

Bank J. Safra Sarasin Ltd

Hong Kong Branch

Key Financial Information Disclosure Statement

As at 31 December 2017

**Bank J. Safra Sarasin Ltd
Hong Kong Branch
Key Financial Information Disclosure Statement
As at 31 December 2017**

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Bank J. Safra Sarasin Ltd
Hong Kong Branch
Profit & Loss Account
For The Year Ended 31 December 2017

		31 Dec 2017	31 Dec 2016
	Notes	HKD'000	HKD'000
Interest income		208,999	134,649
Interest expense		(95,108)	(34,977)
Net interest income		113,891	99,672
Other operating income	1	258,590	193,555
Total operating income		372,481	293,227
Total operating expenses	2	(301,945)	(306,462)
Profit on disposal of tangible fixed assets		-	15
Profit / (Loss) before taxation		70,536	(13,220)
Tax (expense) / credit		(10,211)	2,603
Profit / (Loss) after taxation		60,325	(10,617)

Bank J. Safra Sarasin Ltd
Hong Kong Branch
Balance Sheet
As at 31 December 2017

		31 Dec 2017	30 Jun 2017
	Notes	HKD'000	HKD'000
Assets			
Cash and balances with banks		224,701	268,489
Due from Exchange Fund		44,709	3,112
Amount due from overseas offices		3,676,513	3,301,684
Loans and receivables	4	11,816,919	8,649,967
Investment securities		2,695,825	1,658,772
Property, plant and equipment		4,356	6,400
		<hr/>	<hr/>
Total assets		<u>18,463,023</u>	<u>13,888,424</u>
Liabilities			
Deposits and balances from banks		8,449	6,384
Deposits from customers	5	9,567,577	7,695,700
Amount due to overseas offices		8,668,347	5,924,904
Other liabilities		218,650	261,436
		<hr/>	<hr/>
Total liabilities		<u>18,463,023</u>	<u>13,888,424</u>

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

		31 Dec 2017	31 Dec 2016
	Notes	HKD'000	HKD'000
1 Other operating income			
Gains less losses arising from dealing in foreign currencies		51,809	40,928
Gains less losses arising from trading in other derivatives		7,608	4,983
Net fees and commission income	3	198,373	147,644
Other		800	-
		<u>258,590</u>	<u>193,555</u>
2 Total operating expenses			
Staff and rental expenses		(268,832)	(267,143)
Other expenses		(33,113)	(39,319)
		<u>(301,945)</u>	<u>(306,462)</u>
3 Net fees and commission income			
Fees and commission income		384,933	320,935
Less: Fees and commission expenses		(186,560)	(173,291)
		<u>198,373</u>	<u>147,644</u>
31 Dec 2017			
		HKD'000	30 Jun 2017
	Notes		HKD'000
4 Loans and receivables			
Loans and advances to customers	6	11,594,721	8,433,597
Accrued interest and other accounts		222,198	216,370
Provisions for bad and doubtful debts		-	-
- general provisions		-	-
- specific provisions		-	-
		<u>11,816,919</u>	<u>8,649,967</u>
5 Deposits from customers			
Demand deposits and current accounts		5,842,385	3,999,578
Time, call and notice deposits		3,725,192	3,696,122
		<u>9,567,577</u>	<u>7,695,700</u>

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

	31 Dec 2017	30 Jun 2017
	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	1,082,120	774,208
Property investment	20,723	20,483
Individuals		
Others	676,700	779,857
Loans and advances for use outside Hong Kong	9,815,178	8,659,049
	<u>11,594,721</u>	<u>8,433,597</u>
b. Breakdown by Secured and Unsecured		
Secured	11,594,721	8,433,597
Unsecured	-	-
	<u>11,594,721</u>	<u>8,433,597</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	5,666,219	4,402,028
Hong Kong	1,995,253	1,979,096
Taiwan	2,009,844	5,561

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 2017 and 30 Jun 2017.

The branch does not have any impaired loans to customers and banks as at 31 Dec 2017 and 30 Jun 2017.

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 2017 and 30 Jun 2017.

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 2017						
HKD million						
	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
Developed countries	4,502	569	176	235	-	5,482
of which Switzerland	3,835	-	-	-	-	3,835
Developing Asia & Pacific	484	-	-	2,316	-	2,800
of which Taiwan	-	-	-	2,010	-	2,010
Offshore centres	12	-	6,680	1,780	-	8,472
of which Hong Kong SAR	-	-	858	752	-	1,610
of which British Virgin Islands	-	-	5,669	-	-	5,669
	4,998	569	6,856	4,331	-	16,754

30 Jun 2017						
HKD million						
	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
Developed countries	3,904	334	162	331	-	4,731
of which Switzerland	3,532	-	-	-	-	3,532
Developing Asia & Pacific	490	-	61	369	-	920
of which Taiwan	-	-	-	6	-	6
Offshore centres	8	-	5,347	2,043	-	7,398
of which Hong Kong SAR	-	-	630	1,057	-	1,687
of which British Virgin Islands	-	-	4,405	-	-	4,405
	4,402	334	5,570	2,743	-	13,049

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

10 Mainland Activities Disclosures
(HKD million)

Types of Counterparties	31 Dec 2017			30 Jun 2017		
	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	136	-	136	156	-	156
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	11	-	11	1	14	15
Total	147	-	147	157	14	171
Total assets after provision	18,463			13,888		
On-balance sheet exposures as percentage of total assets	0.80%			1.13%		

11 Foreign currency exposures
 (HKD million)

31 Dec 2017										
	USD	EUR	CHF	JPY	CNY	GBP	NZD	CAD	Others	Total
Spot assets	6,834	3,833	1,319	1,180	160	535	28	77	582	14,548
Spot liabilities	(6,018)	(3,845)	(1,326)	(846)	(1,291)	(535)	(29)	(75)	(581)	(14,546)
Forward purchases	1,251	238	2	45	1,487	177	48	31	112	3,391
Forward sales	(2,047)	(238)	(2)	(378)	(357)	(177)	(48)	(32)	(112)	(3,391)
Net options positions*	-	-	-	-	-	-	-	-	-	-
Net long (short) position	20	(12)	(7)	1	(1)	-	(1)	1	1	2
Net structural position	-	-	-	-	-	-	-	-	-	-

30 Jun 2017										
	USD	EUR	CHF	JPY	CNY	GBP	NZD	CAD	Others	Total
Spot assets	6,219	1,361	391	1,133	93	461	12	78	875	10,623
Spot liabilities	(5,467)	(1,371)	(398)	(799)	(1,162)	(462)	(13)	(78)	(873)	(10,623)
Forward purchases	1,494	110	1	157	1,411	146	-	41	37	3,397
Forward sales	(2,228)	(110)	(1)	(489)	(343)	(146)	-	(41)	(38)	(3,396)
Net options positions*	-	-	-	-	-	-	-	-	-	-
Net long (short) position	18	(10)	(7)	2	(1)	(1)	(1)	-	1	1
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 2017

31 Dec 2017 30 Jun 2017

HKD'000 HKD'000

1 Contingent liabilities and commitments
(contractual amounts)

Direct credit substitutes	45,135	42,574
Other commitments	20,992,535	17,444,632

2 Derivatives instruments
(HKD '000)

31 Dec 2017

30 Jun 2017

	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)	121,856	103,754	12,702,968	113,309	97,214	14,590,796
Equity contracts	8,633	8,633	1,198,343	9,639	9,639	704,126
Interest rate contracts	-	-	-	-	-	-
Others	77	77	30,898	120	120	47,465

3 Liquidity maintenance ratio

Liquidity risk management

The liquidity risk essentially refers to the potential inability of the Bank to meet its payment obligations or failure 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 ensure compliance with legal requirements on liquidity. A key task of the Committee is to monitor all the relevant liquidity risk factors. These include money flows between subsidiaries, branches 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.

The Group maintains a Contingency Funding Plan which defines measures that must be taken upon the trigger of certain escalation levels. The Contingency Funding Plan is reviewed by the Group Treasury Committee at least once a year.

Asia Asset and Liability Committee (ALCO) is responsible for the review and monitoring of the funding and liquidity risk profile of Bank J. Safra Sarasin Ltd, Hong Kong Branch on an ongoing basis. A quarterly (or ad-hoc when required) meeting is organized to review liquidity-related limits and parameters and stress test results.

Liquidity Maintenance Ratio ("LMR") is prepared on a daily basis in accordance with the requirement of the Hong Kong Monetary Authority ("HKMA"). An internal target LMR of not less than 35 per cent has been set by ALCO so as to provide an early warning signal to the management.

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 corresponding measures are taken if liquidity falls below the specified targets. Stress testing allows for the impact of larger outflows combined with the deterioration of Group assets on the liquidity indicators to be assessed.

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 2017 31 Dec 2016

Average Liquidity Maintenance Ratio for the financial period	44.80%	45.27%
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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 2017

	31 Dec 2017		31 Dec 2016	
	HKD'000	HKD'000	HKD'000	HKD'000
a. Outstanding deferred remuneration				
Vested		4,281		3,761
Unvested		7,019		6,682
		<u>11,300</u>		<u>10,443</u>
Cash-based		11,300		10,443
Shares and share-linked instruments		-		-
		<u>11,300</u>		<u>10,443</u>
b. Deferred remuneration awarded, paid out and reduced through performance adjustments				
Awarded		4,738		4,683
Paid out		4,281		3,761
Reduced through performance adjustments		-		-
c. Breakdown of remuneration awards				
	Non-deferred	Deferred	Non-deferred	Deferred
Fixed remuneration				
Cash-based	12,423	-	12,016	-
Shares and share-linked instruments	-	-	-	-
Variable remuneration				
Cash-based	5,745	4,738	6,589	4,683
Shares and share-linked instruments	-	-	-	-
	<u>18,168</u>	<u>4,738</u>	<u>18,605</u>	<u>4,683</u>

During the period of January 2018, 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 2018.

The aggregate quantitative information on remuneration for the year ended 31 December 2017 disclosed above is for seven senior management and key personnel of the branch (2016: 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 2017, no senior management or key personnel has been awarded with guaranteed bonuses (2016: Nil), compensation for loss of bonus (2016: Nil) and severance payments (2016: 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 2017.

J. Safra Sarasin Holding Ltd
Group Consolidated Financial Information
As at 31 December 2017

	(Note 1) CHF'000	(Note 1) CHF'000
	31 Dec 2017	30 Jun 2017
Total shareholders' equity including minority interest	4,431,371	4,192,799

Other financial information

Balance sheet :

Total assets	35,170,035	33,274,102
Total liabilities	30,738,664	29,081,303
Due from customers	13,687,354	12,834,731
Due to customers	26,107,696	24,638,086

	31 Dec 2017	31 Dec 2016
Profit and Loss :		
Profit before taxes	355,579	282,195

	31 Dec 2017	31 Dec 2016
Capital adequacy ratio		
CET1 ratio (Note 2)	28.8%	28.1%

Note :

- (1) Group consolidated financial information for the year ended 31 December 2017 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.