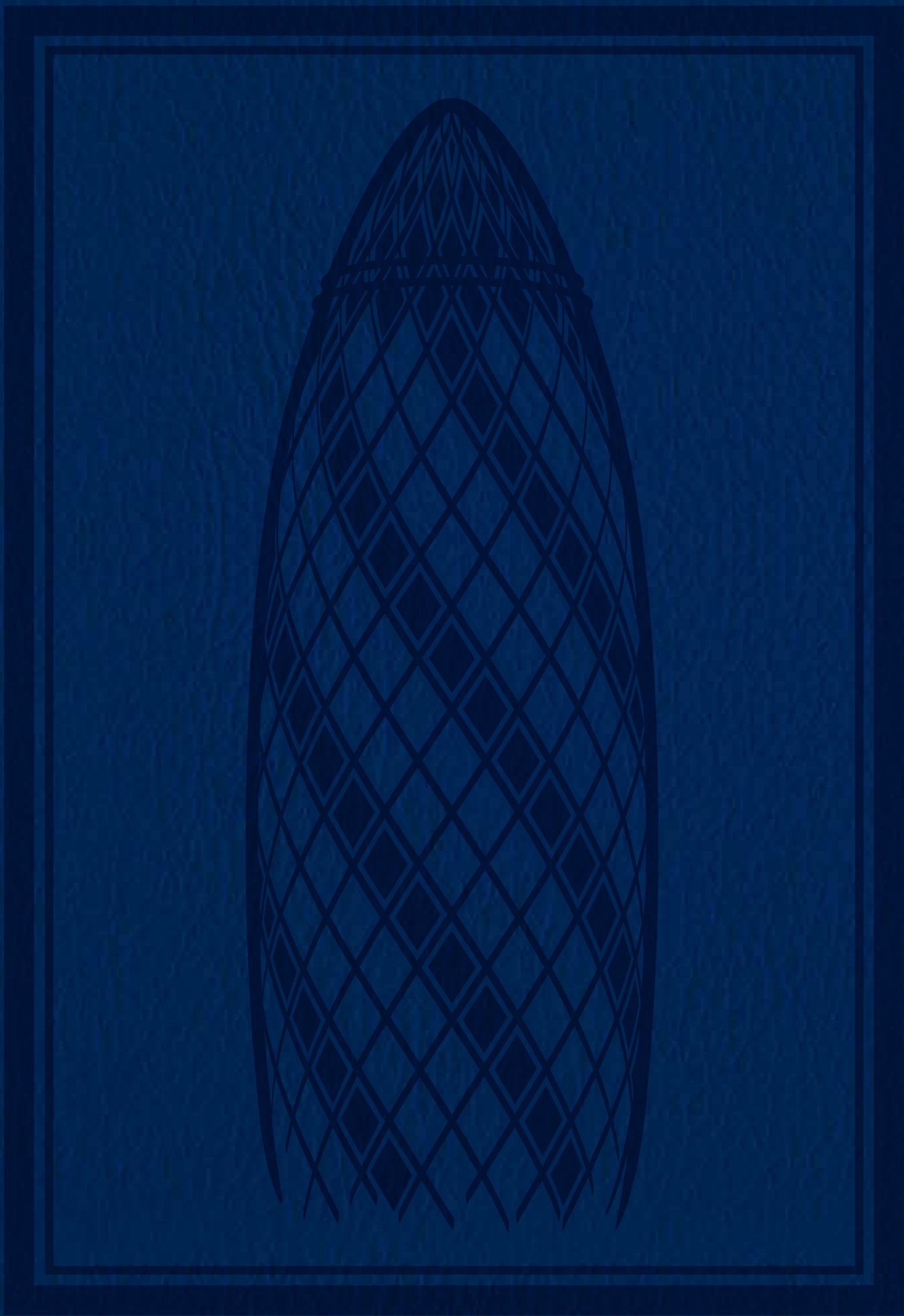
Annual Report 2021

Bank J. Safra Sarasin Ltd

J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841



Consolidated Financial Statements

Consolidated balance sheet

Assets	**31.12.2021** **CHF 000**	31.12.2020 CHF 000
Liquid assets	5,278,081	6,080,439
Amounts due from banks	4,733,859	4,896,563
Amounts due from securities financing transactions	92,482	71,272
Amounts due from customers	7,081,798	6,250,176
Mortgage loans	1,417,934	1,508,201
Trading portfolio assets	2,574,542	1,814,328
Positive replacement values of derivative financial instruments	910,598	985,790
Other financial instruments at fair value	2,273,891	1,723,620
Financial investments	6,341,952	3,991,381
Accrued income and prepaid expenses	138,487	137,590
Non-consolidated participations	37,191	37,207
Tangible fixed assets	508,844	238,538
Intangible assets	35,501	0
Other assets	112,134	57,816
Total assets	**31,537,294**	**27,792,921**
Total subordinated claims	257,859	294,518
of which subject to mandatory conversion and/or debt waiver	103,615	–

Liabilities		
Amounts due to banks	4,541,042	4,525,430
Liabilities from securities financing transactions	0	0
Amounts due in respect of customer deposits	20,149,938	17,033,411
Trading portfolio liabilities	14,013	8,939
Negative replacement values of derivative financial instruments	939,990	1,016,594
Liabilities from other financial instruments at fair value	2,164,004	1,838,105
Bond issues and central mortgage institution loans	60,415	78,250
Accrued expenses and deferred income	312,264	260,043
Other liabilities	216,546	99,339
Provisions	48,168	21,677
Reserves for general banking risks	23,380	23,380
Share capital	22,015	22,015
Capital reserve	844,797	844,797
Retained earnings reserve	1,931,194	1,715,357
Currency translation reserve	–47,708	–47,169
Minority interests in equity	31,808	35,533
Consolidated profit	285,428	317,220
of which minority interests in consolidated profit	16,912	12,948
Total liabilities	**31,537,294**	**27,792,921**
Total subordinated liabilities	134,893	–
of which subject to mandatory conversion and/or debt waiver	–	–

Consolidated off-balance sheet

CHF 000	**31.12.2021**	31.12.2020
Contingent liabilities	363,164	464,006
Irrevocable commitments	23,620	21,898
Obligations to pay up shares and make further contributions	1,652	1,652
Credit commitments	0	0

Consolidated income statement

CHF 000	**2021**	2020
Interest and discount income	111,267	158,849
Interest and dividend income from trading portfolios	0	0
Interest and dividend income from financial investments	74,226	86,947
Interest expense	5,116	–39,936
Gross result from interest operations	190,609	205,860
Changes in value adjustments for default risks and losses from interest operations	7,265	–10,757
Subtotal net result from interest operations	197,874	195,103
Commission income from securities trading and investment activities	619,604	543,403
Commission income from lending activities	2,513	2,983
Commission income from other services	48,546	42,822
Commission expense	–73,709	–71,709
Subtotal result from commission business and services	596,954	517,499
Result from trading activities and the fair value option	191,018	156,534
Result from the disposal of financial investments	245	1,477
Income from participations	4,756	1,930
of which, participations recognised using the equity method	0	0
of which, from other non-consolidated participations	4,756	1,930
Result from real estate	1,972	334
Other ordinary income	4,937	5,108
Other ordinary expenses	–18,824	–4,022
Subtotal other result from ordinary activities	–6,914	4,827
Operating income	**978,932**	**873,963**
Personnel expenses	–483,864	–473,744
General and administrative expenses	–122,333	–118,611
Operating expenses	**–606,197**	**–592,355**
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	–22,602	–16,195
Changes to provisions and other value adjustments, and losses	–32,798	–16,032
Operating result	**317,335**	**249,381**
Extraordinary income	422	109,978
Extraordinary expenses	–3	0
Changes in reserves for general banking risks	0	–2,400
Taxes	–32,326	–39,739
Consolidated profit	**285,428**	**317,220**
of which minority interests in consolidated profit	16,912	12,948

Consolidated cash flow statement

	2021		2020	
CHF 000	**Source of funds**	**Use of funds**	Source of funds	Use of funds
Consolidated profit	285,428	0	317,220	0
Change in reserves for general banking risks	0	0	2,400	0
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	22,602	0	16,195	0
Provisions and other value adjustments	26,001	0	2,658	0
Change in value adjustments for default risks and losses	0	–7,265	10,757	0
Accrued income and prepaid expenses	0	–337	8,735	0
Accrued expenses and deferred income	51,939	0	6,108	0
Other items	0	0	0	0
Previous year's dividend	0	0	0	0
Cash flow from operating activities	**378,368**		**364,073**	
Share capital	0	0	0	0
Capital reserves	0	0	0	0
Retained earnings reserve	0	–5,573	0	0
Minority interests in equity	0	–17,228	0	–12,476
Cash flow from equity transactions	**0**	**–22,801**	**0**	**–12,476**
Participating interests	0	–35	0	–12,939
Bank building	0	0	20,721	0
Other fixed assets	0	–287,353	0	–11,790
Intangible assets	0	–41,019	0	0
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets		**–328,407**		**–4,008**

	2021		2020	
CHF 000	Source of funds	Use of funds	Source of funds	Use of funds
Medium and long-term business (>1 year)				
Amounts due to banks	124,914	0	0	–145,185
Amounts due in respect of customer deposits	232,910	0	0	–53,269
Liabilities from other financial instruments at fair value	401,937	0	193,913	0
Bonds	0	0	0	0
Central mortgage institution loans	0	–14,834	0	–192,806
Loans of central issuing institutions	0	–3,001	0	–20,063
Other liabilities	117,125	0	13,912	0
Amounts due from banks	78,045	0	0	–22,934
Amounts due from customers	0	–95,072	38,766	0
Mortgage loans	73,593	0	135,696	0
Other financial instruments at fair value	0	–6,227	0	–100,525
Financial investments	983,034	0	0	–395,131
Other accounts receivable	0	–47,482	65,332	0
Short-term business				
Amounts due to banks	0	–111,568	0	–2,050,216
Liabilities from securities financing transactions	0	0	0	0
Amounts due in respect of customer deposits	2,747,205	0	2,119,180	0
Trading portfolio liabilities	5,074	0	0	–10,490
Negative replacement values of derivative financial instruments	0	–79,638	451,754	0
Liabilities from other financial instruments at fair value	0	–83,374	0	–171,474
Amounts due from banks	85,734	0	0	–605,830
Amounts due from securities financing transactions	0	–21,210	58,460	0
Amounts due from customers	0	–710,326	1,034,885	0
Trading portfolio assets	0	–757,963	0	–53,969
Positive replacement values of derivative financial instruments	77,819	0	0	–413,578
Other financial instruments at fair value	0	–536,939	0	–304,369
Financial investments	0	–3,288,541	112,758	0
Cash flow from banking operations		**–828,785**		**–315,183**
Conversion differences		**–733**		**–33**
Change in liquid assets		**–802,358**	**32,373**	

CHF 000	31.12.2021	31.12.2020
Liquid assets at beginning of the year (cash)	**6,080,439**	6,048,066
Liquid assets at the end of the year (cash)	**5,278,081**	6,080,439
Change in liquid assets	**–802,358**	**32,373**

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 01.01.2021	**22,015**	**844,797**	**2,019,629**	**23,380**	**–47,169**	**48,481**		**2,911,133**
Effect of reclassification[1]			–82,861			–4		–82,865
Currency translation differences					–539	559		20
Dividends and other distributions						–12,593		–12,593
Transactions with minority shareholders			–5,574			–4,635		–10,209
Consolidated profit						16,912	268,516	285,428
Equity on 31.12.2021	**22,015**	**844,797**	**1,931,194**	**23,380**	**–47,708**	**48,720**	**268,516**	**3,090,914**

[1] See Consolidated notes “Changes in accounting and valuation principles”.

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 Accounting Ordinance of the Swiss Financial Market Supervisory Authority (FINMA-AccO) and the accounting rules for banks, investment firms, financial groups and conglomerates pursuant to FINMA Circular 2020/1. Capital adequacy disclosures under FINMA Circular 2016/1 are published on our website www.jsafrasarasin.com.

Changes in accounting and valuation principles

The Group adopted the Accounting Ordinance of the Swiss Financial Market Supervisory Authority (FINMA-AccO) which introduced a revised approach towards value adjustments for default risks. Changes were fully recognised and implemented in these financial statements with effect from 1 January 2021. Comparative information, as far as affected, was not adjusted. Adoption specifically included the formation of value adjustments for inherent risks of default on non-impaired receivables and provisions for inherent risks of default of off-balance sheet positions. Such value adjustments and provisions are designed to provide for not yet incurred losses that implicitly exist in the credit business.

For positions with a published rating (e.g. due from bank, financial investments and money market investments), the value adjustment for inherent default risk is calculated by multiplying the Exposures at Default * Probability of Default * Loss Given Default.

The three parameters are defined as follows:

- Probability of Default (PD): the default rates by rating and by tenor published in the "Moody's annual default study"
- Exposure at Default (EAD): the balance positions reported on the balance sheet date
- Loss Given Default (LGD): average bond and loan recoveries from 1983 to 2018 published in the "Moody's annual default study".

For positions with no published rating (e.g. due from clients, mortgages, guarantees), the value adjustment for inherent default risk is based on the risk classification of the underlying credit exposure. Each of the 7 Credit Risk Classes ("CRC") – CRC 1 being standard – has an inherent default risk factor based on the probability of default and loss given default of the net exposure. The higher the risk class, the riskier the underlying credit exposure and the respective inherent default risk factor. The highest CRC is not considered in the inherent risk calculation as it is the CRC non-performing loans which already are provisioned. The inherent default risk factors are based on market benchmark comparison and historic default analysis of the lombard and mortgage portfolios. For the lombard loan portfolio, the PD and LGD factors cannot be monitored from market data as for e.g. issuers, so to derive the risk factor a combination of knowledge of our book and market sources (available peer comparison) is used. For the mortgage book published LGD and PD figures since 1990 could also be taken into consideration to derive the final risk figures.

Inherent default risk factors are determined separately for the Lombard and Mortgage categories. Accounts which are already provisioned specifically are excluded from the inherent default risk calculation.

Value adjustments for inherent default risks are calculated on the book value of the positions and are deducted from the corresponding asset in the balance sheet. The adoption led to a one-time recognition of value adjustments and provisioning for inherent default risks of CHF 82.9 million (net of deferred tax) against retained earnings. Value adjustments and provisions for inherent default risks are reassessed quarterly and changes recognised in the income statement as changes in value adjustments for default risks and losses from interest operations.

Value adjustments for inherent default risks can be used for the establishment of individual value adjustments on impaired receivables. Amounts used must be restored within 5 years at the latest.

The determined level of value adjustments and provisioning for inherent default risks is fully provided as at balance sheet date (no shortfall).

All other accounting and valuation principles are unchanged.

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	31.12.2021	31.12.2020
USD/CHF	0.911	0.884
EUR/CHF	1.036	1.082

Outright forward exchange contracts are translated at the residual exchange rate prevailing 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:

	2021	2020
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-risk management standard 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, issuing the necessary rules and regulations, and ensuring that the Group has adequate 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 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, testing and reviews of the first, second and third lines of defence are assessed and revised if necessary. These, together with other mitigating factors, will serve to derive the residual risks which are reported by risk category as defined in the Risk Management Framework.

Risk tolerance, defined as the level of risk that the Group is prepared to assume to achieve its business objectives, is determined for each risk category defined in the Risk Management Framework. Corresponding limits and Key Risk Indicators ("KRI"s) 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 enforce the risk culture. Those policies and related documents define the operating limits and describe the procedures to follow in case of breaches. Training and e-learning are also designed to educate and inform personnel on risks and restrictions as well as controls 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 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 align with the defined risk tolerance and risk limits. In addition, the ARC is responsible for assessing the effectiveness of 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 monitoring the Group's risk profile. When evaluating risks, the Risk Committee considers 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 reviewing 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.

The **IT Risk Committee** addresses IT and Cyber risks. It monitors the cyber threat landscape changes, adapts the control environment when necessary, and follows up on the initiatives and projects aiming to reduce those risks.

All operational committees comprise 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 as well as some specific control units. The second line is assured by independent control units, with unlimited access to information. Finally, the third line of defence is provided by the Internal Audit function.

Independent controls are executed by Risk Office 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 departments that analyse the risks assumed by the business units and monitor adherence to limits act independently from the business units taking decisions on the level and extent of risk exposure. 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. Risk Office 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, cyber & IT and other risks. It anticipates risk, makes recommendations and takes necessary measures to maintain the risk profile within the Group's risk appetite limits. It is responsible for ensuring compliance of all business units with the risk management process and best practices. 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, the Group Executive Board and business units.

The Legal & Compliance function supports the Group Executive Board and the management of 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 the 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.

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 requirements 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.

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 a 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 "appetite statement" context 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. They result from the combination of shocks applied for each significant type of risk to which the Group is exposed. 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, IT and information security risks, including Business Continuity Management ("BCM")
- Legal and compliance risk, including conduct risk
- Business and strategic risks, including Environmental, Social and Goverance ("ESG") risks
- Reputational risk.

Market risk

Market risk refers to the risk of a loss due to changes in market 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 predefined regulatory 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 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 tests verify the impact of larger outflows combined with the deterioration of Group assets.

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 an individual Group company. Such potential counterparty failures may result in financial losses for the Group.

Lending business with clients

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

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

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

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 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.

It is the Group's aim and constant objective to establish and maintain an effective security infrastructure with up-to-date systems and technology. In parallel, the Group has put in place a robust IT and information security risk management governance, implementing adequate controls for mitigating identified risks and providing continuous guidance and training for staff in this area.

The Group has defined and implemented operating principles, guidelines and procedures that are effective and operational. An IT and information security risk reporting and decision-making process is in place, ensuring that the governing bodies as well as operational functions address those risks as required.

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 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 of reputation that 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.

Among business and strategic risks, including ESG risks, are being actively addressed by a strong corporate governance, a broad variety of investment offerings, a sustainable corporate culture, and the efficient management of resources.

For further information, please refer to the Sustainability Report on page 88.

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.

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 tracked by means of 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 statistics. 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 the 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 risks 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
In February 2022, the Group acquired the remaining shares in bank zweiplus ltd (42.50%). No further events affecting the balance sheet or income statement are to be reported for the financial year 2021.

Consolidated notes – Information on the balance sheet

Breakdown of securities financing transactions (assets and liabilities)

CHF 000	**2021**	2020
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions (before netting agreements)	92,482	71,272
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	965,340	551,151
with unrestricted right to resell or pledge	965,340	551,151
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	2,115,464	208,488
of which, repledged securities	4,377	230
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	402,430	7,039,390	37,211	7,479,031
Mortgage loans				
Residential property	651,425	0	0	651,425
Office and business premises	567,552	0	0	567,552
Trade and industry	216,403	0	0	216,403
Others	1,240	0	0	1,240
Total loans (before netting with value adjustments)				
Current year	**1,839,050**	**7,039,390**	**37,211**	**8,915,651**
Previous year	1,860,337	6,197,741	36,505	8,094,583
Total loans (after netting with value adjustments)				
Current year	**1,608,861**	**6,889,533**	**1,338**	**8,499,732**
Previous year	1,668,668	6,088,609	1,100	7,758,377
Off-balance-sheet transactions				
Contingent liabilities	0	305,895	57,269	363,164
Irrevocable commitments	0	23,620	0	23,620
Obligations to pay up shares and make further contributions	0	0	1,652	1,652
Total current year	**0**	**329,515**	**58,921**	**388,436**
Previous year	0	478,588	8,968	487,556

Impaired loans

CHF 000	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Current year	**546,041**	**190,927**	**355,114**	**355,114**
Previous year	496,673	160,467	336,206	336,206

See note “Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year” for the full presentation of value adjustments for default and country risks (i.e. including value adjustments for inherent default risks).

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

CHF 000	**31.12.2021**	31.12.2020
Assets		
Trading portfolios		
Debt securities, money market securities/ transactions	1,186,967	809,423
of which, listed	329,513	3,028
Equity securities	879,797	435,052
Precious metals and commodities	490,267	489,358
Other trading portfolio assets	17,511	80,495
Other financial instruments at fair value		
Debt securities	425,246	366,122
Structured products	0	0
Other	1,848,645	1,357,498
Total assets	**4,848,433**	**3,537,948**
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	269	0
of which, listed	269	0
Equity securities	13,743	8,938
Precious metals and commodities	0	0
Other trading portfolio liabilities	1	1
Other financial instruments at fair value		
Debt securities	437,676	380,552
Structured products	0	0
Other	1,726,328	1,457,553
Total liabilities	**2,178,017**	**1,847,044**
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	66	41	14,262
Swaps	328,334	318,292	12,044,636
Total interest rate instruments	**328,400**	**318,333**	**12,058,898**
Foreign exchange			
Forward agreements	26,983	23,925	3,645,692
Combined interest/currency swaps	291,199	323,612	32,309,753
Futures	0	0	841,219
Options (OTC)	53,061	52,630	5,804,749
Total foreign exchange	**371,243**	**400,167**	**42,601,413**
Equity securities/indices			
Forward agreements	492	503	37,044
Futures	49	54	0
Options (OTC)	130,991	133,959	2,339,856
Options (exchange traded)	48,978	65,891	1,855,995
Total equity securities/indices	**180,510**	**200,407**	**4,232,895**
Precious metals			
Forward agreements	836	1,035	61,844
Swaps	8,248	8,192	340,950
Options (OTC)	17,477	9,804	1,171,101
Total precious metals	**26,561**	**19,031**	**1,573,895**
Credit derivatives			
Credit default swaps	0	0	0
Total credit derivatives	**0**	**0**	**0**
Other			
Forward agreements	100	221	61,159
Total other	**100**	**221**	**61,159**
Total trading instruments before netting agreements on 31.12.2021	**906,814**	**938,159**	**60,528,260**
Total trading instruments before netting agreements on 31.12.2020	985,474	1,012,932	52,262,509
Hedge instruments			
Interest rate instruments			
Swaps	3,784	1,831	417,274
Total hedge instruments on 31.12.2021	**3,784**	**1,831**	**417,274**
Total hedge instruments on 31.12.2020	316	3,662	147,437
Total before netting agreements on 31.12.2021	**910,598**	**939,990**	**60,945,534**
of which, determined using a valuation model	0	0	–
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 after netting agreements on 31.12.2021	**356,060**	**539,775**	
Total after netting agreements on 31.12.2020	536,875	732,566	

Breakdown by counterparty	Central clearing houses	Banks and securities dealers	Other customers
CHF 000			
Positive replacement values (after netting agreements) on 31.12.2021	**51,434**	**291,761**	**12,865**
Positive replacement values (after netting agreements) on 31.12.2020	0	505,330	31,544

Financial investments

CHF 000	**Book value 31.12.2021**	**Fair value 31.12.2021**	Book value 31.12.2020	Fair value 31.12.2020
Debt securities	6,151,954	6,226,294	3,791,134	3,854,375
of which, intended to be held until maturity	6,151,954	6,226,294	3,791,134	3,854,375
of which, not intended to be held to maturity (available for sale)	0	0	0	0
Equity securities	146,487	262,275	141,068	254,141
of which, qualified participations	0	0	0	0
Precious metals	0	0	0	0
Real estate	43,511	43,511	59,179	59,179
Total financial investments	**6,341,952**	**6,532,080**	**3,991,381**	**4,167,695**
of which, securities eligible for repo transactions in accordance with liquidity regulations	**217,863**		**119,472**	

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 31.12.2021	**3,719,329**	**1,288,896**	**524,445**	**460,861**	**0**	**158,423**
Book value on 31.12.2020	498,954	1,185,484	572,023	689,261	0	845,412

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 31.12.2020	Reclassi-fications	Additions	Disposals	Value adjustments	**Book value as at 31.12.2021**	Market value
Participations valued using the equity method									
with market value	0	0	0	0	0	0	0	0	0
without market value	0	0	0	0	0	0	0	0	–
Other participations									
with market value	37,472	–265	37,207	0	0	–16	0	37,191	162,939
without market value	0	0	0	0	0	0	0	0	–
Total participations	**37,472**	**–265**	**37,207**	**0**	**0**	**–16**	**0**	**37,191**	**162,939**

Significant participating interests

	Place of incorporation	Activity	Currency	Share capital ’000s	% of equity/ votes	Direct/ indirect ownership
Fully consolidated participating interests						
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% [2]	indirect
Sarasin & Partners LLP	London	Asset Management	GBP	15,051	60.00% [2]	indirect
Sarasin Asset Management Ltd	London	Asset Management	GBP	250	60.00% [2]	indirect
Sarasin U.S. Services Ltd	London	Advisory	GBP	0,1	60.00% [2]	indirect
Sarasin Investment Funds Ltd	London	Fund Management	GBP	250	60.00% [2]	indirect
Sarasin Funds Management (Ireland) Ltd	Dublin	Fund Management	GBP	500	60.00% [2]	indirect
JSS Administradora de Recursos Ltda.	Sao Paulo	Advisory	BRL	1,711	100.00%	indirect
JSS Global Real Estate Co S.à.r.l.	Luxembourg	Fund Management	EUR	125	100.00%	indirect
J. Safra Sarasin Investmentfonds Ltd	Basel	Fund Management	CHF	4,000	100.00%	indirect
J. Safra Sarasin Fund Management (Luxembourg) S.A.	Luxembourg	Fund Management	EUR	1,500	100.00%	indirect
Place de Hollande SA[1]	Geneva	Real Estate	EUR	1,500	100.00%	indirect

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

[1] Consolidated for the first time.
[2] Voting rights.

Tangible fixed assets

CHF 000	Acquisition costs	Accumulated depreciation	Book value as at 31.12.2020	Change in scope of consolidation	Reclassi-fications	Additions	Disposals	Depreciation	**Book value as at 31.12.2021**
Real estate: bank buildings	267,268	–79,341	187,927	0	0	0	0	–4,474	183,453
Real estate: other real estate	4,985	–2,078	2,907	0	0	278,572	0	–1,044	280,435
Proprietary or separately acquired software	25,235	–14,947	10,288	0	0	3,817	4	–4,845	9,264
Other fixed assets	102,597	–65,181	37,416	0	0	4,961	85	–6,770	35,692
Tangible assets acquired under finance leases:	0	0	0	0	0	0	0	0	0
of which, bank buildings	0	0	0	0	0	0	0	0	0
of which, other real estate	0	0	0	0	0	0	0	0	0
of which, other tangible fixed assets	0	0	0	0	0	0	0	0	0
Total fixed assets	**400,085**	**–161,547**	**238,538**	**0**	**0**	**287,350**	**89**	**–17,133**	**508,844**

Operating leases

CHF 000	**31.12.2021**	31.12.2020
Remaining maturity <1 year	13,431	12,537
Remaining maturity 1–5 years	23,587	33,467
Remaining maturity >5 years	313	849
Total liabilities from operating lease	**37,331**	**46,853**
of which, remaining maturity <1 year that can be terminated within one year	227	312

Intangible assets

CHF 000	Acquisition costs	Accumulated amortisation	Book value as at 31.12.2020	Reclassi-fications	Additions	Disposals	Amortisation	**Book value as at 31.12.2021**
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	15,196	–15,196	0	0	41,117[1]	–147	–5,469	35,501
Total intangible assets	**15,196**	**–15,196**	**0**	**0**	**41,117**	**–147**	**–5,469**	**35,501**

[1] The Group acquired the private banking business of Bank of Montreal in Hong Kong and Singapore by way of an asset purchase agreement. The acquisition includes clients and their experienced relationship management teams.

Other assets/Other liabilities

CHF 000	**31.12.2021**	31.12.2020
Other assets		
Compensation account	6,307	14,659
Deferred income taxes recognised as assets	9,818	2,783
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	96,009	40,374
Total	**112,134**	**57,816**
Other liabilities		
Compensation account	15,777	674
Others	200,769	98,665
Total	**216,546**	**99,339**

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

CHF 000	**Book value 31.12.2021**	**Effective commitment 31.12.2021**	Book value 31.12.2020	Effective commitment 31.12.2020
Financial instruments	922,130	630,273	354,848	326,674
Other assets	491,049	412,246	415,506	415,506
Total pledged assets	**1,413,179**	**1,042,519**	**770,354**	**742,180**

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	**31.12.2021**	31.12.2020
Liabilities to own pension plans	**16,447**	**25,565**

Pension schemes

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

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

The Group does not have any patronage funds.

Employer's contribution reserves (ECR)

CHF 000	**Nominal value 31.12.2021**	**Renunciation of use 31.12.2021**	**Creation 2021**	**Balance sheet 31.12.2021**	Balance sheet 31.12.2020	**Result from ECR in personnel expenses 2021**	Result from ECR in personnel expenses 2020
Patronage funds/pension schemes	**0**	**0**	**0**	**0**	0	**0**	0

Economic benefit / economic obligation and pension benefit expenses

CHF 000	**Surplus/ (deficit) 31.12.2021**[1]	**Economical part of the organisation 31.12.2021**	Economical part of the organisation 31.12.2020	**Change in the prior-year period or recognised in the current result of the period**	**Contributions concerning the business period**	**Pension benefit expenses within personnel expenses 2021**	Pension benefit expenses within personnel expenses 2020
Pension schemes							
with surplus	**112,966**	**0**	0	**0**	**23,534**	**23,534**	24,395
without surplus/(deficit)	**0**	**0**	0	**0**	**8,619**	**8,619**	7,445
Total	**112,966**	**0**	0	**0**	**32,153**	**32,153**	31,840

[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 2020.

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

Presentation of issued structured products

Underlying risk of the embedded derivative

CHF 000	Valued separately: Value of the host instrument	Valued separately: Value of the derivative	Total 31.12.2021	Valued separately: Value of the host instrument	Valued separately: Value of the derivative	Total 31.12.2020
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)	**587,309**	**–9,889**	**577,420**	590,794	–22,881	567,913
Without oDC	**0**	**0**	**0**	0	0	0
Foreign currencies						
With own debenture component (oDC)	**289,357**	**–823**	**288,534**	223,469	–464	223,005
Without oDC	**0**	**0**	**0**	0	0	0
Commodities/precious metals						
With own debenture component (oDC)	**62,622**	**–223**	**62,399**	47,796	–163	47,633
Without oDC	**0**	**0**	**0**	0	0	0
Total	**939,288**	**–10,935**	**928,353**	862,059	–23,508	838,551

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	2021	no	0%	2022	56,412
Bank J. Safra Sarasin Ltd	Non-subordinated mortgage-backed bonds	2012–2013	no	1.36%	2023-2024	4,003

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	56,412	2,000	2,003	0	0	0	**60,415**

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

CHF 000	Balance as at 31.12.2020	Use in conformity with designated purpose	Reclassifications[1]	Change in scope of consolidation	Currency differences	Past due interest, recoveries	New creations charged to income	Release to income	**Balance as at 31.12.2021**
Provisions									
Provisions for deferred taxes	8,979	0	0	0	0	0	0	–174	8,805
Provisions for pension benefit obligations	0	0	0	0	0	0	0	0	0
Provisions for inherent default risks (off-balance sheet)	0	0	490	0	0	0	158	–5	643
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	11,519	–5,016	0	0	0	0	31,038	0	37,541
Total provisions	**21,677**	**–5,016**	**490**	**0**	**0**	**0**	**31,196**	**–179**	**48,168**
Reserves for general banking risks	**23,380**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**23,380**
Value adjustments for default and country risks									
Value adjustments for default risks in respect of impaired loans / receivables	336,206	–25	0	0	–3,415	22,567	1,994	–2,214	355,113
Value adjustments for inherent default risks	0	0	91,907	0	0	0	14,957	–22,001	84,863
Value adjustments for default risks in respect of banks and financial investments	884	0	0	0	0	27	–1	0	910
Total value adjustments for default and country risks	**337,090**	**–25**	**91,907**	**0**	**–3,415**	**22,594**	**16,950**	**–24,215**	**440,886**

[1] First time adoption of inherent default risks (see Consolidated notes: “Changes in accounting and valuation principles”).

Disclosure of amounts due from/to related parties

	Amounts due from		Amounts due to	
CHF 000	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Holders of qualified participations	–	–	200	1,389
Group companies	–	–	–	–
Linked companies	3,521,733	3,591,690	3,969,991	3,941,060
Transactions with members of governing bodies	70,409	8,664	76,375	11,101
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	5,278,081	0	0	0	0	0	0	5,278,081
Amounts due from banks	1,572,181	155,415	2,826,142	76,511	0	103,610	0	4,733,859
Amounts due from securities financing transactions	68,280	0	0	0	0	24,202	0	92,482
Amounts due from customers	886,841	0	5,186,815	660,735	283,943	63,464	0	7,081,798
Mortgage loans	1,398	0	735,706	97,628	518,425	64,777	0	1,417,934
Trading portfolio assets	2,574,542	0	0	0	0	0	0	2,574,542
Positive replacement values of derivative financial instruments	910,598	0	0	0	0	0	0	910,598
Other financial instruments at fair value	2,273,891	0	0	0	0	0	0	2,273,891
Financial investments	188,873	0	4,043,318	521,135	1,249,258	339,368	0	6,341,952
Total 31.12.2021	**13,754,685**	**155,415**	**12,791,981**	**1,356,009**	**2,051,626**	**595,421**	**0**	**30,705,137**
Total 31.12.2020	13,212,762	232,949	9,387,625	1,042,036	2,466,516	979,882	0	27,321,770
Due to banks	996,604	0	3,142,088	28,495	333,024	40,831	0	4,541,042
Liabilities from securities financing transactions	0	0	0	0	0	0	0	0
Amounts due in respect of customer deposits	17,447,085	65,858	1,893,661	490,901	117,540	134,893	0	20,149,938
Trading portfolio liabilities	14,013	0	0	0	0	0	0	14,013
Negative replacement values of derivative financial instruments	939,990	0	0	0	0	0	0	939,990
Liabilities from other financial instruments at fair value	2,164,004	0	0	0	0	0	0	2,164,004
Bond issues and central mortgage institution loans	0	0	56,412	0	4,003	0	0	60,415
Total 31.12.2021	**21,561,696**	**65,858**	**5,092,161**	**519,396**	**454,567**	**175,724**	**0**	**27,869,402**
Total 31.12.2020	18,511,295	397,105	4,758,571	561,246	236,896	35,616	0	24,500,729

Assets and liabilities by domestic and foreign origin

	31.12.2021		31.12.2020	
CHF 000	Swiss	Foreign	Swiss	Foreign
Assets				
Liquid assets	5,270,372	7,709	6,065,435	15,004
Amounts due from banks	251,645	4,482,214	220,691	4,675,872
Amounts due from securities financing transactions	0	92,482	0	71,272
Amounts due from customers	1,155,145	5,926,653	1,015,234	5,234,942
Mortgage loans	541,709	876,225	673,403	834,798
Trading portfolio assets	1,283,160	1,291,382	824,405	989,923
Positive replacement values of derivative financial instruments	126,822	783,776	146,558	839,232
Other financial instruments at fair value	1,080,188	1,193,703	835,137	888,483
Financial investments	244,550	6,097,402	345,323	3,646,058
Accrued income and prepaid expenses	80,660	57,827	72,498	65,092
Non-consolidated participations	28,848	8,343	28,864	8,343
Tangible fixed assets	504,671	4,173	235,432	3,106
Intangible assets	0	35,501	0	0
Other assets	83,233	28,901	30,563	27,253
Total assets	**10,651,003**	**20,886,291**	**10,493,543**	**17,299,378**
Liabilities				
Amounts due to banks	145,781	4,395,261	205,792	4,319,638
Liabilities from securities financing transactions	0	0	0	0
Amounts due in respect of customer deposits	5,107,797	15,042,141	4,248,815	12,784,596
Trading portfolio liabilities	8,010	6,003	2,511	6,428
Negative replacement values of derivative financial instruments	160,439	779,551	84,300	932,294
Liabilities from other financial instruments at fair value	1,726,328	437,676	1,457,554	380,551
Bond issues and central mortgage institution loans	60,415	0	78,250	0
Accrued expenses and deferred income	241,960	70,304	203,647	56,396
Other liabilities	155,693	60,853	57,467	41,872
Provisions	48,003	165	21,677	0
Reserves for general banking risks	23,380	0	23,380	0
Share capital	22,015	0	22,015	0
Capital reserve	844,797	0	844,797	0
Retained earnings reserve	1,280,495	650,699	1,085,114	630,243
Currency translation reserve	–776	–46,932	–776	–46,393
Minority interests in equity	23,536	8,272	23,264	12,269
Consolidated profit	81,457	203,971	157,978	159,242
Total liabilities	**9,929,330**	**21,607,964**	**8,515,785**	**19,277,136**

Assets by countries/country groups

	31.12.2021		31.12.2020	
CHF 000	**Total**	**Part as a %**	Total	Part as a %
Europe	6,038,173	19.1%	5,130,864	18.5%
Americas	10,172,332	32.3%	8,367,537	30.0%
Asia	4,419,825	14.0%	3,562,006	12.8%
Others	255,961	0.8%	238,971	0.9%
Total foreign assets	**20,886,291**	**66.2%**	**17,299,378**	**62.2%**
Switzerland	10,651,003	33.8%	10,493,543	37.8%
Total assets	**31,537,294**	**100.0%**	**27,792,921**	**100.0%**

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

	31.12.2021		31.12.2020	
	Net foreign exposure CHF 000	Part as a %	Net foreign exposure CHF 000	Part as a %
Standard & Poor's				
AAA to AA–	6,456,023	98.5%	2,031,489	90.1%
A+ to A–	99,995	1.5%	222,744	9.9%
Total net foreign assets	**6,556,018**	**100.0%**	**2,254,233**	**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	5,270,363	1,727	316	5,675	5,278,081
Amounts due from banks	703,261	1,373,473	1,388,497	1,268,628	4,733,859
Amounts due from securities financing transactions	0	68,280	24,202	0	92,482
Amounts due from customers	1,088,413	1,181,913	3,509,012	1,302,460	7,081,798
Mortgage loans	461,934	278,826	13,792	663,382	1,417,934
Trading portfolio assets	870,789	10,275	24,280	1,669,198	2,574,542
Positive replacement values of derivative financial instruments	328,962	93,481	416,150	72,005	910,598
Other financial instruments at fair value	1,008,187	128,841	880,136	256,727	2,273,891
Financial investments	502,107	443,617	4,153,697	1,242,531	6,341,952
Accrued income and prepaid expenses	27,534	29,930	46,978	34,045	138,487
Non-consolidated participations	28,848	8,343	0	0	37,191
Tangible fixed assets	504,759	21	1,604	2,460	508,844
Intangible assets	0	0	35,501	0	35,501
Other assets	77,943	2,951	6,373	24,867	112,134
Total balance sheet assets	**10,873,100**	**3,621,678**	**10,500,538**	**6,541,978**	**31,537,294**
Delivery entitlements from spot exchange, forward forex and forex options transactions	8,854,644	7,852,810	16,280,377	5,373,437	38,361,268
Total assets 31.12.2021	**19,727,744**	**11,474,488**	**26,780,915**	**11,915,415**	**69,898,562**
Liabilities					
Amounts due to banks	2,643,773	144,873	772,159	980,237	4,541,042
Liabilities from securities financing transactions	0	0	0	0	0
Amounts due in respect of customer deposits	2,936,663	2,835,294	10,824,770	3,553,211	20,149,938
Trading portfolio liabilities	10,206	–720	4,509	18	14,013
Negative replacement values of derivative financial instruments	362,368	89,815	433,344	54,463	939,990
Liabilities from other financial instruments at fair value	841,286	209,249	1,043,821	69,648	2,164,004
Bond issues and central mortgage institution loans	60,415	0	0	0	60,415
Accrued expenses and deferred income	171,230	37,029	50,884	53,121	312,264
Other liabilities	41,810	4,032	123,505	47,199	216,546
Provisions	48,021	0	147	0	48,168
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	1,805,023	48,061	72,034	6,076	1,931,194
Currency translation reserve	–776	–17,721	–7,197	–22,014	–47,708
Minority interests in equity	23,535	0	0	8,273	31,808
Consolidated profit	130,271	48,046	17,935	89,176	285,428
Total balance sheet liabilities	**9,964,017**	**3,397,958**	**13,335,911**	**4,839,408**	**31,537,294**
Delivery obligations from spot exchange, forward forex and forex options transactions	9,823,585	8,140,733	13,486,972	6,920,090	38,371,380
Total liabilities 31.12.2021	**19,787,602**	**11,538,691**	**26,822,883**	**11,759,498**	**69,908,674**
Net currency positions 31.12.2021	**–59,858**	**–64,203**	**–41,968**	**155,917**	**–10,112**

Consolidated notes – Information on off-balance-sheet transactions

Breakdown and explanation of contingent assets and liabilities

CHF 000	**31.12.2021**	31.12.2020
Guarantees to secure credits and similar	264,215	386,796
Performance guarantees and similar	96,932	75,003
Irrevocable commitments arising from documentary letters of credit	0	0
Others	2,017	2,207
Total contingent liabilities	**363,164**	**464,006**
Contingent assets arising from tax losses carried forward	16,069	18,039
Other contingent assets	0	0
Total contingent assets	**16,069**	**18,039**

Breakdown of credit commitments

CHF 000	**31.12.2021**	31.12.2020
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	**31.12.2021**	31.12.2020
Fiduciary investments with third-party banks	1,251,352	1,432,211
Fiduciary investments with linked companies	305,472	238,788
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	**1,556,824**	**1,670,999**

Breakdown of managed assets and presentation of their development

CHF million	**2021**	2020
Type of managed assets		
Assets in collective investment schemes by the Group	24,611	19,205
Assets under discretionary asset management agreements	33,965	27,955
Other managed assets	111,043	94,485
Total managed assets (including double-counting)	**169,619**	**141,645**
Of which double-counted items	17,454	13,467

Development of managed assets		
Total managed assets (including double-counting) at beginning	141,645	136,916
+/– net new money inflow or net new money outflow	13,497	4,691
+/– price gains/losses, interest, dividends and currency gains/losses	13,835	910
+/– reallocation to other group companies	0	0
+/– other effects	642	–872
Total managed assets (including double-counting) at end	**169,619**	**141,645**

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	**2021**	2020
Breakdown by business area		
Trading profit with market risk	62,727	67,582
Trading profit without market risk	122,950	95,689
Trading profit from treasury activities	5,341	–6,737
Total result from trading activities	**191,018**	**156,534**

Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
Interest rate instruments	29,485	–5,902
Equity securities (including funds)	91,178	67,862
Foreign currencies	58,909	73,041
Commodities/precious metals	11,446	21,533
Total result from trading activities	**191,018**	**156,534**
of which, from fair value option	86,782	–108,161

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

CHF 000	**2021**	2020
Material refinancing income in the item “Interest and discount income”	0	0
Material negative interest	42,382	38,855

Breakdown of personnel expenses

CHF 000	**2021**	2020
Salaries	404,806	395,585
of which, expenses relating to share-based compensation and alternative forms of variable compensation	114,193	114,849
Social charges	63,937	63,337
Changes in book value for economic benefits and obligations arising from pension schemes	0	0
Other personnel expenses	15,121	14,822
Total personnel expenses	**483,864**	**473,744**

Breakdown of general and administrative expenses

CHF 000	**2021**	2020
Office space expenses	20,960	24,193
Expenses for information and communications technology	18,920	16,332
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	275	381
Fees of audit firm	3,224	2,951
of which, for financial and regulatory audits	2,848	2,629
of which, for other services	376	322
Other operating expenses	78,954	74,754
of which, compensation for any cantonal guarantee	0	0
Total general and administrative expenses	**122,333**	**118,611**

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

2021: –

2020: The extraordinary income includes mainly a gross profit of CHF 103.2m generated by the sale of a building owned by the Group.

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

	2021			2020		
CHF 000	**Swiss**	**Foreign**	**Total**	Swiss	Foreign	Total
Subtotal net result from interest operations	64,403	133,471	197,874	72,909	122,194	195,103
Subtotal result from commission business and services	312,680	284,274	596,954	288,603	228,896	517,499
Result from trading activities and the fair value option	137,984	53,034	191,018	130,753	25,781	156,534
Subtotal other result from ordinary activities	–5,173	–1,741	–6,914	1,260	3,567	4,827
Operating income	**509,894**	**469,038**	**978,932**	**493,525**	**380,438**	**873,963**
Personnel expenses	–298,233	–185,631	–483,864	–309,345	–164,399	–473,744
General and administrative expenses	–74,344	–47,989	–122,333	–70,744	–47,867	–118,611
Operating expenses	**–372,577**	**–233,620**	**–606,197**	**–380,089**	**–212,266**	**–592,355**
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	–15,354	–7,248	–22,602	–13,826	–2,369	–16,195
Changes to provisions and other value adjustments, and losses	–32,117	–681	–32,798	–18,246	2,214	–16,032
Operating result	**89,846**	**227,489**	**317,335**	**81,364**	**168,017**	**249,381**

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

CHF 000	**2021**	2020
Current income and capital tax expenses	29,994	31,869
Allocation to provisions for deferred taxes	–174	8,979
Recognition of deferred income taxes	2,506	–1,109
Total	**32,326**	**39,739**

The weighted average tax rate amounts to 9.0% (2020: 10.3%).

In 2021, the ordinary net tax expense effect of the use of losses carried forward was CHF 0.0 million (2020: 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, 2021, 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, 2021 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.

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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.

Loan loss provisioning

Risk level similar as previous year

Key audit matter	Audit response
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 27.7% of total assets. We identified impaired loans, loans secured with other undiversified collateral, uncollateralized loans with an outstanding amount higher than CHF 1 million as well as the approach towards inherent default risks 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 allow 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 and inherent value adjustments are highly dependent on robust controls and subject to significant managerial judgement *See credit risk and lending disclosures (pages 15 and 16), presentation of collaterals (page 21) and value adjustments for default and country risks (page 36) in the notes to the financial statements.*	We tested the design and operating effectiveness of key controls related to identification of default risk and recognition of loan loss provisions. Substantive procedures included the following: • Tested a sample of loans (including loans not identified as potentially impaired) to form our own assessment whether impairments had been timely and adequately recognized • Compared collateral valuations with independent appraisals or observable market data • Checked whether uncollateralized loans with an outstanding amount higher than CHF 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 valuation adjustments and 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 default risk valuation adjustments and provisions that, overall, were within a reasonable range of expected provision outcomes.

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Valuation of financial instruments and debt securities held as financial investments

Risk level similar as previous year

Key audit matter

1. Trading portfolios, financial instruments at fair value and positive replacement values of derivative financial instruments represent 18.3% of total assets.

Whilst none of these assets (or related liabilities) are determined using a valuation model, determination of fair values for these positions, incl. related to self-issued structured products without inherent derivatives and associated hedging activities (items "Other financial instruments at fair value"and "Liabilities from other financial instruments at fair value"), is of greater complexity and more judgemental.

See breakdown of trading portfolios and other financial instruments at fair value disclosures (page 23 and derivative financial instruments and issued structured products disclosures (page 24 resp. 30) in the notes to the financial statements.

2. Debt securities intended to be held until maturity represent 19.5% 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

1. We tested the design and implementation and relied on audit evidence obtained in previous audits of operating effectiveness of key controls supporting identification, measurement and monitoring of valuation risk of financial instruments.

Furthermore, we performed the following substantive procedures:

- Involvement of Deloitte valuation specialists and assessment of a risk-based sample of valuations.
- Assessment of the appropriateness of disclosures.

2. 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.

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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 (page 17) and presentation of value adjustments (page 36) 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.

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IT systems and controls over financial reporting

Risk level similar as previous year

Key audit matter	Audit response
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.	We tested the design and operating effectiveness of controls that are critical to financial reporting. Furthermore and where necessary, we performed direct substantive tests of certain aspects of IT systems, including access management and segregation of duties. In our view, the combination of tests of key controls and direct substantive tests that we carried out gave us sufficient evidence to enable us to rely on the operation of IT systems for the purposes of our audit.

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Report on Other Legal Requirements

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

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

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

Deloitte AG

Sandro Schönenberger
Licensed Audit Expert
Auditor in Charge

Dr. Philippe Wüst
Licensed Audit Expert

Zurich, February 24, 2022

Enclosures
- Financial statements (consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes)

J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841