great Britain, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Singapore, Spain, Sweden, Switzerland.

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

J. Safra Sarasin compiles and shares leading sustainable investment analysis to clients either in the form of publications or in the form of knowledge-sharing events. In 2018, Bank J. Safra Sarasin's sustainability investment research team released the following two publication formats: *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.

In 2018, the following publications were released by Bank J. Safra Sarasin's sustainability investment research team:

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

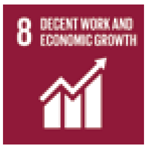
By signing the internationally recognised and UN-supported Principles for Responsible Investment (PRI), the Pension Fund of Bank J. Safra Sarasin emphasises its long-standing commitment to be an active owner and to integrate environmental, social and governance considerations into its investment decisions. The PRI has grown constantly since it began in spring 2006. Currently, it has more than 1,960 signatories from over 50 countries, representing approximately USD 82 trillion assets under management. Bank J. Safra Sarasin acted as a founding signatory of the initiative back in April 2006.

- *Decarbonisation: how to avoid a financial crisis*
- *Technology can overcome global challenges*
- *Can emerging economies be sustainable?*
- *Millennials are the world's most powerful consumers*
- *Living among robots*
- *Global challenges and investment themes*
- *Active Ownership – Reaching Record Levels in 2018*
- *Hazardous chemicals – or the new carbon*

At the same time, different authors made their expertise widely available in various specialist articles. Additionally, J. Safra Sarasin contributed strongly to the English Swiss Sustainable Finance (SSF) Handbook published by Swiss Sustainable Finance together with the CFA Institute Research Foundation. The Head of Sustainable Investment Research sat on the committee advising the editors while two sustainable-investment research analysts contributed to the content as authors. The handbook intends to provide an introduction to sustainable investment for institutional investors especially. It gives a comprehensive and practical overview of existing approaches and current developments in the field of sustainable investments.

Throughout 2018, several events to share knowledge were organised by Bank J. Safra Sarasin. These events were organised for private clients, institutional clients, and professional audiences. In November, the Chief Strategist & Head Sustainability participated at the Petersberger Meeting in Cologne, and held the keynote on sustainability. Various specialists spoke at the IPE (Investment Pensions Europe) roadshow in four locations in Germany, and shared their expertise in the field of sustainable investing. Moreover, the Bank held the keynote on sustainability at the Institutional Investor Forum 2018 in Cologne and spoke at the Annual Conference of the FNG (Forum for Sustainable Investments) in Frankfurt. Additionally the Sustainable Investment Research Team shared its expertise at the AFP Prima Conference on Sustainable Finance in Lima, Peru. The Bank's Outlook Events 2018 dealt with water and other sustainability issues in the investment process in Asia and Europe.

### 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

**Table: Number of employees as per 31.12.2018 (full-time equivalents)**

| | **31.12.2018** | 31.12.2017 |
|---|---|---|
| **Total** | 2,151 | 2,155 |
| Abroad | 1,003 | 1,008 |
| Switzerland | 1,148 | 1,147 |

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

| Men | Years | Women |
|---|---|---|
| 2 | <25 | 3 |
| 18 | 25–34 | 23 |
| 34 | 35–44 | 33 |
| 36 | 45–54 | 31 |
| 10 | >55 | 10 |

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

| Men | Title | Women |
|---|---|---|
| 8 | Managing Director | 4 |
| 15 | Executive Director | 4 |
| 20 | Director | 9 |
| 20 | Vice President | 18 |
| 13 | Assistant Vice President | 25 |
| 9 | Authorised Officer | 16 |
| 15 | Staff | 24 |

Switzerland and abroad. As of 31 December 2018, the headcount decreased by 4 full-time equivalent positions (–0.19%) totalling 2,151 full-time equivalent positions, of which 160 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 35.4% in 2018. The employees at J. Safra Sarasin originate from 64 different countries, displaying a high degree of cultural diversity. The majority of employees are between 45 and 54 years old. The table "Headcount by job title" shows the respective splits.

### Code of Business Conduct as a mandatory guide

The foundation for the Group's success is the trust it instils in existing and potential clients. This trust depends on how the Group is 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.

### Attractive terms of employment and social benefits

The staff regulations for each J. Safra Sarasin Group Company specify employees' rights and obligations, working hours and holiday entitlements as well as social and other fringe benefits. The rules form an integral part of employment contracts and apply to all employment relationships. The employee benefits offered by J. Safra Sarasin Group Companies are at least equivalent to the legal requirements at individual locations, or exceed them.

Remuneration within the J. Safra Sarasin Group is determined by the demands of the position, the qualifications, performance and conduct of the employee, and the performance of the Group and its subsidiaries. Compensation and reward structures are following the principles of performance, conduct and risk awareness, client orientation, conflicts of interest, and malus or clawback.

### 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 forms the foundation of the ANV. These regulations are based on the Swiss Federal Act on Information and Consultation of Employees in the Workplace. The members of the ANV are elected for three years. Depending on the respective matter, the ANV has information or consultation rights. The aim of this cooperation is to promote a dialogue between the top management and Bank J. Safra Sarasin's employees, thus contributing to a good working relationship. Well-informed employees tend to identify more closely with the company, which in turn can have positive effects on motivation and productivity.

### Learning 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 Learning 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.

### Healthy and sustainable employees

The J. Safra Sarasin Group views the promotion of health as an important element of its corporate culture. In Switzerland, the focus this year was on the prevention of psychosocial risks. A new "Health at Work" Intranet site focuses on physical and psychological health. At Bank J. Safra Sarasin 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. Since many years, Bank J. Safra Sarasin in Switzerland participates in the "bike to work" challenge launched by Pro Velo Schweiz: 46 individual cycling fans from the Swiss locations cycled to their offices and travelled 10,404 kilometres altogether. 47 employees from the Bank also participated in the nationwide company run "B2RUN" in Basel and recently also in Geneva and Zurich. Colleagues from various business areas participated in the six-kilometre runs.

In December 2018, 12 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.

In Monaco, Banque J. Safra Sarasin (Monaco) SA participated in the "No Finish Line" race organised by the Principality's Children and Future Association. For each kilometre, donations were made in favour of the association's aid projects. In 2018, the J. Safra Sarasin team, with 23 engaged runners, ran over 851 kilometres and transformed them into donations for the charity.

### 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 2018, 37 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.

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

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

**Sustainable events and procurement**

Bank J. Safra Sarasin has developed and introduced the "Handbook of Sustainability" that includes standards for events and hospitality, donations and sponsorships, procurement and guidelines for suppliers. The handbook ensures that corporate activities do not support projects or partners whose values diverge from those of 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.

**Sustainability in sponsoring**

Philanthropy, art and sports were the main strategic focuses for the Group's sponsoring activities in 2018. These included, for example, financial support for the Esmeralda Charity Golf Cup 2018, organised by the Limmat Foundation in Zurich.

In the UK, the Group was fundraising for "The Connection" at St Martins, a local homeless charity that works with approximately 4,000 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. The financial support from the Group has gone to the guidance and advice department to help get people back into work or education. This covers everything from CV workshops, to help applying for jobs, to mock interviews. The idea is to help people getting the skills they need to go back into the workforce which is often the final thing to regain independence.

In Hong Kong, the Group gave used office equipment (PC monitors, old iPhones and electronic hardware) to the Music Children Foundation. This foundation provides e.g. an early music education for underprivileged children in Hong Kong, making it an enjoyable experience that builds the children's confidence, strengthens their character, and enables them to express themselves through music. Additionally it offers an opportunity for children to develop their talents in music alongside their academic studies.

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. Bank J. Safra Sarasin was also the sponsor of the Longines CSI Basel horse-riding event in January and the Swiss Open Gstaad tennis event in July.


**Children's art competition**

For the tenth consecutive year, the Bank supported the children's art competition organised by the Swiss Association for Quality and Management Systems (SQS) in April 2018. The topic of this year's competition was dedicated to our nature, our home, and our future: "The world – here I am at home. Draw a picture"


The Bank supported this competition by offering three special prizes and for the first time created a calendar out of the 12 rewarded paintings. The Bank seeks to encourage the appreciation of art and develop child awareness in environmental and sustainability issues.

**Public engagement: Together for more sustainability**

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 Company.

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

- Business Energy Agency (EnAW)
- Carbon Disclosure Project (CDP)
- CDP Water Disclosure Project
- European Sustainable Investment Forum (Eurosif)
- Forum Nachhaltige Geldanlagen (FNG)
- Global Footprint Network
- öbu – Network for sustainable business
- Swiss Climate Foundation
- Swiss Sustainable Finance (SSF)

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

Bank J. Safra Sarasin is a founding member of this relatively new 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.

- Sustainable Finance Geneva (SFG)
- UN Global Compact
- UN-supported Principles for Responsible Investment (PRI)

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.

### Objective 5: We manage resources efficiently

**Table: Overall table of environmental Key Performance Indicators***

| Indicator | 2018 | 2017 | 2016 |
|---|---|---|---|
| Electricity consumption (MJ/FTE) | 16,557 | 16,672 | 16,785 |
| Heating energy consumption (MJ/FTE) | 1,976 | 1,678 | 3,104 |
| Other energy consumption (district heating, MJ/FTE) | 1,269 | 1,123 | 1,204 |
| Paper (kg/FTE) | 61 | 63 | 64 |
| Business travel (km/FTE) | 7,623 | 6,856 | 5,306 |
| Greenhouse gas emissions (kg $CO_2$-equivalent/FTE)** | 1,954 | 1,719 | 2,334 |

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

* Revision of calculation and data collection methodology in 2017. The system boundary was adjusted in 2017.

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

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.

### Climate protection

Over the course of 2018, total $CO_2$ emissions increased to 1,954 kg $CO_2$-equivalent per employee. The average business travel activity per employee increased to 7,623 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. In this regard, we are pleased to register a slight decrease in the total electricity consumption to 16,557 megajoule per employee. Lastly, heating energy consumption per employee slightly increased. All employees in Geneva have received a special glass drinking water bottle. They are required to drink mineral water from tap water and thus reduce waste on plastic bottles and cups. This is already common practice in the rest of Switzerland.

### Systematic and ongoing promotion of energy efficiency measures

J. Safra Sarasin regularly implements appropriate measures in its efforts to become more energy efficient. In 2018, all Swiss locations received new printers. The new printers bring energy savings and reductions in the area of heat generation. In addition, the output of further emissions and the noise level could be significantly reduced.

In addition, the Bank has replaced the circulating air cooling units in its printing centre with more energy-efficient units. This will reduce energy consumption in the long term. Further, existing lighting is increasingly being replaced by LED light sources in the Bank's own offices.

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

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

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

The signatories affirm their strong commitment to a safe and stable climate in which temperature rise is limited to less than two degrees Celsius. Taking strong action to reduce emissions can not only reduce the risks of climate change but also deliver better growth and sustainable development. The greenhouse gas emissions are based on the Greenhouse Gas (GHG) Protocol in 2015.

The Paris Pledge for Action
WE MUST CAN WILL

### Energy from renewable resources

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 2018, the production amounted to 24,590 kWh, an improvement of 16% over 2017. Renewable sources account for 58% of the electricity consumed in the Group. At the Swiss sites, the figure is already 100%. The Basel office uses only district heating as a source of heating energy. This comes from process heat generated by the nearby refuse incineration plant in Basel and is 100% renewable.

**Increasing share of recycled paper**

In 2018, the paper use per employee decreased to 61 kilogrammes, whereby 84% came from recycled sources. To further reduce the absolute paper consumption, duplex printing is the default setting in most offices. Finally, careful management of print runs for internal and external publications pays off both ecologically and economically. Numerous publications are published primarily in electronic format and paper versions are provided to interested parties only upon request.

**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 which celebrated its 10-year anniversary in 2018. 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 consume little $CO_2$, Bank J. Safra Sarasin and 26 other financial service companies decided to use the proceeds to make an active contribution to mitigating climate change.

Fondation Suisse pour le Climat

**Participation in the EARTH HOUR initiative in Hong Kong in March 2018**

Switching off all lights in the offices to be part of the global EARTH HOUR initiative is a strong visual reminder of the globe's determination to tackle the planet's biggest environmental challenge – climate change. The Bank's participation is a gesture highlighting its commitment to sustainability as a key differentiator of J. Safra Sarasin and our pioneering role in the area of sustainability.

## 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, labor, 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 8,000 signatories in more than 135 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; and | **Bank specific:** | |
| | • Code of Business Conduct | 100 |
| | • Staff Regulation | 100 |
| | • Directive "Protection against Sexual Harassment, Bullying and Discrimination in the Workplace" | 100 |
| | **Financial sector-specific indicators: product portfolio and active ownership:** | |
| | • Portfolio-based commitment to social and environmental issues | 86–95 |
| | • Assets subject to environmental or social screening | 86–95 |
| Principle 2: make sure that they are not complicit in human-rights abuses. | **Bank specific:** | |
| | • Code of Business Conduct | 100 |
| | • Staff Regulation | 100 |
| | • Directive "Protection against Sexual Harassment, Bullying and Discrimination in the Workplace" | 100 |
| | **Financial sector-specific indicators: product portfolio and active ownership:** | |
| | • Portfolio-based commitment to social and environmental issues | 86–95 |
| | • Assets subject to environmental or social screening | 86–95 |
| **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 | 100–101 |
| | • Swiss Collective Labour Agreement (Agreement on Conditions of Employment for Bank Employees, VAB) | 100–101 |
| | **Financial sector-specific indicators: product portfolio and active ownership:** | |
| | • Portfolio-based commitment to social and environmental issues | 86–95 |
| | • Assets subject to environmental or social screening | 86–95 |
| Principle 4: the elimination of all forms of forced and compulsory labour; | **Bank specific:** | |
| | • Code of Business Conduct | 100 |
| | **Financial sector-specific indicators: product portfolio and active ownership:** | |
| | • Portfolio-based commitment to social and environmental issues | 86–95 |
| | • Assets subject to environmental or social screening | 86–95 |
| Principle 5: the effective abolition of child labour; and | **Bank specific:** | |
| | • Code of Business Conduct | 100 |
| | **Financial sector-specific indicators: product portfolio and active ownership:** | |
| | • Portfolio-based commitment to social and environmental issues | 86–95 |
| | • Assets subject to environmental or social screening | 86–95 |
| Principle 6: the elimination of discrimination in respect of employment and occupation. | **Bank specific:** | |
| | • Code of Business Conduct | 100 |
| | • Employee Rules and Regulations - Bank J. Safra Sarasin Ltd | 100 |
| | • Directive "Protection against Sexual Harassment, Bullying and Discrimination in the Workplace" | 100 |
| | **Financial sector-specific indicators: product portfolio and active ownership:** | |
| | • Portfolio-based commitment to social and environmental issues | 86–95 |
| | • Assets subject to environmental or social screening | 86–95 |

| 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 | 102 |
| | • Objective 5 of the Corporate Sustainability Strategy | 103–105 |
| | – 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 | 86–95 |
| | • Assets subject to environmental or social screening | 86–95 |
| | • 4-pillar climate strategy | 86–95 |
| Principle 8: undertake initiatives to promote greater environmental responsibility; and | **Bank specific:** | |
| | • Handbook of Sustainability | 102 |
| | • Objective 5 of the Corporate Sustainability Strategy | 103–105 |
| | • Sustainability training | 101 |
| | **Financial sector-specific indicators: product portfolio and active ownership:** | |
| | • Portfolio-based commitment to social and environmental issues | 86–95 |
| | • Assets subject to environmental or social screening | 86–95 |
| | • 4-pillar climate strategy | 86–95 |
| Principle 9: encourage the development and diffusion of environmentally friendly technologies. | **Bank specific:** | |
| | • Objective 5 of the Corporate Sustainability Strategy | 103–105 |
| | – 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 | 86–95 |
| | • Assets subject to environmental or social screening | 86–95 |
| | • 4-pillar climate strategy | 86–95 |
| **Anti-Corruption** | | |
| Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. | **Bank specific:** | |
| | • Code of Business Conduct | 100 |
| | • Code of Compliance | 84 |
| | **Financial sector-specific indicators: product portfolio and active ownership:** | |
| | • Portfolio-based commitment to social and environmental issues | 86–95 |
| | • Assets subject to environmental or social screening | 86–95 |

Deloitte.

Deloitte AG
General-Guisan-Quai 38
8022 Zurich
Switzerland

Phone: +41 (0)58 279 6000
Fax: +41 (0)58 279 6600
www.deloitte.ch

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

**Our engagement**

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

- KPIs on sustainable and responsible investments for the reporting period January 1 to December 31, 2018 on pages 82 and 96 of the sustainability report;
- The social KPIs for the reporting period January 1 to December 31, 2018 (pages 82 and 100 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 2018 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.

Deloitte.

**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

Anick Fleury

Zurich, February 27, 2019


Structure

# Address List

Birch | "Betula"

# Address List

## Switzerland (1)

**Basel**
J. Safra Sarasin Holding Ltd.
Wallstrasse 1
4051 Basel
Schweiz
T: +41 (0)58 317 44 44
F: +41 (0)58 317 44 00
www.jsafrasarasin.com

**Basel**
Bank J. Safra Sarasin AG
Elisabethenstrasse 62
Postfach
4002 Basel
Schweiz
T: +41 (0)58 317 44 44
F: +41 (0)58 317 44 00
www.jsafrasarasin.ch

**Bern**
Bank J. Safra Sarasin AG
Waisenhausplatz 10
Postfach
3001 Bern
Schweiz
T: +41 (0)58 317 59 59
F: +41 (0)58 317 59 00
www.jsafrasarasin.ch

**Geneva**
Banque J. Safra Sarasin SA
Quai de l'Ile 3
Case postale
1211 Genève 11
Suisse
T: +41 (0)58 317 55 55
F: +41 (0)58 317 55 00
www.jsafrasarasin.ch

**Geneva**
Banque J. Safra Sarasin SA
Rue de la Corraterie 4
Case postale
1211 Genève 11
Suisse
T: +41 (0)58 317 55 55
F: +41 (0)58 317 55 00
www.jsafrasarasin.ch

**Geneva**
J. Safra Sarasin Asset Management
(North America) Ltd
4 Rue de la Corraterie
1204 Geneva
Switzerland
T: +41 (0)58 317 64 00
F: +41 (0)58 317 64 49
northamerica.jsafrasarasin.com

**Lucerne**
Bank J. Safra Sarasin AG
Schwanenplatz 4
Postfach
6002 Luzern
Schweiz
T: +41 (0)58 317 50 50
F: +41 (0)58 317 50 00
www.jsafrasarasin.ch

**Lugano**
Banca J. Safra Sarasin SA
Via Marconi 2
Casella postale
6901 Lugano
Svizzera
T: +41 (0)58 317 58 58
F: +41 (0)58 317 58 00
www.jsafrasarasin.ch

**Zurich**
Bank J. Safra Sarasin AG
Bleicherweg 1/Paradeplatz
Postfach
8022 Zürich
Schweiz
T: +41 (0)58 317 51 51
F: +41 (0)58 317 51 00
www.jsafrasarasin.ch

**Zurich**
Bank J. Safra Sarasin AG
General Guisan-Quai 26
Postfach
8022 Zürich
Schweiz
T: +41 (0)58 317 33 33
F: +41 (0)58 317 33 00
www.jsafrasarasin.ch

## International

**Doha (2)**
Bank J. Safra Sarasin (QFC) LLC
Suite 702, Level 7
Qatar Financial Centre, Tower 1
Ambassadors Street
Al Corniche Area
P.O. Box 22728
Doha
State of Qatar
T: +974 (0)4 496 8018
F: +974 (0)4 496 8020
www.jsafrasarasin.com

**Dubai (3)**
Bank J. Safra Sarasin Asset
Management (Middle East) Ltd
Burj Daman, Level 12
P.O. Box 506774
Dubai International
Financial Centre
Dubai
United Arab Emirates
T: +971 (0)4 381 26 26
F: +971 (0)4 381 26 00
www.jsafrasarasin.ae

**Dublin (4)**
Sarasin & Partners LLP
120 St Stephen's Green
Dublin 2
D02 C858
Ireland
T: +353 (0)1 424 4004
F: +353 (0)1 425 1100
www.sarasin.ie

**Frankfurt (5)**
J. Safra Sarasin
(Deutschland) GmbH
Kirchnerstraße 6–8
60311 Frankfurt am Main
Deutschland
T: +49 (0)69 714497 300
F: +49 (0)69 714497 399
www.jsafrasarasin.de

**Gibraltar (6)**
Bank J. Safra Sarasin
(Gibraltar) Ltd
First Floor, Neptune House,
Marina Bay
P.O. Box 542
Gibraltar GX11 1AA
T: +350 2000 2500
F: +350 2000 2501
www.jsafrasarasin.com.gi

**Guernsey (7)**
Bank J. Safra Sarasin Ltd
Guernsey Branch
P.O. Box 348
1st Floor, Frances House
Sir William Place
St. Peter Port
Guernsey GY1 3UY
Channel Islands
T: +44 (0) 1481 76 11 11
F: +44 (0) 1481 76 11 00
www.jsafrasarasin.gg

**Hong Kong (8)**
Bank J. Safra Sarasin Ltd
Hong Kong Branch
40/F Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong
T: +852 2287 9888
F: +852 2501 4001
www.jsafrasarasin.hk

**London (9)**
Bank J. Safra Sarasin
(Gibraltar) Ltd
London Branch
47 Berkeley Square
London W1J 5AU
United Kingdom
T: +44 (0) 20 7514 1000
F: +44 (0) 20 7514 1001
www.jsafrasarasin.com.gi

**London (9)**
Sarasin & Partners LLP
Juxon House
100 St Paul's Churchyard
London EC4M 8BU
United Kingdom
T: +44 (0) 20 7038 7000
F: +44 (0) 20 7038 6850
www.sarasinandpartners.com

**Luxembourg (10)**
Banque J. Safra Sarasin
(Luxembourg) SA
17–21, Boulevard Joseph II
L-1840 Luxembourg
T: +352 45 47 81 1
F: +352 45 47 81 555
www.jsafrasarasin.lu

**Mexico (11)**
JSS Servicios S.A. de C.V.
Edificio Forum
Andres Bello, 19th floor
Polanco
11520 México D.F.
México
T: +52 55 52 946 155
F: +52 55 52 944 000
www.jsafrasarasin.com

**Monaco (12)**
Banque J. Safra Sarasin
(Monaco) SA
La Belle Epoque
15 bis/17 Avenue d'Ostende
BP 347
MC-98006 Monaco Cedex
Principauté de Monaco
T: +377 (0)93 10 66 55
F: +377 (0)93 10 66 00
www.jsafrasarasin.mc

**Munich (13)**
J. Safra Sarasin
(Deutschland) GmbH
Ottostraße 3
80333 München
Deutschland
T: +49 (0)89 558 999 497
F: +49 (0)89 558 999 499
www.jsafrasarasin.de

**Nassau (14)**
Bank J. Safra Sarasin
(Bahamas) Ltd
204 Church Street, Sandyport
CB-10 988 Nassau
The Bahamas
T: +1 242 601 64 00
F: +1 242 601 64 01
www.jsafrasarasin.bs

**Panama (15)**
J. Safra Sarasin
Asset Management S.A.
Avenida Balboa y
Calle Aquilino de La Guardia
BICSA Financial Center, Piso 39
Panamá
Rep. de Panamá
T: +507 380 70 70
www.jsafrasarasin.com.pa

**Poznan (16)**
Bank J. Safra Sarasin Ltd S.A.
Przedstawicielstwo w Polsce
ul. Śląska 4
60-614 Poznań
Polska
T: +48 (0) 22 596 52 72
F: +48 (0) 22 596 52 80
www.jsafrasarasin.pl

**São Paulo (17)**
JSS Administradora
de Recursos Ltda.
Avenida Paulista, 2150
15° andar
Bela Vista
CEP 01310-300
São Paulo, SP
Brasil
T: +55 (11) 3550-1111
www.jssadm.com.br

**Singapore (18)**
Bank J. Safra Sarasin Ltd
Singapore Branch
8 Marina View
#25-01 Asia Square Tower 1
Singapore 018 960
T: +65 6536 6848
F: +65 6536 3866
www.jsafrasarasin.sg

**Tel Aviv (19)**
Bank J. Safra Sarasin Ltd
Representative Office in Israel
Sarona Azrieli Tower
Derech Menachem Begin 121–123
40th Floor
Tel Aviv 6701203
Israel
T: +972 76 531 5555
F: +972 76 531 5500
www.jsafrasarasin.co.il

**Tel Aviv (19)**
Banque J. Safra Sarasin
(Luxembourg) SA
Representative Office in Israel
Sarona Azrieli Tower
Derech Menachem Begin 121–123
40th Floor
Tel Aviv 6701203
Israel
T: +972 76 531 5555
F: +972 76 531 5500
www.jsafrasarasin.co.il

**Tel Aviv (19)**
J. Safra Sarasin
Asset Management (Israel) Ltd
Sarona Azrieli Tower
Derech Menachem Begin 121–123
40th Floor
Tel Aviv 6701203
Israel
T: +972 76 531 5555
F: +972 76 531 5500
am-il.jsafrasarasin.com

**Vienna (20)**
J. Safra Sarasin Fund Management
(Luxembourg) S.A. – Austria Branch
Kärntner Ring 5–7, 7. Stock
1010 Wien
Österreich
T: +43 (0)1 205 1160 1255
F: +43 (0)1 205 1160 1008
am.jsafrasarasin.com

**Warsaw (21)**
Bank J. Safra Sarasin Ltd S.A.
Przedstawicielstwo w Polsce
ul. Mysia 5
00-496 Warszawa
Polska
T: +48 (0)22 596 52 70
F: +48 (0)22 596 52 80
www.jsafrasarasin.pl

This page intentionally left blank.

**Impressum**
Concept, design, layout and text: Bank J. Safra Sarasin Ltd, Cabinet Privé de Conseils s.a.
Photos: J. Safra Sarasin Holding Ltd., iStock, fäm Properties


**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.

www.jsafrasarasin.com

J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841