

Bank J. Safra Sarasin Ltd

Hong Kong Branch

Key Financial Information Disclosure Statement

As at 31 December 2016

**Bank J. Safra Sarasin Ltd
Hong Kong Branch
Key Financial Information Disclosure Statement
As at 31 December 2016**

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Bank J. Safra Sarasin Ltd
Hong Kong Branch
Profit & Loss Account
For The Year Ended 31 December 2016

		31 Dec 2016	31 Dec 2015
	Notes	HKD'000	HKD'000
Interest income		134,649	103,998
Interest expense		(34,977)	(27,313)
Net interest income		99,672	76,685
Other operating income	1	193,555	225,901
Total operating income		293,227	302,586
Total operating expenses	2	(306,462)	(292,619)
Profit on disposal of tangible fixed assets		15	-
(Loss) / Profit before taxation		(13,220)	9,967
Tax credit / (expense)		2,603	(1,617)
(Loss) / Profit after taxation		(10,617)	8,350

Bank J. Safra Sarasin Ltd
Hong Kong Branch
Balance Sheet
As at 31 December 2016

		31 Dec 2016	30 Jun 2016
	Notes	HKD'000	HKD'000
Assets			
Cash and balances with banks		289,931	363,418
Due from Exchange Fund		2,148	102,839
Amount due from overseas offices		3,453,461	2,729,973
Loans and receivables	4	7,166,186	6,196,307
Investment securities		1,229,763	1,262,208
Property, plant and equipment		8,479	9,377
Total assets		<u>12,149,968</u>	<u>10,664,122</u>
Liabilities			
Deposits and balances from banks		2,712	420
Deposits from customers	5	5,511,054	5,217,842
Amount due to overseas offices		6,436,239	5,219,721
Other liabilities		199,963	226,139
Total liabilities		<u>12,149,968</u>	<u>10,664,122</u>

Bank J. Safra Sarasin Ltd
Hong Kong Branch
Notes to the Financial Statements

		31 Dec 2016	31 Dec 2015
	Notes	HKD'000	HKD'000
1 Other operating income			
Gains less losses arising from dealing in foreign currencies		40,928	33,902
Gains less losses arising from trading in other derivatives		4,983	15,222
Net fees and commission income	3	147,644	176,777
		<u>193,555</u>	<u>225,901</u>
2 Total operating expenses			
Staff and rental expenses		(267,143)	(262,320)
Other expenses		(39,319)	(30,299)
		<u>(306,462)</u>	<u>(292,619)</u>
3 Net fees and commission income			
Fees and commission income		320,935	355,289
Less: Fees and commission expenses		(173,291)	(178,512)
		<u>147,644</u>	<u>176,777</u>
4 Loans and receivables			
Loans and advances to customers	6	6,961,195	5,939,053
Accrued interest and other accounts		204,991	257,254
		<u>7,166,186</u>	<u>6,196,307</u>
5 Deposits from customers			
Demand deposits and current accounts		2,662,425	3,224,468
Time, call and notice deposits		2,848,629	1,993,374
		<u>5,511,054</u>	<u>5,217,842</u>

Bank J. Safra Sarasin Ltd
Hong Kong Branch
Notes to the Financial Statements

	31 Dec 2016	30 Jun 2016
	HKD'000	HKD'000
6 Analysis of gross amount of loans and advances to customers		
a. Breakdown by Economic sectors		
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Financial concerns	608,913	492,132
Property investment	20,258	20,054
Individuals		
Others	1,558,874	1,224,511
Loans and advances for use outside Hong Kong	4,773,150	4,202,356
	<u>6,961,195</u>	<u>5,939,053</u>
b. Breakdown by Secured and Unsecured		
Secured	6,961,195	5,939,053
Unsecured	-	-
	<u>6,961,195</u>	<u>5,939,053</u>
c. Breakdown by significant geographical areas after taking into account the transfer of risk and excluding loans and advances to subsidiaries		
British Virgin Islands	3,199,697	2,549,698
Hong Kong	2,497,439	2,160,596

7 Loans and advances to customers and banks which are overdue and rescheduled

The branch does not have any overdue and rescheduled loans and advances to customers and banks as at 31 Dec 2016 and 30 Jun 2016.

The branch does not have any impaired loans to customers and banks as at 31 Dec 2016 and 30 Jun 2016.

8 Other assets which are overdue, rescheduled and repossessed

The branch does not have any assets which are overdue, rescheduled and repossessed as at 31 Dec 2016 and 30 Jun 2016.

Bank J. Safra Sarasin Ltd
Hong Kong Branch
Notes to the Financial Statements

9 International Claims

International claims information discloses exposures to locations of counterparties on which the ultimate risk lies and the transfer of risk has been taken account of. The following information is prepared in accordance with the HKMA Return of International Banking Statistics MA(BS)21 completion instructions. Countries or geographical segments (including Hong Kong) constituting 10% or more of the aggregate amount of international claims are disclosed.

31 Dec 2016
HKD million

	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
Developed countries	4,052	-	185	257	-	4,494
of which Switzerland	3,687	-	-	-	-	3,687
Offshore centres	21	-	4,005	1,940	-	5,966
of which Hong Kong SAR	-	-	370	1,802	-	2,172
of which British Virgin Islands	-	-	3,203	-	-	3,203
	4,073	-	4,190	2,197	-	10,460

30 Jun 2016
HKD million

	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
Developed countries	3,417	-	150	229	-	3,796
of which Switzerland	2,989	-	-	-	-	2,989
Offshore centres	-	-	3,314	1,670	-	4,984
of which Hong Kong SAR	-	-	231	1,520	-	1,751
of which British Virgin Islands	-	-	2,551	-	-	2,551
	3,417	-	3,464	1,899	-	8,780

Bank J. Safra Sarasin Ltd
Hong Kong Branch
Notes to the Financial Statements

10 Mainland Activities Disclosures
(HKD million)

Types of Counterparties	31 Dec 2016			30 Jun 2016		
	On-balance sheet exposure	Off-balance sheet exposure	Total	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	149	-	149	171	6	177
4. Other entities of central government not reported in item 1 above	-	-	-	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-	-	-	-
6. PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	6	39	45	45	43	88
Total	155	39	194	216	49	265
Total assets after provision	12,150			10,664		
On-balance sheet exposures as percentage of total assets	1.28%			2.03%		

Bank J. Safra Sarasin Ltd
Hong Kong Branch
Notes to the Financial Statements

11 Foreign currency exposures
(HKD million)

31 Dec 2016									
	USD	EUR	CHF	AUD	JPY	CNY	GBP	Others	Total
Spot assets	4,211	2,290	828	440	1,193	74	358	526	9,920
Spot liabilities	(4,232)	(2,297)	(834)	(440)	(1,188)	(73)	(360)	(495)	(9,919)
Forward purchases	1,209	109	13	17	175	299	92	57	1,971
Forward sales	(1,177)	(110)	(12)	(18)	(176)	(300)	(91)	(87)	(1,971)
Net options positions*	-	-	-	-	-	-	-	-	-
Net long (short) position	11	(8)	(5)	(1)	4	-	(1)	1	1
Net structural position	-	-	-	-	-	-	-	-	-

30 Jun 2016									
	USD	EUR	CHF	AUD	JPY	CNY	GBP	Others	Total
Spot assets	3,735	1,527	679	197	960	108	507	690	8,403
Spot liabilities	(3,732)	(1,531)	(680)	(198)	(957)	(107)	(507)	(689)	(8,401)
Forward purchases	2,004	28	14	4	64	901	293	55	3,363
Forward sales	(2,004)	(28)	(14)	(4)	(64)	(901)	(293)	(55)	(3,363)
Net options positions*	-	-	-	-	-	-	-	-	-
Net long (short) position	3	(4)	(1)	(1)	3	1	-	1	2
Net structural position	-	-	-	-	-	-	-	-	-

*Internal reporting method is adopted as basis of calculating the net options positions.

Bank J. Safra Sarasin Ltd
Hong Kong Branch
Off Balance Sheet and Liquidity Information
As at 31 December 2016

31 Dec 2016 30 Jun 2016

HKD'000 HKD'000

1 Contingent liabilities and commitments
(contractual amounts)

Direct credit substitutes	4,795	2,128
Other commitments	18,860,507	20,272,256

2 Derivatives instruments
(HKD '000)

31 Dec 2016

30 Jun 2016

	Fair Value		Total Notional Amount	Fair Value		Total Notional Amount
	Positive	Negative		Positive	Negative	
Exchange rate contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)	99,860	98,900	11,495,965	143,463	142,115	10,175,826
Equity contracts	8,229	8,229	618,168	11,072	11,072	645,252
Interest rate contracts	-	-	-	3	3	22,343
Others	556	556	15,679	55	55	8,909

3 Liquidity maintenance ratio

Liquidity risk management

The liquidity risk essentially refers to the danger of the Bank being unable to meet its payment obligations or failing to meet the requirements imposed by banking regulations. Within the Bank J. Safra Sarasin Group (the "Group"), The Group Treasury Committee is responsible for monitoring liquidity. The prime objective is to guarantee the Bank'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. Similarly, Bank J. Safra Sarasin Ltd, Hong Kong Branch has set a target surplus coverage above the minimum Liquidity Maintenance Ratio ("LMR") required by the Hong Kong Monetary Authority ("HKMA"). Bank J. Safra Sarasin Ltd, Hong Kong Branch also maintains a liquidity cushion in the form of unencumbered, high-quality liquid assets to meet unexpected cash outflows or client shifts from cash into investments. These are actively monitored and adequate measures would be initiated if liquidity falls below the specified targets.

Bank J. Safra Sarasin Ltd, Hong Kong Branch currently has very minimal reliance on external wholesale funding with its funding needs met almost entirely by Head Office or other entities within the Group.

31 Dec 2016 31 Dec 2015

Average Liquidity Maintenance Ratio for the financial period	45.72%	45.92%
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Bank J. Safra Sarasin Ltd
Hong Kong Branch
Remuneration Disclosure

1 Governance structure of the remuneration system

The Board of Directors ("the Board") of J. Safra Sarasin Holding Ltd ("the Group") decides on the Group's general principles, key terms of compensation plans, programs, profit sharing schemes, and policies. This Board also decides on the Group's total compensation pool (fixed and variable).

The Board of Bank J. Safra Sarasin Ltd. ("BJSS") decides on benefits and retirement plans (establishment, or change of benefits / retirement plan, funding guidelines and decisions).

Lead by the CEO of BJSS, the Corporate Centre & Logistics Division Head and the Group Head of Human Resources are responsible for preparing and administrating the salary and bonus process and the deferral rules for the Board's review and final approval.

2 Design and structure of the remuneration processes

The Group's compensation framework is applicable to all employees in Hong Kong. It consists of a fixed remuneration (i.e. base salary) and a possibility for a variable remuneration (i.e. discretionary bonus). The base salary is benchmarked against the market, while the discretionary bonus is linked to the Group's performance, the performance of the business unit and the employee's individual performance on achieving pre-defined goals and targets, plus the individual's compliance with directives, guidelines and risk measures. For senior management i.e. the management team and the regional function heads as well as key employees with significant impact to the Group's risk profile, stringent risk-mitigation measures apply.

The discretionary bonus constitutes a voluntary payment and does not suggest entitlement to future bonuses. Under the current Deferral Rules, for any employee with bonus in between CHF 55,000 and CHF 100,000 or local equivalent, CHF 50,000 or local equivalent will be paid in cash and the remaining will be deferred. For any employee with bonus in excess of CHF 100,000 or local equivalent, 50% of the bonus will be paid in cash and the remaining 50% will be deferred. The deferred bonus will be paid in two instalments over two years and it will be linked to the continuous employment of the employee.

3 Remuneration for the senior management and key personnel for the year ended 31 December 2016

	31 Dec 2016		31 Dec 2015	
	HKD'000	HKD'000	HKD'000	HKD'000
a. Outstanding deferred remuneration				
Vested		3,761		3,411
Unvested		6,682		5,372
		<u>10,443</u>		<u>8,783</u>
Cash-based		10,443		8,783
Shares and share-linked instruments		-		-
		<u>10,443</u>		<u>8,783</u>
b. Deferred remuneration awarded, paid out and reduced through performance adjustments				
Awarded		4,683		3,718
Paid out		3,761		3,410
Reduced through performance adjustments		-		-
c. Breakdown of remuneration awards				
	Non-deferred	Deferred	Non-deferred	Deferred
Fixed remuneration				
Cash-based	12,016	-	11,777	-
Shares and share-linked instruments	-	-	-	-
Variable remuneration				
Cash-based	6,589	4,683	7,357	3,718
Shares and share-linked instruments	-	-	-	-
	<u>18,605</u>	<u>4,683</u>	<u>19,134</u>	<u>3,718</u>

During the period of 20 to 28 February 2017, the CEO of Bank J. Safra Sarasin Ltd, the Corporate Centre & Logistics Division Head and the Group Head of Human Resources have set up meetings to review the compensation and prepare for Executive Committee and The Board of Directors' discussion. The Board approval of compensation by circular resolution has been concluded in early March 2017.

The aggregate quantitative information on remuneration for the year ended 31 December 2016 disclosed above is for seven senior management and key personnel of the branch (2015: seven). As the above remuneration disclosures pertain to a small number of personnel, the quantitative information on remuneration for senior management and key personnel is not separately disclosed.

During the year ended 31 December 2016, no senior management or key personnel has been awarded with guaranteed bonuses (2015: Nil), compensation for loss of bonus (2015: Nil) and severance payments (2015: Nil).

The senior management and key personnel have responsibilities beyond Hong Kong and, as a result, do not perform services exclusively for the branch. The remuneration disclosed above has been apportioned to reflect each individual's relative contribution to the branch's results for the year ended 31 December 2016.

J. Safra Sarasin Holding Ltd
Group Consolidated Financial Information
As at 31 December 2016

	(Note 1) CHF'000	(Note 1) CHF'000
	31 Dec 2016	30 Jun 2016
Total shareholders' equity including minority interest	4,113,965	3,957,581

Other financial information

Balance sheet :

Total assets	32,336,851	30,314,680
Total liabilities	28,222,886	26,357,099
Due from customers	11,959,228	11,480,727
Due to customers	24,192,797	22,937,201

	31 Dec 2016	31 Dec 2015
Profit and Loss :		
Profit before taxes	282,195	275,493

	31 Dec 2016	31 Dec 2015
Capital adequacy ratio		
CET1 ratio (Note 2)	28%	27%

Note :

- (1) Group consolidated financial information for the year ended 31 December 2016 represented consolidated financial information of J. Safra Sarasin Holding Ltd which is the holding company of Bank J. Safra Sarasin Ltd. The group consolidated financial information has been prepared in accordance with Swiss accounting principles applicable for banks and the requirements of Swiss law.
- (2) The calculation is based on the Basel III requirements. The basis used for calculating the adequacy ratio includes an allowance for market risk.