Annual Report 2015

J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841

175 YEARS

"If you choose to sail upon the seas
of banking, build your bank as
you would your boat, with the strength
to sail safely through any storm."

Jacob Safra (1891–1963)

Contents
175 years of…

CONSERVATIVE RISK MANAGEMENT

STABLE FAMILY OWNERSHIP

SERVING CLIENTS ACROSS GENERATIONS

LONG-TERM PERSPECTIVE

PATRIMONY & TRADITION

Pioneering Sustainable Investments

Trust and Loyalty with Staff

Global Opportunities

Solid Capital Strength

Safra Frères & Cie
founded in Aleppo, Syria

1840

1841
Johannes Riggenbach-Huber
banking company founded
in Basel, Switzerland

Group Chairman's Foreword

1860

"Die Schiffländе",
a square in Basel

Group Chairman's Foreword

2016 marks the 175th anniversary of J. Safra Sarasin. The Group traces its history back to Aleppo in Syria and Basel in Switzerland. It is a remarkable story of resilience and performance across diverse countries, and many economic cycles.

Today J. Safra Sarasin is an exceptional global private bank. In 2015 we demonstrated yet again the virtues of our proven conservative approach to banking, with an impressive performance taking into consideration the challenges of the financial environment.

As the custodian of our family's banking heritage, it is a privilege to take this opportunity to reflect upon how and why we have been able to thrive across generations.

Although regulations, technologies, and globalization have greatly increased the scope and complexity of private banking, at its heart there is a simple maxim. If you look after your clients carefully, and nurture your staff, then everything else falls into line. When you lose sight of what is best for your clients or for your staff, then you endanger the very essence of banking: trust and reputation.

175
YEARS

Stable Family Ownership

Being a family-owned organisation enables us to remember and practice this simple maxim every day. We put huge value on knowing our clients intimately, serving many families from generation to generation. Such clients think with very similar mentalities to our own; they invest for the longer term, they feel their business is part of them, and they plan ahead for the next generation.

We always take a long-term perspective. This is an intrinsic benefit of being family-owned with no competing voices or interests. We can invest in high-quality assets and people where the payback is over a longer time-frame than others can contemplate. We can reinvest into equity capital as required, adding to the Group’s stability. The Group’s shareholders’ equity stands today at CHF 4.1 billion, which makes J. Safra Sarasin one of the best capitalised banks in Switzerland.

Alongside this capital strength is our conservative approach. We prefer to be cautious, with capacity to absorb the unexpected and to be ready with our clients for the next economic cycle.

Switzerland remains the best country from which to operate a global private bank. We are well-placed to take advantage of opportunities both here and in other markets, thanks to our flexibility, liquidity and free hands. I am confident that the Group has the scale and strength to meet the needs of our clients for future generations as we look forward to another 175 years of resilience and performance.

Every bank is like a child – you have to nurture it so it is able to grow and thrive.

Joseph Y. Safra
Chairman of the Board of Directors
J. Safra Sarasin Holding Ltd.

Consolidated Key Data

Consolidated income statement	2015 CHF 000	2014 CHF 000
Operating income	1,019,517	995,654
Operating expenses	–603,209	–611,011
Operating profit	**416,308**	**384,643**
Consolidated profit	**230,520**	**205,301**

Consolidated balance sheet	31.12.2015 CHF 000	31.12.2014 CHF 000
Total assets	29,874,342	34,421,098
Due from customers	11,903,842	11,913,917
Due to customers	22,820,902	24,606,790
Equity	**4,075,229**	**3,840,008**

Ratios	2015 %	2014 %
Cost income ratio	59%	61%
BIS Tier 1 ratio	27%	25%

Assets under management	31.12.2015 CHF million	31.12.2014 CHF million
Assets under management	144,039	146,174

Headcount (full-time equivalents)	31.12.2015	31.12.2014
Consolidated headcount	2,022	1,981
of which client relationship managers	422	405

Assets under management by booking centre

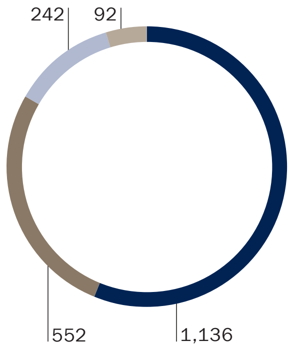
(CHF billion) **31.12.2015**

Total 144.0

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

Headcount by location

(full-time equivalents) **31.12.2015**



Total 2,022

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

Report of the Board of Directors

175
YEARS

RESILIENCE & PERFORMANCE

J. Safra Sarasin Group has performed strongly again this year. A bank's true qualities come to the fore when it is faced with the unexpected. In 2015 the Group demonstrated the virtues of the guiding principles by which it has operated for 175 years: capital strength, conservative risk management, knowing clients intimately, efficiency, and nurturing loyalty with staff.

We continue to progress in growth markets such as Asia and the Middle East, while strengthening our long-standing presence in other key markets. J. Safra Sarasin is ideally positioned as a leading player in the ongoing industry consolidation. In 2015 we successfully integrated Morgan Stanley's Swiss private banking business and announced the acquisition of Bank Leumi Luxembourg's private banking operations at the end of the year.

Capital strength

In The Banker Top 1000 World Banks July 2015 edition, J. Safra Sarasin Group is ranked as the 7th largest banking group in Switzerland by Tier 1 capital, the ultimate measure of a bank's financial strength. This position has been strengthened during the year to reach a Tier 1 capital of CHF 3.5 billion at 31 December 2015, which means that together with a BIS Tier 1 ratio of 27%, J. Safra Sarasin Group comfortably exceeds the regulatory requirements.[1]

This demonstrates the strength of the Group's private ownership and its commitment to a sound capital base as the foundation stone needed for a global private bank. This philosophy is also reflected in the conservative structure of the Group's balance sheet, which maintained a high level of liquidity.

1) Capital requirements disclosures under Circ. FINMA 08/22 are published on our website www.jsafrasarasin.com.

Impressive results for 2015

Operating income reached CHF 1,020 million in 2015, compared to CHF 995.7 million in 2014. Operating expenses decreased to CHF 603.2 million in 2015 against CHF 611 million in 2014, mainly as a result of integration synergies. Consequently, J. Safra Sarasin Group is able to report a notable 8% rise in its operating profit to CHF 416.3 million in 2015 compared with CHF 384.6 million in 2014. Our cost income ratio is now 59%, which positions J. Safra Sarasin as one of the best in class in the private banking industry.

Consequently, the Group net profit increased significantly by 12% to CHF 230.5 million for the year 2015 against CHF 205.3 million for 2014.

Client assets under management stood at CHF 144.0 billion at 31 December 2015. During the year, clients entrusted CHF 1.9 billion of net new money to the Group.

The consolidated balance sheet total at 31 December 2015 was CHF 29.9 billion. The Group maintained high levels of liquid assets of CHF 5.5 billion at the end of 2015.

With the allocation of all Group net profit for 2015 to retained earnings, Group shareholders' equity reached CHF 4.1 billion at the end of 2015 compared with CHF 3.8 billion at the end of 2014.

The Group now operates in more than 25 locations worldwide and continues to seek appropriate locations to best serve its clients as it executes its growth strategy across Europe, Asia, the Middle East and Latin America.

Outlook 2016

The Group has a number of key attributes which gives us the confidence to execute this growth strategy: stable family ownership, significant financial strength, complementary presence and knowledge of key global markets, a sustainable and conservative investment approach, and strong brand value from our 175 years heritage as private bankers.

The Board of Directors would like to thank our loyal clients for their continued trust and support, and to express our gratitude to all employees whose expertise and dedication ensures the Group is extremely well positioned for a stable and successful future.

Jacob J. Safra
Vice-Chairman of the Board of Directors
J. Safra Sarasin Holding Ltd.

The Safras financed merchants active in the caravan trains of camels across the Ottoman Empire

1860

Postcard of Grand Rue du Jamilié, Aleppo

Year in Review

1880

1872
Fritz Riggenbach co-founded Basler Bankverein, the predecessor of Swiss Bank Corporation

Year in Review

As we report on the Group's achievements over the past year, this is an appropriate occasion to mark 175 Years of banking heritage which we are celebrating in 2016.

The Group today operates with many of the same qualities and strengths which have ensured its longevity and performance across many generations: stable family ownership, financial strength, conservative risk management and deep personal client relationships.

Our performance in 2015 was impressive, with reported Group profit increasing by 12% to CHF 230.5 million. With shareholders' equity of CHF 4.1 billion, we significantly exceed the requirements of the Swiss financial regulator and have a BIS Tier 1 ratio of nearly 27%.

This performance is even more notable in a challenging environment, where many issues converged into strong head winds for the banking sector: market volatility, regulatory complexity, margin pressures, and the unexpected decision of the Swiss National Bank to de-peg the Swiss Franc from the Euro. It is during tough conditions that the true worth of an organisation becomes evident; our Group's deep-rooted qualities, with generations of experience at navigating difficult waters, has resulted in this strong 2015 performance and ensures we remain at the forefront of the private banking sector.

These qualities have been recognised by both longstanding and many new clients over the past few years. Wherever and whenever clients wish to diversify their investments, they benefit from our strong local presence in major trading and financial centres, joined by the common thread of a family-owned private banking culture that instinctively knows how to best connect clients to global opportunities.

It is these same qualities that enable us to attract significant new first-class talent. By treating people properly as individuals, the Group has nurtured decades of trust and loyalty amongst many professionals. This is priceless in a sector which is undergoing significant changes, and where new challenges keep arising. We continue to upgrade our human resource services to maintain this competitive advantage. The Group increased its total base of client relationship managers by 4% to 422 at the end 2015 against 405 at the end of 2014. Total headcount (full-time equivalents) was 2,022 compared to 1,981 at the end of 2014.

Focus

During 2015 we have put a special focus on our asset management and institutional business managed between Switzerland and London. We are extending the range and quality of our product offering, and this is reaping rewards for our clients. There is a focus on designing sustainable funds that are more appropriate for institutions, whether they be the use of exclusion criteria for SRI investors or the integration of ESG factors, which are better suited for pension funds that do not want to narrow their investment universe.

In everything we do, sustainability is a core value and strength. The Bank has been a pioneer in the field of sustainable investments since 1989. The sustainable investment market in Switzerland has continued to develop positively. With a market share of 30.8%, the Bank continues to reign as market leader in sustainable investments in Switzerland (source: Forum Nachhaltige Geldanlag Geldanlagen (FNG e.V.), 2015 report on the sustainable investment market).

We have also recently undertaken several methodological developments in order to strengthen our role as pioneer and innovation leader in this field. We have integrated more focused social, environmental and governance risks in the whole sustainable investment process, thus our clients benefit from a systematic identification of sustainable investment opportunities.

Risk management

A key point of differentiation for our Group is that as a family-owned business we take care of our clients' wealth like our own. This core philosophy influences the way in which we operate at many levels: our conservative risk management systems, what products we offer clients, and how we keep things simple and efficient. This produces improved financial returns which can be reinvested into the Group to augment even further its strong capital reserves.

The Group deploys ample resources to manage increasing regulatory requirements and a challenging market environment, in combination with a proven risk management approach. Assessment reviews are conducted on a regular basis. Our comprehensive approach to risk management is detailed in the notes to the consolidated financial statements.

Outlook

Our financial strength stands us in good stead not only when there are difficult conditions, but it also enables the Group to be a pro-active consolidator in the private banking market. It is clear that changes in the regulatory environment, and margin pressures, are causing many organisations to review their operations and to consider exiting from the private banking business in Switzerland and other centers. In 2015 we completed the successful integration of Morgan Stanley's Swiss private banking business. Towards the end of the year we also announced the acquisition of Bank Leumi Luxembourg's private banking operations, a natural extension of our own business established in Luxembourg since 1985. We will continue to evaluate opportunities globally which fit with our client focus and culture.

We are firmly convinced that Switzerland is the best country from which to operate a global private bank, due to a stable political process, a reliable legal system, a strong currency, low government debt, and first-class expertise in managing private and institutional wealth. The Swiss brand is still incredibly strong and we intend to exemplify that.

This year's Annual Report illustrates 175 Years of banking heritage through a timeline, along which are displayed some notable images from the Group's archives. These remind us all of the importance of historical family precedents and achievements to put into context the dynamic events of our modern-day financial sector. Complementing these images, there are a number of key written phrases alongside the 175 Years logo, to accompany each chapter of this report. As we described earlier, it is those qualities which have underpinned the Group's extraordinary evolution since 1841. It is these same attributes which gives us great confidence that the Group today is as solid as ever, and it will continue to build patrimony for clients for many generations to come.

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

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

175 YEARS

Serving clients across generations

175 Years of Banking Heritage

1880

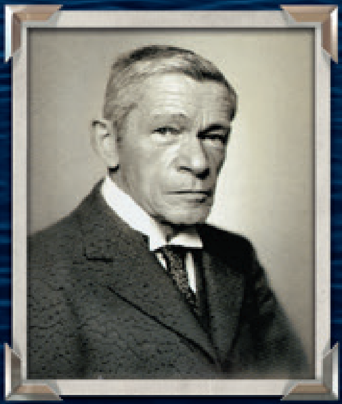
Bank ledgers shown relate to the Bank's internal accounts

1891
Jacob Safra born
in Aleppo, Syria

1900

1900
Alfred Sarasin-Iselin took over
and formed A. Sarasin & Cie

1892
Alfred Sarasin-Iselin joined
Fritz Riggenbach as a partner



175 Years of Banking Heritage

The Safra and Sarasin families share a common Middle Eastern link. The Safras, based in Syria and then Beirut. The Sarasin family, by one version of their genealogy, linked to the Holy Land when their original Saracen ancestor was brought back from Jerusalem to France in medieval times.

The Safras, a prominent family from Aleppo, Syria, recognised the significant business opportunity in providing banking, financing, and related services to the centuries-old caravan trade that transported goods between China, India and Europe. The family formed Safra Frères & Cie in the 1840's, to finance the caravans and exchange currencies from several different countries throughout Asia, Europe, and Africa. In addition to Aleppo's favourable position along the trade routes, the Safra Frères business benefitted from the family's membership of what was then considered the most "renowned mercantile class of the Middle East". Throughout the latter half of the 19th century, Safra Frères thrived, expanding to Constantinople and Alexandria. In 1891 Jacob Safra was born. Following his father's sudden death, Jacob was taken in by his uncle Ezra and at 13, started working in the family business. He proved to be adept in currency calculations.

The Sarasin family moved to Basel in 1628. In 1841 Johannes Riggenbach set up a trading and banking company. In 1892, Alfred Sarasin-Iselin joined the Riggenbach company as a partner. When the founder's son retired in 1899, Alfred took over the management of the company, renaming it A. Sarasin & Cie on 1 January 1900. Soon after, A. Sarasin & Cie moved to new offices at Freie Strasse 107 in Basel, known as "Oak Tree House" due to the iron grille above the door being decorated with an oak tree. The company linked this symbol with its name and it became the Bank's corporate identity. Sarasin & Cie played an important part in developing industry and trade both in Basel and across Switzerland, financing the navigation of the Rhine, railways and electric power plants.

In the early part of the 20th Century, economic conditions weakened the Ottoman Empire. Many Halabim, including Jacob Safra, fled to Beirut and beyond. In 1914, Jacob settled in Lebanon to establish a new branch of Safra Frères. As the Ottomans and European powers lurched toward World War I, Aleppo was no longer the commercial and cultural stronghold it had once been. In 1920, Jacob opened his first bank, Banque Jacob E. Safra, in Beirut. It quickly prospered, benefitting from a massive influx of Syrian businessmen. Successful merchants, they became Jacob's primary customer base.

175
YEARS

Patrimony & Tradition

While Jacob Safra built his bank in Beirut, Alfred Sarasin-Iselin played a pivotal role in shaping the history and style of his Bank in Switzerland. Under his leadership, Sarasin flourished and became one of the most famous and illustrious private banks in the Swiss financial community. Despite the difficult times during the First World War, A. Sarasin & Cie continued to operate under the careful leadership of Sarasin-Iselin. The post-war depression in the early 1920s, and especially the global economic crisis of 1926–1936 hit Switzerland hard. Sarasin survived the Second World War having temporarily transferred its entire custodial business to a stronghold in a private chalet owned by the Sarasin family in Engelberg. Following the unexpected death of Alfred's son and appointed successor in 1950, his grandson, Alfred Sarasin, aged only 28, became a partner with full personal liability.

During the late 1940s, Jacob knew the family had to leave Beirut. In 1952, his two youngest sons, Joseph and Moise went to school in England. His second son, Edmond, travelled extensively to find a country for the family to settle. Brazil offered the most promising future. Jacob relocated his family to São Paulo in 1953. The family quickly re-established their business. In 1955 they founded Safra SA Importação e Comércio to trade in metals, machinery, cattle and agricultural produce, as well as in chemicals and industrial products.

Edmond travelled back to Europe in 1956, where he established Banque Edmond Safra in Geneva, Switzerland. From his Geneva base, in subsequent decades Edmond operated a private banking business under the names of Trade Development Bank and also Republic National Bank of New York. Both of which were highly successful global private banks before being subsequently acquired by American Express and HSBC, respectively.

While Edmond had established his base in Switzerland, in 1957 Jacob Safra obtained his formal Brazilian banking license. Safra SA Importação e Comércio changed its name to Safra SA Financiamento e Investimentos and started offering credit to clients. By 1960, the Brazilian bank had expanded its product offerings to include securities and public bonds, leveraging the family's deep expertise in banking and finance, as well as their connection to the local Jewish community, becoming one of the most respected financial institutions. Yet these were difficult times in Brazil: high inflation was starting to cripple the economy. The bank was able to protect itself and its clients through careful planning and sensible investment strategies.

Throughout the 1960s, the bank flourished, offering new products and services to clients. It also grew through acquisition of other institutions. Jacob Safra died in 1963. Control of the Brazilian bank passed to brothers Joseph and Moise. In 1967 Safra SA became Banco de Santos. Over the next few years, the bank acquired other banks and opened up new branches in major state capitals across Brazil. In 1972, Banco de Santos changed its name to Banco Safra SA. It had become one of the largest banks in Brazil.

From the 1950s to 1970s, A. Sarasin & Cie realised increased business volumes and steady growth. It was also looking to grow beyond its Basel base. In 1973 it acquired the Zurich-based Orelli im Thalhof. Five years later, Zurich's Blankart & Cie merged with Bank Sarasin. This gave Sarasin a seat on the Zurich Stock Exchange Association and enabled Sarasin to call itself the oldest member of the Zurich Stock Exchange Association. In 1980 the Bank opened an office in London and then established Sarasin International Securities Ltd. The London business would continue to thrive as a specialist investment centre.

Banco Safra open its first branch outside of Brazil in New York in 1981. It was the first Brazilian institution to offer full banking services in the USA. This was quickly followed in 1982 with a subsidiary in the Cayman Islands and then in the Bahamas in 1983. With the Brazilian economy experiencing difficulties and annual inflation rates reaching over 100%, the answer was investing in gold. It then created CBM, a company dedicated to manage gold assets both directly from mines, as well as participating in foundry and coinage activities. In 1985, Banque Safra Luxembourg SA was established as a private bank.

During the 1980s, some countries loosened their banking regulatory environments and banking opened up to greater volumes of products and markets. In 1987, Bank Sarasin listed on the stock exchange in Zurich to raise capital to take advantage of this.

Banco Safra was looking at strengthening its position in the USA. In 1987, Safra National Bank of New York was established as a full US regulated bank. It grew rapidly through gaining new business and through acquiring the Latin American offices of the New York based United Mizrahi Bank. In Brazil, Banco Safra was merging and consolidating its portfolio of credit companies as well as diversifying, through investing in manufacturing companies in transport and engine production.

For Bank Sarasin, international growth was the focus. In 1990, it established offices in Guernsey, Hamburg and an investment fund company in Luxembourg. In 1993, the Bank moved into new headquarters in Basel at Elisabethenstrasse 62, both architecturally striking and environmentally friendly. Focusing on sustainability, in 1989 Sarasin introduced a systematic method of environmental financial analysis, laying a foundation for sustainable investment and asset management. In 1997 and 1999, respectively, branches in Geneva and Lugano were established.

In 1999, Safra National Bank of New York opened a branch in Miami. In 2000 the Group acquired Uto Bank in Zurich, which gave Mr. Joseph Safra a banking license in Switzerland. Renamed Bank Jacob Safra (Switzerland) Ltd., the Group moved the head office to Geneva. A year later, Bank Jacob Safra (Gibraltar) Ltd was opened.

In 2006, Joseph Safra bought out his brother Moise's share, unifying the wider J. Safra Group under Joseph's family. Pursuing its own expansion strategy, Banque J. Safra (Suisse) SA acquired Monaco's Banque du Gothard, one of the largest banks in Monaco, renaming it to Banque J. Safra (Monaco) SA.

In 2007, Rabobank acquired the majority shareholding in Bank Sarasin. The Bank positioned itself firmly as a solutions-based investment advisor and asset manager for private and institutional clients and set about expanding its network in Europe, the Middle East and Asia, as well as diversifying its products and services. It opened new locations in Bern (Switzerland), Frankfurt and Nuremberg (Germany), La Coruña and Madrid (Spain), Dublin (Ireland), Warsaw (Poland), Vienna (Austria), Doha (Qatar), Muscat (Oman), and Delhi and Mumbai (India). 2010 – 2011 saw further expansion with new subsidiaries in Hong Kong, Manama (Bahrain) and Cologne (Germany), as well as a new branch in Lucerne (Switzerland).

On 25 November 2011, the Group announced the acquisition of the majority shareholding in Bank Sarasin from Rabobank. In July 2013, Banque J. Safra (Suisse) SA merged with Bank Sarasin & Co Ltd. to form Bank J. Safra Sarasin Ltd.

In 2015, Bank J. Safra Sarasin acquired Morgan Stanley's Swiss Private Banking business. A year later, Bank J. Safra Sarasin (Luxembourg) SA acquired Bank Leumi's private banking business in Luxembourg, consolidating even further the Safra Sarasin presence in private banking.

Today, the J. Safra businesses, with total assets under management of over USD 194 billion and aggregate stockholders' equity of USD 15.4 billion, are controlled by Joseph Safra. The J. Safra businesses consist of privately owned banks under the Safra name and investment holdings in asset-based business sectors such as real estate and agribusiness. The J. Safra banking interests, which have over 160 locations globally, are: J. Safra Sarasin, headquartered in Basel, Switzerland; Banco Safra, headquartered in Sao Paulo, Brazil; and Safra National Bank of New York headquartered in New York City, all independent from one another from a consolidated supervision standpoint. The J. Safra real-estate holdings consist of more than 200 premier commercial, residential, retail and farmland properties worldwide, such as New York City's 660 Madison Avenue office complex and London's iconic Gherkin Building. Its investments in other sectors include, among others, agribusiness holdings in Brazil and Chiquita Brands International Inc. There are more than 28,000 employees associated with the J. Safra businesses worldwide.

New Sarasin HQ
Freie Strasse 107, Basel

1900

“Haus zum Eichbaum”
(Oak Tree House),
Origin of Bank Sarasin logo

Market Environment

1920

Postcard of Rue Allenby, Beirut

Market Environment

The divergence in the monetary policy adopted on either side of the Atlantic has dominated developments on financial markets over the past year. While the European Central Bank responded to the scenario of negative inflation rates and the threatening escalation of the Euro debt crisis by starting to step up its monetary policy measures in March 2015, the US Federal Reserve (Fed) prepared market participants for a cycle of rising interest rates. In December 2015 the Fed finally made a move, raising the benchmark rate for the first time in almost 10 years.

We believe the current year will be dictated primarily by the divergent rates of economic growth in the industrialised nations and emerging-market countries. The pace of global growth is likely to tail off a little, particularly due to the persisting problems facing commodity-exporting countries. By contrast, industrialised countries appear to be in much better shape. But while the economy has already passed its peak cycle in the USA and the UK, the Eurozone economy is gradually gaining a little momentum. A far more flexible investment approach will be necessary in 2016. Even so, persistently low interest rates and the loose monetary policy of central banks will still provide sufficient tailwind for risk investments.

Stable growth in industrialised countries – subdued outlook for emerging economies

The ultra-loose monetary policy pursued by the European Central Bank has borne fruit. A weaker Euro has helped to boost exports, while rock-bottom interest rates have made companies more profitable. In addition, financing conditions have improved further, according to the bank survey conducted by the ECB. As a result, lending to the private sector was positive again at the turn of the year, after dipping below minus 2% in the summer of 2014. The rate of economic growth should therefore be maintained in the current year, as reflected in a steady improvement in the labour markets. Private demand thus remains robust and consumer spending (especially in the USA) is enjoying stable growth rates, not least due to the sharp fall in the oil price since the start of May, which provides an indirect boost to disposable income and should act as a growth driver. Sentiment indicators are also showing strong powers of resistance and point to a continuing economic recovery. With low inflation rates in the single currency zone still refusing to edge higher, the European Central Bank has felt it necessary to expand both the volume and the timeframe of the bond purchasing program it initiated back in March 2015. These quantitative easing measures will therefore ensure high levels of liquidity in the Eurozone and low financing costs for some time to come, which will ultimately help to underpin financial markets as well. The consistently favourable monetary conditions will mean that the Eurozone will grow at least at its potential rate in both 2016 and 2017. We forecast GDP growth of 1.6% this year.

We take a slightly more cautious stance on the US economy in the current year. Disappointing order intake, increased stockpiling, weak industrial production, and last but not least also falling retail sales all contribute to the gloomy picture at the start of the year. While the purchasing managers' indices in the Eurozone have provided a positive surprise, the equivalent index for the US manufacturing industry has dropped to its lowest level for 25 years. The closely watched ISM index is now below the threshold indicating a contraction in the manufacturing sector. On top of that, wage pressure is only gradually increasing despite the continuous improvement in employment that has been evident for some time. Even so, the US labour market has solid foundations – an average of more than 200,000 new jobs every month has brought down the unemployment rate from 5.6% to 5.0% over the course of 2015, while the low oil price is good news for consumption and the services sector. However, we believe the US economy is now in a relatively late phase of the economic cycle. Although we expect positive growth rates in the region of 2.5%, growth momentum is likely to tail off during the current year. The US Fed will follow economic developments very closely in order to minimise the negative effects of higher interest rates on the American economy. The chair of the Fed, Janet Yellen, has made it clear that a cycle of higher interest rates is only possible if the labour market is solid and inflation rates are heading upwards. As things stand, the fundamentals should allow additional interest-rate hikes in the current year as long as financial markets are not too volatile and the US dollar does not appreciate too much.

Most emerging markets have posted a much weaker performance in 2015, continuing the previous year's trend. The fundamental data are getting worse, while the growth prospects are still muted. The start of the cycle of interest-rate hikes by the US Fed and falling demand from China are having a negative impact, while the geopolitical risks are also contributing to the mood of uncertainty. Whereas the low oil price is boosting consumption in industrialised nations, it is actually having a negative effect on the pace of economic growth in many emerging-market countries. This is also reflected in the purchasing managers' indices, which in many emerging markets currently stand below the threshold signalling an expansion. Even though many countries have tried to combat the weaker pace of growth by devaluing their own currencies, the structural challenges for the region are still extremely high. This trend is also leaving its mark on China. The Middle Kingdom's economy only grew by 6.9% in 2015, the lowest rate for 25 years. The People's Republic is still undergoing a structural shift away from an export-based economic policy to one that is geared more towards domestic consumption. On top of that, the country has to deal with massive capital outflows. We expect China's pace of growth to decline further in the current year. Despite this, the country has sufficient monetary and fiscal policy options and reserves to ensure the necessary support. We expect the government in Peking to use every measure available to contain the threat of an economic downturn. We believe the fundamental data should significantly stabilise again from the second quarter of 2016 onwards. Our forecast for China's economic growth in 2016 is 6.4%.

Outlook

In 2016 stock markets will be overshadowed by political risks and uncertainties: the refugee crisis in Europe is just one of the explosive forces that threaten European integration and the Schengen area. US presidential elections and the UK referendum on a possible EU exit are other factors fuelling uncertainty. Last but not least, the collapse in commodity prices present enormous risks to the exporting countries and corporations, adding to the existing potential for geopolitical conflict.

175
YEARS

Long-term
perspective

1929
Lebanon

1920

1927
Promissory note

Corporate Governance

1940

1931
Pontoon bridge, Basel port on the Rhine – painting by Alfred Heinrich Pellegrini

Corporate Governance

Corporate Governance at J. Safra Sarasin Holding Ltd. ("JSSH") ensures that the management and supervision of the Group are focused on the long-term success of the organisation to the benefit of all stakeholders.

175 YEARS

CONSERVATIVE RISK MANAGEMENT

J. Safra Sarasin Holding Ltd. is a holding company incorporated under the laws of Switzerland with its registered office in Basel. JSSH is the shareholder of Bank J. Safra Sarasin Ltd ("BJSS") and other direct and indirect subsidiaries and, as the case may be, their branches and representative offices (each a "Group Company" and together the "J. Safra Sarasin Group" or the "JSS Group"). Reference is made to the organisation chart on page 31 of this report.

Bank J. Safra Sarasin Ltd is a company incorporated under the laws of Switzerland with its registered office in Basel. It holds a banking licence and has the status of a securities dealer.

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

Consolidated supervision

J. Safra Sarasin 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 JSS Group.

JSSH has delegated to BJSS governing bodies all duties, responsibilities and competencies related to the management and operation of its current business. These responsibilities include the financial consolidation as well as the supervision on a consolidated basis of the activities of J. Safra Sarasin Group.

Accordingly the implementation of the criteria for the consolidated supervision of the JSS Group is the responsibility of the Board of Directors and Executive Committee of BJSS, under the auspices of the Board of Directors of JSSH. The main functions and departments at the level of BJSS, and in particular, the following functions and departments, oversee group-wide consolidated supervision:

- Legal and Compliance
- Risk Management
- Credit Office
- Finance
- Treasury & Trading
- Group Internal Audit

The duties and responsibilities of the above functions are governed by the regulations, directives, working directives and guidelines issued by JSSH and/or BJSS.

The implementation of an adequate and effective framework of consolidated supervision throughout the JSS Group ensures inter alia:

- Compliance with the relevant accounting standards of the JSS Group;
- Compliance with consolidated capital adequacy provisions for the JSS Group;
- Compliance with risk provisions on a consolidated basis for the JSS Group;
- Compliance with the liquidity requirements of the JSS Group
- Adequate system of internal controls and supervision of the governing bodies of all JSS Group entities and separation of functions;
- Operation of a group-wide system of directives, which serves as a management instrument for the implementation of regulations and processes which are necessary in the context of the consolidated supervision;
- Group-wide anti-money laundering measures and immediate access to any information required to ensure the integrated management of all entities within the JSS Group.

Board of Directors

The Board of Directors ("BoD") of JSSH is the ultimate governing body of JSS Group which sets the strategy of the Group. The Board is also responsible for monitoring and controlling the main risks of JSS Group as required by Swiss banking regulation and the implementation of the consolidated supervision framework.

Collectively, the members of the Board have a thorough understanding of the financial industry in general and in particular of the Group, as well as the global regulatory environment.

As of 31 December 2015 the composition of the Board of Directors of JSSH was as follows:

• Joseph Y. Safra	Chairman
• Jacob J. Safra	Vice-Chairman
• Pierre-Alain Bracher	Member*
• Philippe Dupont	Member*
• Ilan Hayim	Member*

*Independent

As of 31 December 2015 the composition of the Board of Directors of Bank J. Safra Sarasin Ltd was as follows:

• Ilan Hayim	Chairman
• Pierre-Alain Bracher	Vice-Chairman
• Philippe Dupont	Member
• Jacob J. Safra	Member
• Dagmar G. Woehrl	Member

The Board of Directors has set up an Audit Committee.

Audit Committee

As of 31 December 2015 the Audit Committee was composed of the following members:

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

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

The Audit Committee is responsible for the drafting of general guidelines on internal audit and financial reporting, the monitoring and assessment of financial reporting and the integrity of the annual financial statements before they are presented to the Board of Directors of JSSH for approval. The Audit Committee monitors compliance by the Group with its respective legal and regulatory obligations and ensures the receipt of regular information as to compliance by its subsidiaries with such obligations as well as with regard to the existence of an adequate and effective internal control as regards to financial reporting.

The Audit Committee is also responsible for monitoring and assessing the effectiveness of internal controls (namely risk control and compliance) and internal audit. The Committee sets down the standards and methodologies for risk control with regard to all types of risk (including legal and regulatory risks) in order to ensure compliance with the principles of the risk policy adopted by the competent supervisory authority, the Board of Directors or management bodies within the JSS Group.

The Audit Committee ensures contact with the external auditors at the level of the Board of Directors and monitors their performance and independence as well as their cooperation with Group Internal Audit. The Chairman of the Audit Committee regularly reports its activities and findings to the Board of Directors. The dual function of Chairman of the Board of Directors of BJSS and member of the Audit Committee meets the regulatory requirements for the composition of the Audit Committee.

Duration and scope of mandate of the lead external auditor

Deloitte AG has been appointed as external auditor of J. Safra Sarasin Holding Ltd. and for all relevant Group companies for the year 2015. The audit firm is appointed by the General Assembly of J. Safra Sarasin Holding Ltd. for a one-year term. Re-election is possible.

Group Internal Audit

Group Internal Audit is the internal audit function responsible for the entire JSS Group.

In addition to the Board of Directors of JSSH and the Audit Committee, Group Internal Audit representatives also report to the respective Board of Directors and Audit Committees of the individual entities.

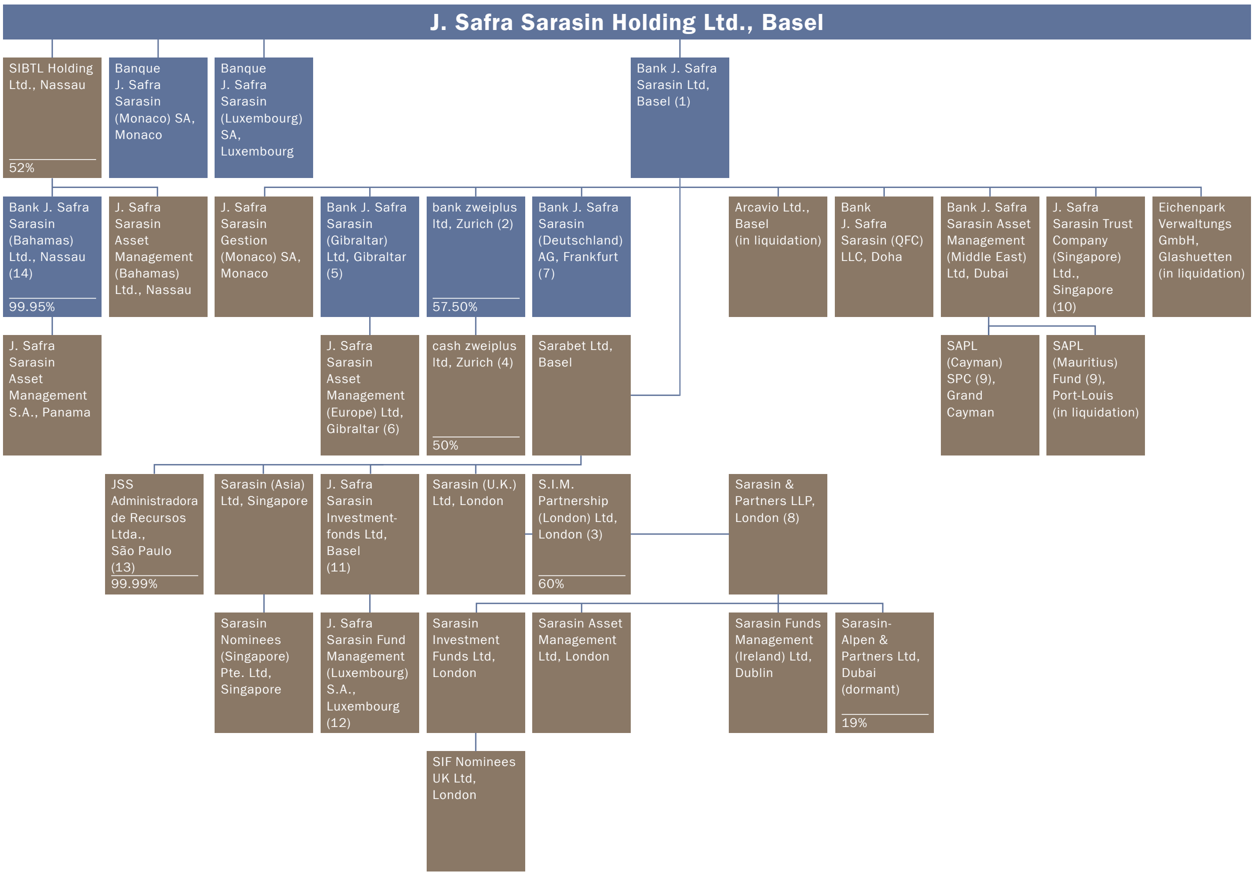
Group Internal Audit has an independent and objective monitoring and consulting role designed to add value and improve BJSS's and JSS Group's operations. It helps each Group Company to accomplish their objectives by bringing a focused and systematic approach to evaluating and improving the effectiveness of risk management, control processes and Group governance by systematically assessing:

i. the effectiveness of processes implemented to define strategy and risk tolerance, as well as the adherence to the strategy approved by the Board of Directors;
ii. effectiveness of governance processes;
iii. effectiveness of risk management, including whether risks are appropriately identified and controlled;
iv. effectiveness of internal controls, specifically whether they are commensurate with the risks taken;
v. effectiveness and sustainability of the implementation of remedial actions;
vi. reliability and integrity of financial and operational information, i. e. whether activities are properly, accurately and completely recorded, and the quality of underlying data and models; and
vii. compliance with legal and regulatory requirements, as well as with internal directives and contractual obligations.

Executive Committee

The Board of Directors delegates the responsibility for the operational management of BJSS and the JSS Group to the CEO and the Executive Committee of BJSS. The CEO assures the implementation of the Board of Directors' decisions approved by the latter. The CEO provides the Board of Directors with all information it requires to carry out its supervisory and control functions and requests the approval of the Board for matters which are in the competence of the Board of Directors according to relevant internal regulations.

Legal structure as at 31.12.2015



■ Banking status

Except as disclosed, 100% ownership.

(1) Branches in Bern, Geneva, Lugano, Lucerne, Zurich
Branches abroad: Guernsey, Hong Kong and Singapore
Representative office: Warsaw (including an office in Poznan)
(2) 42.5% with Falcon Private Bank AG
(3) 40% with Management
(4) 50% with Ringier AG
(5) Head Office: Gibraltar – Branch: London
(6) Head Office: Gibraltar – Branch: London
(7) Head Office: Frankfurt – Branches: Hamburg, Hanover, Munich and Stuttgart
(8) Head Office: London – Branch: Dublin
(9) These companies are fund constructions whose units may be owned by investors. Nevertheless, they are subject to Bank J. Safra Sarasin Ltd's consolidated supervision.
(10) The company owns the following subsidiaries: Asia Square Holdings Ltd. (BVI), Edinburgh Management Ltd. (BVI), Shenton Management Ltd. (BVI).
(11) Head Office: Basel – Branches: Geneva and Zurich
(12) Head Office: Luxembourg – Branches: Amsterdam (not operational), Vienna (not operational)
(13) The remaining 0.01% of the shares are held by Bank J. Safra Sarasin Ltd
(14) The remaining 0.05% of the shares are held by Fiduciary

Postcard showing Avenue Allenby
Banque de Credit National,
Beirut

1940

1948
Envelope sent by Ezra Safra
from Beirut to Brussels

Group Companies

1960

Group Companies

Private banking is a global growth market, presenting opportunities that J. Safra Sarasin Group actively seeks to exploit. The Group is represented in more than 25 locations in Europe, Asia, the Middle East and Latin America.

The companies described in this chapter are the main operating companies of J. Safra Sarasin Group. For a complete list of all companies being consolidated in J. Safra Sarasin Holding Ltd., please see the notes to the consolidated financial statements on page 61. A graph showing the legal structure of the Group is available as part of the chapter on the corporate governance on page 31. All subsidiaries of J. Safra Sarasin Holding Ltd. are subject to the consolidated supervision by FINMA.

175 YEARS

TRUST AND LOYALTY WITH STAFF

Bank J. Safra Sarasin Ltd
Bank J. Safra Sarasin Ltd was founded in 1841. As a leading Swiss private bank its many years of banking experience have made it consciously opt for sustainability as a key component of its corporate philosophy. Within Switzerland, Bank J. Safra Sarasin has offices in Basel (head office), Bern, Geneva, Lucerne, Lugano, and Zurich. It also has a representative office in Poland and branches in Hong Kong, Singapore and Guernsey.

Bank J. Safra Sarasin is recognised as a leader among full service banks in the private banking segment, offering all the advantages of the Swiss banking environment together with dynamic and personalised asset management and advisory services focusing on opportunities in international financial markets. Its team of highly experienced professionals develops tailormade products to meet the needs of clients, as well as offering a comprehensive array of financial services. Financial strength, excellent client service and outstanding quality are the key elements of its philosophy. It provides a high level of service and expertise when acting as investment advisor and asset manager for private and institutional clients.

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

Bank J. Safra Sarasin (Deutschland) AG
Bank J. Safra Sarasin (Deutschland) AG offers entrepreneurs as well as private and institutional investors private wealth management and asset management solutions, with a focus on sustainability. The Bank also provides solutions-based advice in lending and deposit business. In addition to its head office in Frankfurt, the Bank has branches in Hanover, Hamburg, Munich, and Stuttgart.

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

Basel

Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch
Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch, started operating in 2007. It offers UK residents and international clients based in London access to the world's most important financial centres. Its staff develops comprehensive and flexible private banking services to individuals and families, as well as the full array of financial services to corporate clients.

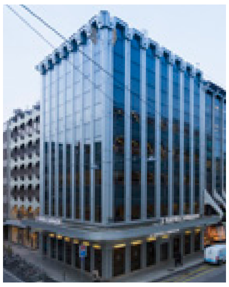
Bank J. Safra Sarasin Ltd, Guernsey Branch
The Bank established a presence in Guernsey in 1992 and in 2011 it was converted from a subsidiary to a Branch. The Branch accepts deposits from other banking institutions and institutional clients as well as offering a discretionary investment management service, principally to private clients, in conjunction with Sarasin & Partners LLP, London. The branch is licensed and regulated by the Guernsey Financial Services Commission.

Bank J. Safra Sarasin Ltd, Hong Kong Branch
Bank J. Safra Sarasin Ltd, Hong Kong Branch, the Bank's first branch outside of Switzerland, is an Authorized Institution licensed by the Hong Kong Monetary Authority.

Bank J. Safra Sarasin Ltd, Singapore Branch
Bank J. Safra Sarasin Ltd, Singapore Branch operates under an offshore bank licence granted by the Monetary Authority of Singapore and is an exempt Financial Adviser under the MAS Financial Advisers Act.

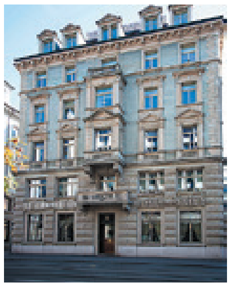
Banque J. Safra Sarasin (Luxembourg) SA
Established in 1985, Banque J. Safra Sarasin (Luxembourg) SA focuses on private and commercial banking, offering an array of products and personalised service tailored to the needs of customers. Thanks to the combination of expertise in the banking sector with discretion and confidentiality, Banque J. Safra Sarasin


Bern


Geneva


Lucerne


Lugano


Zurich

(Luxembourg) SA meets its customers' expectations worldwide by developing financial strategies to achieve their targets in accordance with their investment profiles.

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

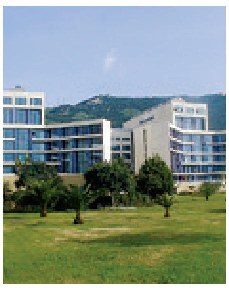
J. Safra Sarasin Asset Management (Europe) Ltd
J. Safra Sarasin Asset Management (Europe) Ltd is a subsidiary of Bank J. Safra Sarasin (Gibraltar) Ltd. It opened its London Branch in 2010 with the objective of focusing its offerings of services on investment funds, thus being attractive to wealth managers who want to invest across a wide range of asset classes.

Bank J. Safra Sarasin Asset Management (Middle East) Ltd
Bank J. Safra Sarasin Asset Management (Middle East) Ltd has been incorporated in 2013 and is a wholly owned subsidiary of Bank J. Safra Sarasin Ltd, located in the Dubai International Financial Centre (DIFC), Dubai, and operating under a license from the Dubai Financial Services Authority. It offers residents of the UAE and other international clients based in the Middle East and Africa comprehensive and flexible advisory services.

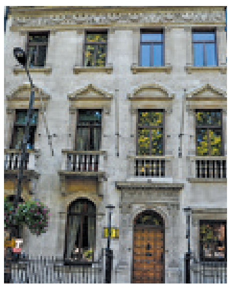
J. Safra Sarasin Asset Management S.A.
Incorporated in 2008 under Panamanian laws, the wholly owned subsidiary of Bank J. Safra Sarasin (Bahamas) Ltd. provides investment advisory services and operates as a broker. J. Safra Sarasin Asset Management S.A. is licensed by the National Security Commission of Panama.

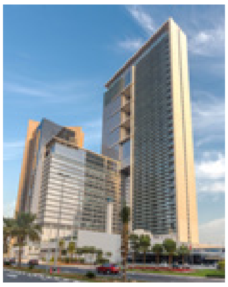

Doha


Frankfurt

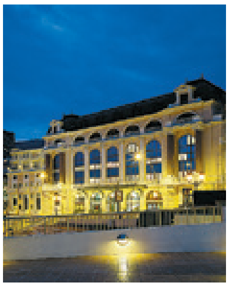

Gibraltar

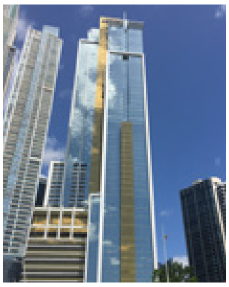

Hong Kong

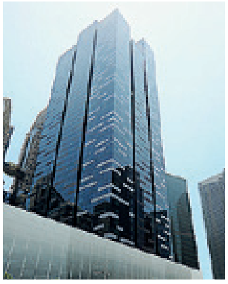

London


Dubai


Luxembourg


Monaco


Panama


Singapore

J. Safra Sarasin Trust Company (Singapore) Ltd
Incorporated under the laws of Singapore, J. Safra Sarasin Trust Company (Singapore) Ltd (JSSTCSL) obtained its licence from the Monetary Authority of Singapore under the Trust Companies Act 2004 and commenced business in December 2010. JSSTCSL offers tailored trust and company management services to take care of the wealth protection and succession planning needs of its clients.

Sarasin & Partners LLP
Sarasin & Partners LLP is a London-based asset management group that manages investments on behalf of charities, institutions, pension funds and private clients, from the UK and around the world. Sarasin & Partners is known both as a leader in thematic investment and for long-term income and dividend management across multi-asset and equity mandates. Consistent with a longer-term approach is a commitment to "stewardship" principles, embedding environmental, social and governance considerations into the investment process. Sarasin & Partners is 60% owned by Bank J. Safra Sarasin Ltd and 40% owned by its partners.

Parchment fragment from a
liturgical manuscript, discovered during
restoration work on a bank ledger

1960

Monroe calculator

Consolidated Financial Statements

1980

1972
Savings book issued by
Banque de Credit National,
Beirut

Consolidated balance sheet

Assets	31.12.2015 **CHF 000**	31.12.2014 CHF 000
Liquid assets	5,522,233	7,402,019
Amounts due from banks	1,700,346	4,157,409
Amounts due from securities financing transactions	128,740	173,777
Amounts due from customers	9,587,052	10,141,233
Mortgage loans	2,316,790	1,772,684
Trading portfolio assets	787,413	434,523
Positive replacement values of derivative financial instruments	476,767	612,521
Other financial instruments at fair value	678,944	505,596
Financial investments	7,325,975	7,820,734
Accrued income and prepaid expenses	193,242	334,081
Non-consolidated participations	3,272	3,230
Tangible fixed assets	269,027	278,769
Intangible assets	490,044	494,662
Other assets	394,497	289,859
Total assets	**29,874,342**	**34,421,098**
Total subordinated claims	52,116	5,357
of which subject to mandatory conversion and/or debt waiver	–	–

Liabilities		
Amounts due to banks	758,915	3,394,453
Liabilities from securities financing transactions	295,233	165,221
Amounts due in respect of customer deposits	22,820,902	24,606,790
Negative replacement values of derivative financial instruments	478,606	609,016
Liabilities from other financial instruments at fair value	663,591	572,764
Bond issues and central mortgage institution loans	325,864	699,352
Accrued expenses and deferred income	264,851	273,377
Other liabilities	144,783	105,229
Provisions	46,368	154,888
Reserves for general banking risks	203,742	146,742
Share capital	848,245	848,245
Capital reserve	1,745,862	1,745,862
Retained earnings reserve	575,056	431,852
Currency translation reserve	-7,708	37,544
Minority interests in equity	479,512	424,462
Consolidated profit	230,520	205,301
of which minority interests in consolidated profit	53,519	61,827
Total liabilities	**29,874,342**	**34,421,098**
Total subordinated liabilities	3,600	60,113
of which subject to mandatory conversion and/or debt waiver	–	–

Consolidated off-balance sheet

CHF 000	**31.12.2015**	31.12.2014
Contingent liabilities	790,160	1,005,412
Irrevocable commitments	41,052	93,534
Obligations to pay up shares and make further contributions	1,322	1,421
Credit commitments	0	0

Consolidated income statement

CHF 000	**2015**	2014
Interest and discount income	304,190	339,900
Interest and dividend income from trading portfolios	27,583	22,855
Interest and dividend income from financial investments	191,321	216,070
Interest expense	–80,672	–125,029
Gross result from interest operations	442,422	453,796
Changes in value adjustments for default risks and losses from interest operations	–40,899	–43,631
Subtotal net result from interest operations	401,523	410,165
Commission income from securities trading and investment activities	568,130	533,491
Commission income from lending activities	3,526	14,035
Commission income from other services	52,801	52,099
Commission expense	–71,614	–68,434
Subtotal result from commission business and services	552,843	531,191
Result from trading activities and the fair value option	51,960	49,216
Result from the disposal of financial investments	912	–890
Income from participations	8,467	1,907
of which, participations recognised using the equity method	0	0
of which, from other non-consolidated participations	8,467	1,907
Result from real estate	392	398
Other ordinary income	7,218	5,407
Other ordinary expenses	–3,798	–1,740
Subtotal other result from ordinary activities	13,191	5,082
Operating income	**1,019,517**	**995,654**
Personnel expenses	–467,361	–466,367
General and administrative expenses	–135,848	–144,644
Subtotal operating expenses	**–603,209**	**-611,011**
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	–57,105	–58,379
Changes to provisions and other value adjustments, and losses	–25,048	–35,064
Operating result	**334,155**	**291,200**
Extraordinary income	85	3,095
Extraordinary expenses	–1,747	–35
Changes in reserves for general banking risks	–57,000	–71,000
Taxes	–44,973	–17,959
Consolidated profit	**230,520**	**205,301**
of which minority interests in consolidated profit	53,519	61,827

Consolidated cash flow statement

	31.12.2015		31.12.2014	
CHF 000	**Source of funds**	**Use of funds**	Source of funds	Use of funds
Consolidated profit	230,520	0	205,301	0
Change in reserves for general banking risks	57,000	0	71,000	0
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	57,105	0	58,378	0
Provisions and other value adjustments	0	–104,055	13,496	0
Change in value adjustments for default risks and losses	64,799	0	44,482	0
Accrued income and prepaid expenses	122,917	0	14,652	0
Accrued expenses and deferred income	1,520	0	0	–17,476
Other items	0	0	0	0
Previous year's dividend	0	0	0	0
Cash flow from operating activities	**429,806**		**389,833**	
Share capital	0	0	0	0
Capital reserves	0	0	0	0
Retained earnings reserve	0	0	0	0
Minority interests in equity	0	–10,117	0	–11,890
Cash flow from equity transactions		**–10,117**		**–11,890**
Participating interests	0	–42	0	0
Bank building	0	–206	0	0
Other fixed assets	0	–16,097	0	–8,812
Intangible assets	0	–26,808	0	0
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets		**–43,153**		**–8,812**

Consolidated cash flow statement

	31.12.2015		31.12.2014	
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	10,445	0	4,943	0
Amounts due in respect of customer deposits	0	–71,968	110,536	0
Liabilities from other financial instruments at fair value	0	–91,268	0	–193,514
Bonds	0	0	115,478	0
Central mortgage institution loans	0	–355,304	0	–234
Loans of central issuing institutions	0	–10,676	0	0
Other liabilities	43,771	0	0	–66,618
Amounts due from banks	16,406	0	0	–13,386
Amounts due from customers	115,398	0	0	–770,411
Mortgage loans	0	–539,590	139,146	0
Other financial instruments at fair value	1,366	0	0	0
Financial investments	325,229	0	368,965	0
Other accounts receivable	0	–502,246	0	–326,192
Short-term business				
Amounts due to banks	0	–2,426,844	3,009,288	0
Liabilities from securities financing transactions	126,792	0	0	–8,685
Amounts due in respect of customer deposits	0	–1,011,902	2,156,756	0
Trading portfolio liabilities	0	0	0	0
Negative replacement values of derivative financial instruments	0	–117,118	443,092	0
Liabilities from other financial instruments at fair value	182,096	0	235,391	0
Amounts due from banks	2,248,144	0	0	–1,677,128
Amounts due from securities financing transactions	41,148	0	0	–52,321
Amounts due from customers	186,166	0	0	–1,819,298
Trading portfolio assets	0	–343,652	15,942	0
Positive replacement values of derivative financial instruments	131,769	0	0	–469,484
Other financial instruments at fair value	0	–174,714	35,237	0
Financial investments	0	–49,519	0	–148,344
Cash flow from banking operations		**–2,266,071**		**1,089,161**
Conversion differences	**9,749**	**0**	**0**	**–3,644**
Change in liquid assets	**0**	**–1,879,786**	**1,454,648**	

CHF 000	**31.12.2015**	31.12.2014
Liquid assets at beginning of the year (cash)	**7,402,019**	5,947,371
Liquid assets at the end of the year (cash)	**5,522,233**	7,402,019
Change in liquid assets	**–1,879,786**	1,454,648

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 01.01.2015	**848,245**	**1,745,862**	**575,326**	**146,742**	**37,544**	**486,289**		**3,840,008**
Currency translation differences					–45'252	3,579		–41'673
Dividends and other distributions						–9,248		–9'248
Reserves for general banking risks				57,000				57,000
Change in scope of consolidation			–270			–1,108		–1,378
Profit/loss (result of the period)						53,519	177,001	230,520
Equity on 31.12.2015	**848,245**	**1,745,862**	**575,056**	**203,742**	**–7'708**	**533,031**	**177,001**	**4,075,229**

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

	31.12.2015				31.12.2014			
CHF 000	Total nominal value	Number of units	Dividend bearing capital	%	Total nominal value	Number of units	Dividend bearing capital	%
J. Safra Holdings International (Luxembourg) S.A.								
Share capital	848,245	848,245	848,245	100%	848,245	848,245	848,245	100%

J. Safra Holdings International (Luxembourg) S.A., Luxembourg, holds the entire share capital and the voting rights of J. Safra Sarasin Holding Ltd. The ultimate shareholder of J. Safra Sarasin Holding Ltd is Mr. Joseph Y. Safra.

Consolidated notes

Name, legal form and domicile

The J. Safra Sarasin Holding Ltd. (the “Group” or the “Holding”) is a global banking group specialising in private banking services and asset management. As an international group committed to sustainability and well established in more than 25 locations in Europe, Asia, the Middle East, and Latin America, the Group is a global symbol of private banking tradition, emphasising security and well-managed conservative growth for clients. J. Safra Sarasin Holding Ltd. is headquartered in Basel.

Accounting and valuation principles

The Group’s financial statements are presented in accordance with Swiss accounting principles applicable for Banks (Swiss Financial Market Supervisory Authority FINMA Circular 2015/1), the Swiss Banking Act and the Swiss Code of Obligations.

Changes in accounting and valuation principles

First time adoption of the revised accounting principles referred to above led to a number of reclassifications which are presented in the following tables. Key impacts of the revised accounting principles are the following:

- Changes in presentation of balance sheet and income statement;
- Valuation adjustments and losses from interest operations must now be disclosed in a separate income statement line item and hence deducted from the gross profit made on interest operations;
- Fair value option introduced;
- Changes in hedge accounting and valuation of derivatives; and
- Additional disclosure requirements.

Valuation principles are unchanged. Comparative information has been restated accordingly.

	Before reclassification	Reclassification							**After reclassification**
CHF 000	**31.12.2014**	Reverse repurchase transactions **(1)**	Positive and negative replacement values **(2)**	Fair value option **(3)**	Bonds sold before maturity **(4)**	Money market paper **(5)**	Deferred tax assets/losses carried forward **(6)**	**Total (1)–(6)**	**31.12.2014**
Assets									
Money market paper (account old SwissGAAP)	682,598					–682,598		–682,598	0
Amounts due from banks	4,329,460	–173,777				1,726		–172,051	4,157,409
Amounts due from securities financing transactions	0	173,777						173,777	173,777
Trading portfolio assets	903,432		7,389	-505,596		29,298		–468,909	434,523
Positive replacement values of derivative financial instruments	0		612,521					612,521	612,521
Other financial instruments at fair value	0			505,596				505,596	505,596
Financial investments	7,169,161					651,573		651,573	7,820,734
Accrued income and prepaid expenses	407,160				–22,735		–50,344	–73,079	334,081
Other assets	836,690		–619,910		22,735		50,344	–546,831	289,859

CHF 000	Before reclassification 31.12.2014	Reclassification: Reverse repurchase transactions **(1)**	Positive and negative replacement values **(2)**	Fair value option **(3)**	Bonds sold before maturity **(4)**	Money market paper **(5)**	Deferred tax assets/losses carried forward **(6)**	**Total (1)–(6)**	After reclassification **31.12.2014**
Liabilities									
Amounts due to banks	3,559,674	–165,221						–165,221	3,394,453
Liabilities from securities financing transactions	0	165,221						165,221	165,221
Negative replacement values of derivative financial instruments	0		609,016					609,016	609,016
Liabilities from other financial instruments at fair value	0		572,764					572,764	572,764
Accrued expenses and deferred income	315,468				–42,091			–42,091	273,377
Other liabilities	1,244,918		–1,181,780		42,091			–1,139,689	105,229

CHF 000	Before reclassification **2014**	Reclassification: Creation and reversal of value adjustments **(7)**	Reversal of provisions **(8)**	General banking risks **(9)**	**Total (7)–(9)**	After reclassification **2014**
Changes in value adjustments for default risks and losses from interest operations		–43,631			–43,631	**–43,631**
Subtotal net result from interest operations	453,796	–43,631	0	0	–43,631	**410,165**
Other ordinary expenses	–34,491	32,751			32,751	**–1,740**
Subtotal other result from ordinary activities	–27,669	32,751	0	0	32,751	**5,082**
Changes to provisions and other value adjustments, and losses	–46,933	11,731	137		11,868	**–35,065**
Extraordinary income	4,083	–851	–137		–988	**3,095**
Extraordinary expenses	–71,035			71,000	71,000	**-35**
Changes in reserves for general banking risks				–71,000	–71,000	**–71,000**
Consolidated profit	**205,301**	0	0	0	0	**205,301**

Consolidation principles
The consolidated financial statements are prepared in accordance with the True and Fair View principle. The consolidation period for all Group entities is the calendar year ending 31 December. The accounting and valuation principles of the entities have been adjusted, where materially different, to the Group's consolidation principles.

Consolidation perimeter
The consolidated financial statements comprise those of J. Safra Sarasin Holding Ltd., Basel, as well as those of its subsidiaries and branches listed on page 61. Newly acquired subsidiaries are consolidated as from the time control is transferred and deconsolidated once control is relinquished.

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

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

Recording of transactions
All transactions concluded are recorded according 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	**31.12.2015**	31.12.2014
USD/CHF	1.001	0.993
EUR/CHF	1.087	1.202

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

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

The Holding has delegated to the Bank's governing bodies all duties, responsibilities and competences related to the management and operations of its current business. This management includes the financial consolidation as well as the supervision, on a consolidated basis, of the activities of the Group.

The statutory financial statements of J. Safra Sarasin Holding Ltd. are not deemed representative of the banking activities of the Group and are therefore not published.

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

Amounts due from and liabilities from securities financing transactions

These items contain receivables and obligations from cash collateral delivered in connection with securities borrowing and lending transactions as well as from reverse repurchase and repurchase transactions. These items are stated at their nominal value. The transfer of securities in connection with a securities financing transaction does not require a 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 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. 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 product 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 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:

	2015	**2014**
Fixed assets		
Bank premises & other buildings	50 years	50 years
Leasehold improvements/Renovations	10–20 years	10–20 years
Furniture & machines	3–10 years	3–10 years
Hardware	3–8 years	3–8 years
Software	3–8 years	3–8 years
Intangible assets		
Goodwill	10–20 years	20 years
Other intangible assets	3–10 years	3–10 years

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

Impairment of non-financial assets

On the balance sheet date the Group determines whether there are any reasons for an impairment of non-financial assets. Goodwill and other intangible assets with indeterminate useful life are checked for impairment at least once a year, and also whenever events suggest their value is too high. Any other non-financial assets are reviewed for impairment if there are signs that their book value exceeds the realisable amount of the fair value. The estimated fair value of non-financial assets is determined on the basis on 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 for due from banks, due from customers, mortgages and bonds intended to be held until maturity date are deducted from the corresponding asset in the balance sheet.

Reserves for general banking risks

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

Employee pension plans

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

Taxes

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

Risk management

Structure of risk management

General considerations

The Board of Directors carries the ultimate responsibility in the Group's multilevel risk management organisation. Its task is to formulate the Group's risk policy and monitors the implementation by the Executive Committee. The Board also defines the risk strategy, the basic risk management parameters (e. g. limits and systems), the maximum risk tolerance as well as the responsibilities for risk monitoring.

Risk culture

The standard of risk management achieved by a financial institution is not simply a question of compliance with formalised internal and external rules. Accordingly, if not even greater, significance is the risk awareness of decision makers. The quantitative criteria on which attention frequently focuses are only one component of a comprehensive risk management system. The development of an appropriate risk culture as part of a financial institution's overall culture is highly important. A central element of such a risk culture is the discipline and thoroughness with which participants respond to their tasks in the risk management process.

Organisation of risk management

In order to meet their responsibilities and ensure optimum risk management, the Board of Directors together with the Executive Committee carries out a comprehensive risk assessment in addition to the regular reporting cycle.

The key elements of risk assessment are:

- An in-depth risk profile that assesses all types of risk, both in terms of quality and quantity, based on the status quo. A detailed analysis is also performed of the associated corporate governance and the existing risk management (limitation) with reference to the plans for future business growth.
- A detailed three-year timetable for capital planning and development (catering to different business performance scenarios) describes the impacts on capital adequacy over several years.
- Stress analyses are also performed in order to estimate the financial impacts on capital adequacy of significant distortions in the money and capital markets.

The risk assessment findings, along with any adjustments required, are incorporated into the annual review of the Group's regulations and directives and in the definition of a risk appetite which is expressed as a selection of different risk limits for each risk category. The CEO and the Executive Committee are responsible for implementing the risk management and risk controlling principles approved by the Board of Directors. To ensure holistic risk management, the Executive Committee has appointed the necessary committees (listed below) to deal with risks, which on the one hand act as decision making bodies for key issues and risks. On the other hand, their task is to promote risk awareness and ensure compliance with the approved risk standards. The Risk Committee carries out a comprehensive assessment of all the Group's principal risks, both current and those anticipated in future. When evaluating risk, it takes into consideration the findings and measures of the other committees. The Central Credit Committee (CCC) is in charge of managing the credit risks. The Treasury Committee controls and manages interest rate risk, short-term liquidity risk and mid-to long-term refinancing risks. These committees include representatives from different divisions. The committees meet at regular intervals.

Risk controlling is the responsibility of the Risk Office, Credit and Legal & Compliance departments, which, from an organisational perspective, are independent of the business entities that actively manage risk. This separation of functions ensures that the business units which reach decisions about the level and extent of risk exposure act independently of the departments that analyse the risks assumed and monitor adherence to limits and other competencies. The set-up chosen intends to avoid potential conflicts of interest and incompatible objectives as early and as effectively as possible.

The Risk Office performs in-depth analysis of the Group's market, credit and operational risks, assesses the opportunities and risk potential and takes any measures needed to adjust the Group's risk profile. It is responsible for ensuring compliance with the risk management process. The Risk Office submits requests to the Board of Directors on the risk models to be employed. It also submits individual reports to the Audit Committee, the Executive Committee and those responsible for risk.

The Credit department analyses, grants, records and monitors client credits and if necessary initiates measures to prevent credit losses for the Group. Client credits include cash loans, contingent liabilities and transactions with margin calls from currency and/or option contracts. The Credit department defines the parameters relevant to credit, such as levels of lending against collateral and also margin requirements and continues to actively develop the systems in question.

The Legal & Compliance business unit advises the Executive Committee, as well as its divisions and subsidiaries, in meeting its regulatory responsibility and ensures that the Group's business activities in Switzerland and abroad comply with applicable legal and regulatory framework, together with the generally accepted market standards and code of conduct. Compliance puts in place the appropriate operational measures and precautions, and in particular ensures that an appropriate system of directives exists. It also makes arrangements for the involvement of all staff in the maintenance of compliance at the appropriate level. The Legal function ensures that the Group structure and business processes adhere to a legally acceptable format, especially in the areas of provision of services to clients and product marketing. As far as compliance and legal risks are concerned, there is also regular and comprehensive risk reporting to the Executive Committee and the Audit Committee.

A clearly structured and transparent risk management process ensures that the principal risks are identified in good time and fully documented and that they can be visualised, limited and monitored in a suitable fashion. The process is applied to all risk categories, both individually and collectively. Especially when introducing new business transactions and new procedures, the risk management process is the basis of the comprehensive assessment and rating of the risks associated with a new activity or new process. The Group has established a clear process analysing and checking actual or potential risks before entering into any new business. The involvement of all relevant business units at an early stage ensures comprehensive, cross-discipline assessment of every new business transaction or process and its associated risks.

Risk categories

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

- Market risk
- Credit risk including risk of concentration
- Liquidity risk
- Operational and reputation risk
- Legal and compliance risk
- Business and strategic risk

Market risk

The market risk refers to the risk of a loss due to changes in risk parameters (share prices, interest rates and currency exchange rates) in on-balance or off-balance sheet positions.

Interest rate risk

Exposure to interest rate risk is measured based on diverging maturities of interest-sensitive positions per currency (gap analysis). Management monitors these positions regularly.

Credit risk

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

Lending business with clients

The lending activities are mainly limited to loans to private clients that are secured against securities or mortgages. The lending criteria are very strictly formulated and their appropriateness is continuously reviewed. Furthermore the borrower's credit worthiness and specifically with regard to mortgage transactions, the debt servicing capacity are duly assessed prior to issuance of a loan facility. Lending business with clients follows a strict separation of front and support functions, where the assessment, approval and monitoring of this 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 operations in line with the delegated authority and the policy defined. Client loans and mortgages are classified in an internal rating system by risk classes, whereas the applied lending value, the average daily turnover and dynamic weightings are taken into considerations for the classification.

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 that are in line with common practice in the Swiss banking industry. 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 classes and collateral type is reviewed on a quarterly basis and reported to management.

Non-performing loans and collateral obtained are valued at liquidation value, taking into account any correction for the debtor's solvency. Off balance sheet transactions are also included in this assessment. The need for provisions is determined individually for each impaired loan based on an analysis performed according to a procedure clearly defined.

Lending business with banks, governments and companies

The transaction entered into with banks, governments and companies may serve the Group's needs 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 also with a strong focus 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 based on a framework and limits approved by the Board of Directors.

Large exposure and concentration risks

Large exposure risks are monitored for each 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, the Group's Risk Office checks prior to entering into positions involving non-clients that the critical size of the concentrations is not exceeded.

Liquidity risk

The liquidity risk essentially refers to the danger of the Group being unable to meet its payment obligations or failing to meet the 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 make sure legal requirements for liquidity are complied with. A key task of the Committee is to monitor all the relevant liquidity risk factors. These include money flows between subsidiaries and the parent company, inflows and outflows of client funds and changes in the availability of liquidity reserves. As a supporting strategy, target bandwidths are set for surplus coverage of minimum liquidity. These are actively monitored and adequate measures would be initiated if liquidity falls below the specified targets.

Operational risk

Operational risks are defined as the risk of losses that arise through the inadequacy or failure of internal procedures, people or systems, or as a consequence of external events. This definition includes all legal and supervisory risks, but excludes strategic risks and risks to the Group's reputation. The Group manages its operational risks on the basis of a consistent group-wide framework. The underlying processes for monitoring operational risks are based on directives and on reporting at the appropriate level. The regular measurement, reporting and assessment of segment-specific risk indicators enable potential hazards to be detected well in advance. A regular self-assessment is performed involving representatives from specialist units and risk experts in order to identify and catalogue the underlying risks and inadequacies of a specific area, and these procedures are reviewed on a regular basis.

Reputation risk

For the Group, reputation is a critical element to the stakeholders' (clients, counterparties and regulators) perception of the Group's public standing, as well as its professionalism, integrity and reliability. Accordingly, reputation risk can be defined as the existing or potential threat of negative commercial impacts on the Group created by the relevant stakeholders' negative perception of the Group. In order to identify potential reputation risks at an early stage and take any necessary countermeasures, Risk Office has defined a management and control process for reputation risks. This is embedded in the Group's existing structures and processes in the area of risk management.

The Group offers wealth management services to its clients by applying the highest standards in terms of Anti-Money Laundering and tax compliance. Several jurisdictions have undertaken steps to strengthen compliance requirements in these areas. The Group has addressed these requirements to ensure effective management of its reputational risk and would allocate provisions if necessary.

Legal and compliance risk

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

Business and strategic risk

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

Treatment of structured products

Self-issued structured products 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 positions "positive or negative replacement values of derivative financial instruments". Acquired assets (stock, bonds derivatives from third parties, etc.) bought to hedge the self-issued structured products shall be recognised in the respective balance sheet position (e.g. derivatives in the balance sheet position "positive or negative replacement values of derivative financial instruments", stocks, bonds in the balance sheet position "trading portfolio assets").

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

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

With respect to Lombard facilities, the lending values are periodically reviewed and set by the Group's credit committee on an asset-by-asset basis. Any lending value exceptions are approved in conjunction with the credit request in question. On this basis each approved credit facility is given a CRC. Additionally, country concentration imbedded within the portfolios on which the Group lends are also periodically reviewed, as necessary. Lombard transactions are monitored daily for margin purposes, and in relevant periodic intervals for repayment purposes. At each such monitoring interval, the CRC of a Lombard facility or group of facilities are continually reassessed. Any adverse change in the Group's outlook with respect to the collateral shall, on a case-by-case basis, trigger an assessment for the purpose of establishing a need for the setting of 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 being analysed and documented against appropriate regional price statistic. If prices of certain regions and/or object types have significantly decreased in value or a corresponding decrease is deemed to be imminent by the Group, the respective mortgage facility shall be assessed individually and provisioned on a case-by-case basis.

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

The lending business is basically limited to Lombard loans and mortgages. In case of a Lombard loan the collateral are accepted at a percentage of its market value according the Group's credit policy. The pledge rate depends on the nature, solvency, currency and fungibility of the assets. In case of a mortgage, the maximum pledge rate is defined by the Bank'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 does enable clients to trade different types of derivatives. Client derivatives trading activities includes options, forwards, futures, and swaps on equities, foreign exchange, precious metals, commodities and interest rates. The Group can trade derivative products for its own account, as long as the necessary limits are approved by the Board of Directors, or squares 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 use derivative financial instruments as part of its balance sheet management activities in order to manage interest rate risk and credit risk in its Banking Book (e.g. interest rate swaps , credit default swaps). In order to avoid asymmetric profit and loss recognition, hedge accounting is applied whenever possible. Interest rate risk of assets and liabilities are typically hedged by interest rate swaps (IRS), but other instrument 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 transaction are documented and periodically reviewed.

The effectiveness of hedging transactions is measured prospectively by validation of the sensitivity of the hedge item(s) and the hedging transaction by a parallel shift of the interest rate curve or the credit spread curve (e.g. 1 basis point shift). The valuation difference of the hedged item(s) and the hedging transaction have to be in a pre-defined corridor to be qualified as effective. 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 item Result from trading activities and the fair value option.

Consolidated notes – Information on the balance sheet

Breakdown of securities financing transactions (assets and liabilities)

CHF 000	**2015**	2014
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions (before netting agreements)	128,740	173,777
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions (before netting agreements)	295,233	165,221
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	321,419	727,965
with unrestricted right to resell or pledge	321,419	727,965
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	423,288	330,840
of which, repledged securities	4,747	10,330
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	187,791	9,500,380	125,174	9,813,345
Mortgages loans				
Residential property	1,084,278	0	0	1,084,278
Office and business premises	882,797	0	0	882,797
Trade and industry	348,470	0	0	348,470
Others	1,245	0	0	1,245
Total loans (before netting with value adjustments)				
Current year	**2,504,581**	**9,500,380**	**125,174**	**12,130,135**
Previous year	1,983,756	9,960,100	155,164	12,099,020
Total loans (after netting with value adjustments)				
Current year	**2,403,462**	**9,500,380**	**0**	**11,903,842**
Previous year	1,880,315	9,960,100	73,502	11,913,917
Off balance sheet transactions				
Contingent liabilities	0	709,391	80,769	790,160
Irrevocable commitments	1,678	34,673	4,701	41,052
Obligations to pay up shares and make further contributions	0	0	1,322	1,322
Total current year	**1,678**	**744,064**	**86,792**	**832,534**
Previous year	1,503	1,051,425	47,439	1,100,367

Impaired loans

CHF 000	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Current year	**401,727**	**158,156**	**243,571**	**243,571**
Previous year	382,026	158,768	223,258	223,258

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

CHF 000	**31.12.2015**	31.12.2014
Assets		
Trading portfolios		
Debt securities, money market securities/transactions	258,595	12,249
of which, listed	258,595	12,249
Equity securities	242,047	143,942
Precious metals and commodities	286,690	278,332
Other trading portfolio assets	81	0
Other financial instruments at fair value		
Debt securities	1,684	4,866
Structured products	0	0
Other	677,260	500,730
Total assets	**1,466,357**	**940,119**
of which, determined using a valuation model	0	0
of which, securities eligible for repo transactions		
in accordance with liquidity requirements	299	3,151
Liabilities		
Trading portfolios		
Debt securities, money market securities/transactions	0	0
of which, listed	0	0
Equity securities	0	0
Precious metals and commodities	0	0
Other trading portfolio liabilities	0	0
Other financial instruments at fair value		
Debt securities	0	0
Structured products	0	0
Other	663,591	572,764
Total liabilities	**663,591**	**572,764**
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			
Swaps	26,339	60,313	4,526,546
Futures	0	24,139	36,131
Total interest rate instruments	**26,339**	**84,452**	**4,562,677**
Foreign exchange			
Forward agreements	147,104	109,141	7,927,721
Combined interest/currency swaps	91,084	107,130	18,381,659
Options (OTC)	41,881	41,497	6,232,590
Total foreign exchange	**280,069**	**257,768**	**32,541,970**
Equity securities/indices			
Forward agreements	98	166	6,320
Futures	0	591	6,541
Options (OTC)	121,675	95,832	1,592,908
Options (exchange traded)	35,539	20,726	913,572
Total equity securities/indices	**157,312**	**117,315**	**2,519,341**
Precious metals			
Forward agreements	1,180	1,164	28,631
Swaps	278	272	36,410
Options (OTC)	2,498	3,959	285,928
Total precious metals	**3,956**	**5,395**	**350,969**
Other			
Forward agreements	321	1,639	22,940
Total other	**321**	**1,639**	**22,940**
Total trading instruments before netting agreements on 31.12.2015	**467,997**	**466,569**	**39,997,897**
Total trading instruments before netting agreements on 31.12.2014	614,717	1,168,883	44,388,533
Hedge instruments			
Interest rate instruments			
Swaps	8,770	12,037	330,577
Total hedge instruments on 31.12.2015	**8,770**	**12,037**	**330,577**
Total hedge instruments on 31.12.2014	5,193	12,897	482,057
Total before netting agreements on 31.12.2015	**476,767**	**478,606**	**40,328,474**
of which, determined using a valuation model	0	0	–
Total before netting agreements on 31.12.2014	619,910	1,181,780	44,870,590
of which, determined using a valuation model	0	0	–
Total after netting agreements on 31.12.2015	**313,779**	**315,396**	
Total after netting agreements on 31.12.2014	619,910	1,181,780	

Breakdown by counterparty	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements) on 31.12.2015	38,971	163,033	111,775

Financial investments

CHF 000	**Book value 31.12.2015**	**Fair value 31.12.2015**	Book value 31.12.2014	Fair value 31.12.2014
Debt securities	6,929,335	6,874,283	7,253,716	7,288,001
of which, intended to be held until maturity	6,546,585	6,491,507	6,699,732	6,733,902
of which, not intended to be held to maturity (available for sale)	382,750	382,776	553,984	554,099
Equity securities	395,990	632,769	567,018	752,973
of which, qualified participations	0	0	0	0
Precious metals	0	0	0	0
Real estate	650	650	0	0
Total financial investments	**7,325,975**	**7,507,702**	**7,820,734**	**8,040,974**
of which, securities eligible for repo transactions in accordance with liquidity regulations	**301,236**		484,912	

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	1,883,068	1,459,316	1,533,641	1,602,949	10,329	440,032

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

Participations

CHF 000	Acquisition costs	Accumulated depreciation	Book value as at 31.12.2014	Reclassi-fications	Additions	Disposals	Value adjustments	**Book value as at 31.12.2015**	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	3,494	–265	3,230	0	42	0	0	3,272	28,459
without market value	0	0	0	0	0	0	0	0	–
Total participations	**3,494**	**–265**	**3,230**	**0**	**42**	**0**	**0**	**3,272**	**28,459**

Significant participating interests

	Place of Incorporation	Activity	Currency	Share Capital '000s	% of equity/ votes	Direct/ indirect ownership
Bank J. Safra Sarasin Ltd	Basel	Bank	CHF	22,015	100.00%	direct
Bank J. Safra Sarasin (Gibraltar) Ltd	Gibraltar	Bank	CHF	1,000	100.00%	indirect
J. Safra Sarasin Asset Management (Europe) Ltd	Gibraltar	Advisory	CHF	2,700	100.00%	indirect
Banque J. Safra Sarasin (Monaco) SA	Monaco	Bank	EUR	40,000	100.00%	direct
J. Safra Sarasin Gestion (Monaco) SA	Monaco	Advisory	EUR	160	100.00%	indirect
Banque J. Safra Sarasin (Luxembourg) SA	Luxembourg	Bank	EUR	8,800	100.00%	direct
SIBTL Holding Ltd.	Bahamas	Holding	USD	460,932	52.00%	direct
J. Safra Sarasin Asset Management (Bahamas) Ltd.	Bahamas	Fund Management	USD	50	52.00%	indirect
Bank J. Safra Sarasin (Bahamas) Ltd.	Bahamas	Bank	USD	18,000	51.97%	indirect
J. Safra Sarasin Asset Management S.A.	Panama	Advisory	USD	3,250	51.97%	indirect
Bank J. Safra Sarasin Asset Management (Middle East) Ltd	Dubai	Asset Management	USD	22,000	100.00%	indirect
Bank J. Safra Sarasin (QFC) LLC	Doha	Asset Management	USD	2,000	100.00%	indirect
Eichenpark Verwaltungs GmbH	Glashuetten	Holding	EUR	25	100.00%	indirect
bank zweiplus ltd	Zurich	Bank	CHF	35,000	57.50%	indirect
cash zweiplus ltd	Zurich	Information	CHF	1,000	28.75%	indirect
Bank J. Safra Sarasin (Deutschland) AG	Frankfurt	Bank	EUR	1,000	100.00%	indirect
J. Safra Sarasin Trust Company (Singapore) Ltd.	Singapore	Trust Company	USD	1,000	100.00%	indirect
Bank Sarasin-Alpen (Qatar) LLC, in liquidation	Doha	Advisory	USD	1,000	60.00%	indirect
Sarabet Ltd	Basel	Holding	CHF	3,250	100.00%	indirect
Sarasin (U.K.) Ltd	London	Holding	GBP	17,900	100.00%	indirect
S.I.M. Partnership (London) Ltd	London	Holding	GBP	727	60.00%	indirect
Sarasin & Partners LLP	London	Asset Management	GBP	13,801	60.00%	indirect
Sarasin Asset Management Ltd	London	Asset Management	GBP	250	60.00%	indirect
Sarasin Investment Funds Ltd	London	Fund Management	GBP	250	60.00%	indirect
Sarasin Funds Management (Ireland) Ltd	Dublin	Fund Management	GBP	500	60.00%	indirect
JSS Administradora de Recursos Ltda.	Sao Paulo	Advisory	BRL	1	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
Sarasin (Asia) Ltd., in liquidation	Singapore	Holding	SGD	50,550	100.00%	indirect

The shareholders in cash zweiplus ltd have put options in respect of the shares in cash zweiplus ltd.

Participations removed from the scope of consolidation

	Place of Incorporation	Activity	Currency	Share Capital '000s	% of equity/ votes	Direct/ indirect ownership
Arcavio Ltd.	Basel	Family Office	CHF	500	100.00%	indirect
Sarasin Alpen (India) Private Ltd., in liquidation	Mumbai	Advisory	INR	107,349	60.00%	indirect
Bank Sarasin-Alpen (ME) Limited, in liquidation	Dubai	Advisory	USD	1,000	60.00%	indirect
Sarasin-Alpen & Partners Ltd	Dubai	Asset Management	USD	2,000	60.00%	indirect
Sarasin-Alpen LLC, in liquidation	Muscat	Advisory	USD	1,558	60.00%	indirect

Participations are removed from the scope of consolidation because they are either liquidated or sold.

Non consolidated investments in subsidiary companies

	Place of Incorporation	Activity	Currency	Share Capital '000s	% of equity/ votes	Direct/ indirect ownership
SIX Group AG Namen	Zurich	Stock exchange	CHF	19,522	1.44%	indirect
PFBK Schweizerische Hypothekarinstitute AG	Zurich	Mortgage company	CHF	800,000	0.30%	indirect

Tangible fixed assets

CHF 000	Acquisition costs	Accumulated depreciation	Book value as at 31.12.2014	Reclassi-fications	Additions	Disposals	Depreciation	**Book value as at 31.12.2015**
Real estate: bank buildings	259,053	–66,678	192,375	0	516	–313	–4,692	187,886
Real estate: other real estate	4,985	–1,580	3,405	0	0	0	–83	3,322
Proprietary or separately acquired software	99,271	–89,536	9,735	–13	7,169	–53	–7,353	9,485
Other fixed assets	199,238	–125,984	73,254	13	9,000	–382	–13,551	68,334
Tangible assets acquired under finance leases:	0	0	0	0	0	0	0	0
of which, bank buildings	0	0	0	0	0	0	0	0
of which, other real estate	0	0	0	0	0	0	0	0
of which, other tangible fixed assets	0	0	0	0	0	0	0	0
Total fixed assets	**562,547**	**–283,778**	**278,769**	**0**	**16,685**	**–748**	**–25,679**	**269,027**
Operating Leases								
Remaining maturity < 1 year								16,121
Remaining maturity 1–5 years								45,289
Remaining maturity more than 5 years								15,369
Total liabilities from operating lease								**76,778**
of which, remaining maturity < 1 year that can be terminated within one year								616

Intangible assets

CHF 000	Acquisition costs	Accumulated depreciation	Book value as at 31.12.2014	Reclassi-fications	Additions	Disposals	Amortisation	**Book value as at 31.12.2015**
Goodwill	554,096	-60,836	493,260	0	0	0	-28,053	465,207
Patents	0	0	0	0	0	0	0	0
Licences	0	0	0	0	0	0	0	0
Other intangible assets	9,409	-8,007	1,402	0	26,808	0	-3,373	24,837
Total intangible assets	**563,505**	**-68,843**	**494,662**	**0**	**26,808**	**0**	**-31,426**	**490,044**

Other assets/Other liabilities

CHF 000	**31.12.2015**	31.12.2014
Other assets		
Compensation account	27,676	20,150
Deferred income taxes recognised as assets	43,325	50,344
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	323,496	219,365
Total	**394,497**	**289,859**
Other liabilities		
Compensation account	15,548	0
Others	129,235	105,229
Total	**144,783**	**105,229**

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

CHF 000	**Book value 31.12.2015**	**Effective commitment 31.12.2015**	Book value 31.12.2014	Effective commitment 31.12.2014
Financial instruments	687,278	447,143	421,070	341,078
Other assets	174,624	174,624	176,890	162,519
Total pledged assets	**861,902**	**621,767**	**597,960**	**503,597**

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	**31.12.2015**	31.12.2014
Liabilities to own pension plans	**8,162**	**30,276**

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 31.12.2015**	**Renunciation of use 31.12.2015**	**Creation 2015**	**Balance sheet 31.12.2015**	Balance sheet 31.12.2014	**Result from ECR in personnel expenses 2015**	Result from ECR in personnel expenses 2014
Patronage funds/pension schemes	**0**	**0**	**0**	**0**	0	**0**	0

Economic benefit / economic obligation and pension benefit expenses

CHF 000	**Surplus/ (deficit) 31.12.2015**[1]	**Economical part of the organisation 31.12.2015**	Economical part of the organisation 31.12.2014	**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 2015**	Pension benefit expenses within personnel expenses 2014
Pension schemes							
with surplus	**67,919**	**0**	0	**0**	**23,479**	**23,479**	24,247
without surplus/(deficit)	**0**	**0**	0	**0**	**8,030**	**8,030**	7,435
Total	**67,919**	**0**	0	**0**	**31,509**	**31,509**	31,682

[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 2014.

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	Valued separately		
CHF 000	Value of the host instrument	Value of the derivative	Total
Interest rate instruments			
With own debenture component (oDC)	0	0	0
Without oDC	0	0	0
Equity securities			
With own debenture component (oDC)	495,601	–62,474	433,127
Without oDC	0	0	0
Foreign currencies			
With own debenture component (oDC)	43,710	49	43,759
Without oDC	0	0	0
Commodities/precious metals			
With own debenture component (oDC)	2,074	–22	2,052
Without oDC	0	0	0
Total 31.12.2015	**541,385**	**–62,447**	**478,938**

Presentation of bonds outstanding and mandatory convertible bonds

		Year of issuance	Early termination possibilities	Weighted average interest rate	Maturity date	Amount outstanding CHF 000
Issuer						
Bank J. Safra Sarasin Ltd	Non-subordinated	2014	no	1%	28.05.2020	154,395
Bank J. Safra Sarasin Ltd	Non-subordinated mortgage backed-bonds	2011–2013	no	0.94%	2016–2024	171,469

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	24,935	52,870	16,983	48,931	175,139	7,006	**325,864**

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

CHF 000	Balance as at 31.12.2014	Use in conformity with designated purpose	Reclassi-fications	Currency differences	Past due interest, recoveries	New creations charged to income	Release to income	**Balance as at 31.12.2015**
Provisions for deferred taxes	35,535	0	0	–3,089	0	1,339	–3,794	29,991
Provisions for pension benefit obligations	0	0	0	0	0	0	0	0
Provisions for default risks (off-balance sheet)	0	0	0	0	0	0	0	0
Provisions for other business risks	104,398	–88,741	0	–1,347	459	1,434	–2,523	13,680
Provisions for restructuring	4,245	–163	0	–30	5	0	–3,960	97
Other provisions	10,710	–9,000	0	0	0	1,500	–610	2,600
Total provisions	**154,888**	**–97,904**	**0**	**–4,466**	**464**	**4,273**	**–10,887**	**46,368**
Reserves for general banking risks	**146,742**	**0**	**0**	**0**	**0**	**57,000**	**0**	**203,742**
Value adjustments for default and country risks	**239,886**	**–11,219**	**0**	**–2,010**	**23,899**	**55,379**	**–14,479**	**291,456**
of which, value adjustments for default risks in respect of impaired loans / receivables	223,258	–8,186	0	–2,641	23,816	15,677	–8,353	243,571
of which, value adjustments for latent risks	0	0	0	0	0	0	0	0

Following the settlement in relation with the U.S. program for Swiss banks, "Provisions for other business risks" have been adjusted accordingly.

Disclosure of amounts due from / to related parties

	Amounts due from		Amounts due to	
CHF 000	**31.12.2015**	31.12.2014	**31.12.2015**	31.12.2014
Holders of qualified participations	–	–	1,330	8,402
Group companies	–	–	–	–
Linked companies	1,237,106	771,772	191,492	101,820
Transactions of members with governing bodies	11,110	10,859	–	–
Other related parties	656	3,582	2,258,899	709,751

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	5,522,233	0	0	0	0	0	0	5,522,233
Amounts due from banks	706,716	12,921	672,260	299,815	7,007	1,627	0	1,700,346
Amounts due from securities financing transactions	0	0	20,000	108,740	0	0	0	128,740
Amounts due from customers	1,272,960	1,606,883	5,225,259	665,954	685,596	130,400	0	9,587,052
Mortgage loans	10,152	0	714,610	123,011	839,750	629,267	0	2,316,790
Trading portfolio assets	787,413	0	0	0	0	0	0	787,413
Positive replacement values of derivative financial instruments	476,767	0	0	0	0	0	0	476,767
Other financial instruments at fair value	678,944	0	0	0	0	0	0	678,944
Financial investments	396,710	0	1,163,524	920,264	3,043,556	1,801,921	0	7,325,975
Total 31.12.2015	**9,851,895**	**1,619,804**	**7,795,653**	**2,117,784**	**4,575,909**	**2,563,215**	**0**	**28,524,260**
Total 31.12.2014	10,602,687	1,968,529	9,020,395	4,094,331	4,949,169	2,385,386	0	33,020,497
Due to banks	339,505	5,009	409,401	0	5,000	0	0	758,915
Liabilities from securities financing transactions	0	0	285,223	10,010	0	0	0	295,233
Amounts due in respect of customer deposits	15,639,929	1,427,706	3,957,759	1,152,096	558,148	85,264	0	22,820,902
Negative replacement values of derivative financial instruments	478,606	0	0	0	0	0	0	478,606
Liabilities from other financial instruments at fair value	663,591	0	0	0	0	0	0	663,591
Bond issues and central mortgage institution loans	0	0	3,000	21,935	293,923	7,006	0	325,864
Total 31.12.2015	**17,121,631**	**1,432,715**	**4,655,383**	**1,184,041**	**857,071**	**92,270**	**0**	**25,343,111**
Total 31.12.2014	20,463,398	441,486	6,618,909	1,398,849	922,330	202,624	0	30,047,596

Assets and liabilities by domestic and foreign origin

	31.12.2015		31.12.2014	
CHF 000	**Swiss**	**Foreign**	Swiss	Foreign
Assets				
Liquid assets	5,276,460	245,773	7,276,591	125,428
Amounts due from banks	415,321	1,285,025	474,471	3,682,938
Amounts due from securities financing transactions	20,000	108,740	40,000	133,777
Amounts due from customers	656,489	8,930,563	824,866	9,316,367
Mortgage loans	815,094	1,501,696	1,086,116	686,568
Trading portfolio assets	389,637	397,776	311,198	123,325
Positive replacement values of derivative financial instruments	113,432	363,335	218,619	393,902
Other financial instruments at fair value	323,399	355,545	143,046	362,550
Financial investments	242,050	7,083,925	125,210	7,695,524
Accrued income and prepaid expenses	43,879	149,363	39,331	294,751
Non-consolidated participations	3,140	132	3,156	74
Tangible fixed assets	256,038	12,989	266,192	12,577
Intangible assets	489,386	658	494,662	0
Other assets	61,884	332,613	82,803	207,056
Total assets	**9,106,209**	**20,768,133**	**11,386,260**	**23,034,838**
Liabilities				
Amounts due to banks	214,416	544,499	341,990	3,052,463
Liabilities from securities financing transactions	20,020	275,213	155,000	10,221
Amounts due in respect of customer deposits	5,944,495	16,876,407	6,371,164	18,235,626
Negative replacement values of derivative financial instruments	94,510	384,096	137,592	471,425
Liabilities from other financial instruments at fair value	663,591	0	570,573	2,191
Bond issues and central mortgage institution loans	325,864	0	699,352	0
Accrued expenses and deferred income	141,443	123,408	157,795	115,582
Other liabilities	23,974	120,809	60,281	44,948
Provisions	34,644	11,724	108,748	46,140
Reserves for general banking risks	193,971	9,771	136,971	9,771
Share capital	848,245	0	848,245	0
Capital reserve	1,745,862	0	1,745,862	0
Retained earnings reserve	–399,438	974,494	–257,359	689,212
Currency translation reserve	138,873	–146,581	138,873	–101,330
Minority interests in equity	19,380	460,131	17,870	406,592
Consolidated profit	–24,737	255,257	–82,813	288,114
Total liabilities	**9,985,113**	**19,889,229**	**11,150,144**	**23,270,954**

Assets by countries/country groups

	31.12.2015		31.12.2014	
CHF 000	**Total**	**Part as a %**	Total	Part as a %
Europe	5,970,480	20.0%	8,685,730	25.2%
Americas	11,019,969	36.9%	10,345,177	30.1%
Asia	3,402,108	11.4%	3,530,294	10.3%
Others	375,577	1.3%	473,637	1.4%
Total foreign assets	**20,768,134**	**69.5%**	**23,034,838**	**66.9%**
Switzerland	9,106,209	30.5%	11,386,260	33.1%
Total assets	**29,874,342**	**100.0%**	**34,421,098**	**100.0%**

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

	31.12.2015	
	Net foreign exposure CHF 000	Part as a %
Standard & Poor's		
AAA to AA–	7,518,815	95.7%
A+ to A–	227,934	2.9%
BB+ to B–	109,061	1.4%
Total net foreign assets	**7,855,810**	**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	5,276,452	187,662	496	57,623	5,522,233
Amounts due from banks	469,208	175,531	404,894	650,713	1,700,346
Amounts due from securities financing transactions	20,000	108,740	0	0	128,740
Amounts due from customers	754,772	1,213,113	5,811,581	1,807,586	9,587,052
Mortgage loans	851,770	151,550	659,726	653,744	2,316,790
Trading portfolio assets	247,280	16,624	277,424	246,085	787,413
Positive replacement values of derivative financial instruments	287,642	34,369	103,494	51,262	476,767
Other financial instruments at fair value	318,241	172,294	138,805	49,604	678,944
Financial investments	851,723	1,185,723	3,695,462	1,593,067	7,325,975
Accrued income and prepaid expenses	27,267	23,901	93,168	48,906	193,242
Non-consolidated participations	3,255	0	16	1	3,272
Tangible fixed assets	248,708	4,011	10,715	5,593	269,027
Intangible assets	490,044	0	0	0	490,044
Other assets	18,846	334,921	16,022	24,708	394,497
Total balance sheet assets	**9,865,208**	**3,608,439**	**11,211,803**	**5,188,892**	**29,874,342**
Delivery claims from spot, forward and options transactions	3,797,367	6,871,273	15,544,602	6,702,637	32,915,879
Total assets 31.12.2015	**13,662,575**	**10,479,712**	**26,756,405**	**11,891,529**	**62,790,221**

CHF 000	CHF	EUR	USD	Others	Total
Liabilities					
Amounts due to banks	36,813	109,377	527,046	85,679	758,915
Liabilities from securities financing transactions	0	0	295,233	0	295,233
Amounts due in respect of customer deposits	2,717,826	3,754,641	13,127,227	3,221,208	22,820,902
Negative replacement values of derivative financial instruments	208,437	79,343	116,584	74,242	478,606
Liabilities from other financial instruments at fair value	204,755	270,467	181,546	6,823	663,591
Bond issues and central mortgage institution loans	245,784	0	80,080	0	325,864
Accrued expenses and deferred income	110,523	59,533	53,370	41,425	264,851
Other liabilities	46,570	28,513	38,038	31,662	144,783
Provisions	7,741	38,254	0	373	46,368
Reserves for general banking risks	193,971	9,771	0	0	203,742
Share capital	848,245	0	0	0	848,245
Capital reserve	1,745,862	0	0	0	1,745,862
Retained earnings reserve	111,607	168,597	285,473	9,379	575,056
Currency translation reserve	638	–85,261	26,435	50,480	–7,708
Minority interests in equity	19,380	0	444,735	15,397	479,512
Consolidated profit	19,457	69,046	105,489	36,528	230,520
Total balance sheet liabilities	**6,517,609**	**4,502,281**	**15,281,256**	**3,573,196**	**29,874,342**
Delivery obligations from spot, forward and options transactions	7,406,416	5,610,565	11,452,455	8,435,617	32,905,053
Total liabilities 31.12.2015	**13,924,025**	**10,112,846**	**26,733,711**	**12,008,813**	**62,779,395**
Net currency positions 31.12.2015	**–261,450**	**366,866**	**22,694**	**–117,284**	**10,826**

Consolidated notes – Information on off-balance sheet transactions

Breakdown and explanation of contingent assets and liabilities

CHF 000	**31.12.2015**	31.12.2014
Guarantees to secure credits and similar	504,931	297,831
Performance guarantees and similar	736	773
Irrevocable commitments arising from documentary letters of credit	0	0
Others	284,493	706,808
Total contingent liabilities	**790,160**	**1,005,412**
Contingent assets arising from tax losses carried forward	14,552	10,940
Other contingent assets	0	0
Total contingent assets	**14,552**	**10,940**

Breakdown of credit commitments

CHF 000	**31.12.2015**	31.12.2014
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	**2015**	2014
Fiduciary deposits with third-party banks	757,484	561,089
Fiduciary investments with linked companies	0	0
Fiduciary loans	309,758	347,127
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	**1,067,242**	**908,216**

Breakdown of managed assets and presentation of their development

CHF million	**2015**	2014
Type of managed assets		
Assets in collective investment schemes by the Group	15,632	18,497
Assets under discretionary asset management agreements	27,264	29,660
Other managed assets	101,143	98,017
Total managed assets (including double-counting)	**144,039**	**146,174**
of which double-counted items	13,195	13,056

Development of managed assets		
Total managed assets (including double-counting) at beginning	146,174	129,743
+/− net new money inflow or net new money outflow	1,856	1,191
+/− price gains / losses, interest, dividends and currency gains / losses	–3,450	13,600
+/− other effects	–541	1,640
Total managed assets (including double-counting) at end	**144,039**	**146,174**

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	**2015**	2014
Breakdown by business area		
Trading profit with market risk	43,291	28,476
Trading profit without market risk	77,280	75,127
Trading profit from treasury activities	–68,611	–54,387
Total	**51,960**	**49,216**

Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
Interest rate instruments	–22,579	–22,896
Equity securities (including funds)	24'279	20,840
Foreign currencies	48,986	50,766
Commodities/precious metals	1,274	506
Total result from trading activities	**51,960**	**49,216**
of which, from fair value option	7,880	5,224

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

CHF 000	**2015**	2014
Material refinancing income in the item “Interest and discount income”	0	0
Material negative interest	17,846	0

Breakdown of personnel expenses

CHF 000	**2015**	2014
Salaries	384,867	380,301
of which, expenses relating to share-based compensation and alternative forms of variable compensation	91,005	87,524
Social charges	62,218	65,179
Changes in book value for economic benefits and obligations arising from pension schemes	0	0
Other personnel expenses	20,276	20,887
Total	**467,361**	**466,367**

Breakdown of general and administrative expenses

CHF 000	**2015**	2014
Office space expenses	30,095	33,521
Expenses for information and communications technology	18,384	20,235
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	879	1,170
Fees of audit firm	3,561	3,430
of which, for financial and regulatory audits	3,188	3,168
of which, for other services	373	262
Other operating expenses	82,929	86,288
of which, compensation for any cantonal guarantee	0	0
Total	**135,848**	**144,644**

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

Provisions and losses are mainly due to the constitution of risks provisions partly offset by the release of existing provisions (2014: Provisions and losses are mainly due to the constitution of risks provisions).

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

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

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

	2015			2014		
CHF 000	**Swiss**	**Foreign**	**Total**	Swiss	Foreign	Total
Net result from interest operations	68,227	333,296	401,523	62,941	347,224	410,165
Subtotal result from commission business and services	263,356	289,487	552,843	273,138	258,054	531,192
Result from trading activities and the fair value option	106,914	–54,954	51,960	75,601	–26,385	49,216
Subtotal other result from ordinary activities	11,512	1,679	13,191	19,120	–14,038	5,082
Operating income	**450,009**	**569,508**	**1,019,517**	**430,800**	**564,855**	**995,655**
Personnel expenses	–268,184	–199,177	–467,361	–263,290	–203,077	–466,367
General and administrative expenses	–69,557	–66,291	–135,848	–72,473	–72,171	–144,644
Subtotal operating expenses	**–337,742**	**–265,467**	**–603,209**	**–335,763**	**–275,248**	**–611,011**
Depreciation and amortisation of tangible fixed assets and intangible assets and value adjustments on participations	–51,914	–5,191	–57,105	–52,278	–6,101	–58,379
Changes to provisions and other value adjustments, and losses	–24,638	–410	–25,048	–28,237	–6,828	–35,064
Operating result	**35,715**	**298,440**	**334,155**	**14,523**	**276,678**	**291,201**

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

CHF 000	**2015**	2014
Current income and capital tax expenses	41,751	16,854
Allocation to provisions for deferred taxes	5,676	15,340
Recognition of deferred income taxes	–2,454	–14,235
Total	**44,973**	**17,959**

The weighted average tax rate amounts to 11.2% (2014: 5.8%).

In 2015, the ordinary net tax expense effect of the use of losses carried forward was CHF 17 million (2014: CHF 0.95 million).

Deloitte.

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

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements (pages 40 to 75) of J. Safra Sarasin Holding Ltd., which comprise the consolidated balance sheet as at December 31, 2015, consolidated income statement, consolidated statement of cash flows 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.

Audit. Tax. Consulting. Financal Advisory.
Member of Deloitte Touche Tohmatsu Limited

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J. Safra Sarasin Holding Ltd.
Report of the statutory auditor
on the Consolidated Financial Statements
for the year ended
December 31, 2015

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss accounting principles applicable for Banks and comply with Swiss law.

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

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

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

Deloitte AG

Alexandre Buga
Licensed Audit Expert
Auditor in Charge

Sandro Schönenberger
Licensed Audit Expert

Zurich, February 29, 2016

Sustainability Report

1980

1987
Converted into limited commercial partnership Bank Sarasin & Cie
Listed on stock exchange

1985
Established Banque Safra (Luxembourg) SA

1993
Bank Sarasin moves to new HQ
at Elisabethenstrasse 62, Basel

2000

2000
Safra buys Uto Bank and founds
Bank Jacob Safra (Switzerland) Ltd

Sustainability Report 2015

In the Sustainability Report 2015, J. Safra Sarasin Group documents how forward-looking decisions help to guarantee commercial success. This is achieved thanks to a first-class team of employees and the Group's sustainable corporate culture, which is based on a policy of leaving an acceptable ecological footprint.

The information provided in this Sustainability Report is selected and presented according to their relevance in a sustainability context and on the principles of completeness, balance, accuracy, timeliness, clarity and reliability. In general, the figures published in the Sustainability Report cover the J. Safra Sarasin Group as a whole, including branches and consolidated affiliates. As a rule, all offices with more than 15 employees are integrated into the environmental indicator reporting system. At a local level, we use estimates if no exact figures are available.

The Sustainability Report is structured in accordance with the five strategic corporate sustainability objectives of Bank J. Safra Sarasin:

1. We embed sustainability in our corporate strategy and governance
2. We incorporate sustainability considerations in our core investment offering
3. We live a sustainable corporate culture
4. We are part of the society
5. We manage resources efficiently

This report demonstrates the progress achieved in 2015.

Corporate Social Responsibility (CSR) at a glance
Bank J. Safra Sarasin's Corporate Social Responsibility function serves as a facilitator and catalyst for entrenching sustainability in the Group's corporate strategy (objective 1). The Corporate Sustainability Board, which reports directly to the Bank's Executive Committee, has rallied all the Bank's major decision-makers behind this single goal throughout the year 2015. The Asset Management division launched the second generation of sustainable investing, with a strong commitment to integrate sustainability into every step of the investment process (objective 2). In order to foster a sustainable corporate culture (objective 3), the Bank has chosen a two-pronged approach: first, by further deepening the knowledge of its employees regarding compliant and competitive banking services and second, by strengthening employee relations by organising employee events and awarding prizes to its loyal and highly motivated workforce.

J. Safra Sarasin has been an active sponsor again in its social environment (objective 4). Besides sponsoring projects in the field of philanthropy, arts and sports, the Bank sponsors an award that fosters the best practice of Responsible Investment reporting by asset owners. Several energy efficiency enhancing projects have been launched in order to steadily reduce the carbon footprint of the company (objective 5).

175 YEARS

PIONEERING SUSTAINABLE INVESTMENTS

J. Safra Sarasin Group's sustainability indicators 2015 at a glance

	2015	2014
Financial		
BIS Tier 1 ratio (%)	27	25
Total assets under management (billion CHF)	144.0	147.4
Sustainably managed assets (billion CHF)	11.3	15.0
Responsibly managed assets (billion CHF)[2]	17.7	8.1
Volume of J. Safra Sarasin sustainable investment funds (billion CHF)	3.1	3.6
Volume of J. Safra Sarasin responsible investment funds (billion CHF)	1.5	3.9
Social		
Total number of employees (FTEs)	2,022	1,981
Part-time jobs	212	216
Proportion of women (%)	36	35
Proportion of women in management positions (%)	13	15
Fluctuation rate (%)	15	17
Number of apprenticies	14	15
Environmental		
Greenhouse gas emissions (kg CO_2 per employee)[3]	2,603	2,233
Electricity consumption (kwh per employee)	5,946	5,768
Fossil fuel energy consumption (kwh per employee)	723	1,456
Paper consumption (kg per employee)	63	90
Proportion of energy from renewable sources (%)	41	52

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

Commitment to sustainability – since 1841

Sustainability has been a firm component of J. Safra Sarasin's identity and stability as a Swiss private banking group for over 170 years. J. Safra Sarasin does not view sustainability as an end in itself, but rather as a key factor in its success. Sustainability enables the Group to project a distinctive image on the market and creates continuity across time and generations. J. Safra Sarasin is committed to operate its core business in a consistently sustainable manner. This is a commitment for the future. The associated principles and rules of corporate governance provide the framework for every aspect of our business activity. The sustainability strategy is strictly implemented at management and operational levels in order to ensure credibility and reliability.

The Sustainability strategy of J. Safra Sarasin

The mission statement of the J. Safra Sarasin Group, the mission statement of the Corporate Sustainability Board, the Bank's strategic goals as well as its annual objectives and operational actions constitute the pyramid that demonstrates how J. Safra Sarasin organises its sustainability strategy.

Figure: Pyramid of sustainability strategy

The Corporate Sustainability Board

For J. Safra Sarasin, Corporate Sustainability means responsible and proactive governance, considering and integrating the interests of all the Group's stake-

[2] Sarasin & Partners have developed a responsible investment approach which integrates ESG factors into their investment process across equities. Their formerly sustainable mandates have therefore been reclassified as "responsible".

[3] The greenhouse gas emissions are based on the GHG-protocol in 2015. Previously the VFU 2010 was applied. The change in methodology partly explains the changes in numbers.

holders into its decision-making process. J. Safra Sarasin focuses on its clients while balancing the needs of its employees, as well as the requirements of society, for long-term prosperity. Furthermore, the integrity of the environment is paramount for the long-term viability of the Group.

To ensure that these high sustainability standards are firmly embedded in the core business strategy, the Executive Committee set up the internal Corporate Sustainability Board (CSB) in June 2014, comprising members of the Executive Committee and top managers from different divisions across the Bank. There are several meetings annually to define and monitor progress compared against defined strategic objectives. The Corporate Sustainability Board's responsibilities are to develop the sustainability strategy as part of the Bank's overall business strategy, identify strategically relevant sustainability themes and monitor the operational implementation of the strategically developed initiatives and measures based on key performance indicators (KPIs).

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

- J. Safra Sarasin is a global pioneer in sustainable banking. We strive to further strengthen our thought-leadership position.
- At J. Safra Sarasin, sustainability is an integral aspect of our daily business since we incorporate sustainability in our strategy, culture, processes and investment products for the benefit of all stakeholders.
- J. Safra Sarasin is the first port of call for tailor-made and sustainable investment solutions.

One great achievement of the Corporate Sustainability Board is the implementation of the "Controversial weapon guidelines of J. Safra Sarasin Group" that belong to effective risk management, where all risks and the relevant risk drivers are accurately identified, measured and assessed. The quality of risk management is not merely a question of adhering to formal internal and external regulations. The risk awareness of decision-makers is just as important. Quantitative approaches represent only one component of a comprehensive risk management system. The development of an appropriate risk culture as part of the Bank's corporate culture is of equal significance.

Controversial weapon guidelines of J. Safra Sarasin Group

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

The investment division (Asset Management, Products & Sales, APS) of Bank J. Safra Sarasin is advised by an external Sustainable Investments Advisory Council. It has been set up to ensure that the investment division receives regular guidance and advice relating to best-practice sustainable investment examples of experienced international experts. There are two to three formal meetings every year. The Council provides access to the latest academic research in the field of sustainable investing. Joint presentations at internal educational sessions and external client events are also part of the Advisory Council's responsibilities. Furthermore, joint investment research projects are conducted in order to further improve the investment approach and benefit from external specialist know-how and experience.

Legal & Compliance

J. Safra Sarasin conducts its business activities within the scope of the applicable statutory and regulatory provisions and in compliance with rules of business conduct for the banking industry. The Executive Committee and the management of the business divisions and branches/affiliates are responsible for compliance with all legal and regulatory provisions. Legal & Compliance provides support to the management in meeting this responsibility. Central management of the Legal & Compliance units by the General Counsel, who reports to the Head of Corporate Center & Logistics, ensures independence from the operating business.

Our Group-wide Code of Compliance defines the key principles and rules of conduct which lay the foundation for irreproachable business activity that demonstrates integrity and complies with the relevant regulations. Every member of staff is required to meet the standards set out in the Code of Compliance. Employees joining J. Safra Sarasin are obliged to submit written confirmation in this regard. All the key business processes are governed by internal Group provisions and directives, and are conducted in a standardised form. During 2015, there were no incidents of corruption and no legal actions on the basis of anticompetitive conduct or the formation of cartels or monopolies.

Changes in the regulatory environment

The rapid pace of change in the regulation of the financial services industry imposes significant demands on internal company processes and control systems and on the development and introduction of new products and services. Projects involving all stakeholders were implemented to tackle such changes. There is also a training concept in place to ensure the required education and ongoing Group-wide training of staff.

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

Sustainable Investing 2.0

The basis of J. Safra Sarasin's success is also founded on its sustainable investment strategy and its solid, sustainable know-how gleaned from over 25 years of experience. Bank J. Safra Sarasin believes that the identification, analysis and management of company- and sector-specific environmental, social, and governance (ESG) risks and opportunities enhance its investment decisions and form an integral part of its fiduciary duty vis-à-vis its advised and discretionarily managed clients.

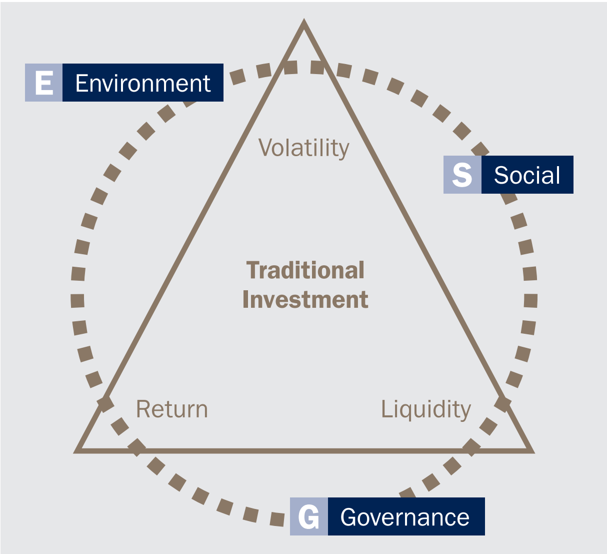
In order to further strengthen the pioneer role and become an internationally respected innovation and thought leader, Bank J. Safra Sarasin has completed the transition from Sustainable Investing 1.0 to 2.0. In this transition, Bank J. Safra Sarasin strives to demonstrate added value to clients in each step of the investment process: from macro research to constructing the investment universe, through to stock selection and client portfolio reporting. Embedding sustainability has the clear objective to improve investment decisions and results, reduce the adverse environmental and social footprint of clients' portfolios and promote sustainable financial markets.

Sustainable Investing 2.0

- We consequently integrate sustainability into each step of our sustainable investment process and take the UN Principles for Responsible Investment literally
- We are able to customise sustainable investment solutions to clients' needs
- We achieve Sustainable Alpha by identifying financially material aspects of sustainability
- Our proprietary Sarasin Sustainability-Matrix® reduces reputational risks and creates Sustainable Beta
- We reduce the environmental and social footprint of our clients' investment portfolios
- We promote sustainable financial markets

Besides incorporating sustainability into every stage of the investment process, Bank J. Safra Sarasin has further developed investment-supporting activities such as the exercising of voting rights (also by retaining specialized firms) and engaging in a strategic dialogue with decision-makers of invested companies. One key aspect of our offering is the ability to discuss with clients their specific requirements across a broad spectrum of sustainable investing approaches and criteria, which enables us to provide customised client solutions.

Figure: Addition of Environmental, Social and Governance (ESG) aspects to traditional investment analysis



J. Safra Sarasin's Sustainable Investment Process

The investment process comprises the following steps:

1. Industry Analysis

The Industry Analysis identifies long-term investment drivers, which differ between industries. Moreover, it takes into account sustainability mega trends, e.g. climate change or demographic trends.

2. Sustainability Analysis

The Sustainability Analysis measures and compares a company's ability to manage its ESG risks and opportunities, relative to its industry peers. Several ESG key issues are common to all industries; in particular the governance issues such as board structure, remuneration, ownership & control. Other key issues are more important in some industries and/or specific to only a few industries (e.g. carbon footprint or water risk). The methodology takes these differences into account by selecting and weighting key issues by sector, on the basis of Bank J. Safra Sarasin's Industry Analysis.

The Sustainability Analysis allows us to produce two scores (company ratings and respective industry ratings) which can be combined and displayed in our proprietary Sarasin Sustainability-Matrix® (see beneath). In exposed sectors with low ratings (e.g. oil & gas, materials) companies must achieve a high company rating to be included in the sustainable investment universe, whereas in less exposed sectors (e.g. telecommunication, IT) companies must only achieve an average company score to be included.

The x-axis of the Sarasin Sustainability-Matrix® displays the industry rating score between 0 (low) and 5 (high). The y-axis displays the company score between 0 (low) and 5 (high).

The shaded area contains Bank J. Safra Sarasin's sustainable investment universe. The white area underneath contains the companies which the Bank excludes from the universe due to insufficient sustainability ratings.

List of exclusion criteria

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

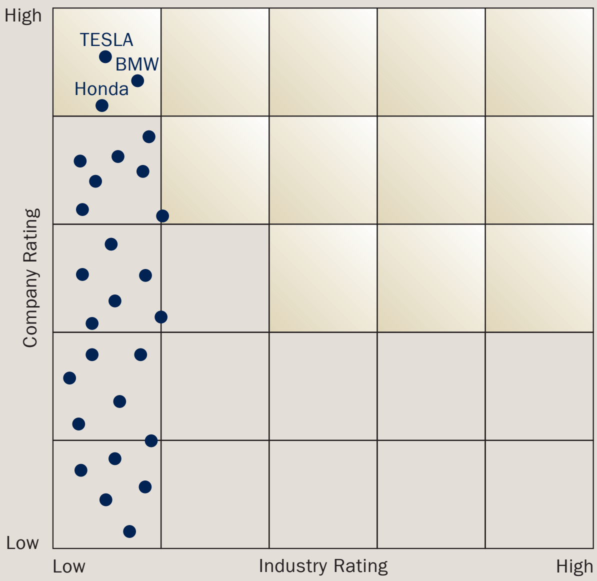
A list of exclusion criteria is applied for all sustainable and responsible investment strategies. They demonstrate the consideration of ethical and financial relevant risks. Companies with the following activities are excluded from the investment universe:

Criterion	Short description
Nuclear Energy	Companies that own or operate nuclear power plants (utilities) & companies that supply key nuclear-specific products or services to the nuclear power industry (suppliers) (revenue threshold of 5% is applied)
GMO – Agriculture	Companies that genetically modify organisms for agricultural use
GMO – Medicine	Human cloning and other manipulations of the human germ line
Defence & Armament	Producers of civilian firearms, conventional weapons (systems and critical components) and weapon support systems & services (e.g. weapon control systems, target navigation systems etc.) (revenue threshold of 5% is applied & 25 global largest defense companies)
Tobacco	Producers of tobacco products
Adult Entertainment	Producers of adult entertainment materials
Violation of human rights	Companies involved in severe violations of human rights. This criterion takes into account established international standards & principles (e.g. UN Global Compact)

Case study TESLA: Sustainability analysis of the automotive industry

Looking at the sustainability matrix (see figure below), the automotive sector is positioned on the far left of the matrix due to its substantial environmental impacts. This means that the securities of these companies are only eligible for Bank J. Safra Sarasin's sustainable investment funds (grey shaded area of the matrix) if their sustainability score is significantly better than their peers.

Figure: Sarasin Sustainability-Matrix® of the automotive sector



Source: J. Safra Sarasin, 2015

In terms of content, the focus of the Sustainability Analysis rests on the three areas of Environment, Social and Governance (ESG). Between five and ten specific key issues are defined for each industry, and these are used to assess the individual companies. The ESG assessment criteria for the automotive industry, for example, are as follows: product carbon footprint, labour management, and compensation schemes for top management.

The individual key issues are weighted differently in the overall sustainability rating depending on the industry in question. In the automotive industry, environmental criteria have the highest weighting at 50%, followed by social criteria (30%) and corporate governance (20%). Every automotive company is assessed on the basis of these key issues, which collectively result in the final sustainability rating.

Tesla's high rating is mainly based on its strong environmental credentials. For example, Tesla scores very highly as a pioneer of carbon-free mobility. In addition, the company is also directing its strategic focus towards the rapidly growing market for power storage solutions (chiefly based on lithium ion technology). On the negative side, there were minor weaknesses in the area of labour relations and corporate governance, in particular the concentration of functions/authority in just one person, the company founder.

3. Sustainable Beta

Bank J. Safra Sarasin constructs the Sustainable Beta Portfolio. The main objective of creating sustainable beta is to identify and correct unwanted tilts in the sustainable investment universe. Moreover, sustainable beta measures the impact of the factor sustainability on financial performance and helps to separately monitor the different steps of the investment process. As such, sustainable beta provides an important input for the fifth step of the investment process: portfolio construction and integrated risk management.

Sustainable Alpha and Sustainable Beta

Bank J. Safra Sarasin`s sustainable investment strategies combine the concepts of sustainable alpha and sustainable beta: they focus on the sustainable companies of the benchmark universe, making them suitable for sustainable investors seeking active equity exposure within their asset allocation. Bank J. Safra Sarasin`s responsible investment strategies contain only sustainable alpha and intend to cover the client’s entire benchmark universe, making this strategy suitable as a core investment for equity investors.

In sustainable investing, active performance against a classical benchmark may stem from two distinct kinds of investment decision:

1. From the creation of a (sustainable or ESG-thematic) investment universe that deviates from the benchmark universe. Integrating sustainability in this way (Best-In-Class ESG Approach) creates a new benchmark index or “beta”. Bank J. Safra Sarasin defines this new sustainable index as **sustainable beta.**
2. From selecting mispriced companies by considering the fair value after the integration of financially material sustainability aspects into the investment analysis (ESG Integration Approach). Bank J. Safra Sarasin defines this source of performance as **sustainable alpha.**

4. Sustainable Investment Analysis

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

5. Portfolio Construction

The Portfolio Construction process relies on a quantitative multi-factor risk model to construct portfolios and to check for external risks.

6. Portfolio Reporting

The investment process is completed by reporting the portfolio. Portfolio reporting is based on a standard format. Having integrated sustainability and risk management along the full investment process, Bank J. Safra Sarasin can provide clients with an attribution across the full set of risk factors as well as the factor sustainability.

Country Sustainability Ratings

The fully integrated sustainability investment approach is not limited to corporations, but also extends to countries: as issuers for sovereign bonds, they collectively account for more than a quarter of all debt issued on international capital markets.

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

I. Water: incl. freshwater availability and water stress
II. Land: incl. availability/use of forests and arable land
III. Energy: incl. renewable energy quota and energy efficiency
IV. External environmental costs: incl. biodiversity and air pollution

The other dimension ("resource efficiency" illustrated on the vertical axis in the figure beneath), includes the assessment of economic, social and political aspects and general conditions which, building on the available resources, are required to expedite sustainable development. Resource efficiency covers four key issues:

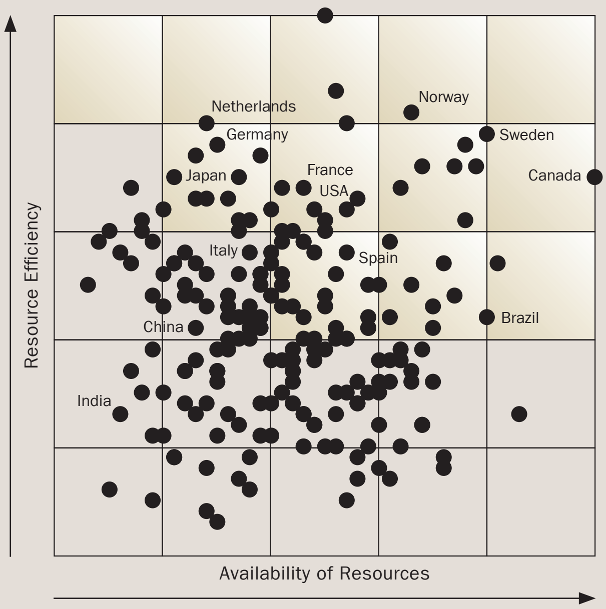
I. Human capital: incl. population structure and educational qualifications
II. Overall economic conditions: incl. distribution of income and business climate
III. Financial governance: incl. level of debt and foreign trade
IV. Political governance: incl. institutions and corruption

Bank J. Safra Sarasin plots the 198 countries analysed across the two dimensions, resource availability and resource efficiency, on the J. Safra Sarasin Sustainability-Matrix®. The countries in the shaded area are relatively better positioned and can be invested in, while the countries in the white area are not investable (status August 2015).

Bank J. Safra Sarasin's sustainability rating for countries is based upon 96 data points from publicly accessible sources, including Amnesty International, United Nations, World Bank, Economist Intelligence Unit, Freedom House, IMF, OECD and the US Central Intelligence Agency.

The main benefit of the sustainability rating to the client is the ability to identify structural changes at an early stage. Although the country rating serves as a complementary tool for credit ratings based on financial criteria, it is not a substitute for them.

Figure: Sustainability matrix of countries



Shareholder engagement and exercising of voting rights

The aim of the corporate engagement approach of Bank J. Safra Sarasin is to drive the transformation of companies towards more sustainable business models. The analysts consider and discuss ESG-related aspects with top management as an integral part of the sustainable investment analysis. For example, sustainability performance and data disclosure or the overall sustainability strategies are discussed. In cases where companies are not aware of relevant ESG risks and/or manage them insufficiently, Bank J. Safra Sarasin would downgrade the company and would refrain from an investment as the last step.

Beside company engagement, Bank J. Safra Sarasin also participates in collaborative engagement. In 2015, the Sustainable Investment Research team stepped up its activities with other shareholders through the Principles for Responsible Investment (PRI). The Bank was particularly active in the areas of water risks and climate change. Another focal point was the access to medicine. In this context, for example, the Bank signed the "Global investor letter to Big Pharma on sustainable business models and access to medicine". The letter calls on the world's largest research-based pharmaceutical companies to participate as fully as possible in the data collection process of the Access to Medicine Foundation. This is in line with previous activities of the Bank, such as signing the Access to Medicine Index Investor Statement. Bank J. Safra Sarasin sees engagement as an important aspect of sustainable investing and will expand these activities further in 2016.

For numerous sustainability funds, as well as for various institutional mandates, voting rights are exercised by J. Safra Sarasin taking due consideration of environmental, social and corporate governance criteria. Although the focus of votes lies on governance issues, J. Safra Sarasin also considers social and environmental issues. In 2015, a total volume of CHF 16.5 billion was approved. Looking specifically at the results of Bank J. Safra Sarasin, 90.17% of the proposals were voted FOR by Bank J. Safra Sarasin.

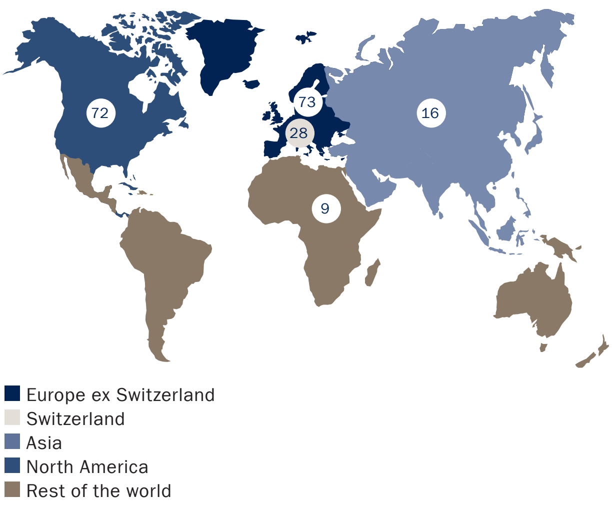
Table: Overview of voting activity (meetings, ballots, proposals) of Bank J. Safra Sarasin

Number of meetings	198
Number of ballots	324
Number of proposals	2,920

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

Region	Number of meetings	Regional statistics of number of meetings
Asia	16	8%
North America	72	36%
Europe (ex Switzerland)	73	37%
Switzerland	28	14%
Rest of the world	9	5%

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



Bank J. Safra Sarasin continues to reign as market leader in Switzerland

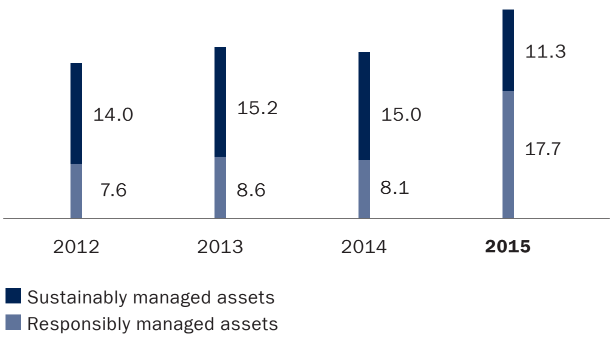
Sustainably managed assets at Bank J. Safra Sarasin amounted to CHF 11.3 billion as at 31 December 2015, while responsibly managed assets totalled CHF 17.7 billion on the same date. The sustainable investment market in Switzerland has continued to develop positively. With a market share of 30.8%, the Bank continues to reign as market leader in sustainable investments in Switzerland.[4]

[4] Source: Forum Nachhaltiger Geldanlagen (FNG e.V.), 2015 report on the sustainable investment market.

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

	31.12.12	31.12.13	31.12.14	31.12.15
Sustainably managed assets	14.0	15.2	15.0	11.3[5,6]
Responsibly managed assets	7.6	8.6	8.1	17.7[7]
Total assets	21.6	23.8	23.1	29.0

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



Transparency logo for sustainability funds

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

transparent

Contributing to the good of society and earning money at the same time

Charity funds combine donations for a good cause with sustainable investment. One fund[8] launched by the Swiss League against Cancer and the Swiss Cancer Research foundation follows this principle: Investors participate in selected companies that are active in the fight against cancer, with 50% of the returns given as a donation to the non-profit institutions for their achievement in the fight against cancer. The fund management company, fund management and custodian bank, in this case Bank J. Safra Sarasin, likewise waive half of their fees, which are donated as well.

Private Banking Discretionary Mandates

Bank J. Safra Sarasin offers not only institutional investors but also private clients an innovative and sustainable product range catered to their individual investment needs while enabling them to benefit from customised management of their assets. In the field of mandates, the offer ranges from pure sustainable mandates to classic sustainable mandates that differentiate between the ratio of fully sustainable investment selection. Clients can also sign up to customised mandates, where they individually choose their asset classes and the respective share of sustainable assets.

Portfolio ESG Analysis for Institutional and Private Banking clients

In the course of 2015 the Bank's analysis team has also developed a client service to analyse investment portfolios from a sustainability point of view. The service includes a portfolio comparison versus its benchmark and more specific analyses on environmental, social and governance aspects on a portfolio and individual holdings level. Clients can benefit from this service, which provides a complimentary portfolio analysis beyond traditional performance discussions. In addition, it is a good basis for an interactive and strong bank-client relationship.

[5] Due to reclassification, the formerly sustainable assets from Sarasin & Partners have been reclassified as "responsible".
[6] The Assets under Management that come specifically from Private Banking are based on the Bank J. Safra Sarasin sustainable investment approach. The minimum share of sustainable investment is two-third.
[7] Sarasin & Partners have developed a responsible investment approach which integrates ESG factors into their investment process across all assets. Their formerly sustainable mandates have therefore been reclassified as "responsible" as well.
[8] This fund has a marketing licence in Switzerland.

Asset management products

		Only sustainable	Sustainable and responsible	Only responsible
Investment funds and certificates	Equity funds	– Theme: renewable energies and energy efficiency – Theme: water – Real Estate/REITS shares – Switzerland – Europe – USA – Emerging Markets – Global	– Multi-themes	– Brazil
	Balanced funds	– Neutral asset allocation	– Defensive asset allocation – Flexible asset allocation (also risk-controlled)	
	Bond funds	– Europe – EUR Corporate – EUR High grade	– CHF – EUR – USD	– Global short-term – Emerging Markets Corporates
	Investment certificates	– Open-end: DAXglobal® Sarasin Sustainability Index Switzerland; DAXglobal® Sarasin Sustainability Index Germany; Euro STOXX Sustainability 40 Index; STOXX Europe Sustainability 40 Index[9] – Limited maturities: themes and country baskets[9] – Partial Capital Protection[9]		
J. Safra Sarasin Investment Foundation	Equity investment products	– Emerging Markets	– Switzerland – Global excl. Switzerland	
	Balanced investment products		– Defensive asset allocation – Neutral asset allocation	
	Bond investment products		– CHF – World excl. CHF	
	Property investment products	– Swiss Real Estate		
	Alternatives	– Commodities ex. Agro/Livestock		
Mandates	For private clients	– Dynamic asset allocation[10] – Balanced asset allocation[10] – Defensive asset allocation[10] – Equity Mandates		
	For institutional investors		– Balanced – Equities – Bonds	
	Managed Fund Portfolios	– Equity mandates – Dynamic asset allocation – Balanced asset allocation – Defensive asset allocation		
Advisory services	Third-party funds and advisory mandates	– Equities (classic, thematic) – Balanced (defensive, defensive with risk limitation) – Real Estate Europe – Convertibles[11]		
	Advisory and joint management	– Different mandates for institutional customers – Portfolio Sustainability Analysis		

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

STOXX® made by Bank J. Safra Sarasin
Since March 2011 Bank J. Safra Sarasin has been responsible for the composition of the Stoxx® Sustainability Indices. The constituents of the Stoxx® Europe 600 Index are assessed regarding their ESG (environmental, social and governance) opportunities and risks according to the Bank J. Safra Sarasin research methodology. If the issuers show a good enough sustainability rating, they are admitted to the Stoxx® Sustainability Indices.[12)]

DEUTSCHER FONDSPREIS 2015 for
J. Safra Sarasin Sustainable Equity Water Fund[13)]
The DEUTSCHER FONDSPREIS 2015 was awarded to the J. Safra Sarasin Sustainable Water Fund EUR P dist in the category Sustainable Investment. The fund was rated as achieving "Outstanding" investment results by the independent testers of FONDS Professionell and its media partner Frankfurter Allgemeine Zeitung.

J. Safra Sarasin's awards

Oekom Prime Rating
The Bank received once more the oekom Prime Status. The sustainability rating agency oekom research AG assesses the companies' responsibility towards persons affected by corporate activities and the natural environment. Out of a pool of 700 indicators, an average of 100 indicators is selected for each company on an industry-specific basis so that a targeted evaluation of the problems specific to that company can be carried out. oekom research awards Prime Status to those companies that are among the leaders in their industry and which meet industry-specific minimum requirements.

Sarasin-FairInvest-Universal-Funds[14)] awarded AAA-Rating by TELOS
By awarding their AAA-rating in 2015, Telos has certified that the Sarasin-FairInvest-Universal-Fund meets the highest quality standards. In their full rating report, TELOS GmbH appreciates J. Safra Sarasin's "sustainable investment approach" as well as the fact that sustainability criteria are understood to be a key risk management tool.

[12)] The STOXX® Sustainability Indices are the intellectual property of STOXX Limited. STOXX makes no investment recommendations and shall not be liable for any errors or delays in the index calculation or data distribution.
[13)] This fund is approved for distribution in Singapore, Spain, Switzerland, Germany, Austria, Lichtenstein, France, Italy, Luxembourg, Belgium, Netherlands, Great Britain, Ireland, Sweden, and Denmark.
[14)] This fund is approved for distribution in Germany and Austria.

Passing on knowledge about sustainability-related investment topics

J. Safra Sarasin compiles and shares leading sustainable investment analysis to clients either in the form of publications or in the form of knowledge-sharing events.

In 2015, Bank J. Safra Sarasin's sustainable investment research team has released the following publications: the Sustainable Investment Spotlight, the Sustainable Investment Focus, and the Sustainable Investments Newsletter. These publications provide clients, employees and the public interesting information and deeper knowledge about sustainable issues relevant for asset management.

In 2015, Bank J. Safra Sarasin's sustainable investment research team has published the following titles:

- Materials that contribute to a low carbon economy
- Sustainable earning reports
- Moore's Law
- Low oil prices and implications for renewables
- Country Sustainability Rating
- Changing rules in the marine/shipping industry and related opportunities/risks
- Automobile sector – alternative powertrains
- Sustainable absolute returns and foundations
- Sustainable corporate governance
- High marks for sustainability
- SMEs: small but splendid – and sustainable!

At the same time, different authors made their expertise widely available in various specialist articles.

During 2015, several events with the aim of knowledge-sharing were organised by Bank J. Safra Sarasin. These events were aimed at private clients, institutional clients, and the professional audience. For clients, an event focusing on "Access to Medicine" or expert talks with well-respected representatives of the sustainability investment market were organised.

Additionally, Bank J. Safra Sarasin organised in co-operation with the UN-backed Principles for Responsible Investment (PRI) the conferences "Innovation, Technology and Stewardship" in Geneva and Zurich. It was the first series of PRI conferences in Switzerland since the international initiative was founded 10 years ago. The conferences, with about 60 participants each, focused on how innovation and technology can assist in enhancing responsible asset management processes, both in terms of integrating ESG factors and delivering stewardship.

RI Reporting Awards 2015

Bank J. Safra Sarasin sponsored the RI Reporting Awards 2015 that showcase excellence in responsible investment reporting, encouraging best practice and transparency by recognising the highest standards in the disclosure of responsible investment activities by asset owners globally. Using publicly available information, the judging panel looks for reporting best practice in terms of simplicity, relevance, disclosure and process of the largest institutional investors.

Objective 3: We live a sustainable corporate culture

J. Safra Sarasin's most valuable capital is its employees. They are essential to the success of the organisation, now and in the future. Their technical expertise, professional qualifications and social skills are highly valued by the Group's clients and business partners. The success of J. Safra Sarasin depends on the enthusiasm and commitment of every one of its employees worldwide and J. Safra Sarasin is particularly keen to ensure that they are treated in a fair manner. At J. Safra Sarasin, employees are very much aware of their entrepreneurial responsibilities.

The Group is an attractive employer, thanks to its clear positioning. The Group attracts first-rate applicants both in Switzerland and abroad.

The headcount increased this year by 41 full-time equivalent positions (+2%) to a total of 2,022 full-time equivalent positions at the end of 2015. 212 employees worked part-time as at 31.12.2015. The Group-wide fluctuation amounted to 15%. The proportion of women in management positions (female employees in the two uppermost management levels with the title Managing Director or Executive Director) was 13%. The percentage of women working in the Group totalled 36% in 2015. The employees at J. Safra Sarasin originate from 60 different countries, portraying a high degree of diversity. The majority of employees are between 35 and 45 years old. Headcount by job title can be seen beneath.

Table: Number of employees as per 31.12.15 (full-time equivalents)

	31.12.2015	31.12.2014
Total	2,022	1,981
Abroad	889	858
Switzerland	1,133	1,123

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

Men Total 64	Years	Women Total 36
3	< 25	4
19	25–34	26
37	35–44	36
32	45–54	25
9	> 55	9

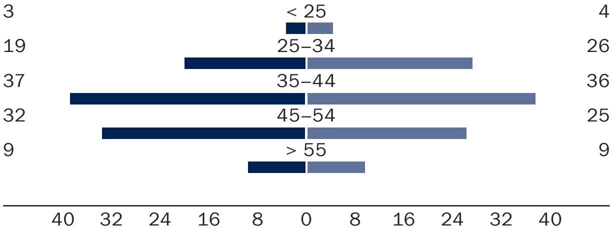
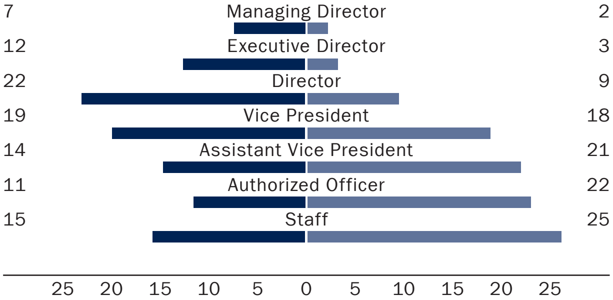


Table: Headcount by job title (full-time equivalent in %)

Men Total 64	Title	Women Total 36
7	Managing Director	2
12	Executive Director	3
22	Director	9
19	Vice President	18
14	Assistant Vice President	21
11	Authorized Officer	22
15	Staff	25



Code of Business Conduct as an obligatory guide

The foundation for the Group's success is the trust it instills in existing and potential clients. This trust depends on how the Group is experienced on a daily basis. A Group-wide Code of Business Conduct covers the underlying principles, which have to be observed by all the Group's employees as well as by the members of the Board of Directors as part of their business-related activities. These principles outline the daily conduct in the interaction between clients, employees and all other stakeholders.

Attractive terms of employment and social benefits

The staff regulations for each J. Safra Sarasin Group company specify employees' rights and obligations, working hours and holiday entitlements, as well as social and other fringe benefits. The rules form part of employment contracts and apply to all employment relationships. The employee benefits offered by J. Safra Sarasin Group companies are at least equivalent to the legal requirements at individual locations, or exceed them. Remuneration within the J. Safra Sarasin Group is determined by the demands of the position, the qualifications and performance of the employee, and the performance of the Group and its subsidiaries.

Respectful working environment

The Group pursues a strict policy of equal opportunities and encourages a working environment characterised by a dignified and respectful atmosphere. The Group relies on the diversity of its employees with their variety of skills and talents. Discrimination or harassment of any kind, e.g. due to gender, ethnic background, religion, age, nationality, or sexual orientation, is not tolerated. This is firmly anchored in the Code of Business Conduct and a directive applicable to the whole Group on sexual harassment and mobbing.

Employee representation of Bank J. Safra Sarasin in Switzerland

For the protection of the common interests of employees, Bank J. Safra Sarasin has a Staff Representative Council (ANV) to represent employees in the Bank's home market. The "Regulations on employee participation through the Staff Representative Council" forms the foundation of the ANV. These regulations are based on the Swiss Federal Act on Information and Consultation of Employees in the Workplace. The members of the ANV are elected for three years. Depending on the respective matter, the ANV has information or consultation rights. The aim of this cooperation is to promote a dialogue between the top management and Bank J. Safra Sarasin`s employees and thus contribute to a good working relationship. Well-informed employees tend to identify more closely with the company, which in turn can have positive effects on motivation and productivity.

Learning & Development

J. Safra Sarasin emphasises the importance of continuous training and education to realise the full potential of its global staff. Due to an increase in the regulatory requirements the Group has to fulfil, the current focus of Group Human Resources' Learning & Development unit is to support other departments in delivering cross-border, anti-money laundering as well as other regulatory training. To ensure and improve the service quality of our customer relationship managers and their assistants, product training is offered as well. A new learning management system is currently being evaluated. Once implemented, the tool will further increase the Group's ability to deliver online learning and classroom training.

Specific development of young professionals at Bank J. Safra Sarasin in Switzerland

In Banking and IT, 14 apprentices are currently trained by Bank J. Safra Sarasin and the Centre for Young Professionals. In the last couple of years all apprentices have succeeded in completing their apprenticeship and the vast majority of all graduating young professionals were offered a job with the Bank. A number of highly talented university graduates with an excellent degree in economics or law are admitted to Bank J. Safra Sarasin`s Graduate Trainee Program (GTP) to gain a comprehensive insight into our business.

Healthy and sustainable employees

J. Safra Sarasin Group views the promotion of health as an important element of its corporate culture. At Bank J. Safra Sarasin in Switzerland free flu vaccinations are offered every year. Employees in Switzerland have the opportunity to benefit from reduced health insurance premiums. In some locations, fitness studios offer a membership discount to our employees.

With targeted activities, the Group encourages employees to exercise more in everyday life. For example, Bank J. Safra Sarasin in Switzerland again took part in the "bike to work" campaign launched by Pro Velo Schweiz: 15 cycling fans from the Swiss locations pedalled to their office on at least half the days they worked in the previous month. By doing so, they not only increased their own fitness, but also sent a positive message on sustainable mobility.

In Monaco, Banque J. Safra Sarasin participated at the "No Finish Line Race" organised by the Principality's Children & Future Association. For each kilometre crossed by the participants, donations are made in favour of the association's aid projects. In 2015, the J. Safra Sarasin team ran more than 379 km and transformed those miles into donations for the charity.

Annual participation at the Swiss national "Zukunftstag" of Bank J. Safra Sarasin Ltd

The National Future Day is an annual happening that allows boys and girls in Switzerland to gain first-hand impressions of the working environment of their parents. The event is intended to promote gender equality at a young age in preparation for career choices and life planning. The project builds on collaboration between schools, employers and parents. Bank J. Safra Sarasin takes part in this initiative every year and organises an interesting programme of activities for the Bank employees' offspring.

Launch of Women Network

In 2015, Bank J. Safra Sarasin founded the network "women@jss". The aim of the initiative is to create and develop awareness for challenges of working women in Switzerland. The focus lies on networking, exchange of knowledge and experiences, and sharing of different perspectives. The founding members organise regular informative meetings and seminars.

Objective 4: We are part of the society

One of J. Safra Sarasin Group's and its employees' major goals is to make an active contribution to sustained social development by entering into various commitments. It is important for the Group to maintain an ongoing dialogue with all its stakeholders. For business-policy decisions made at corporate management level, the management strives to take account of the interests of all stakeholders connected with the Group.

Sustainable events & procurement

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

The principles set forth therein include, for example, minimum standards for the procurement of paper and wood products, as well as office equipment, and the use of sustainable building management systems.

Sustainability in sponsoring

The Bank invests in its social environment by engaging in sponsoring partnerships. To ensure that these activities do not support projects or partners whose values diverge from those of the J. Safra Sarasin Group, the "Handbook of Sustainability" was extended to the entire Group.

Philanthropy, arts and sport were the main strategic focuses for the Group's sponsoring activities in 2015. These included, for example, financial support for the Esmeralda Charity Cup 2015 organised by the Limmat Foundation in Zurich. The proceeds from the golf tournament were donated to a new project in Colombia that provides practical training and support for day-care providers, so called Madres Comunitarias, who take care of small children in Slums.

In the UK, the Honeypot Green day was supported. Staff from J. Safra Sarasin's London office had a day trip to Hampshire to offer hands-on support to the Hampshire-based children's charity "Honeypot". Honeypot offers socially disadvantaged children from inner cities a secure outdoor environment where they can ride, swim, cycle or simply play in the fresh air.

As part of its cultural sponsorship of institutions promoting art, Bank J. Safra Sarasin is continuing its long-standing partnership with the Beyeler Foundation in Riehen near Basel in support of Classical Modernism. Additionally, the exhibition on the "Mechanism of Antikythera" at the Antikenmuseum Basel was sponsored. In Monaco, J. Safra Sarasin is the main sponsor of "The Monte Carlo Violin Masters" that offers talented artists who have all previously been finalists in an international competition the chance to compete against each other.

In the area of sports, the Bank sponsored the ATP 500 Swiss Indoors tennis tournament in Basel and the Sky Lounge at the FC Basel Stadium.

J. Safra Sarasin also sponsors the German Sustainability Award, thereby supporting initiatives to raise awareness of the importance of sustainability and honour outstanding individuals and companies whose activities have made a significant contribution to sustainable development.

Children's art competition

For the seventh consecutive year, the Bank supported the children's art competition organised in June 2015 by the Swiss Association for Quality and Management Systems (SQS). The topic this year was "Light". The instructions for the competition were: "Draw a picture illustrating the value, the influence, the effect or your emotion of light". The Bank supported the competition by offering three special prizes. The Bank's involvement in this project is to try and encourage the appreciation of art and make children more aware of sustainability issues.

Together for more sustainability

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

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

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

Bank J. Safra Sarasin is a founding member of the new platform set up in Switzerland: Swiss Sustainable Finance. Its mission is to promote Switzerland as a leading centre for sustainable financial services.

Memberships:

- The Association for Sustainable & Responsible Investment in Asia Ltd (ASrIA)
- Business Energy Agency (EnAW)
- Carbon Disclosure Project (CDP)
- CDP Water Disclosure Project
- European Sustainable Investment Forum (Eurosif)
- Forum für Nachhaltige Geldanlagen (FNG)
- Global Footprint Network
- öbu-Network for sustainable business
- Swiss Climate Foundation
- Swiss Sustainable Finance (SSF)
- Sustainable Finance Geneva (SFG)
- UN Principles for Responsible Investment (PRI)

Initiatives:

- Paris Pledge for Action
- Water Risks in Agricultural Supply Chains
- Investor Climate Statement
- Investor Statement on Bangladesh
- Access to Medicine Index
- Investors' Statement on Payments Transparency in the Extractive Sectors (EITI)

Together with other Swiss banks, Bank J. Safra Sarasin is a sponsor of the Swiss Finance Institute. By establishing this foundation, the Swiss banks, the Swiss Federal government and leading universities have expressed a strong commitment to strengthening research and teaching in the field of banking and finance in Switzerland. The Swiss Finance Institute is active in both research and executive education. Both areas aim to strengthen the attraction of Switzerland to outstanding researchers, teachers, students and participants in Executive Education programmes.

Objective 5: We manage resources efficiently

Overall table of environmental KPIs[15)]*

Indicator	Unit	**2015**	2014	2013**	2012
Electricity consumption	MJ/emp	21,407	20,765	20,226	20,467
Fossil fuel energy consumption	MJ/emp	2,603	4,459	3,726	2,758
Other energy consumption (district heating)	MJ/emp	1,319	1,424	2,191	1,858
Business travel	km/emp	5,382	6,593	4,853	6,789
Paper	kg/emp	63	90	95	114
Greenhouse gas emissions[16]	kg CO_2-equivt./emp	2,603	2,233	2,109	2,404

Emp = employees, adjusted for part-time working; MJ = Megajoule (1MJ = 0.278 kWh), equiv. = equivalent

* Water and waste data are omitted due to minor environmental impact

** In 2013 the boundaries of the reporting system were extended to Luxembourg, Monaco and Panama; in 2012, the figures refer only to the former Sarasin locations.

15) Singapore is excluded in the sample.

16) The greenhouse gas emissions are based on the GHG-protocol in 2015. Previously the VFU 2010 was applied. The change in methodology partly explains the changes in numbers.

The Group's aim is to achieve commercial success with an acceptable ecological footprint. It therefore seeks to contain energy consumption and use resources carefully. J. Safra Sarasin uses the software (SoFi) developed for financial service providers in drawing up its environmental performance report. The software makes it easier to record and analyse the data and then identify suitable measures to improve performance on an ongoing basis.

Climate protection

Total CO_2 emissions increased to 2,603 kg CO_2-equivalent per employee in 2015. This implies an increase of 14%. The change can be partly explained by more employees in service locations outside of Switzerland where generally less renewable energy is used. Also, the change to another emission factor, the Greenhouse Gas protocol, influences these changes. The largest sources of emissions are power consumption (70%) and long-haul flights (16%). Besides absolute consumption, the type of electricity generation plays a crucial role in greenhouse gas emissions.

In 2015, business travel activity per employee decreased to 5,382 kilometres per employee. The Group seeks to use ecologically appropriate means of transport for business travel wherever possible. In Switzerland, travelling by train is very much supported. Staff commuting to and from work is not included.

Bank J. Safra Sarasin committed to reducing carbon emissions

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

Systematic promotion of energy efficiency measures

J. Safra Sarasin regularly implements appropriate measures in its ambition to become more energy efficient. In its Basel car park, for example, Bank J. Safra Sarasin is replacing all lights with energy-saving LEDs. Additionally, 9 out of 18 lifts were upgraded in the Basel offices. Both changes led to a slight increase in efficiency levels.

Energy from renewable energies

As a pioneer in environmental protection, the Bank showed its colours as early as 1993 when it installed its own photovoltaic system on the roof of its Basel head office. Each year, the system produces power equivalent to the use of several four-person households. In 2015, this amounted to 21,225 kilowatt hours (kWh). Renewable sources account for 41% of the electricity consumed in the Group; at the Swiss sites, the figure is already 100%. The electricity from renewable energies used in Zurich and at bank zweiplus has been awarded the "naturemade star" label. This is the Swiss seal of quality for power that is generated in an especially environmentally friendly way. The Basel office uses only distance heating as a source of heating energy. This comes from process heat generated by the nearby refuse incineration plant in Basel and is 100% renewable. All the locations in Germany have switched to renewable energy sources.

Generally, the consumption of fossil fuel decreased to 2,603 MJ/FTE. However, the electricity consumption increased by 5% to 21,407 MJ/FTE in the same year.

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

The signatories affirm their strong commitment to a safe and stable climate in which temperature rise is limited to less than 2 degrees Celsius. Taking strong action to reduce emissions can not only reduce the risks of climate change, but also deliver better growth and sustainable development.

Decreasing use of paper

In 2015, the paper use per employee decreased by 30%. To reduce absolute paper consumption, duplex printing is the standard setting in most offices. Finally, careful management of print-runs for internal and external publications pays off both ecologically and economically. Numerous publications are published primarily in electronic format and paper versions are provided to interested parties only upon request. The offices in Germany are supporting the nationwide recycling campaign. This campaign is targeted specifically at company executives personally responsible for efficient resource management who want to establish concrete targets to encourage the use of recycled paper.

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To the management of
J. Safra Sarasin Group, Basel

Our engagement

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

- KPIs on sustainable and responsible investments as well as the social KPIs in the chapter "Corporate Social Responsibility (CSR) at a glance" for the reporting period 1 January to 31 December 2015 on page 81 of the sustainability report
- The social KPIs in the chapter "Objective 3: We live a sustainable corporate culture" for the reporting period 1 January to 31 December 2015 (pages 92 to 94 of the sustainability report)

Our procedures were planned to obtain limited assurance as a basis for our conclusion. The scope of work to obtain evidence is reduced, compared to the scope required to obtain reasonable assurance (e.g., in an audit of financial statements) such that a lower degree of audit assurance is obtained.

Limitations of the engagement

Our engagement was limited to a review of the KPIs listed above. We have not assessed the following KPIs or information disclosed in the sustainability report :

- KPIs for the reporting period 1 January to 31 December 2015 not explicitly listed
- KPIs for the previous reporting periods were not reviewed for this engagement
- All qualitative statements in the sustainability report
- Our engagement did not include a review of forward-looking statements.

<u>Criteria</u>

We reviewed the information in the sustainability report against the following criteria applicable in the reporting year 2015 (hereafter "criteria") :

- GRI Sustainability Reporting Guidelines (G4)

A summary of the guidelines is presented on the GRI website (online at https://www.globalreporting.org). We believe that these criteria are a suitable basis for our review.

Responsibility of J. Safra Sarasin Group management

The management of J. Safra Sarasin Group is responsible for the preparation of the sustainability report and the information contained therein in accordance with the aforementioned criteria. This responsibility includes developing, implementing and safeguarding internal controls of material importance for the preparation of a report that is free of material misstatements. In addition, the responsibility includes selecting and applying suitable reporting standards as well as measurement methods and estimates deemed suitable in view of the circumstances.

Audit. Tax. Consulting. Financal Advisory.

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Our responsibility

Our responsibility is to express a conclusion on the information disclosed in the sustainability report based on our review to obtain limited assurance. We planned and performed our engagement in accordance with the International Federation of Accountants (IFAC), International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE3000) and the Code of Ethics for Professional Accountants, which includes requirements in relation to our independence. In accordance with the engagement agreement, our duty of care for this engagement only extends to the management of J. Safra Sarasin Group.

Our approach

We performed all of the procedures needed to ensure a sufficient and suitable basis for our conclusion. Within the scope of our engagement, we obtained evidence on a sample basis considering materiality and assurance engagement risk to obtain limited assurance on the compliance of the KPIs with the reporting principles and criteria. The nature and scope of our work, including appropriate samples, were based on our professional judgment used in forming our conclusion.

The performance of our engagement included the following procedures :

- Assessment of the suitability of the underlying criteria and their consistent application
- Interviews with employees responsible for preparing the sustainability report to assess the process of preparing the sustainability report, the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for a review of the sustainability report
- Review of the documentation of the systems and processes for compiling, analysing and aggregating sustainability data and testing such documentation on a sample of basis
- Analytical considerations, interviews and review of documents on a sample basis with respect to the compilation and reporting of quantitative data
- Interviews and review of documents on a sample basis relating to the collection and reporting of KPIs during walkthroughs at the site in Basel.

Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the KPIs do not comply in all material respects with the aforementioned criteria.

Deloitte AG

Alexandre Buga
Licensed Audit Expert
Auditor in Charge

Sandro Schönenberger
Licensed Audit Expert

Zurich, February 29, 2016

2005
Sarasin establishes new locations
in Europe and the Middle East

2000

2006
Acquired Banque du Gothard
to form Banque J. Safra (Monaco) SA

Address List

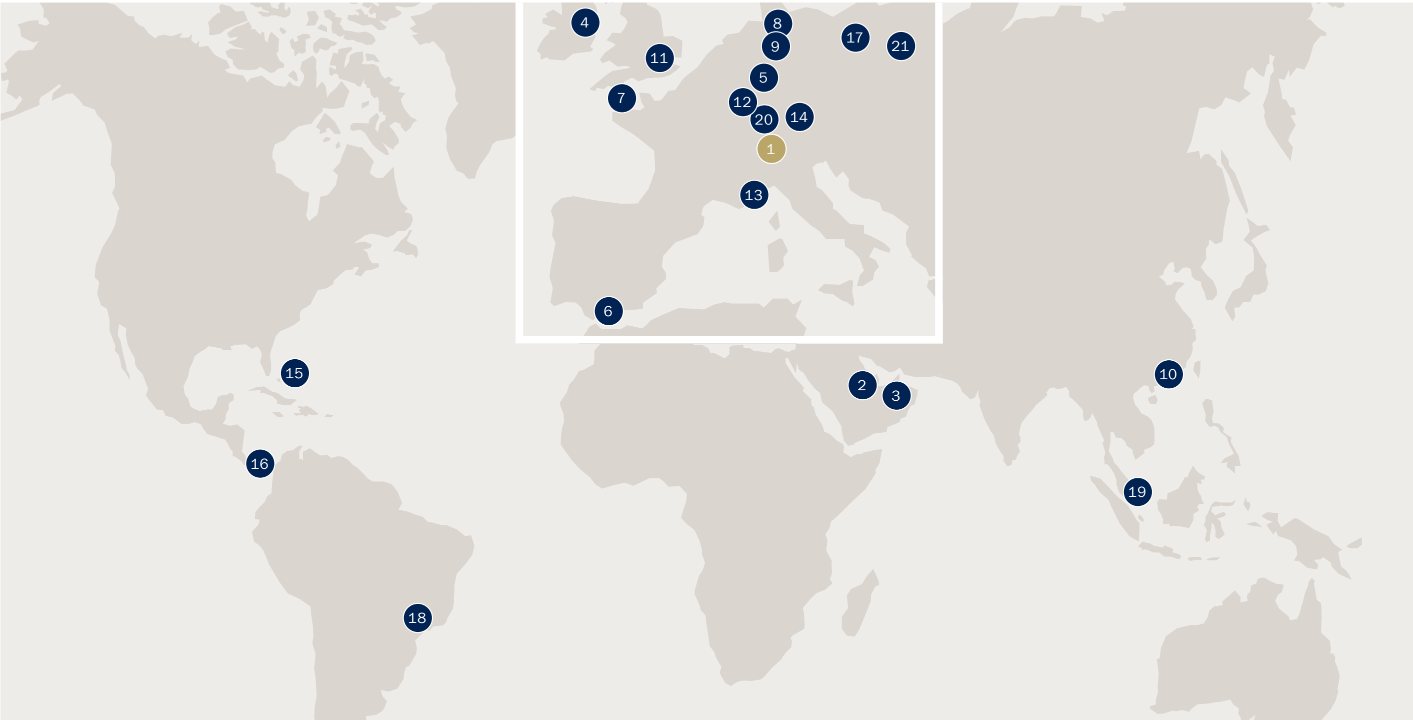
2016

2013
Completion of merger to form
Bank J. Safra Sarasin Ltd

J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841

Address List



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