Annual Report 2019

Bank J. Safra Sarasin Ltd

J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841

Consolidated Financial Statements

Consolidated balance sheet

Assets	31.12.2019 CHF 000	31.12.2018 CHF 000
Liquid assets	6,048,066	5,821,387
Amounts due from banks	4,402,041	3,779,571
Amounts due from securities financing transactions	129,732	133,408
Amounts due from customers	7,571,737	7,775,454
Mortgage loans	1,649,936	1,685,912
Trading portfolio assets	1,769,855	1,360,259
Positive replacement values of derivative financial instruments	578,793	701,413
Other financial instruments at fair value	1,334,200	1,058,177
Financial investments	3,878,986	3,345,431
Accrued income and prepaid expenses	149,654	140,112
Non-consolidated participations	24,268	24,268
Tangible fixed assets	263,911	273,072
Intangible assets	0	0
Other assets	58,838	59,002
Total assets	**27,860,017**	**26,157,466**
Total subordinated claims	331,926	153,336
of which subject to mandatory conversion and/or debt waiver	–	–
Liabilities		
Amounts due to banks	6,733,172	6,783,591
Liabilities from securities financing transactions	0	0
Amounts due in respect of customer deposits	15,430,517	13,946,772
Trading portfolio liabilities	19,429	8,136
Negative replacement values of derivative financial instruments	572,308	605,031
Liabilities from other financial instruments at fair value	1,831,626	1,642,041
Bond issues and central mortgage institution loans	291,119	384,303
Accrued expenses and deferred income	259,624	243,072
Other liabilities	86,410	86,463
Provisions	19,019	11,632
Reserves for general banking risks	22,000	22,000
Share capital	22,015	22,015
Capital reserve	844,797	844,797
Retained earnings reserve	1,543,487	1,366,833
Currency translation reserve	–35,892	–33,343
Minority interests in equity	39,332	37,787
Consolidated profit	181,054	186,336
of which minority interests in consolidated profit	9,185	9,684
Total liabilities	**27,860,017**	**26,157,466**
Total subordinated liabilities	–	–
of which subject to mandatory conversion and/or debt waiver	–	–

Consolidated off-balance sheet

CHF 000	**31.12.2019**	31.12.2018
Contingent liabilities	576,059	689,571
Irrevocable commitments	19,146	18,390
Obligations to pay up shares and make further contributions	1,487	1,487
Credit commitments	0	0

Consolidated income statement

CHF 000	**2019**	2018
Interest and discount income	348,090	313,772
Interest and dividend income from trading portfolios	0	0
Interest and dividend income from financial investments	92,159	70,038
Interest expense	–206,985	–165,973
Gross result from interest operations	233,264	217,837
Changes in value adjustments for default risks and losses from interest operations	–62,009	–3,369
Subtotal net result from interest operations	171,255	214,468
Commission income from securities trading and investment activities	511,010	494,926
Commission income from lending activities	3,648	3,055
Commission income from other services	49,957	45,384
Commission expense	–70,575	–71,213
Subtotal result from commission business and services	494,040	472,152
Result from trading activities and the fair value option	163,470	164,106
Result from the disposal of financial investments	–108	–71
Income from participations	10,730	3,923
of which, participations recognised using the equity method	0	0
of which, from other non-consolidated participations	10,730	3,923
Result from real estate	533	742
Other ordinary income	1,570	3,844
Other ordinary expenses	–15,199	–2,976
Subtotal other result from ordinary activities	–2,474	5,462
Operating income	**826,291**	**856,188**
Personnel expenses	–453,603	–443,520
General and administrative expenses	–127,385	–122,216
Operating expenses	**–580,988**	**–565,736**
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	–28,393	–39,456
Changes to provisions and other value adjustments, and losses	–15,611	–37,541
Operating result	**201,299**	**213,455**
Extraordinary income	1,525	247
Extraordinary expenses	–1	–18
Changes in reserves for general banking risks	0	0
Taxes	–21,769	–27,348
Consolidated profit	**181,054**	**186,336**
of which minority interests in consolidated profit	9,185	9,684

Consolidated cash flow statement

	2019		2018	
CHF 000	**Source of funds**	**Use of funds**	Source of funds	Use of funds
Consolidated profit	181,054	0	186,336	0
Change in reserves for general banking risks	0	0	0	0
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	28,393	0	39,456	0
Provisions and other value adjustments	7,387	0	0	–32,012
Change in value adjustments for default risks and losses	62,009	0	23,099	0
Accrued income and prepaid expenses	0	–9,436	0	–21,506
Accrued expenses and deferred income	17,017	0	29,233	0
Other items	0	0	0	0
Previous year’s dividend	0	0	0	0
Cash flow from operating activities	**286,424**	**0**	**224,606**	**0**
Share capital	0	0	0	0
Capital reserves	0	0	0	0
Retained earnings reserve	0	0	0	0
Minority interests in equity	0	–8,693	0	–9,967
Cash flow from equity transactions	**0**	**–8,693**	**0**	**–9,967**
Participating interests	0	0	0	–7,632
Bank building	0	0	0	0
Other fixed assets	0	–8,145	0	–8,443
Intangible assets	0	–11,027	0	–7,773
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets	**0**	**–19,172**	**0**	**–23,848**

CHF 000	2019 Source of funds	2019 Use of funds	2018 Source of funds	2018 Use of funds
Medium and long-term business (>1 year)				
Amounts due to banks	0	–184,081	138,139	0
Amounts due in respect of customer deposits	13,997	0	13,061	0
Liabilities from other financial instruments at fair value	63,205	0	0	–78,573
Bonds	0	0	0	0
Central mortgage institution loans	0	–43,671	0	–52,033
Loans of central issuing institutions	0	–49,513	0	–17,035
Other liabilities	0	–295	7,147	0
Amounts due from banks	0	–158,700	175,523	0
Amounts due from customers	40,676	0	126,045	0
Mortgage loans	35,006	0	0	–238,416
Other financial instruments at fair value	0	–110,190	0	–14,296
Financial investments	0	–335,439	0	–324,690
Other accounts receivable	28,551	0	0	–33,640
Short-term business				
Amounts due to banks	130,654	0	2,305,912	0
Liabilities from securities financing transactions	0	0	0	–151,609
Amounts due in respect of customer deposits	1,470,404	0	0	–776,383
Trading portfolio liabilities	11,293	0	8,136	0
Negative replacement values of derivative financial instruments	0	–31,939	0	–166,435
Liabilities from other financial instruments at fair value	122,005	0	656,266	0
Amounts due from banks	0	–424,330	0	–615,240
Amounts due from securities financing transactions	3,676	0	51,026	0
Amounts due from customers	56,417	0	0	–373,529
Trading portfolio assets	0	–412,278	0	–566,985
Positive replacement values of derivative financial instruments	121,879	0	70,088	0
Other financial instruments at fair value	0	–161,623	0	–93,394
Financial investments	0	–217,241	0	–115,861
Cash flow from banking operations	**0**	**–31,537**	**0**	**–66,776**
Conversion differences	**0**	**–343**	**0**	**–901**
Change in liquid assets	**226,679**	**0**	**123,114**	**0**

CHF 000	31.12.2019	31.12.2018
Liquid assets at beginning of the year (cash)	**5,821,387**	**5,698,273**
Liquid assets at the end of the year (cash)	**6,048,066**	**5,821,387**
Change in liquid assets	**226,679**	**123,114**

Presentation of the consolidated statement of changes in equity

CHF 000	Share capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserve	Minority interests	Result of the period	**Total**
Equity on 01.01.2019	**22,015**	**844,797**	**1,543,485**	**22,000**	**–33,343**	**47,471**		**2,446,425**
Currency translation differences			2		–2,549	554		–1,993
Dividends and other distributions						–8,693		–8,693
Consolidated profit						9,185	171,869	181,054
Equity on 31.12.2019	**22,015**	**844,797**	**1,543,487**	**22,000**	**–35,892**	**48,517**	**171,869**	**2,616,793**

Consolidated notes

Name, legal form and domicile
The Bank J. Safra Sarasin Ltd (the "Group") is a global banking group in private banking services and asset management. As an international group committed to sustainability and well established in Europe, Asia, the Middle East and Latin America, the Group is a global symbol of private banking tradition, emphasising security and well-managed conservative growth for clients.

Bank J. Safra Sarasin 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 Bank J. Safra Sarasin Ltd, Basel, as well as those of its subsidiaries and branches listed on page 24. Newly acquired subsidiaries are consolidated as from the time control is transferred and deconsolidated once control is relinquished.

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

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

Recording of transactions
All transactions concluded are recorded according to the settlement date accounting principle. Foreign exchange spot transactions and security transactions concluded but not yet executed are recorded as derivative financial instruments in the balance sheet positions "Positive (or negative) replacement values of derivative financial

instruments". The corresponding assets and liabilities are recorded as contract volume in the off-balance sheet. Firm commitments to underwrite securities issues and money market time deposits are recognised at the settlement date.

Translation of foreign currencies

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

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

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

Consolidated supervision

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

The Group 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.

Statutory individual financial statements of Bank J. Safra Sarasin Ltd are available upon request.

Cash, due from and to banks and clients

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

Amounts due from and liabilities from securities financing transactions

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

Securities and precious metals trading portfolios

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

Positive and negative replacement values of derivative financial instruments

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

Other financial instruments at fair value

The items “Other financial instruments at fair value” and “Liabilities from other financial instruments at fair value” contain self-issued structured products without inherent derivatives. Certificates issued are recorded in the balance sheet position “Liabilities from other financial instruments at fair value” at marked-to-market. The assets held for hedging purpose of the certificates (e.g. stocks, bonds, etc.) are recorded in the balance sheet position “Other financial instruments at fair value” at marked-to-market. If the hedging is effected with derivative financial instruments, the replacement values are recorded in the balance sheet positions “Positive (or negative) replacement values of derivative financial instruments”.

Financial investments

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

Fixed assets and intangible assets

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

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

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

Impairment of non-financial assets

On the balance sheet date, the Group determines whether there are any reasons for an impairment of non-financial assets. Goodwill and other intangible assets with indeterminate useful life are checked for impairment at least once a year, and also whenever events suggest their value is too high. Any other non-financial assets are reviewed for impairment if there are signs that their book value exceeds the realisable amount of the fair value. The estimated fair value of non-financial assets is determined on the basis of three valuation methods:

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

Value adjustments and provisions

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

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

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

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

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

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

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

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

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

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

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

The risk management framework is reviewed annually.

Committees

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

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

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

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

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

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

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

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

Organisation of risk management

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

Independent controls are executed by Risk Office, the Credit department and the Legal & Compliance departments which, from an organisational perspective, are all independent from the first line of defence units. This separation of functions ensures that the business units taking decisions on the level and extent of risk exposure act independently of the departments that analyse the risks assumed and monitor adherence to limits and other competencies. This structure prevents potential conflicts of interest and incompatible objectives as early and as effectively as possible.

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

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

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

A clearly structured and transparent risk management process allows for the timely identification of risks, their documentation, escalation, resolution and/or close monitoring. The process is applied to all risk categories, both individually and collectively. When introducing new business transactions and procedures, the risk management process is the basis for the comprehensive assessment and rating of risks associated with a new activity or process. The Group has established a clear process to detect existing or potential risks before entering into any new business. The involvement of all relevant business units at an early stage ensures comprehensive, cross-discipline assessment of every new business transaction or process and its associated risks.

Risk indicators

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

Risk categories

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

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

Market risk

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

Liquidity risk

Liquidity risk refers to the potential inability of the Group to meet its payment obligations or failure to meet requirements imposed by banking regulations. The Treasury Committee is responsible for monitoring liquidity. The prime objective is to guarantee the Group's ability to meet its payment obligations at all times and to ensure compliance with legal requirements on liquidity. A key task of the Committee is to monitor all relevant liquidity risk factors. These include money flows between subsidiaries and the parent company, inflows and outflows of client funds and changes in the availability of liquidity reserves. The liquidity aspects are considered in aggregate but also per currency. As a supporting strategy, target bandwidths are set for surplus coverage of minimum liquidity. These are actively monitored and corresponding measures are taken if liquidity falls below the specified targets. A contingency funding plan may be triggered if certain conditions are met. Stress testing allows for the impact of larger outflows combined with the deterioration of Group assets on the liquidity indicators to be assessed.

Credit risk

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

Lending business with clients

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

Credit is granted under a system of delegation of authority, based on the size and risk class of the loan, where the Central Credit Committee examines applications and authorises them in line with the delegated authority and the policy defined. Client loans and mortgages are classified by risk classes through an internal rating system, which considers criteria such as the applied lending value, the average daily turnover and dynamic weightings.

When a loan is granted, the loan-to-value ratio is established on the basis of the current value of the collateral. The Group applies loan-to-value criteria which are in line with Swiss banking industry common practice. A system of alerts and internal controls is used to monitor individual situations in which credit risk has increased. The risk profile of the Group's loan portfolio distributed by type of exposure, risk class and collateral type is reviewed on a quarterly basis and reported to management. Non-performing loans and collateral obtained are valued at liquidation value, taking into account any correction for the debtor's solvency. Off-balance-sheet transactions are also included in this assessment. The need for provisions is determined individually for each impaired loan based on analysis performed according to a clearly defined procedure. A stress testing on the collateral value of the credit portfolio is performed at least on a quarterly basis.

Lending business with banks, governments and corporates

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

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

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

As a general rule, the emphasis when conducting business on the interbank market is on the quality of the counterparty, but strong focus is also on risk reduction measures wherever possible. Over-the-counter transactions with third-party banks are mainly executed under netting and collateralisation agreements and lending is provided against collateral (repo transaction) whenever appropriate.

The country risk is monitored via a set framework and limits which are both approved by the Board of Directors.

Large exposure and concentration risks

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

Operational risk

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

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

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

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

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

IT and information security risk

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

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

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

Reputational risk

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

Legal and compliance risk

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

Compliance risk is defined as the risk of legal sanctions, material financial loss, or loss to reputation the Group may suffer as a result of its failure to comply with applicable laws, its own regulations, code of conduct, and standards of best/good practice. Compliance risk relates to many areas, such as anti-money laundering and combating the financing of terrorism, regulatory tax compliance, breaches of the cross-border rules, conduct risks including suitability and appropriateness of products and investments, or market conduct rules.

Business and strategic risk

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

Treatment of structured products

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

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

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

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

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

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

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

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

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

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

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

The effectiveness of hedging transactions is measured prospectively either by the differential of sensitivity to the risk parameter, within a predefined corridor, of the hedged item(s) and the hedging transaction, or by matching the cash flows of the hedge and the risk position. The hedging relationships are periodically checked, whether hedged item(s) and hedging transaction are still in place and hedge effectiveness is guaranteed.

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

Subsequent events

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

Consolidated notes –
Information on the balance sheet

Breakdown of securities financing transactions (assets and liabilities)

CHF 000	**2019**	2018
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions (before netting agreements)	129,732	133,408
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions (before netting agreements)	0	0
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	1,271,420	797,003
with unrestricted right to resell or pledge	1,271,420	797,003
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	439,802	501,388
of which, repledged securities	2,658	2,704
of which, resold securities	0	0

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

CHF 000	Mortgage collateral	Secured by other collateral	Without collateral	Total
Loans (before netting with value adjustments)				
Amounts due from customers	327,103	7,520,294	33,573	7,880,970
Mortgage loans				
Residential property	719,780	0	0	719,780
Office and business premises	643,256	0	0	643,256
Trade and industry	283,328	0	0	283,328
Others	3,572	0	0	3,572
Total loans (before netting with value adjustments)				
Current year	**1,977,039**	**7,520,294**	**33,573**	**9,530,906**
Previous year	1,938,949	7,759,328	34,793	9,733,070
Total loans (after netting with value adjustments)				
Current year	**1,810,885**	**7,409,147**	**1,641**	**9,221,673**
Previous year	1,813,746	7,645,766	1,854	9,461,366
Off-balance-sheet transactions				
Contingent liabilities	0	571,758	4,301	576,059
Irrevocable commitments	0	19,146	0	19,146
Obligations to pay up shares and make further contributions	0	0	1,487	1,487
Total current year	**0**	**590,904**	**5,788**	**596,692**
Previous year	640	706,366	2,442	709,448

Impaired loans

CHF 000	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Current year	**470,181**	**160,948**	**309,233**	**309,233**
Previous year	399,545	127,841	271,704	271,704

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

CHF 000	**31.12.2019**	31.12.2018
Assets		
Trading portfolios		
Debt securities, money market securities/transactions	820,596	510,207
of which, listed	26,690	32,099
Equity securities	318,596	361,380
Precious metals and commodities	564,022	437,810
Other trading portfolio assets	66,641	50,862
Other financial instruments at fair value		
Debt securities	259,945	144,123
Structured products	651	0
Other	1,073,604	914,054
Total assets	**3,104,055**	**2,418,436**
of which, determined using a valuation model	0	0
of which, securities eligible for repo transactions in accordance with liquidity requirements	0	0
Liabilities		
Trading portfolios		
Debt securities, money market securities/transactions	204	0
of which, listed	204	0
Equity securities	19,224	8,080
Precious metals and commodities	0	0
Other trading portfolio liabilities	1	56
Other financial instruments at fair value		
Debt securities	267,941	147,267
Structured products	0	0
Other	1,563,685	1,494,774
Total liabilities	**1,851,055**	**1,650,177**
of which, determined using a valuation model	0	0

Presentation of derivative financial instruments (assets and liabilities)

CHF 000	Positive replacement values	Negative replacement values	Contract volumes
Trading instruments			
Interest rate instruments			
Forward agreements	10	10	12,280
Swaps	157,977	163,038	7,918,509
Total interest rate instruments	**157,987**	**163,048**	**7,930,789**
Foreign exchange			
Forward agreements	21,473	26,858	3,361,344
Combined interest/currency swaps	225,196	237,315	29,421,246
Futures	0	0	786,023
Options (OTC)	28,610	26,903	5,516,827
Total foreign exchange	**275,279**	**291,076**	**39,085,440**
Equity securities/indices			
Forward agreements	187	177	59,288
Options (OTC)	62,805	55,586	1,805,803
Options (exchange traded)	43,513	19,792	1,259,123
Total equity securities/indices	**106,505**	**75,555**	**3,124,214**
Precious metals			
Forward agreements	933	615	72,024
Swaps	2,631	2,934	258,564
Options (OTC)	34,162	33,300	1,764,718
Total precious metals	**37,726**	**36,849**	**2,095,306**
Commodities			
Options (OTC)	12	0	8
Total commodities	**12**	**0**	**8**
Credit derivatives			
Credit default swaps	12	12	1,936
Total credit derivatives	**12**	**12**	**1,936**
Other			
Forward agreements	27	31	25,325
Total other	**27**	**31**	**25,325**
Total trading instruments before netting agreements on 31.12.2019	**577,548**	**566,571**	**52,263,018**
Total trading instruments before netting agreements on 31.12.2018	697,882	599,766	58,131,952
Hedge instruments			
Interest rate instruments			
Swaps	1,245	5,737	352,415
Total hedge instruments on 31.12.2019	**1,245**	**5,737**	**352,415**
Total hedge instruments on 31.12.2018	3,531	5,265	329,027
Total before netting agreements on 31.12.2019	**578,793**	**572,308**	**52,615,433**
of which, determined using a valuation model	0	0	–
Total before netting agreements on 31.12.2018	701,413	605,031	58,460,979
of which, determined using a valuation model	0	0	–
Total after netting agreements on 31.12.2019	**265,194**	**329,119**	
Total after netting agreements on 31.12.2018	105,791	216,703	

Breakdown by counterparty	Central clearing houses	Banks and securities dealers	Other customers
CHF 000			
Positive replacement values (after netting agreements) on 31.12.2019	**518**	**248,843**	**15,833**
Positive replacement values (after netting agreements) on 31.12.2018	2,710	96,246	6,835

Financial investments

CHF 000	**Book value 31.12.2019**	**Fair value 31.12.2019**	Book value 31.12.2018	Fair value 31.12.2018
Debt securities	3,678,081	3,713,380	3,160,682	3,150,261
of which, intended to be held until maturity	3,678,081	3,713,380	3,159,684	3,149,242
of which, not intended to be held to maturity (available for sale)	0	0	998	1,019
Equity securities	137,771	245,928	138,483	251,198
of which, qualified participations	0	0	0	0
Precious metals	0	0	0	0
Real estate	63,134	63,134	46,266	46,266
Total financial investments	**3,878,986**	**4,022,442**	**3,345,431**	**3,447,725**
of which, securities eligible for repo transactions in accordance with liquidity regulations	**59,369**		**67,832**	

Breakdown of counterparties by rating

CHF 000	AAA to AA–	A+ to A–	BBB+ to BBB–	BB+ to B–	Below B–	Unrated
Debt securities						
Book value on 31.12.2019	**891,169**	**896,411**	**639,991**	**798,323**	**107**	**452,080**
Book value on 31.12.2018	925,185	621,155	578,837	639,625	4,419	391,461

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

Participations

CHF 000	Acquisition costs	Accumulated value adjustments	Book value as at 31.12.2018	Reclassi-fications	Additions	Disposals	Value adjustments	**Book value as at 31.12.2019**	Market value
Participations valued using the equity method									
with market value	0	0	0	0	0	0	0	0	0
without market value	0	0	0	0	0	0	0	0	–
Other participations									
with market value	24,533	–265	24,268	0	0	0	0	24,268	127,140
without market value	0	0	0	0	0	0	0	0	–
Total participations	**24,533**	**–265**	**24,268**	**0**	**0**	**0**	**0**	**24,268**	**127,140**

Significant participating interests

	Place of incorporation	Activity	Currency	Share capital '000s	% of equity/ votes	Direct/ indirect ownership
Bank J. Safra Sarasin (Gibraltar) Ltd	Gibraltar	Bank	CHF	1,000	100.00%	direct
J. Safra Sarasin Asset Management (Europe) Ltd	Gibraltar	Advisory	CHF	4,000	100.00%	indirect
JSS (Gibraltar) Ltd	Gibraltar	Holding	GBP	235	100.00%	indirect
Marina Bay Holding Ltd	Gibraltar	Holding	GBP	100	100.00%	indirect
J. Safra Sarasin Gestion (Monaco) SA	Monaco	Advisory	EUR	160	100.00%	direct
Bank J. Safra Sarasin Asset Management (Middle East) Ltd	Dubai	Asset Management	USD	22,000	100.00%	direct
Bank J. Safra Sarasin (QFC) LLC	Doha	Asset Management	USD	2,000	100.00%	direct
J. Safra Sarasin Asset Management (Israel) Ltd	Tel Aviv	Advisory	ILS	350	100.00%	direct
Eichenpark Verwaltungs GmbH	Glashuetten	Holding	EUR	25	100.00%	direct
bank zweiplus ltd	Zurich	Bank	CHF	35,000	57.50%	direct
J. Safra Sarasin (Deutschland) GmbH	Frankfurt	Advisory	EUR	50	100.00%	direct
J. Safra Sarasin Trust Company (Singapore) Ltd.	Singapore	Trust Company	USD	1,000	100.00%	direct
Sarabet Ltd	Basel	Holding	CHF	3,250	100.00%	direct
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 U.S. Services Ltd[1)]	London	Advisory	GBP	0.1	60.59%	indirect
Sarasin Investment Funds Ltd	London	Fund Management	GBP	250	60.59%	indirect
Sarasin Funds Management (Ireland) Ltd	Dublin	Fund Management	GBP	500	60.59%	indirect
Sarasin & Partners Ireland Ltd[1)]	Dublin	Asset Management	EUR	100	60.59%	indirect
JSS Administradora de Recursos Ltda.	Sao Paulo	Advisory	BRL	1,711	100.00%	indirect
JSS Global Real Estate Management Company S.à r.l.	Luxembourg	Fund Management	EUR	125	100.00%	indirect
J. Safra Sarasin Investmentfonds Ltd	Basel	Fund Management	CHF	4,000	100.00%	indirect
J. Safra Sarasin Fund Management (Luxembourg) S.A.	Luxembourg	Fund Management	EUR	1,500	100.00%	indirect

1) Fully consolidated for the first time.

Non-consolidated investments in subsidiary companies

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

Tangible fixed assets

CHF 000	Acquisition costs	Accumulated depreciation	Book value as at 31.12.2018	Change in scope of consolidation	Reclassi-fications	Additions	Disposals	Depreciation	**Book value as at 31.12.2019**
Real estate: bank buildings	297,376	–79,289	218,087	0	0	0	0	–4,965	213,122
Real estate: other real estate	4,985	–1,912	3,073	0	0	0	0	–83	2,990
Proprietary or separately acquired software	16,781	–11,666	5,115	0	0	4,802	1	–2,977	6,941
Other fixed assets	123,166	–76,369	46,797	0	0	3,348	53	–9,340	40,858
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	**442,308**	**–169,236**	**273,072**	**0**	**0**	**8,150**	**54**	**–17,365**	**263,911**

Operating leases

CHF 000	**31.12.2019**	31.12.2018
Remaining maturity <1 year	14,576	13,180
Remaining maturity 1–5 years	23,377	24,790
Remaining maturity >5 years	2,434	5,198
Total liabilities from operating lease	**40,387**	**43,168**
of which, remaining maturity <1 year that can be terminated within one year	1,223	73

Intangible assets

CHF 000	Acquisition costs	Accumulated amortisation	Book value as at 31.12.2018	Reclassi-fications	Additions	Disposals	Amortisation	**Book value as at 31.12.2019**
Goodwill	0	0	0	0	0	0	0	0
Patents	0	0	0	0	0	0	0	0
Licences	0	0	0	0	0	0	0	0
Other intangible assets	38,650	–38,650	0	0	11,028	0	–11,028[1)]	0
Total intangible assets	**38,650**	**–38,650**	**0**	**0**	**11,028**	**0**	**–11,028**	**0**

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

Other assets/Other liabilities

CHF 000	**31.12.2019**	31.12.2018
Other assets		
Compensation account	13,682	11,908
Deferred income taxes recognised as assets	1,866	1,867
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	43,290	45,227
Total	**58,838**	**59,002**
Other liabilities		
Compensation account	2,106	6,186
Others	84,304	80,277
Total	**86,410**	**86,463**

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

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

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

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

CHF 000	**31.12.2019**	31.12.2018
Liabilities to own pension plans	**47,063**	**43,220**

Pension schemes

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

The purpose of the pension scheme is to provide pension benefits for employees of the Group upon retirement or disability and for the employees' survivors after their death. It manages the mandatory retirement, survivors' and disability benefits in accordance with the BVG («Berufliche Vorsorge») in Switzerland.

The Group does not have any patronage funds.

Employer's contribution reserves (ECR)

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

Economic benefit / economic obligation and pension benefit expenses

CHF 000	**Surplus/ (deficit) 31.12.2019**[1)]	**Economical part of the organisation 31.12.2019**	Economical part of the organisation 31.12.2018	**Change in the prior-year period or recognised in the current result of the period**	**Contributions concerning the business period**	**Pension benefit expenses within personnel expenses 2019**	Pension benefit expenses within personnel expenses 2018
Pension schemes							
with surplus	**19,753**	**0**	0	**0**	**23,450**	**23,450**	23,043
without surplus/(deficit)	**0**	**0**	0	**0**	**7,476**	**7,476**	7,252
Total	**19,753**	**0**	0	**0**	**30,926**	**30,926**	30,295

1) At the publication date the final financial statements of the pension schemes were not available. Therefore the figures are based on the financial statements of the pension schemes 2018.

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

Presentation of issued structured products

Underlying risk of the embedded derivative

CHF 000	Valued separately: Value of the host instrument	Value of the derivative	Total 31.12.2019	Valued separately: Value of the host instrument	Value of the derivative	Total 31.12.2018
Interest rate instruments						
With own debenture component (oDC)	**0**	**0**	**0**	0	0	0
Without oDC	**0**	**0**	**0**	0	0	0
Equity securities						
With own debenture component (oDC)	**596,162**	**–5,836**	**590,326**	703,986	–113,966	590,020
Without oDC	**0**	**0**	**0**	0	0	0
Foreign currencies						
With own debenture component (oDC)	**231,284**	**–1,159**	**230,125**	193,042	–794	192,248
Without oDC	**0**	**0**	**0**	0	0	0
Commodities/precious metals						
With own debenture component (oDC)	**204**	**–60**	**144**	882	–251	631
Without oDC	**0**	**0**	**0**	0	0	0
Total	**827,650**	**–7,055**	**820,595**	897,910	–115,011	782,899

Presentation of bonds outstanding and mandatory convertible bonds

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

Overview of maturities of bonds outstanding

CHF 000	<1 year	>1–<2 ys	>2–<3 ys	>3–<4 ys	>4–<5 ys	>5 years	**Total**
Issuer							
Bank J. Safra Sarasin Ltd	284,114	2,999	0	2,000	2,006	0	**291,119**

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

CHF 000	Balance as at 31.12.2018	Use in conformity with designated purpose	Change in scope of consolidation	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Release to income	**Balance as at 31.12.2019**
Provisions for deferred taxes	0	0	0	0	0	0	0	0	0
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	1,264	–85	0	0	0	0	0	0	1,179
Provisions for restructuring	0	0	0	0	0	0	0	0	0
Other provisions	10,368	–1,636	0	0	0	0	9,108	0	17,840
Total provisions	**11,632**	**–1,721**	**0**	**0**	**0**	**0**	**9,108**	**0**	**19,019**
Reserves for general banking risks	**22,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**22,000**
Value adjustments for default and country risks	**297,925**	**–42,022**	**0**	**0**	**–2,985**	**16,833**	**62,009**	**0**	**331,760**
of which, value adjustments for default risks in respect of impaired loans/receivables	271,704	–28,267	0	0	–3,002	19,367	49,431	0	309,233
of which, value adjustments for latent risks	0	0	0	0	0	0	0	0	0

Disclosure of amounts due from/to related parties

	Amounts due from		Amounts due to	
CHF 000	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Holders of qualified participations	–	–	2,382	5,173
Group companies	–	–	–	–
Linked companies	3,257,012	2,460,527	6,164,686	6,263,589
Transactions with members of governing bodies	8,689	8,600	10,474	10,500
Other related parties	–	–	–	–

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	6,048,066	0	0	0	0	0	0	6,048,066
Amounts due from banks	922,563	163,050	2,882,786	274,942	50,000	108,700	0	4,402,041
Amounts due from securities financing transactions	71,631	0	58,101	0	0	0	0	129,732
Amounts due from customers	772,296	0	6,003,258	516,595	210,657	68,931	0	7,571,737
Mortgage loans	3,531	0	519,184	434,806	599,942	92,473	0	1,649,936
Trading portfolio assets	1,769,855	0	0	0	0	0	0	1,769,855
Positive replacement values of derivative financial instruments	578,793	0	0	0	0	0	0	578,793
Other financial instruments at fair value	1,334,200	0	0	0	0	0	0	1,334,200
Financial investments	200,797	0	1,110,914	375,078	1,527,169	665,028	0	3,878,986
Total 31.12.2019	**11,701,732**	**163,050**	**10,574,243**	**1,601,421**	**2,387,768**	**935,132**	**0**	**27,363,346**
Total 31.12.2018	10,832,855	525,289	10,208,249	1,203,144	1,902,822	988,653	0	25,661,012
Due to banks	740,842	1,565	5,051,559	545,082	330,336	63,788	0	6,733,172
Liabilities from securities financing transactions	0	0	0	0	0	0	0	0
Amounts due in respect of customer deposits	9,671,828	229,072	4,740,148	712,311	77,158	0	0	15,430,517
Trading portfolio liabilities	19,429	0	0	0	0	0	0	19,429
Negative replacement values of derivative financial instruments	572,308	0	0	0	0	0	0	572,308
Liabilities from other financial instruments at fair value	1,831,626	0	0	0	0	0	0	1,831,626
Bond issues and central mortgage institution loans	0	0	109,551	174,563	7,005	0	0	291,119
Total 31.12.2019	**12,836,033**	**230,637**	**9,901,258**	**1,431,956**	**414,499**	**63,788**	**0**	**24,878,171**
Total 31.12.2018	11,430,364	903,766	8,939,507	1,274,609	700,011	121,617	0	23,369,874

Assets and liabilities by domestic and foreign origin

	31.12.2019		31.12.2018	
CHF 000	**Swiss**	**Foreign**	Swiss	Foreign
Assets				
Liquid assets	6,038,424	9,642	5,797,361	24,026
Amounts due from banks	396,001	4,006,040	189,714	3,589,857
Amounts due from securities financing transactions	0	129,732	0	133,408
Amounts due from customers	1,007,853	6,563,884	1,017,470	6,757,984
Mortgage loans	748,334	901,602	580,105	1,105,807
Trading portfolio assets	737,650	1,032,205	690,960	669,299
Positive replacement values of derivative financial instruments	103,379	475,414	108,069	593,344
Other financial instruments at fair value	776,599	557,601	535,809	522,368
Financial investments	299,149	3,579,837	238,071	3,107,360
Accrued income and prepaid expenses	72,223	77,431	54,624	85,488
Non-consolidated participations	24,043	225	24,043	225
Tangible fixed assets	260,197	3,714	268,467	4,605
Intangible assets	0	0	0	0
Other assets	27,473	31,365	22,386	36,616
Total assets	**10,491,325**	**17,368,692**	**9,527,079**	**16,630,387**
Liabilities				
Amounts due to banks	278,480	6,454,692	308,926	6,474,665
Liabilities from securities financing transactions	0	0	0	0
Amounts due in respect of customer deposits	5,658,684	9,771,833	5,098,091	8,848,681
Trading portfolio liabilities	12,037	7,392	5,978	2,158
Negative replacement values of derivative financial instruments	84,677	487,631	98,071	506,960
Liabilities from other financial instruments at fair value	1,563,685	267,941	433,496	1,208,545
Bond issues and central mortgage institution loans	291,119	0	384,303	0
Accrued expenses and deferred income	187,255	72,369	161,765	81,307
Other liabilities	55,850	30,560	56,342	30,121
Provisions	19,019	0	11,632	0
Reserves for general banking risks	22,000	0	22,000	0
Share capital	22,015	0	22,015	0
Capital reserve	844,797	0	844,797	0
Retained earnings reserve	864,516	678,971	725,318	641,515
Currency translation reserve	–776	–35,116	–776	–32,567
Minority interests in equity	22,245	17,087	22,464	15,323
Consolidated profit	52,255	128,799	83,751	102,585
Total liabilities	**9,977,858**	**17,882,159**	**8,278,174**	**17,879,292**

Assets by countries/country groups

	31.12.2019		31.12.2018	
CHF 000	**Total**	**Part as a %**	Total	Part as a %
Europe	4,593,311	16.5%	4,921,011	18.8%
Americas	8,769,391	31.4%	7,642,909	29.3%
Asia	3,676,720	13.2%	3,740,537	14.3%
Others	329,271	1.2%	325,930	1.2%
Total foreign assets	**17,368,693**	**62.3%**	**16,630,387**	**63.6%**
Switzerland	10,491,325	37.7%	9,527,079	36.4%
Total assets	**27,860,017**	**100.0%**	**26,157,466**	**100.0%**

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

	31.12.2019		31.12.2018	
	Net foreign exposure CHF 000	Part as a %	Net foreign exposure CHF 000	Part as a %
Standard & Poor's				
AAA to AA–	3,486,541	87.3%	4,092,423	92.6%
A+ to A–	509,138	12.7%	325,460	7.4%
Total net foreign assets	**3,995,679**	**100.0%**	**4,417,883**	**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	6,038,413	1,816	292	7,545	6,048,066
Amounts due from banks	447,011	566,075	2,370,475	1,018,480	4,402,041
Amounts due from securities financing transactions	0	71,631	58,101	0	129,732
Amounts due from customers	932,848	1,609,192	3,628,613	1,401,084	7,571,737
Mortgage loans	681,078	229,170	9,522	730,166	1,649,936
Trading portfolio assets	331,126	11,472	69,056	1,358,201	1,769,855
Positive replacement values of derivative financial instruments	283,457	61,606	186,663	47,067	578,793
Other financial instruments at fair value	741,034	88,421	457,195	47,550	1,334,200
Financial investments	555,544	315,249	1,862,270	1,145,923	3,878,986
Accrued income and prepaid expenses	29,396	26,310	59,555	34,393	149,654
Non-consolidated participations	24,043	225	0	0	24,268
Tangible fixed assets	259,445	57	1,366	3,043	263,911
Intangible assets	0	0	0	0	0
Other assets	35,144	6,837	302	16,555	58,838
Total balance sheet assets	**10,358,539**	**2,988,061**	**8,703,410**	**5,810,007**	**27,860,017**
Delivery entitlements from spot exchange, forward forex and forex options transactions	8,447,716	6,501,481	14,846,842	4,976,264	34,772,303
Total assets 31.12.2019	**18,806,255**	**9,489,542**	**23,550,252**	**10,786,271**	**62,632,320**
Liabilities					
Amounts due to banks	3,315,556	321,098	1,766,346	1,330,172	6,733,172
Liabilities from securities financing transactions	0	0	0	0	0
Amounts due in respect of customer deposits	2,281,241	2,763,443	7,491,422	2,894,411	15,430,517
Trading portfolio liabilities	12,079	137	7,204	9	19,429
Negative replacement values of derivative financial instruments	212,726	50,404	260,191	48,987	572,308
Liabilities from other financial instruments at fair value	1,182,147	145,337	485,248	18,894	1,831,626
Bond issues and central mortgage institution loans	291,119	0	0	0	291,119
Accrued expenses and deferred income	131,678	16,508	63,710	47,728	259,624
Other liabilities	45,055	172	23,680	17,503	86,410
Provisions	19,019	0	0	0	19,019
Reserves for general banking risks	22,000	0	0	0	22,000
Share capital	22,015	0	0	0	22,015
Capital reserve	844,797	0	0	0	844,797
Retained earnings reserve	1,471,695	21,831	29,925	20,036	1,543,487
Currency translation reserve	–776	–14,176	–1,506	–19,434	–35,892
Minority interests in equity	22,245	0	0	17,087	39,332
Consolidated profit	60,921	25,524	44,447	50,162	181,054
Total balance sheet liabilities	**9,933,517**	**3,330,278**	**10,170,667**	**4,425,555**	**27,860,017**
Delivery obligations from spot exchange, forward forex and forex options transactions	8,881,505	6,224,695	13,347,602	6,340,428	34,794,230
Total liabilities 31.12.2019	**18,815,022**	**9,554,973**	**23,518,269**	**10,765,983**	**62,654,247**
Net currency positions 31.12.2019	**–8,767**	**–65,431**	**31,983**	**20,288**	**–21,927**

Consolidated notes – Information on off-balance-sheet transactions

Breakdown and explanation of contingent assets and liabilities

CHF 000	**31.12.2019**	31.12.2018
Guarantees to secure credits and similar	473,726	474,845
Performance guarantees and similar	100,207	210,735
Irrevocable commitments arising from documentary letters of credit	0	0
Others	2,126	3,991
Total contingent liabilities	**576,059**	**689,571**
Contingent assets arising from tax losses carried forward	20,363	20,074
Other contingent assets	0	0
Total contingent assets	**20,363**	**20,074**

Breakdown of credit commitments

CHF 000	**31.12.2019**	31.12.2018
Commitments arising from deferred payments	0	0
Commitments arising from acceptances (for liabilities arising from acceptances in circulation)	0	0
Other credit commitments	0	0

Breakdown of fiduciary transactions

CHF 000	**31.12.2019**	31.12.2018
Fiduciary investments with third-party banks	1,581,765	1,186,268
Fiduciary investments with linked companies	1,685,393	2,165,813
Fiduciary loans	0	0
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	**3,267,158**	**3,352,081**

Breakdown of managed assets and presentation of their development

CHF million	**2019**	2018
Type of managed assets		
Assets in collective investment schemes by the Group	17,682	15,901
Assets under discretionary asset management agreements	26,215	23,285
Other managed assets	93,019	78,691
Total managed assets (including double-counting)	**136,916**	**117,877**
Of which double-counted items	11,841	10,623
Development of managed assets		
Total managed assets (including double-counting) at beginning	117,877	126,498
+/– net new money inflow or net new money outflow	5,545	66
+/– price gains/losses, interest, dividends and currency gains/losses	13,560	–9,261
+/– reallocation to other group companies	–10	–31
+/– other effects	–56	605
Total managed assets (including double-counting) at end	**136,916**	**117,877**

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

Discretionary managed accounts include clients' assets with signed discretionary management mandates in favour of an entity of the Group.

Other managed assets include client assets for whom one of the entities of the Group provides all services arising from stock exchange and foreign exchange transactions on the basis of instructions received, as well as safekeeping, loans and payments.

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

Consolidated notes –
Information of the income statement

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

CHF 000	**2019**	2018
Breakdown by business area		
Trading profit with market risk	62,932	59,069
Trading profit without market risk	83,608	83,403
Trading profit from treasury activities	16,930	21,634
Total result from trading activities	**163,470**	**164,106**
Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
Interest rate instruments	12,522	15,211
Equity securities (including funds)	67,634	63,024
Foreign currencies	62,912	84,268
Commodities/precious metals	20,402	1,603
Total result from trading activities	**163,470**	**164,106**
of which, from fair value option	–5,781	–67,920

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

CHF 000	**2019**	2018
Material refinancing income in the item “Interest and discount income”	0	0
Material negative interest	40,017	40,353

Breakdown of personnel expenses

CHF 000	**2019**	2018
Salaries	378,565	370,365
of which, expenses relating to share-based compensation and alternative forms of variable compensation	102,611	97,836
Social charges	61,322	59,250
Changes in book value for economic benefits and obligations arising from pension schemes	0	0
Other personnel expenses	13,716	13,905
Total personnel expenses	**453,603**	**443,520**

Breakdown of general and administrative expenses

CHF 000	**2019**	2018
Office space expenses	24,040	24,597
Expenses for information and communications technology	15,849	15,897
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	528	557
Fees of audit firm	2,918	2,938
of which, for financial and regulatory audits	2,602	2,707
of which, for other services	316	231
Other operating expenses	84,050	78,227
of which, compensation for any cantonal guarantee	0	0
Total general and administrative expenses	**127,385**	**122,216**

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.

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

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

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

	2019			2018		
CHF 000	**Swiss**	**Foreign**	**Total**	Swiss	Foreign	Total
Net result from interest operations	36,999	134,256	171,255	101,788	112,680	214,468
Subtotal result from commission business and services	285,262	208,778	494,040	271,751	200,401	472,152
Result from trading activities and the fair value option	136,628	26,842	163,470	144,976	19,130	164,106
Subtotal other result from ordinary activities	–130	–2,344	–2,474	7,485	–2,023	5,462
Operating income	**458,759**	**367,532**	**826,291**	**526,000**	**330,188**	**856,188**
Personnel expenses	–298,956	–154,647	–453,603	–284,593	–158,927	–443,520
General and administrative expenses	–75,579	–51,806	–127,385	–73,178	–49,038	–122,216
Subtotal operating expenses	**–374,535**	**–206,453**	**–580,988**	**–357,771**	**–207,965**	**–565,736**
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	–17,672	–10,721	–28,393	–35,641	–3,815	–39,456
Changes to provisions and other value adjustments, and losses	–11,035	–4,576	–15,611	–37,698	157	–37,541
Operating result	**55,517**	**145,782**	**201,299**	**94,890**	**118,565**	**213,455**

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

CHF 000	**2019**	2018
Current income and capital tax expenses	21,792	22,423
Allocation to provisions for deferred taxes	0	–849
Recognition of deferred income taxes	–23	5,774
Total	**21,769**	**27,348**

The weighted average tax rate amounts to 9.6% (2018: 11.0%).

In 2019, the ordinary net tax expense effect of the use of losses carried forward was nil (2018: CHF 7.3 million).

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

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Bank J. Safra Sarasin Ltd, which comprise the consolidated balance sheet as at December 31, 2019, and the consolidated statement of income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2019 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss accounting principles applicable for Banks and comply with Swiss law.

Deloitte.

Bank J. Safra Sarasin Ltd
Report of the statutory auditor
on the consolidated financial statements
for the year ended
December 31, 2019

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Audit response
Loan loss provisioning Loans presented in the financial statements contain either mortgages (secured by mortgage collateral) or amounts due from customers (uncollateralized or secured with mortgages or other collateral). Such loans represent 33.1% of total assets. We identified impaired loans, loans secured with other undiversified collateral as well as uncollateralized loans with an outstanding amount higher than CHF 0.5 million as a key area of focus in terms of loan loss provisioning risk: • Loans already impaired exhibit higher inherent risk of impairment and thus require an adequate control environment and enhanced monitoring to ensure detection of further loan loss provisions • Loans secured with other undiversified collateral exhibit a higher inherent risk of impairment due to the collateral likely being more affected by adverse market price movements • Uncollateralized loans higher than CHF 0.5 million inherently bear a higher loss potential in the event of default and therefore require closer monitoring. • Identification and measurement of individual value adjustments for such loans are highly dependent on robust controls and subject to significant managerial judgement *See credit risk management and lending disclosures (pages 15 and 16), presentation of collaterals (page 20) and value adjustments for default and country risks (page 29) in the notes to the financial statements.*	We tested the design and operating effectiveness of key controls related to identification of default risk and recognition of loan loss provisions. Substantive procedures included the following: • Tested a sample of loans (including loans not identified as potentially impaired) to form our own assessment whether impairments had been timely and adequately recognized • Compared collateral valuations with independent appraisals or observable market data • Checked whether uncollateralized loans with an outstanding amount higher than CHF 0.5 million were in violation of credit policies or in arrear with payments • Tested whether undiversified collateral is monitored in accordance with established standards • Assessed external valuations and loan loss assumptions applied for mortgages identified as impaired • Assessed level of judgement applied by Management and tested whether recognized provisions were approved in line with internal competencies In our view, the procedures carried out and described above gave us sufficient audit evidence to conclude on the appropriateness of the loan loss provision recognized noting provisions that, overall, were within a reasonable range of expected provision outcomes.

Deloitte.

Bank J. Safra Sarasin Ltd
Report of the statutory auditor
on the consolidated financial statements
for the year ended
December 31, 2019

Key audit matter	Audit response
Valuation of debt securities held as financial investments Debt securities intended to be held until maturity represent 13.2% of total assets. Whilst debt securities held to maturity (HTM) are stated at acquisition cost with allocation of premiums or discounts (interest component) over the term of the instrument (accrual method), default risk related changes in value are to be recognised immediately by means of an impairment charge to "Changes in value adjustments for default risks and losses from interest operations". There is a risk that the book value is misstated due to the exertion of significant judgement and usage of assumptions and estimates with regard to the determination of changes in market value resulting from changes in the debtor's credit standing. *See financial investments valuation disclosures (page 23) in the notes to the financial statements.*	We tested the design and operating effectiveness of key controls supporting identification, measurement and monitoring of valuation risk of debt securities. Furthermore, we performed the following substantive procedures: • Validation of market values with independent price sources • Evaluation of impairment test methodology applied • Assessment of year-end impairment test documentation • Assessment of impairments recognized • Inspection of presentation and disclosures • On the basis of observable market inputs, assessment of Management's fundamental credit analysis performed for issuers with potential impairment indications Overall, in our view and in the context of the inherent degree of judgement required, sufficient audit evidence was obtained to address the risk of valuation and valuations were within a reasonable range of outcomes.

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Key audit matter | **Audit response**

Provisions for legal and litigation risks

Key audit matter

Provisions due to legal and litigation risk are subject to increased Management judgment. Specifically, we have considered the following areas of focus:

- Settlements and resolution of legacy claims
- Provisioning for other claims and litigations

For exposures identified, significant judgements is needed to assess obligations and assumptions that are inherently subject to the future outcome of legal and regulatory processes.

In line with applicable accounting guidelines, the focal point is whether recognised provisions and disclosures made give a true and fair view of probable obligations based on past events and reliable estimates of uncertain amounts and due dates.

See legal and compliance risk management disclosures (page 17) and presentation of value adjustments (page 29) in the notes to the financial statements.

Audit response

We tested the design and operating effectiveness of key controls over the identification, measurement and disclosure of legal and litigation risks.

As part of our substantive procedures, we:

- Inspected policies and procedures for identification, evaluation and accounting for litigation and claims
- Assessed Management assumptions by means of inquiry and corroboration with available case summaries or detailed evidence
- Obtained external confirmations from legal counsels (selection based on known or reported involvement and inspection of recognized legal expenses)
- Inspected regulatory correspondence and the complaints log
- Reconciled and compared the obtained detailed schedule of provisions to the movements schedule presented in the notes
- Assessed provided disclosures for sufficient clarity regarding uncertainties in relation to contingent liabilities and provisions recognised

In view of the significant judgements required and information currently available, we determined that sufficient audit evidence was obtained to address the risk of misstated provisions or disclosures for legal and litigation risks.

IT systems and controls over financial reporting

Key audit matter

We identified IT systems and controls over financial reporting as a key area of focus as the financial accounting and reporting systems are heavily dependent on complex systems and there is a risk that automated procedures and IT dependent manual controls are not designed, implemented and operating effectively.

A particular area of focus related to access security, system change control and data centre and network operations.

Audit response

We tested the design and operating effectiveness of controls that are critical to financial reporting.

Furthermore and where necessary, we performed direct substantive tests of certain aspects of IT systems, including access management and segregation of duties.

In our view, the combination of tests of key controls and direct substantive tests that we carried out gave us sufficient evidence to enable us to rely on the operation of IT systems for the purposes of our audit.

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Report on Other Legal Requirements

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

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

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

Deloitte AG

Alexandre Buga
Licensed Audit Expert
Auditor in Charge

Sandro Schönenberger
Licensed Audit Expert

Zurich, February 26, 2020

Enclosures
– Financial statements (balance sheet, income statement, statement of changes in equity and notes)

J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841