

Annual Report 2020

Bank J. Safra Sarasin Ltd



J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841



180
YEARS

Consolidated Financial Statements

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Consolidated balance sheet

	31.12.2020	31.12.2019
	CHF 000	CHF 000
Assets		
Liquid assets	6,080,439	6,048,066
Amounts due from banks	4,896,563	4,402,041
Amounts due from securities financing transactions	71,272	129,732
Amounts due from customers	6,250,176	7,571,737
Mortgage loans	1,508,201	1,649,936
Trading portfolio assets	1,814,328	1,769,855
Positive replacement values of derivative financial instruments	985,790	578,793
Other financial instruments at fair value	1,723,620	1,334,200
Financial investments	3,991,381	3,878,986
Accrued income and prepaid expenses	137,590	149,654
Non-consolidated participations	37,207	24,268
Tangible fixed assets	238,538	263,911
Intangible assets	0	0
Other assets	57,816	58,838
Total assets	27,792,921	27,860,017
Total subordinated claims	294,518	331,926
<i>of which subject to mandatory conversion and/or debt waiver</i>	–	–
Liabilities		
Amounts due to banks	4,525,430	6,733,172
Liabilities from securities financing transactions	0	0
Amounts due in respect of customer deposits	17,033,411	15,430,517
Trading portfolio liabilities	8,939	19,429
Negative replacement values of derivative financial instruments	1,016,594	572,308
Liabilities from other financial instruments at fair value	1,838,105	1,831,626
Bond issues and central mortgage institution loans	78,250	291,119
Accrued expenses and deferred income	260,043	259,624
Other liabilities	99,339	86,410
Provisions	21,677	19,019
Reserves for general banking risks	23,380	22,000
Share capital	22,015	22,015
Capital reserve	844,797	844,797
Retained earnings reserve	1,715,357	1,543,487
Currency translation reserve	–47,169	–35,892
Minority interests in equity	35,533	39,332
Consolidated profit	317,220	181,054
<i>of which minority interests in consolidated profit</i>	12,948	9,185
Total liabilities	27,792,921	27,860,017
Total subordinated liabilities	–	–
<i>of which subject to mandatory conversion and/or debt waiver</i>	–	–

Consolidated off-balance sheet

CHF 000	31.12.2020	31.12.2019
Contingent liabilities	464,006	576,059
Irrevocable commitments	21,898	19,146
Obligations to pay up shares and make further contributions	1,652	1,487
Credit commitments	0	0

Consolidated income statement

CHF 000	2020	2019
Interest and discount income	158,849	348,090
Interest and dividend income from trading portfolios	0	0
Interest and dividend income from financial investments	86,947	92,159
Interest expense	-39,936	-206,985
Gross result from interest operations	205,860	233,264
Changes in value adjustments for default risks and losses from interest operations	-10,757	-62,009
Subtotal net result from interest operations	195,103	171,255
Commission income from securities trading and investment activities	543,403	511,010
Commission income from lending activities	2,983	3,648
Commission income from other services	42,822	49,957
Commission expense	-71,709	-70,575
Subtotal result from commission business and services	517,499	494,040
Result from trading activities and the fair value option	156,534	163,470
Result from the disposal of financial investments	1,477	-108
Income from participations	1,930	10,730
<i>of which, participations recognised using the equity method</i>	0	0
<i>of which, from other non-consolidated participations</i>	1,930	10,730
Result from real estate	334	533
Other ordinary income	5,108	1,570
Other ordinary expenses	-4,022	-15,199
Subtotal other result from ordinary activities	4,827	-2,474
Operating income	873,963	826,291
Personnel expenses	-473,744	-453,603
General and administrative expenses	-118,611	-127,385
Operating expenses	-592,355	-580,988
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	-16,195	-28,393
Changes to provisions and other value adjustments, and losses	-16,032	-15,611
Operating result	249,381	201,299
Extraordinary income	109,978	1,525
Extraordinary expenses	0	-1
Changes in reserves for general banking risks	-2,400	0
Taxes	-39,739	-21,769
Consolidated profit	317,220	181,054
<i>of which minority interests in consolidated profit</i>	12,948	9,185

Consolidated cash flow statement

CHF 000	2020		2019	
	Source of funds	Use of funds	Source of funds	Use of funds
Consolidated profit	317,220	0	181,054	0
Change in reserves for general banking risks	2,400	0	0	0
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	16,195	0	28,393	0
Provisions and other value adjustments	2,658	0	7,387	0
Change in value adjustments for default risks and losses	10,757	0	62,009	0
Accrued income and prepaid expenses	8,735	0	0	-9,436
Accrued expenses and deferred income	6,108	0	17,017	0
Other items	0	0	0	0
Previous year's dividend	0	0	0	0
Cash flow from operating activities	364,073		286,424	
Share capital	0	0	0	0
Capital reserves	0	0	0	0
Retained earnings reserve	0	0	0	0
Minority interests in equity	0	-12,476	0	-8,693
Cash flow from equity transactions	0	-12,476	0	-8,693
Participating interests	0	-12,939	0	0
Bank building	20,721	0	0	0
Other fixed assets	0	-11,790	0	-8,145
Intangible assets	0	0	0	-11,027
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets	0	-4,008	0	-19,172

CHF 000	2020		2019	
	Source of funds	Use of funds	Source of funds	Use of funds
Medium and long-term business (>1 year)				
Amounts due to banks	0	-145,185	0	-184,081
Amounts due in respect of customer deposits	0	-53,269	13,997	0
Liabilities from other financial instruments at fair value	193,913	0	63,205	0
Bonds	0	0	0	0
Central mortgage institution loans	0	-192,806	0	-43,671
Loans of central issuing institutions	0	-20,063	0	-49,513
Other liabilities	13,912	0	0	-295
Amounts due from banks	0	-22,934	0	-158,700
Amounts due from customers	38,766	0	40,676	0
Mortgage loans	135,696	0	35,006	0
Other financial instruments at fair value	0	-100,525	0	-110,190
Financial investments	0	-395,131	0	-335,439
Other accounts receivable	65,332	0	28,551	0
Short-term business				
Amounts due to banks	0	-2,050,216	130,654	0
Liabilities from securities financing transactions	0	0	0	0
Amounts due in respect of customer deposits	2,119,180	0	1,470,404	0
Trading portfolio liabilities	0	-10,490	11,293	0
Negative replacement values of derivative financial instruments	451,754	0	0	-31,939
Liabilities from other financial instruments at fair value	0	-171,474	122,005	0
Amounts due from banks	0	-605,830	0	-424,330
Amounts due from securities financing transactions	58,460	0	3,676	0
Amounts due from customers	1,034,885	0	56,417	0
Trading portfolio assets	0	-53,969	0	-412,278
Positive replacement values of derivative financial instruments	0	-413,578	121,879	0
Other financial instruments at fair value	0	-304,369	0	-161,623
Financial investments	112,758	0	0	-217,241
Cash flow from banking operations	0	-315,183	0	-31,537
Conversion differences	0	-33	0	-343
Change in liquid assets	32,373	0	226,679	0
CHF 000	31.12.2020		31.12.2019	
Liquid assets at beginning of the year (cash)	6,048,066		5,821,387	
Liquid assets at the end of the year (cash)	6,080,439		6,048,066	
Change in liquid assets	32,373		226,679	

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 01.01.2020	22,015	844,797	1,715,356	22,000	-35,892	48,517		2,616,793
Currency translation differences			1		-11,277	-1,528		-12,804
Dividends and other distributions						-12,476		-12,476
Reserves for general banking risks				1,380		1,020		2,400
Consolidated profit						12,948	304,272	317,220
Equity on 31.12.2020	22,015	844,797	1,715,357	23,380	-47,169	48,481	304,272	2,911,133

Consolidated notes

Name, legal form and domicile

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 the ordinance of accounting of the Swiss Financial Market Supervisory Authority (FINMA-AccO) and the accounting rules for banks, investment firms, financial groups and conglomerates pursuant to circular 2020/1 from FINMA. Capital adequacy disclosures under FINMA Circular 2016/1 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 26. 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	31.12.2020	31.12.2019
USD/CHF	0.884	0.968
EUR/CHF	1.082	1.087

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

Consolidated supervision

The Group qualifies as a financial group within the meaning of Article 3c al. 1 of the Swiss Banking Act, over which FINMA exercises consolidated supervision. The

scope of consolidated supervision applies to all direct and indirect subsidiaries, branches, and representative offices of the Group.

The 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.

The statutory 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:

	2020	2019
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	5–10 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 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. 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 related to, among others, suitability, cross-border compliance and conduct risks 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, product marketing and outsourcing activities. 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 thirty six 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 separa-

tion 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 monthly 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, in line with the applicable regulations and the best industry practices. 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 2020.

Consolidated notes – Information on the balance sheet

Breakdown of securities financing transactions (assets and liabilities)

CHF 000	2020	2019
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions (before netting agreements)	71,272	129,732
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	551,151	1,271,420
with unrestricted right to resell or pledge	551,151	1,271,420
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	208,488	439,802
of which, repledged securities	230	2,658
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	352,136	6,197,741	36,505	6,586,382
Mortgage loans				
Residential property	659,374	0	0	659,374
Office and business premises	590,444	0	0	590,444
Trade and industry	257,123	0	0	257,123
Others	1,260	0	0	1,260
Total loans (before netting with value adjustments)				
Current year	1,860,337	6,197,741	36,505	8,094,583
Previous year	1,977,039	7,520,294	33,573	9,530,906
Total loans (after netting with value adjustments)				
Current year	1,668,668	6,088,609	1,100	7,758,377
Previous year	1,810,885	7,409,147	1,641	9,221,673
Off-balance-sheet transactions				
Contingent liabilities	0	456,690	7,316	464,006
Irrevocable commitments	0	21,898	0	21,898
Obligations to pay up shares and make further contributions	0	0	1,652	1,652
Total current year	0	478,588	8,968	487,556
Previous year	0	590,904	5,788	596,692

Impaired loans

CHF 000	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Current year	496,673	160,467	336,206	336,206
Previous year	470,181	160,948	309,233	309,233

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

CHF 000	31.12.2020	31.12.2019
Assets		
Trading portfolios		
Debt securities, money market securities/ transactions	809,423	820,596
of which, listed	3,028	26,690
Equity securities	435,052	318,596
Precious metals and commodities	489,358	564,022
Other trading portfolio assets	80,495	66,641
Other financial instruments at fair value		
Debt securities	366,122	259,945
Structured products	0	651
Other	1,357,498	1,073,604
Total assets	3,537,948	3,104,055
of which, determined using a valuation model	0	0
of which, securities eligible for repo transactions in accordance with liquidity requirements	0	0
Liabilities		
Trading portfolios		
Debt securities, money market securities/ transactions	0	204
of which, listed	0	204
Equity securities	8,938	19,224
Precious metals and commodities	0	0
Other trading portfolio liabilities	1	1
Other financial instruments at fair value		
Debt securities	380,552	267,941
Structured products	0	0
Other	1,457,553	1,563,685
Total liabilities	1,847,044	1,851,055
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	311	311	885
Swaps	302,262	319,887	8,845,579
Total interest rate instruments	302,573	320,198	8,846,464
Foreign exchange			
Forward agreements	27,236	47,796	3,986,411
Combined interest/currency swaps	392,930	441,416	27,935,803
Futures	0	0	800,417
Options (OTC)	32,380	34,288	4,946,302
Total foreign exchange	452,546	523,500	37,668,933
Equity securities/indices			
Forward agreements	1,124	2,511	69,597
Options (OTC)	113,715	109,117	2,711,263
Options (exchange traded)	70,168	18,284	1,164,462
Total equity securities/indices	185,007	129,912	3,945,322
Precious metals			
Forward agreements	2,017	1,692	72,814
Swaps	10,565	11,231	288,984
Options (OTC)	31,161	26,057	1,225,404
Total precious metals	43,743	38,980	1,587,202
Credit derivatives			
Credit default swaps	3	3	1,768
Total credit derivatives	3	3	1,768
Other			
Forward agreements	1,602	339	212,820
Total other	1,602	339	212,820
Total trading instruments before netting agreements on 31.12.2020	985,474	1,012,932	52,262,509
Total trading instruments before netting agreements on 31.12.2019	577,548	566,571	52,263,018
Hedge instruments			
Interest rate instruments			
Swaps	316	3,662	147,437
Total hedge instruments on 31.12.2020	316	3,662	147,437
Total hedge instruments on 31.12.2019	1,245	5,737	352,415
Total before netting agreements on 31.12.2020	985,790	1,016,594	52,409,946
of which, determined using a valuation model	0	0	-
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 after netting agreements on 31.12.2020	536,875	732,566	
Total after netting agreements on 31.12.2019	265,194	329,119	
Breakdown by counterparty			
	Central clearing houses	Banks and securities dealers	Other customers
CHF 000			
Positive replacement values (after netting agreements) on 31.12.2020	0	505,330	31,544
Positive replacement values (after netting agreements) on 31.12.2019	518	248,843	15,833

Financial investments

CHF 000	Book value	Fair value	Book value	Fair value
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Debt securities	3,791,134	3,854,375	3,678,081	3,713,380
of which, intended to be held until maturity	3,791,134	3,854,375	3,678,081	3,713,380
of which, not intended to be held to maturity (available for sale)	0	0	0	0
Equity securities	141,068	254,141	137,771	245,928
of which, qualified participations	0	0	0	0
Precious metals	0	0	0	0
Real estate	59,179	59,179	63,134	63,134
Total financial investments	3,991,381	4,167,695	3,878,986	4,022,442
of which, securities eligible for repo transactions in accordance with liquidity regulations	119,472		59,369	

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 31.12.2020	498,954	1,185,484	572,023	689,261	0	845,412			
Book value on 31.12.2019	891,169	896,411	639,991	798,323	107	452,080			

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 31.12.2019	Reclassifications	Additions	Disposals	Value adjustments	Book	Market value
								value as at 31.12.2020	
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	12,939	0	0	37,207	153,282
without market value	0	0	0	0	0	0	0	0	-
Total participations	24,533	-265	24,268	0	12,939	0	0	37,207	153,282

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
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	64.02%	indirect
Sarasin & Partners LLP	London	Asset Management	GBP	15,051	64.02%	indirect
Sarasin Asset Management Ltd	London	Asset Management	GBP	250	64.02%	indirect
Sarasin US Services Ltd	London	Advisory	GBP	0,1	64.02%	indirect
Sarasin Investment Funds Ltd	London	Fund Management	GBP	250	64.02%	indirect
Sarasin Funds Management (Ireland) Ltd	Dublin	Fund Management	GBP	500	64.02%	indirect
Sarasin & Partners Ireland Ltd	Dublin	Asset Management	EUR	100	64.02%	indirect
JSS Administradora de Recursos Ltda.	Sao Paulo	Advisory	BRL	1,711	100.00%	indirect
JSS Global Real Estate Management Co Sarl	Luxembourg	Fund Management	EUR	125	100.00%	indirect
J. Safra Sarasin Investmentfonds Ltd	Basel	Fund Management	CHF	4,000	100.00%	indirect
J. Safra Sarasin Fund Management (Luxembourg) S.A.	Luxembourg	Fund Management	EUR	1,500	100.00%	indirect

Participations removed from the scope of consolidation

Eichenpark Verwaltungs GmbH	Glashuetten	Holding	EUR	25	100.00%	indirect
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Non-consolidated investments in subsidiary companies

SIX Group AG	Zurich	Stock exchange	CHF	19,522	2.49%	indirect
PFBK Schweizerische Hypothekarinstitute AG	Zurich	Mortgage company	CHF	1,000,000	0.30%	indirect
Euroclear Holding SA/NV	Brussels	Financial services	EUR	3,147	0.54%	indirect

Tangible fixed assets

CHF 000	Acquisition costs	Accumulated depreciation	Book value	Change in	Reclassifications	Additions	Disposals	Depreciation	Book value
			as at 31.12.2019	scope of consolidation					as at 31.12.2020
Real estate:									
bank buildings	297,376	-84,254	213,122	0	0	0	-20,721	-4,474	187,927
Real estate:									
other real estate	4,985	-1,995	2,990	0	0	0	0	-83	2,907
Proprietary or separately acquired									
software	20,394	-13,453	6,941	0	0	7,306	-4	-3,955	10,288
Other fixed assets	116,465	-75,607	40,858	0	0	5,562	-1,322	-7,682	37,416
Tangible assets acquired under finance leases:									
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	439,220	-175,309	263,911	0	0	12,868	-22,047	-16,194	238,538

Operating leases

CHF 000	31.12.2020	31.12.2019
Remaining maturity <1 year	12,537	14,576
Remaining maturity 1–5 years	33,467	23,377
Remaining maturity >5 years	849	2,434
Total liabilities from operating lease	46,853	40,387
of which, remaining maturity <1 year that can be terminated within one year	312	1,223

Intangible assets

CHF 000	Acquisition costs	Accumulated amortisation	Book value	Reclassifications	Additions	Disposals	Amortisation	Book value
			as at 31.12.2019					as at 31.12.2020
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	15,406	-15,406	0	0	0	0	0	0
Total intangible assets	15,406	-15,406	0	0	0	0	0	0

Other assets/Other liabilities

CHF 000	31.12.2020	31.12.2019
Other assets		
Compensation account	14,659	13,682
Deferred income taxes recognised as assets	2,783	1,866
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	40,374	43,290
Total	57,816	58,838
Other liabilities		
Compensation account	674	2,106
Others	98,665	84,304
Total	99,339	86,410

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

CHF 000	Effective		Effective	
	Book value	commitment	Book value	commitment
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Financial instruments	354,848	326,674	273,071	234,295
Other assets	415,506	415,506	331,741	331,741
Total pledged assets	770,354	742,180	604,812	566,036

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	31.12.2020	31.12.2019
Liabilities to own pension plans	25,565	47,063

Pension schemes

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

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

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

The Group does not have any patronage funds.

Employer's contribution reserves (ECR)

	Nominal value	Renunciation of use	Creation	Balance sheet	Balance sheet	Result from ECR in personnel expenses	Result from ECR in personnel expenses
CHF 000	31.12.2020	31.12.2020	2020	31.12.2020	31.12.2019	2020	2019
Patronage funds/pension schemes	0	0	0	0	0	0	0

Economic benefit/economic obligation and pension benefit expenses

	Surplus/(deficit)	Economical part of the organisation	Economical part of the organisation	Change in the prior-year period or recognised in the current period	Contributions concerning the business period	Pension benefit expenses within personnel expenses	Pension benefit expenses within personnel expenses
CHF 000	31.12.2020 ¹⁾	31.12.2020	31.12.2019	period	period	2020	2019
Pension schemes							
with surplus	73,244	0	0	0	24,395	24,395	23,450
without surplus/(deficit)	0	0	0	0	7,445	7,445	7,476
Total	73,244	0	0	0	31,840	31,840	30,926

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 2019.

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

Presentation of issued structured products

Underlying risk of the embedded derivative

CHF 000	Valued separately			Valued separately		
	Value of the host instrument	Value of the derivative	Total 31.12.2020	Value of the host instrument	Value of the derivative	Total 31.12.2019
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)	590,794	-22,881	567,913	596,162	-5,836	590,326
Without oDC	0	0	0	0	0	0
Foreign currencies						
With own debenture component (oDC)	223,469	-464	223,005	231,284	-1,159	230,125
Without oDC	0	0	0	0	0	0
Commodities/precious metals						
With own debenture component (oDC)	47,796	-163	47,633	204	-60	144
Without oDC	0	0	0	0	0	0
Total	862,059	-23,508	838,551	827,650	-7,055	820,595

Presentation of bonds outstanding and mandatory convertible bonds

Issuer		Year of issuance	Early termination possibilities	Weighted average interest rate	Maturity date	Amount
						outstanding CHF 000
Bank J. Safra Sarasin Ltd	Non-subordinated	2020	no	0%	2021	71,246
Bank J. Safra Sarasin Ltd	Non-subordinated mortgage-backed bonds	2012-2013	no	1.34%	2021-2024	7,004

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	74,246	0	2,000	2,004	0	0	78,250

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

CHF 000	Balance as at 31.12.2019	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 31.12.2020
Provisions for deferred taxes	0	0	0	0	0	0	8,979	0	8,979
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	1,179	0	0	0	0	0	0	0	1,179
Provisions for restructuring	0	0	0	0	0	0	0	0	0
Other provisions	17,840	-9,319	0	0	0	3	8,003	-5,008	11,519
Total provisions	19,019	-9,319	0	0	0	3	16,982	-5,008	21,677
Reserves for general banking risks	22,000	0	0	0	0	0	1,380¹⁾	0	23,380
Value adjustments for default and country risks	331,760	-21,921	0	0	-409	16,904	10,757	0	337,091
of which, value adjustments for default risks in respect of impaired loans/receivables	309,233	-362	0	0	-409	16,988	10,757	0	336,207
of which, value adjustments for latent risks	0	0	0	0	0	0	0	0	0

¹⁾ excluding CHF -1 million reserves for general banking risks for minorities.

Disclosure of amounts due from/to related parties

CHF 000	Amounts due from		Amounts due to	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Holders of qualified participations	-	-	1,389	2,382
Group companies	-	-	-	-
Linked companies	3,591,690	3,257,012	3,941,060	6,164,686
Transactions with members of governing bodies	8,664	8,689	11,101	10,474
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	6,080,439	0	0	0	0	0	0	6,080,439
Amounts due from banks	1,575,268	232,949	2,898,187	8,525	50,000	131,634	0	4,896,563
Amounts due from securities financing transactions	71,272	0	0	0	0	0	0	71,272
Amounts due from customers	759,718	0	4,739,829	509,807	169,165	71,657	0	6,250,176
Mortgage loans	2,080	0	767,945	257,933	418,317	61,926	0	1,508,201
Trading portfolio assets	1,814,328	0	0	0	0	0	0	1,814,328
Positive replacement values of derivative financial instruments	985,790	0	0	0	0	0	0	985,790
Other financial instruments at fair value	1,723,620	0	0	0	0	0	0	1,723,620
Financial investments	200,247	0	981,664	265,771	1,829,034	714,665	0	3,991,381
Total 31.12.2020	13,212,762	232,949	9,387,625	1,042,036	2,466,516	979,882	0	27,321,770
Total 31.12.2019	11,701,732	163,050	10,574,243	1,601,421	2,387,768	935,132	0	27,363,346
Due to banks	1,141,218	0	2,998,473	136,799	213,324	35,616	0	4,525,430
Liabilities from securities financing transactions	0	0	0	0	0	0	0	0
Amounts due in respect of customer deposits	14,506,439	397,105	1,760,098	350,201	19,568	0	0	17,033,411
Trading portfolio liabilities	8,939	0	0	0	0	0	0	8,939
Negative replacement values of derivative financial instruments	1,016,594	0	0	0	0	0	0	1,016,594
Liabilities from other financial instruments at fair value	1,838,105	0	0	0	0	0	0	1,838,105
Bond issues and central mortgage institution loans	0	0	0	74,246	4,004	0	0	78,250
Total 31.12.2020	18,511,295	397,105	4,758,571	561,246	236,896	35,616	0	24,500,729
Total 31.12.2019	12,836,033	230,637	9,901,258	1,431,956	414,499	63,788	0	24,878,171

Assets and liabilities by domestic and foreign origin

CHF 000	31.12.2020		31.12.2019	
	Swiss	Foreign	Swiss	Foreign
Assets				
Liquid assets	6,065,435	15,004	6,038,424	9,642
Amounts due from banks	220,691	4,675,872	396,001	4,006,040
Amounts due from securities financing transactions	0	71,272	0	129,732
Amounts due from customers	1,015,234	5,234,942	1,007,853	6,563,884
Mortgage loans	673,403	834,798	748,334	901,602
Trading portfolio assets	824,405	989,923	737,650	1,032,205
Positive replacement values of derivative financial instruments	146,558	839,232	103,379	475,414
Other financial instruments at fair value	835,137	888,483	776,599	557,601
Financial investments	345,323	3,646,058	299,149	3,579,837
Accrued income and prepaid expenses	72,498	65,092	72,223	77,431
Non-consolidated participations	28,864	8,343	24,043	225
Tangible fixed assets	235,432	3,106	260,197	3,714
Intangible assets	0	0	0	0
Other assets	30,563	27,253	27,473	31,365
Total assets	10,493,543	17,299,378	10,491,325	17,368,692
Liabilities				
Amounts due to banks	205,792	4,319,638	278,480	6,454,692
Liabilities from securities financing transactions	0	0	0	0
Amounts due in respect of customer deposits	4,248,815	12,784,596	5,658,684	9,771,833
Trading portfolio liabilities	2,511	6,428	12,037	7,392
Negative replacement values of derivative financial instruments	84,300	932,294	84,677	487,631
Liabilities from other financial instruments at fair value	1,457,554	380,551	1,563,685	267,941
Bond issues and central mortgage institution loans	78,250	0	291,119	0
Accrued expenses and deferred income	203,647	56,396	187,255	72,369
Other liabilities	57,467	41,872	55,850	30,560
Provisions	21,677	0	19,019	0
Reserves for general banking risks	23,380	0	22,000	0
Share capital	22,015	0	22,015	0
Capital reserve	844,797	0	844,797	0
Retained earnings reserve	1,085,114	630,243	864,516	678,971
Currency translation reserve	-776	-46,393	-776	-35,116
Minority interests in equity	23,264	12,269	22,245	17,087
Consolidated profit	157,978	159,242	52,255	128,799
Total liabilities	8,515,785	19,277,136	9,977,858	17,882,159

Assets by countries/country groups

CHF 000	31. 12. 2020		31. 12. 2019	
	Total	Part as a %	Total	Part as a %
Europe	5,130,864	18.5%	4,593,311	16.5%
Americas	8,367,537	30.0%	8,769,390	31.4%
Asia	3,562,006	12.8%	3,676,720	13.2%
Others	238,971	0.9%	329,271	1.2%
Total foreign assets	17,299,378	62.2%	17,368,692	62.3%
Switzerland	10,493,543	37.8%	10,491,325	37.7%
Total assets	27,792,921	100.0%	27,860,017	100.0%

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

	31. 12. 2020		31. 12. 2019	
	Net foreign exposure		Net foreign exposure	
	CHF 000	Part as a %	CHF 000	Part as a %
Standard & Poor's				
AAA to AA-	2,031,489	90.1%	3,486,541	87.3%
A+ to A-	222,744	9.9%	509,138	12.7%
Total net foreign assets	2,254,233	100.0%	3,995,679	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	6,065,425	1,469	281	13,264	6,080,439
Amounts due from banks	409,919	635,556	2,443,830	1,407,258	4,896,563
Amounts due from securities financing transactions	0	71,272	0	0	71,272
Amounts due from customers	979,219	1,362,379	2,829,421	1,079,157	6,250,176
Mortgage loans	588,952	236,351	8,539	674,359	1,508,201
Trading portfolio assets	463,089	10,729	43,187	1,297,323	1,814,328
Positive replacement values of derivative financial instruments	456,748	114,244	336,872	77,926	985,790
Other financial instruments at fair value	779,267	106,703	683,926	153,724	1,723,620
Financial investments	638,520	514,034	1,811,583	1,027,244	3,991,381
Accrued income and prepaid expenses	27,183	25,302	48,934	36,171	137,590
Non-consolidated participations	28,864	8,343	0	0	37,207
Tangible fixed assets	235,315	39	728	2,456	238,538
Intangible assets	0	0	0	0	0
Other assets	35,816	5,894	5,574	10,532	57,816
Total balance sheet assets	10,708,317	3,092,315	8,212,875	5,779,414	27,792,921
Delivery entitlements from spot exchange, forward forex and forex options transactions	7,261,624	7,536,963	14,756,095	4,640,898	34,195,580
Total assets 31.12.2020	17,969,941	10,629,278	22,968,970	10,420,312	61,988,501
Liabilities					
Amounts due to banks	2,518,276	249,681	733,007	1,024,466	4,525,430
Liabilities from securities financing transactions	0	0	0	0	0
Amounts due in respect of customer deposits	2,298,613	3,034,905	8,515,671	3,184,222	17,033,411
Trading portfolio liabilities	2,483	190	6,268	-2	8,939
Negative replacement values of derivative financial instruments	398,780	118,440	415,221	84,153	1,016,594
Liabilities from other financial instruments at fair value	822,585	143,958	781,333	90,229	1,838,105
Bond issues and central mortgage institution loans	78,250	0	0	0	78,250
Accrued expenses and deferred income	151,142	19,200	43,852	45,849	260,043
Other liabilities	50,905	-97	23,167	25,364	99,339
Provisions	21,677	0	0	0	21,677
Reserves for general banking risks	23,380	0	0	0	23,380
Share capital	22,015	0	0	0	22,015
Capital reserve	844,797	0	0	0	844,797
Retained earnings reserve	1,601,958	29,309	60,748	23,342	1,715,357
Currency translation reserve	-776	-14,369	-10,118	-21,906	-47,169
Minority interests in equity	23,265	0	0	12,268	35,533
Consolidated profit	193,017	37,309	24,365	62,529	317,220
Total balance sheet liabilities	9,050,367	3,618,526	10,593,514	4,530,514	27,792,921
Delivery obligations from spot exchange, forward forex and forex options transactions	8,963,817	7,027,468	12,438,823	5,826,546	34,256,654
Total liabilities 31.12.2020	18,014,184	10,645,994	23,032,337	10,357,060	62,049,575
Net currency positions 31.12.2020	-44,243	-16,716	-63,367	63,252	-61,074

Consolidated notes – Information on off-balance-sheet transactions

Breakdown and explanation of contingent assets and liabilities

CHF 000	31.12.2020	31.12.2019
Guarantees to secure credits and similar	386,796	473,726
Performance guarantees and similar	75,003	100,207
Irrevocable commitments arising from documentary letters of credit	0	0
Others	2,207	2,126
Total contingent liabilities	464,006	576,059
Contingent assets arising from tax losses carried forward	18,039	20,364
Other contingent assets	0	0
Total contingent assets	18,039	20,364

Breakdown of credit commitments

CHF 000	31.12.2020	31.12.2019
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	31.12.2020	31.12.2019
Fiduciary investments with third-party banks	1,432,211	1,581,765
Fiduciary investments with linked companies	238,788	1,685,393
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	1,670,999	3,267,158

Breakdown of managed assets and presentation of their development

CHF million	2020	2019
Type of managed assets		
Assets in collective investment schemes by the Group	19,205	17,682
Assets under discretionary asset management agreements	27,955	26,215
Other managed assets	94,485	93,019
Total managed assets (including double-counting)	141,645	136,916
Of which double-counted items	13,467	11,841
Development of managed assets		
Total managed assets (including double-counting) at beginning	136,916	117,877
+/- net new money inflow or net new money outflow	4,691	5,545
+/- price gains/losses, interest, dividends and currency gains/losses	910	13,560
+/- reallocation to other group companies	0	-10
+/- other effects	-872	-56
Total managed assets (including double-counting) at end	141,645	136,916

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	2020	2019
Breakdown by business area		
Trading profit with market risk	67,582	62,932
Trading profit without market risk	95,689	83,608
Trading profit from treasury activities	-6,737	16,930
Total result from trading activities	156,534	163,470

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

Result from trading activities from:		
Interest rate instruments	-5,902	12,522
Equity securities (including funds)	67,862	67,634
Foreign currencies	73,041	62,912
Commodities/precious metals	21,533	20,402
Total result from trading activities	156,534	163,470
of which, from fair value option	-108,161	-5,781

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

CHF 000	2020	2019
Material refinancing income in the item "Interest and discount income"	0	0
Material negative interest	38,855	40,017

Breakdown of personnel expenses

CHF 000	2020	2019
Salaries	395,585	378,565
of which, expenses relating to share-based compensation and alternative forms of variable compensation	114,849	102,611
Social charges	63,337	61,322
Changes in book value for economic benefits and obligations arising from pension schemes	0	0
Other personnel expenses	14,822	13,716
Total personnel expenses	473,744	453,603

Breakdown of general and administrative expenses

CHF 000	2020	2019
Office space expenses	24,193	24,040
Expenses for information and communications technology	16,332	15,849
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	381	528
Fees of audit firm	2,951	2,918
of which, for financial and regulatory audits	2,629	2,602
of which, for other services	322	316
Other operating expenses	74,754	84,050
of which, compensation for any cantonal guarantee	0	0
Total general and administrative expenses	118,611	127,385

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

The extraordinary income includes mainly a gross profit of CHF 103.2m generated by the sale of a building owned by the Group.

Changes in reserves for general banking risks reflect the creation of additional reserves for general banking risks.

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

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

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

CHF 000	2020			2019		
	Swiss	Foreign	Total	Swiss	Foreign	Total
Net result from interest operations	72,909	122,194	195,103	36,999	134,256	171,255
Subtotal result from commission business and services	288,603	228,896	517,499	285,262	208,778	494,040
Result from trading activities and the fair value option	130,753	25,781	156,534	136,628	26,842	163,470
Subtotal other result from ordinary activities	1,260	3,567	4,827	-130	-2,344	-2,474
Operating income	493,525	380,438	873,963	458,759	367,532	826,291
Personnel expenses	-309,345	-164,399	-473,744	-298,956	-154,647	-453,603
General and administrative expenses	-70,744	-47,867	-118,611	-75,579	-51,806	-127,385
Subtotal operating expenses	-380,089	-212,266	-592,355	-374,535	-206,453	-580,988
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	-13,826	-2,369	-16,195	-17,672	-10,721	-28,393
Changes to provisions and other value adjustments, and losses	-18,246	2,214	-16,032	-11,035	-4,576	-15,611
Operating result	81,364	168,017	249,381	55,517	145,782	201,299

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

CHF 000	2020	2019
Current income and capital tax expenses	31,869	21,792
Allocation to provisions for deferred taxes	8,979	0
Recognition of deferred income taxes	-1,109	-23
Total	39,739	21,769

The weighted average tax rate amounts to 10.3% (2019: 9.6%).

In 2020, the ordinary net tax expense effect of the use of losses carried forward was CHF 0.0 million (2019: CHF 0.0 million).



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

Report of the Statutory Auditor on the Audit of 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, 2020, and the consolidated statement of income, consolidated cash flow statement, 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, 2020 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss accounting principles applicable for Banks and comply with Swiss law.

Report on 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.

➤ Risk level similar as previous year

Loan loss provisioning**Key audit matter**

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 27.9% 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 1 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 1 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 and lending disclosures (pages 16 and 17), presentation of collaterals (page 22) and value adjustments for default and country risks (page 31) in the notes to the financial statements.

Audit response

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 1 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 valuation adjustments that, overall, were within a reasonable range of expected provision outcomes.



Bank J. Safra Sarasin Ltd
Report of the statutory auditor
on the consolidated financial statements
for the year ended
December 31, 2020

Valuation of debt securities held as financial investments

Decreased level of risk vs previous year

Key audit matter

Debt securities intended to be held until maturity represent 13.6% 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 25) in the notes to the financial statements.

Audit response

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

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.



Provisions for legal and litigation risks

➤ Risk level similar as previous year

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 (pages 18 and 19) and presentation of value adjustments (page 31) 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.



Bank J. Safra Sarasin Ltd
Report of the statutory auditor
on the consolidated financial statements
for the year ended
December 31, 2020

IT systems and controls over financial reporting

➤ Risk level similar as previous year

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.



Bank J. Safra Sarasin Ltd
Report of the statutory auditor
on the consolidated financial statements
for the year ended
December 31, 2020

Report on Other Legal Requirements

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

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

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

Deloitte AG

Sandro Schönenberger
Licensed Audit Expert
Auditor in Charge

Dr. Philippe Wüst
Licensed Audit Expert

Zurich, February 25, 2021