

143rd Annual report

2015

BSI

“2015 was a very challenging year in many respects for BSI. Beside this, we have been able to keep strong relationships with our clients thanks to our undiminished commitment backed by our solidity and the quality of our products and services.

In 2015 we achieved important milestones and now we can look forward with great anticipation to the future. We successfully solved our liabilities with the US Authorities. We successfully supported our clientele in the Voluntary Disclosure process. We improved our risk and compliance culture thus favoring a sustainable growth. Now we are at a new turning point of the bank’s history; we are well equipped and in an even most comfortable and solid position than in the past to re-launch our growth.”

Stefano Coduri
Group CEO

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This is a translation into English of the Annual Report issued in the Italian language and is intended solely for the convenience of English-speaking readers. This report includes information specifically required by Swiss law. In the event of contradictions or inconsistencies between the Italian and the English version of the Annual Report, the Italian version shall prevail.

Highlights 2015


BSI Group	2015	2014
	CHF 1'000	CHF 1'000
Profit and loss statement		
Net operating result	816'560	868'988
Operating expenses	-609'740	-698'657
Value adjustments on participations and depreciation	-40'588	-42'310
Changes to provisions and other value adjustments, and losses	-13'259	-185'844
Operating result	152'973	-57'823
Extraordinary income / expenses	8'276	12'947
Changes in reserves for general banking risks	-16'975	60'303
Taxes	-31'753	-13'180
Group profit	112'521	2'247
Balance sheet		
Total assets	20'993'133	23'974'401
Shareholders' equity, including profit / loss of the Group	1'794'227	1'672'978

	CHF million	CHF million
Client assets (including assets under custody)		
Total	84'274	94'022

Headcount (in FTEs)	Unit	Unit
Total	1'850	1'928
of which:		
<i>in Switzerland</i>	1'202	1'280
<i>abroad</i>	648	648

Capital ratios (Basel III)	%	%
Total Capital Ratio	22.78	17.08
CET 1 Ratio	21.91	16.29

BSI Ltd.	2015	2014
	CHF 1'000	CHF 1'000
Profit and loss statement		
Net operating result	674'177	689'809
Operating expenses	-455'682	-520'502
Value adjustments on participations and depreciation	-38'631	-41'151
Changes to provisions and other value adjustments, and losses	-12'094	-172'090
Net result for the year	167'770	-43'934
Profit / Loss of the period	153'413	-21'068
Balance sheet		
Total assets	18'287'554	20'205'090
Shareholders' equity after appropriation of net result for the year	1'663'425	1'493'495



**From Switzerland to the world, our
success has been founded on private
banking excellence.**

Foreword

2015 was a year of changes and challenges both at a macro-economic level and for BSI. In spite of that, we have been able to keep strong relationships with our clients and achieve a strong financial performance. Also, we have been able to solve past legacies and now we can look forward with great anticipation to the future.

From a macro-economic perspective, there was a sharp contrast between the first few months of 2015, when conditions looked stable and financial markets were positive, and the high degree of uncertainty, which characterized the markets and economies in the second half.

In mid-year markets began to focus on the Greek crisis caused by the controversy between the Eurozone Countries and the new Socialist government in Athens about the Greek reform program and the support of the Eurozone Countries for the distressed state and its economy. The rift within European Monetary Union about that topic became so deep that it threatened the future of the Euro, which caused great uncertainty not only in the European markets but also around the globe. The slowdown of the economies in China and other emerging markets led to further stress in the financial markets. As consequence of a decreasing demand in those countries, prices of oil and other commodities dropped. Another issue for the markets was linked to the uncertainty around the U.S. Federal Reserve (FED) Board decision on reversing the quantitative easing policy, following the improvements of the US economy. As a consequence of these uncertainties, client activity was lower in the second part of the year.

With regard to Switzerland, very early in the year, on January 15, the Swiss National Bank (SNB) surprised the markets when it abandoned the minimum exchange rate for the Euro against the Swiss franc. In an overall context of low interest rates, this decision led the Swiss National Bank to take interest rates into negative territory and intervene again on the forex market in order to limit the rise of the Swiss franc. This monetary policy was in sharp contrast to the policy of the European Central Bank (ECB), which shortly thereafter started its government bond purchase program to support the weak European Monetary Union Economies, especially in peripheral markets such as Greece, Italy and Spain. The limited effect of this measure prompted the European Central Bank to announce a continuation of its quantitative-easing program until at least March 2017.

A year of changes and challenges

Also for BSI 2015 was an eventful year, characterized by challenges and changes. Despite very demanding conditions and the continuing low level of interest rates, we achieved a strong financial performance. Consolidated net profit increased sharply to CHF 112.5 million compared to CHF 2.2 million in 2014 when it was, however, influenced by major extraordinary legacy effects linked to the Bank's participation to the US tax program. The sharp growth of net profit reflected the underlying resilient business performance and was sustained by the positive effects of the operational excellence programme we launched in 2014 and almost completed in 2015. We made further important progress in improving our effectiveness and our strategic strengths, focusing on the markets and segments where we can compete effectively in the new global private e banking scenario.

The strong reduction of the operating expenses fully compensated a slight decrease of revenues linked to lower client activity and the decrease of Client Assets linked to the strengthening of the Swiss franc. Net New Assets were negative mainly owing to the departure of institutional clients and the gradual transformation of the client base. All these factors led to a Net New Money of Asset under Management negative for CHF 9.3 billion, whereas the Net New Money of Assets under Custody was positive, amounting to CHF 4.5 billion. All in all, Total Client Assets stood at CHF 84.3 billion, out of which Assets under Management (AuM) were CHF 77.2 billion and Assets under Custody (AuC) amounted to CHF 7.1 billion.

In 2015 we achieved very important milestones and solved past legacies. In March, following a proactive and productive dialogue with the U.S. Department of Justice (DOJ), BSI was the first so-called "Category 2 bank" to reach a Non-Prosecution Agreement (NPA) with the DOJ. By entering into the NPA, BSI resolved its liability with the DOJ arising from its legacy U.S. private banking cross-border business and agreed to pay USD 211 million. The settlement was recorded in the 2014 financial statements. Also we assist our clients in the tax regularisation process of their assets, such as in Italy where the so called Voluntary Disclosure Programme was implemented.

Parallel to that and in light of the increased complexity of the context in which the Bank operates, BSI has also been improving its risk and compliance culture organisation as well as the effective governance of risks, in line with the BSI Group's greater size and international presence.

An important highlight of the year was the successful completion of BSI's acquisition by the Brazil-based international banking group BTG Pactual, which took place in September. This followed the receipt of regulatory approvals of authorities where BSI has operations, including the Swiss Financial Market Supervisory Authority (FINMA).

With the completion of the acquisition, Alfredo Gysi decided to step down from his role as Chairman of BSI's Board of Directors and Joseph Rickenbacher, previously member of the Board of Directors of the Swiss Financial Market Supervisory Authority FINMA, has been appointed as new Chairman. We are grateful to Alfredo Gysi for his achievements in BSI, which he served for 40 years, the last 21 of which first as CEO and then as Chairman, as well as for his decision to remain close to BSI as Honorary Chairman. Important changes were made at the Board level, in order to reflect BTG Pactual rather than Generali ownership, and also at the Group Executive Board level.

Unfortunately, only three months later BTG Pactual was forced to announce the sale of BSI as part of the measures to improve liquidity and cash position following the crisis that hit our shareholder last November after the news of the arrest of its founder and CEO André Esteves.

On a financial point of view, despite the speculations caused by this news and the very challenging conditions in many respects, particularly in the fourth quarter, we have been able to keep strong relationships with our clients thanks to our undiminished commitment backed by our solidity and quality of our products and services.

On 31 December 2015 our Total Capital Ratio stood at 22.8% with total assets of CHF 21.0 billion. This shows that BSI is a very solidly capitalized bank.

Based on our performance in 2015 and our solid financial base, as well as in view of the next merger with EFG International that, announced in February 2016, will create the fifth largest private bank in Switzerland, we look with great confidence to the year ahead.

This is only possible thanks to the loyalty of our clients and of our staff. Therefore, we would like to take this opportunity to thank our clients, for the trust they put in us. We hope this fruitful relationship will continue in the years to come and allow us to continue serving their needs. We also say "thank you" to our staff for the great commitment, professionalism and dedication in these challenging times. Thanks to all of them, we can face the future with a lot of confidence and with the certainty that we will continue to serve our clients' needs with the high quality personalized wealth management services they are accustomed.



Joseph Rickenbacher
Chairman of the
Board of Directors



Stefano Coduri
Group Chief Executive Officer





**For more than 140 years, BSI has
stood by its values and delivered on
its competencies.**

Corporate governance

The principles of BSI Ltd.'s corporate governance, which comply with FINMA circular 2008/24 "Supervision and internal control in the banking sector", are described in the Articles of Association dated 19 April 2012 and the General Management Regulations dated 16 September 2015.

Ordinary General Meeting

The duties and responsibilities of the Ordinary General Meeting, which is held within four months of the end of the financial year, include the approval and amendment of the Articles of Association; the appointment of members of the Board of Directors and the external auditor; the approval of the annual report as well as the Group and BSI Ltd. financial statements including resolutions regarding the appropriation of profit, the discharge of the Board members and other decisions attributed to it by national law (arts. 6 and 9 of the Articles of Association). The Ordinary General Meeting, for which minutes are taken, is generally chaired by the Chairman of the Board of Directors or a Vice-Chairman (art. 7 of the Articles of Association). The share capital of BSI amounts to CHF 1.84 billion and is divided into 18.4 million registered shares (nominal value of CHF 100). The capital is fully paid up and is held by a sole shareholder: BTG Pactual Holding AG (Zurich), which in early 2016 changed its name to BSI Holdings AG. The company is owned by the BTG Pactual Group. The employees of BSI Ltd. do not hold any interest in the Bank's share capital.

Board of Directors and the Board committees

The duties, responsibilities, composition and function of the Board of Directors and its committees are regulated by Swiss federal law, in particular by FINMA circular 2008/24 "Supervision and internal control in the banking sector", and are defined in the Articles of Association (arts. 10-14) and in the Bank's General Management Regulations (arts. 1-10). The Board of Directors is responsible for the ultimate supervision, monitoring and control of the Bank's management in accordance with the Swiss Federal Law on Banks and Savings Banks, as well as the applicable articles of the Swiss Code of Obligations.

Thus, the Board of Directors is responsible for instituting, regulating, maintaining, supervising, and checking on a regular basis that there is a suitable internal control system for BSI Ltd. and the Group.

As of 31 December 2015, the majority of members of the Board of Directors met the independence criteria prescribed in the FINMA Circular 2008/24.

The Board is formed every year at the meeting following the Ordinary General Meeting. The members are elected for a term of three years and may be re-elected. Their term of office expires on the day of the third Ordinary General Meeting following their appointment. The Board of Directors makes the appointments required by the Articles of Association. In particular, it appoints the Chairman and Vice-Chairman. It has the authority to appoint up to two Vice-Chairmen. The Board of Directors also appoints a secretary, who may also not be a member of the Board.

The composition of the Board of Directors, which in the year 2015 consisted of seven members until 9 December 2015 (when M.Kalim's and P.Genecand's end of term of office), and then of five members, meets the independence requirements set out in FINMA Circular 2008/24. The meetings of the Board of Directors are called by the Chairman or, if he is unavailable, the Vice-Chairman. The Board must meet at least four times each year. For decisions to be valid, a majority of the Board members, including the Chairman or the Vice-Chairman, must be present. The Board of Director's decisions are made based on an absolute majority among members present. In the case of a tied vote, the Chairman or the Vice-Chairman has the casting vote. The Board of Directors may also make decisions by correspondence.

The General Management Regulations provide for a decision-making procedure for extremely urgent cases: the Chairman, or if he is not available, the Vice-Chairman, with at least two other members of the Board, may make urgent decisions by unanimity under certain conditions. Minutes of the decisions made under this procedure must be written up at the latest during the following meeting of the Board of Directors, indicating the members who took such decisions. The Chairman or, if he is not available, the Vice-Chairman convenes the Board of Directors at least ten days before the meeting date with a notice indicating the agenda. The Chairman or, if he is not available, the Vice-Chairman chairs the meetings, to which members of the Group Executive Board may also be invited. Any member of the Board of Directors as well as the Group Executive Board, the Group CEO or, in his absence, the Deputy Group CEO may convene meetings of the Board, indicating their reasons.

The Board of Directors must, as a committee, satisfy the requirements necessary to execute its tasks in terms of professional competencies, experience and availability. For this purpose, the Board of Directors evaluates and documents in writing the achievement of objectives and its working methodology. As in the previous year, this self-evaluation was carried out with the support of an external consultant.

The tasks and main powers of the Board of Directors include issuing and amending the regulations and general directives for organising, managing and supervising the activities of BSI Ltd. and the Group, as well as setting the responsibilities of the governing bodies, if these tasks have not been delegated to the Group Executive Board. Furthermore, the Board of Directors decides the medium-term plan for the Bank's corporate policy, management principles and global risk control as well as approving its risk management policy. It also approves the structure of the general organisational chart and designates the persons authorised to represent the Bank. The Board of Directors prepares the annual report, the annual accounts and the Group accounts, which are presented to the Ordinary General Meeting for approval, together with a proposal for the appropriation of profit. As part of its monitoring and control duties, the Board of Directors, with the support of the Audit & Risk Committee, examines the reports of the External Auditor and Internal Audit, the quarterly Global Risk Report, the trend in large exposures, the financial result, the trend in client assets under management, the Bank's liquidity and shareholders' equity at Bank and Group level. Finally, the Board of Directors appoints the Chief Audit Executive, who is responsible for internal auditing at Group level.

The Board of Directors appoints an Audit & Risk Committee, comprising at least three members. They supervise and assess the integrity of the annual financial statements, compliance with legal requirements and regulations, the effectiveness of the internal and external audits, and the adequacy and effectiveness of the control system of BSI Ltd. and the Group. The duties and responsibilities of the Audit & Risk Committee are defined in specific Regulations. The Committee meets at least four times each year. Together with the Group Executive Board, Internal Audit and the External Auditor, the Audit & Risk Committee examines the annual financial statements. The responsibility for the tasks assigned to the Committee remains with the Board of Directors.

The Appointments & Remuneration Committee, appointed by the Board of Directors, comprises at least two members. It is responsible for approving the principles governing employees' fixed and variable remuneration, and the global plan for promotions and development. In particular, this Committee sets the salaries for the members of the Board of Directors. It also approves the employment contracts and sets the remuneration of the Group Executive Board and the Chief Audit Executive. The duties and responsibilities of the Committee are defined in specific Regulations.

As at 1 January 2016, the composition of the Board of Directors was as follows:

	Board of Directors	Mandate expires	Audit & Risk Committee	Appointments & Remuneration Committee
Joseph Rickenbacher	Chairman ¹	2018		Vice-Chairman
Eugenio Brianti	Vice-Chairman ¹	2016	Member	
Steven Michael Jacobs	Vice-Chairman	2018		Chairman
Roberto Isolani	Member	2018	Vice-Chairman	
Nicola Mordasini	Member ¹	2017	Chairman	

¹ Independent member in accordance with FINMA Circular 2008/24.

Joseph Rickenbacher, born in 1948, Swiss citizen, has been Chairman of the Board of Directors of BSI since 16 September 2015.

Mr Rickenbacher is a very experienced Swiss Banker with a long and distinguished career in various areas of banking in Switzerland as well as abroad. He spent his entire professional life in the banking industry focusing over the last twenty years primarily on the credit and risk control / management sectors. He retired from his active banking career at the end of December 2010 as the Chief Risk Officer and Member of the Executive Committee of UBS Wealth Management and Swiss Bank. From January 2012 until October 2014 he served as a Member of the Board of the Swiss Financial Market Supervisory Authority FINMA.

He holds the Swiss Federal Diploma in Banking and is an alumni of the Senior Executive Program of the London Business School. He is a Council Member of Gerson Lehrman Group (GLG Research), the world's largest membership network for one-on-one professional learning and serves also as a Member of the Advisory Board of CreditGate24, a start-up online Peer-to-Peer Credit Platform which links investors with borrowers quickly and easily.

Eugenio Brianti, born in 1953, Swiss citizen, has been Vice-Chairman of the Board of Directors of BSI since 2013. After finishing high school in Lugano, he studied at the University of Parma, where he received a doctorate in economics and business in 1979. He worked briefly at UBS before starting at BSI in 1980. Over the years he has held various positions, including the coordination of the development and control office for the Swiss branches. In 1989, he became manager of the St. Moritz branch, and a year later he was appointed manager of the Chiasso branch. In 2003, he took on the position of head of Private Banking for Ticino and Graubünden. In 2005, he was appointed Exec-

utive Vice President, and in 2008 Senior Executive Vice President. On 1 January 2011, he was appointed to BSI's Board of Directors, and became its Vice-Chairman on 1 July 2013. From January 2011 until the end of June 2013 he sat on the Board of FINMA, the Swiss Financial Market Supervisory Authority. He is Chairman of the Board of Directors of Funicolare Lugano-Paradiso-Monte San Salvatore SA, Vice Chairman of the Board of Directors of Autolinee Regionali Luganesi, and sits on the Board of Lugano-based Finnat Gestioni SA and Turin-based Banca Patrimoni Sella & C. SpA.

Steven Michael Jacobs, born in 1969, British citizen, has been Vice-Chairman of the Board of Directors of BSI since 16 September 2015. Mr Jacobs holds a bachelor degree in Accounting and Finance from the University of Brighton. He has been a Qualified Chartered Accountant of England and Wales since 1994 and a Fellow of the Institute of Chartered Accountants of England and Wales since 2004. Further, Mr Jacobs earned an Investment Management Certificate, CFA, in 2009. From 1990 to 1999, Mr Jacobs worked for Ernst & Young as Team Head Financial Services Transaction Group. Between 2000 and 2009 he worked for UBS in London and Zurich as Head of Group Strategy and also as Global Head Private Equity & Infrastructure and member of UBS Global Asset Management Executive Board. Since January 2010, Mr Jacobs has been a Managing Partner and Head of Asset Management of BTG Pactual. He is a member of the board of directors of the venture capital company Vesuvium Limited, UK, and of the Tick Tock Club, a charity foundation of the Great Ormond Street Hospital.

Roberto Isolani, born in 1964, Italian citizen, has been Member of the Board of Directors of BSI since 16 September 2015. Mr Isolani is also a Managing Partner of BTG Pactual, member of the Global Management Committee and Head of International Client Coverage, based in the London office. Before joining BTG Pactual in April 2010, Mr Isolani worked for 17 years at UBS where he was most recently Joint Head of Global Capital Markets and also had joint responsibility for the Client Services Group, the Fixed Income and FX global sales-forces at UBS. Roberto Isolani was also a member of the Investment Bank's Board.

Roberto Isolani joined UBS (formerly SBC) in 1992 and spent 10 years in Fixed Income in Derivatives Marketing and DCM before being promoted to Head of European DCM in 2000. He transferred to IBD in 2002, moving to Italy as co-head of Italian Investment Banking. He moved back to London in 2007 to become Global Head of DCM before assuming his latest responsibilities at the beginning of 2009.

Mr Isolani graduated from the University of Rome, La Sapienza cum laude in 1989 and was a lecturer at the university before going on to work at IMI and Cofiri and then joining UBS. Roberto Isolani held a number of Executive and Board roles in regulated and unregulated Italian UBS entities. He was a Board Member and CEO of UBS Securities Italia Finanziaria S.p.A., a Board Member and CEO of UBS Corporate Finance Italia S.p.A. as well as a Board Member of UBS Italia SIM S.p.A.

In 2014, Roberto Isolani was appointed as a Board Member of Banca Monte dei Paschi di Siena S.p.A. (BMPS) and subsequently appointed as Deputy Chairman of BMPS in 2015. Roberto Isolani is also a Board Member of ABI (Associazione Bancaria Italiana), the Italian Banking Association.

Roberto Isolani has been a Member of the Advisory Board of BT Italia S.p.A. since 2014.

Nicola Mordasini, born in 1950, Swiss citizen, has been a member of the Board of Directors of BSI since 2008. After graduating from the University of Geneva with a degree in Economics, he started his professional career in 1974 at Banca del Gottardo. He held numerous positions in various sectors of this bank. In October 1991, he was appointed Senior Executive Vice President with responsibility for Private & Commercial Banking. In 1998, he took on the position of Vice-Chairman of the Executive Board, again with responsibilities related to clients and affiliates. He held this position until the beginning of 2008, when he was appointed to the Board of Directors of BSI Ltd. He sits on the Audit & Risk Committee, which he has been chairing since 2012. Finally, he holds several positions with corporate boards and foundations.

Group Executive Board

The Group Executive Board (hereinafter: GEB) is responsible for the operational management of the Bank. Its members are appointed by the Board of Directors. It manages the Bank, in particular, by carrying out the following tasks. It decides the short- and medium-term objectives within the general framework set by the Board of Directors, takes all measures required to achieve said objectives, presents proposals in support of decisions taken by the Board of Directors, and proposes to the Board of Directors the general policies and strategies of the Bank. In carrying out its functions, the GEB represents the Bank, drafts the medium-term plan and the annual budget (both of which are submitted to the Board of Directors for approval), implements the risk management policy, monitors trends and prepares the quarterly report on liquidity and shareholders' equity, appoints Assistant Vice Presidents and Assistant Treasurers, signs agreements with professional associations, establishes the human resources policy, and issues provisions required for the execution of the General Management Regulations. The GEB is required to keep the Board of Directors informed of business trends and the Bank's situation by presenting to the Board and commenting upon the relevant reports and documents. The GEB acts as a collective body in carrying out its functions. Its tasks, responsibilities and reporting duties are defined in the General Management Regulations (arts. 11-16).

The GEB is supported in its activities by several permanent committees with decision-making powers.

Lastly, the GEB proposes the composition of the Group Advisory Board, which is approved by the Board of Directors. The Group Advisory Board is a committee with advisory powers chiefly in relation to strategic issues surrounding business development at BSI Ltd. and the Group.

As at 1 January 2016, the composition of the Group Executive Board was as follows:

Stefano Coduri, Group CEO
Renato Cohn, Deputy Group CEO,
 BSI UHNWI Development
Rajiv Pradhan, Deputy Group CEO, Chief Operating Officer
Hanspeter Brunner, Senior Executive Vice President,
 BSI Asia
Reto Kunz, Senior Executive Vice President,
 Chief Risk Officer
Maurizio Moranzoni, Senior Executive Vice President,
 Capital Markets
Guilherme Alaga Pini, Senior Executive Vice President,
 Structuring & Product Development
Gerald Robert, Senior Executive Vice President,
 BSI Latin America, Middle East & Eastern Mediterranean
Renato Santi, Senior Executive Vice President,
 BSI Switzerland & Europe

Compensation related to 2015 (CHF gross amounts) of the members of the Group Executive Board

	2015
	CHF
Annual Base Salary	4'046'083
Short term Incentive (including deferred payments)	3'235'000
Other components	2'565'000
Total	9'846'083

The disclosed amounts refer to ten members of the Group Executive Board (GEB). All the amounts do not include the employer contributions to social securities as well as all other additional insurances and unemployment.

With respect to previous year there are four new members: three ones included as from the second half of September and one as from August 2015.

The related amounts of Annual Base Salary and Short term Incentive are taken into account on a pro-rata basis.

Stefano Coduri, born in 1964, Swiss citizen, has been CEO of BSI since 1 January 2012 and has spent his entire career with the Bank. After obtaining a degree in Finance and Accounting from the University of St. Gallen, he joined BSI in 1989. He was appointed to the Executive Board in 2004. He successfully led the most important projects involving the Bank in recent years, including the integration of Banca Unione di Credito (BUC), acquired in 2006, and Banca del Gottardo, acquired in 2007, as well as the implementation of a new IT platform for the entire BSI Group. Before taking over his present position, Stefano Coduri was Head of Banking Platform (group operations), a position that enabled him to acquire a wealth of experience in various segments of the Bank, including Private Banking, Product Management, and Organisation. Since 2014, he has been a Member of the Board of Directors of the Swiss Bankers Association and Vice-Chairman of the Association of Foreign Banks in Switzerland.

Renato Hermann Cohn, born in 1972, Brazilian citizen, joined BSI in September 2015 as Head of UHNW Development, Market Coordinator and Deputy Group CEO. Graduated in industrial engineering at the Escola Politécnica of the University of São Paulo. Mr Cohn started his career at Banco Primus S.A., São Paulo as a stock exchange broker within the trading desk.

He then worked for Banco Matrix S.A., São Paulo, from 1994 to 1998 as Head of the Fixed Income Trading Desk.

Mr Cohn joined Banco Pactual in 1999, first as Private Banking Officer and from 2002 to 2006 as Director of Wealth Management in São Paulo. From 2006 to 2009, Mr. Cohn served as Head of Sales Management and Head of Product and Services at UBS Pactual in São Paulo.

From September 2009 until September 2015, Mr Cohn has been Co-Head of Wealth Management of Banco BTG Pactual. He became a Partner of BTG Pactual in 2004 and a member of its Management Committee in 2009.

Rajiv Pradhan, born in 1955, Swiss citizen, is the Chief Operating Officer of BSI and his areas of activity include the Finance and Banking Platform Departments. In April 2014, Mr Pradhan became Deputy Group CEO. After obtaining a degree in Economics from the London School of Economics, a professional qualification as a Chartered Accountant at Peat Marwick in London, and an MBA from INSEAD in Fontainebleau, he began his professional career as an internal auditor of Olivetti Group subsidiaries worldwide. He then continued his professional development at Hermes Precisa International (Yverdon/Lausanne), a company then acquired by Olivetti. He has been at BSI since 1987, holding many important roles in the Group Accounting, Budgeting, Planning, Operations and Logistics departments. In 2001, Rajiv Pradhan was appointed as a member of BSI Executive Board and Head of Operations & Logistics, a position that he kept until 2004. In 2005, he became CEO of B-Source, a company providing Information Technology Outsourcing (ITO) & Business Process Outsourcing (BPO) services, which during those years was wholly owned by the BSI Group. In 2008, he continued his career in BSI, and from 2011 to 2015, he was Head of BSI Corporate Services.

Hanspeter Brunner, born in 1952, Swiss citizen, is the CEO of BSI Asia since 2010. He is also CEO of BSI Bank Limited Singapore, a wholly owned subsidiary of BSI Ltd., as well as a member of the Group Executive Board, the governing body of the bank.

Hanspeter Brunner oversees Singapore operations and is responsible for the strategic development of BSI in Asia and Eastern Europe. He reports to the Group CEO of BSI, Stefano Coduri.

Mr Brunner brings to his role a lifetime of banking experience from banks such as Credit Suisse and RBS Coutts. He has a deep knowledge and understanding of the Asian private banking landscape garnered from over 20 years in Asia.

He became a Singapore Permanent Resident in 2007 and has held numerous extra-professional positions in both Singapore and Hong Kong as Board member of the Association of Foreign Banks in Switzerland, Council member for the British-Swiss Chamber of Commerce, and the President of the Swiss Business Council in Hong Kong.

Reto Kunz, born in 1954, Swiss citizen, joined BSI on 1 August 2015 as Chief Risk Officer. His area comprises the departments of Group Risk Control, Group Credit Office, Operational Risk & Internal Control, AML & Onboarding, Cross Border & Regulatory Affairs, CRO Asia.

Reto Kunz has an extensive experience in risk management, developed over the last 30 years in the finance industry (Credit Suisse and UBS) primarily in Corporate Banking and Wealth Management units with business activities in Europe and Asia. He held various Senior Management positions in Risk Management and Control before deciding to establish his own business as an independent risk consultant prior to joining BSI.

Maurizio Moranzoni, born in 1960, Swiss citizen, has been CEO of the BSI Capital Markets Division since 2015 when he also entered the BSI Group Executive Board, the governing body of the bank.

Before his current role Mr Moranzoni was Global Head of Capital Markets of BSI since 2010. Maurizio Moranzoni spent his entire career at BSI where he started working in 1982, first in the Forex Department and then covering various positions in the Capital Markets Area. In 1987, he moved to London for the opening of the new BSI subsidiary as Head of Treasury and further developed his skills in the derivatives markets. In 1990, he came back to the Headquarter taking the responsibility of the Italian Lira derivatives book. In 1997, he was appointed Head of Treasury, Fixed Income and Securities Lending and, in 2003, he became Head of Capital Markets, taking over the responsibility of all the execution and trading activities, including the Treasury & Balance Sheet Management.

Guilherme Alaga Pini, born in 1976, Brazilian citizen, joined BSI as Head of Structuring & Product Development in September 2015. Mr Pini earned a bachelor's degree from the School of Business Administration of São Paulo EAESP in 1997. He joined Banco Pactual SA in 1997 in the Wealth Management department until 2006 and he became an associate partner in 2004. From 2006 to 2009, Mr Pini served as Head Transaction Products and Co-Head Investment Advisory Team for UBS Bahamas Ltd. and, in 2009, in the same function for UBS Pactual SA, São Paulo. Mr Pini has been Head Investment Advisory Teams for Latin America since September 2009. He has been a Managing Partner since 2009.

Gerald Robert, born in 1957, Swiss and American citizen, has been CEO of BSI Latin America, Middle East & Eastern Mediterranean since July 2012. In this capacity, he heads the development of the markets in Latin America, Middle East, and the Eastern Mediterranean. After graduating in International Politics and Economics from George Washington University, he obtained a Master's Degree with major in economics and finance from Johns Hopkins University in Washington D.C. and worked as Research Associate at the U.S. Department of State in Washington, D.C. From 1983 to 1985, he worked for the Banker Trust Company of New York as a private banking relationship manager for Europe and Latin America. In 1985, he joined the New York branch of BSI as Account Manager and was responsible for maintaining and developing private banking clients in Latin America and Europe. In 1987, he moved to Venezuela, where he managed the local representative office until 1990, when he became BSI's Senior Representative in Argentina. From 1993 to 2001, he was BSI Montecarlo's Director and then Head of the Romandy Region.

Renato Santi, born in 1969, Swiss citizen, has been CEO of BSI Switzerland & Europe effective from 1 January 2016. In 2013, he had been appointed to the Group Executive Board, the bank's governing body, taking over responsibility for the Swiss region as CEO.

Mr Santi started working for BSI in 1994 and has spent his entire career with the Bank. In 2011, he joined the bank's Executive Board as the Head of the Personal Banking division. Renato Santi is a graduate in Political Economics from the Hochschule of St. Gallen. In the course of his career at BSI he has successfully taken charge of various strategic development projects. Since entering the management of BSI's Private Banking division in 1996 and subsequently becoming head of the division in 2002, Mr Santi has been responsible for Product Management (Lugano), Corporate Services at BSI Ifabanque (Paris) and Strategic Marketing & Support Services (Lugano).

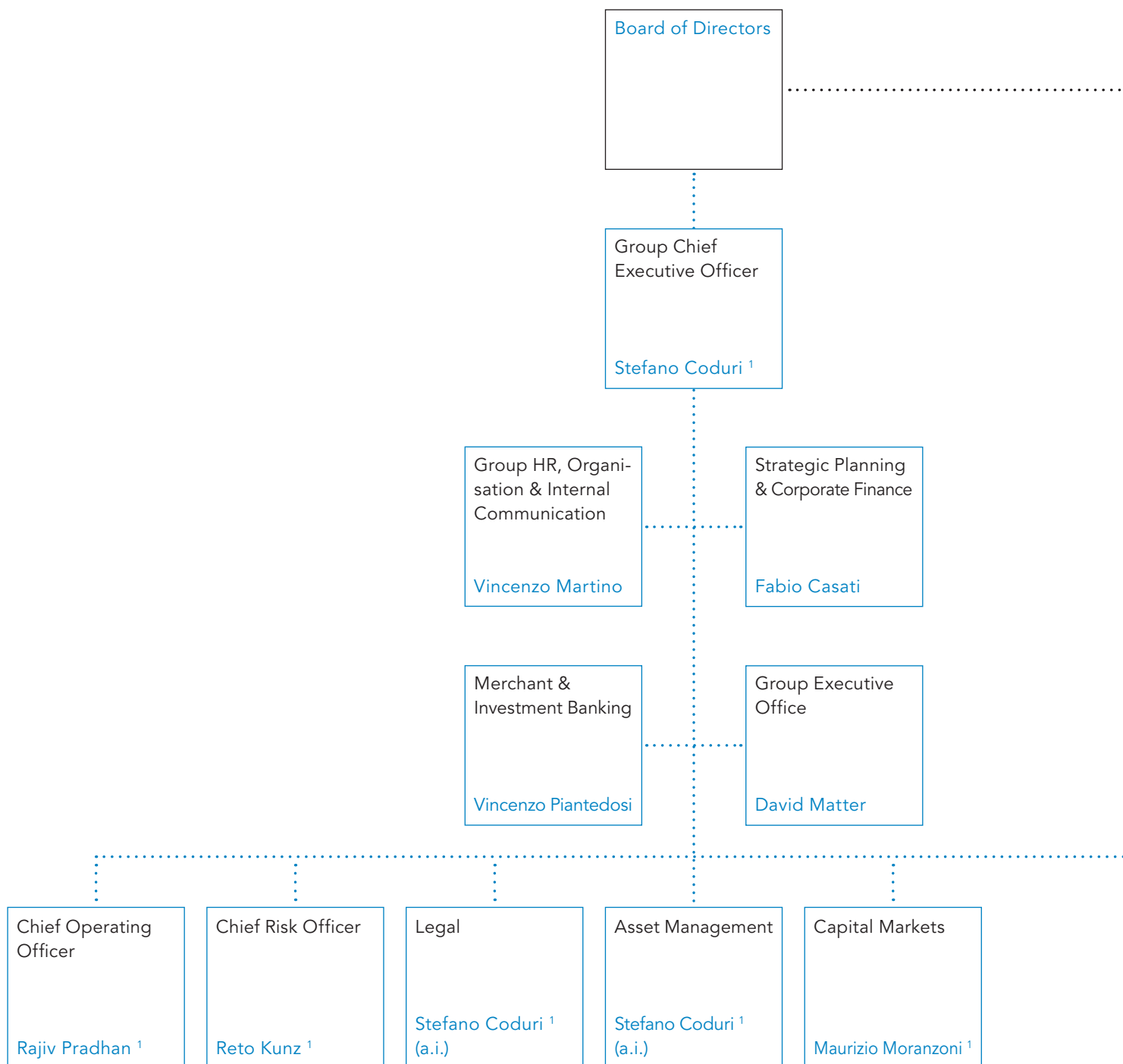
Internal Audit

Internal Audit is the department that, at Group level, performs independent evaluations and reviews of the internal control system, thereby contributing to the ongoing fine-tuning of the control system as needed. It coordinates its activities with those of the External Auditor. Internal Audit reports directly to the Board of Directors and thus to the Audit & Risk Committee. Internal Audit reports periodically to the Committee on the actions it has carried out, and it also reports to the Board of Directors once a year. Written reports on the results of audits conducted by Internal Audit are prepared and sent to the Chairman of the Board of Directors and the Audit & Risk Committee. A copy is also sent to the members of the Group Executive Board and the External Auditor. The purpose, authority and responsibilities of Internal Audit are defined in the General Management Regulations and in the Group Internal Audit Regulations. The Chief Audit Executive, who is appointed by the Board of Directors, is Mr Nicola Guscetti. He has held this position since 1 January 2012.

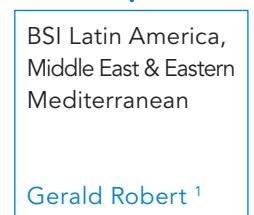
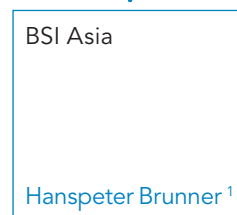
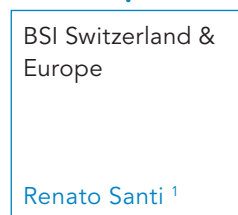
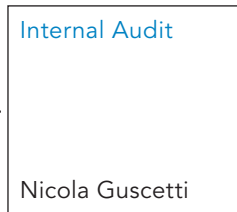
External Auditor

The External Auditor checks the Group accounts and the annual reports of the Bank in accordance with legal provisions and regulations in force in Switzerland. Pursuant to the Code of Obligations, BSI appointed Geneva-based Ernst & Young SA as External Auditor. The Lead Auditor is Mr Marco Amato.

BSI Ltd. Organisational chart
(situation as at 1.1.2016)



¹ Member of the Group Executive Board.





**Wherever we operate, we see Diversity
and Inclusion as assets not obligations.**

Human Resources

Headcount

In 2015, the number of people employed by the BSI Group fell from 1,983 as at 31 December 2014 to 1,912 as at the end of 2015.

Reducing the headcount is part of a broader cost-cutting effort launched in early 2014, which aims to streamline complexity and reposition the Bank within the existing business model.

There were 1,256 employees in Switzerland (1,332 at the end of 2014) and 307 in Asia (310 at the end of 2014).

Overall, the staff outside Switzerland amounted to 656 employees.

Remuneration policy

BSI's remuneration policy has always aimed to ensure it remains competitive in the market and maintains fairness within the Bank, as well as to strike a balance between short-term and long-term incentive plans. The emphasis on merit is reflected in the award of variable pay.

Under the guidance of the Appointments and Remuneration Committee, we maintained our policy by aligning it with the latest market practices, in accordance with regulatory requirements.

Introducing a risk scorecard strengthened the performance appraisal process as well as the attention given to variable pay.

The transformation of BSI

During 2015, we continued working hard to transform BSI, reducing its complexity and refocusing operations to enhance the service rendered to clients, improve profitability, and remain competitive over the long term.

At the end of 2015, we completed our programme to streamline the organisational structure as part of this transformation, exceeding the goals concerning the reduction in personnel costs.

True to our form and culture, we did our best to minimise the number of layoffs, and helped the people affected with job placement services and a Social Plan that met with the approval of the social partners and the employees concerned. Total recurring personnel costs, i.e. excluding one-off items, declined by 10% in only one year.

Before going ahead with this restructuring effort, we had already slashed costs by reducing pension benefits – adopting defined-contribution plans, in line with market standards – as well as reviewing variable pay plans.

Staff Committee

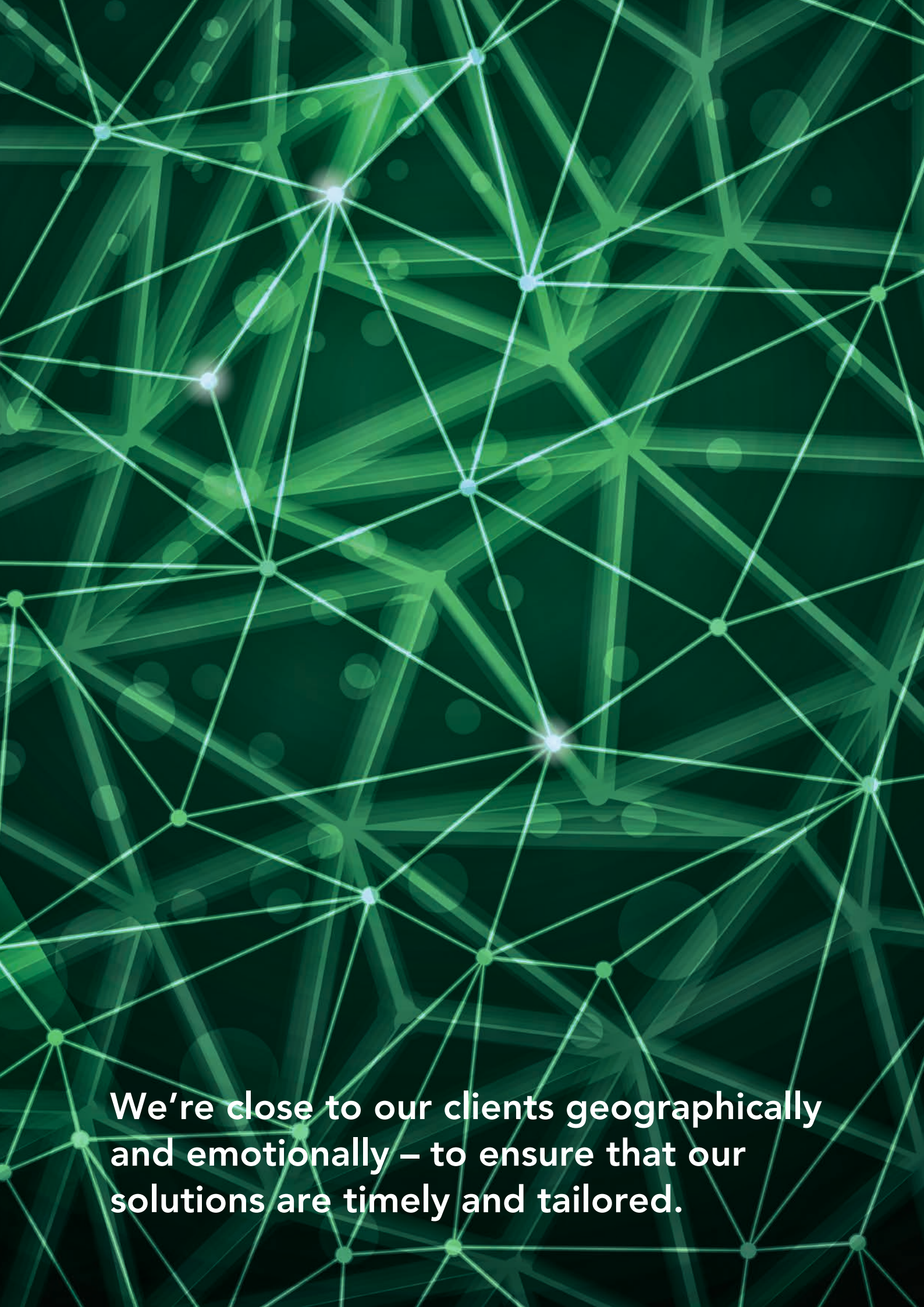
In 2015, during the restructuring process, the staff committee actively continued promoting employees' information and participation rights.

The Joint Supervisory Committee played a pro-active role and guaranteed principles, measures and instruments were implemented consistently throughout the various stages of the restructuring.

Staff Representatives have changed following the periodic elections for new members. Specifically, there are now two members representing Zurich and the Romandy region.

Training & development of resources

The "BSI and Corporate Social Responsibility" section describes in detail, among other initiatives, the several activities aimed at developing human resources at BSI. As for training, in 2015, with the launch of BSI's new competency model, the focus was on developing behavioural and management skills. Besides the usual activities, the new training programme FormaMentis involved also new initiatives aimed at developing new skills. Besides the regulatory and tax refresher courses for the front office, in 2015 BSI offered again management and leadership courses. It also continued training young employees, in keeping with the Bank's tradition: 15 apprentices and 2 interns are currently pursuing the Vocational Maturity Certificate and SBA Diploma (BEM). In addition, BSI offers the opportunity of taking mandatory internships as part of university studies.



**We're close to our clients geographically
and emotionally – to ensure that our
solutions are timely and tailored.**

BSI and Corporate Responsibility

Since our inception in 1873, we have always sought to establish special relationships – not only with the clients who trust us to protect and grow their assets, but also with our people, our greatest resource, as well as the broader communities we serve.

Thanks to this sense of corporate responsibility, for over 140 years now BSI has been achieving long-term sustainability while ensuring excellence and stability. Considering the current scenario, rife with challenges, this is nothing less than a success. As a global Organisation that cherishes the symbiotic relationships with our stakeholders, we find it imperative to cultivate an environment promoting transparency, accountability, and commitment to the highest standards of governance and ethical behaviour – this is the very reason we voluntarily decided to report on our business activities through the Annual Report.

To BSI, Corporate Responsibility is far from simply donating money. It is a responsible approach that holistically integrates three dimensions – **Business**, **Social**, and **Environmental** – that are perfectly aligned with the objectives of our Mission.

Business Dimension

We Value Our Clients

At BSI, our priority is building sustainable long-term relationships with clients based on mutual trust and the certainty the Bank is not just a reliable consultant that can offer integrated wealth management solutions and grasp opportunities, but also a company that establishes robust partnerships spanning generations. Through an approach that is both multicultural, global and local, we strive to provide world-class services to our clients, knowing that what differentiates us from the competition are custom-tailored solutions.

We are constantly looking to further develop and improve the quality of our services, consistently with the goal of providing the client with a positive and comprehensive experience. This is also why we decided to align ourselves with the MiFID (Markets in Financial Instruments Directive), an EU directive aimed at safeguarding clients and fostering competition in investment services.

Sustainable and Responsible Investing (SRI)

Sustainable and Responsible Investing (SRI) is widespread among those institutions and private investors that seek a greater awareness of their long-term social and environmental impact on the world we live in. The goal, besides earning a financial return, is making a positive impact on society. For instance, other things being equal, it is more sensible to invest in companies looking to reduce environmental risks, rather than those generating considerable air and water emissions. Similarly, it is better to reward companies aware of the social impact of their operations, as they can create both social and financial value. Investing in Microcredit is another option for obtaining a financial and social return.

BSI is on the front line of SRI. In 2014, along with other Swiss banks and institutions, it founded the “Swiss Sustainable Finance” organisation, and in 2015 signed the Principles for Responsible Investment (PRI) of the United Nations. Furthermore, BSI has acquired extensive experience in SRI practices, which allows it to create comprehensive portfolios of stocks, bonds and funds offering social and environmental value added. The ultimate goal of these investments is making a positive impact on society while reducing portfolio risks.

By conducting an Environmental, Social and Governance (ESG) analysis, we can thoroughly assess nearly 4,000 companies, screening out those involved in controversial activities and investing in select businesses representing models of “Corporate Citizenship”. Clients can use these analyses right away to make well-informed and knowledgeable decisions throughout the investment process. In advising our clients, we present them with investment opportunities that both deliver returns and raise awareness about social and/or environmental issues, providing solutions.

Social Dimension

We Value Our Employees

BSI greatly values the well-being of each employee. We have an unwavering commitment to promote and guarantee an excellent work environment, allowing people to realise their full potential. New hires are welcomed into the BSI Group since the very first day, with introductory presentations and occasions to socialise – such as the Welcome Day – designed to foster a sense of belonging. Furthermore, the Bank frequently hosts sessions to support the teams and make them more effective, promoting social bonding and robust interpersonal relationships.

Ideal conditions for a workforce capable of excellence

We believe it is crucial for the workforce to be fit and happy in order to make a positive and sustainable contribution to BSI's business and corporate culture. Besides an attractive and competitive compensation package, all employees in Switzerland are entitled to health insurance and coverage, free annual vaccinations, and paid annual leave.

Furthermore, we strongly advocate for employee work-life balance, offering flexible work hours as well as sabbatical and unpaid leave to meet the needs and demands of our staff.

At the canteen in Lugano's office, employees can choose every day from a wide variety of servings of the highest standards. The Bank offers also considerable discounts on meals. If possible, ingredients are sourced from non-profit organisations employing disabled people.

Diversity & Inclusion

Diversity is increasingly becoming a point of competitive differentiation, and in this regard BSI wants to keep up with the intense globalisation and internationalisation process that has taken the business world by storm. Since 2013, BSI has been organising a series of initiatives dedicated to diversity, focusing in particular on gender, race and age diversity. In 2014, it also established a group of D&I Ambassadors consisting of representatives from different geographies and organisational roles, brought together by the shared goal of promoting D&I initiatives within BSI.

The D&I efforts of all BSI employees resulted in the 2015 initiative "Being in... open minded open hearted", which connected 12 BSI locations in real time, allowing all employees to participate in the discussion.

For BSI, embracing diversity is one of the keys to tackle future challenges, by focusing on exploring opportunities to strengthen the company's climate in terms of inclusion and the methods to promote the growth of the business carried out with an increasingly global client base.

Talent management

BSI invests in the growth of its talents at all organisational levels, through both specific programmes and initiatives aimed at accelerating the development of skills – especially management and behavioural ones. In 2015, as part of the "Young People Program" – aimed at developing the leadership and professional skills of junior employees – BSI carried out an action learning activity centred on defining a proposal about a key strategic topic for the Bank.

BSI Competency model

On 1 January 2015, BSI published its new competency model. The new market scenario and the challenges facing BSI today, as well as those that lie ahead, requires a relentless commitment to keeping the competencies of all employees up to date.

The competency model thus represents the basis of BSI's training and development initiatives. Developing the behavioural, management and professional skills of employees will enable them to fully understand their role and give their best, creating value added for the company.

BSI's Competency Model consists of two categories. The first concerns behavioural competencies, which include: Entrepreneurship; Client Focus; Risk Management; Decision Making; Teamwork; Communication.

The second refers to management competencies such as Business Acumen; Strategy Execution; Driving Change; Collaborative Mindset; Growing People.

Training and development

At BSI, we are aware of the importance of training for continuous improvement as a key factor to promote highly skilled professionals. This is why we have designed a wide range of training and development activities aimed at providing our staff with the expertise required to work more competently and efficiently.

BSI offers both internal training activities, brought together in the FormaMentis programme managed by the Training & Development unit and reserved to employees, as well as external ones, tailored to the specific needs of each employee and organised by external training providers under the supervision of the Training & Development unit.

Among our priorities is promoting the all-round growth of the staff: our initiatives in this sense are designed to help employees develop their professional, behavioural and management competencies.

Leadership Series

Ensuring the growth of our leaders in their quest for excellence is high on the agenda of BSI. We expect our managers to run the company in order to improve performance and serve as models, being understanding and flexible with employees. For the purpose of promoting management competencies within BSI, we offer three different programmes: “Strategic Leadership”; the long-running “Leadership Programme”; and “Being an Effective Manager”, an initiative aimed at providing key instruments for those employees preparing to take on management responsibilities. We place special emphasis on disseminating coaching skills as a means to promote the development of our employees through the “Manager as Coach” course.

Career and education

For decades now, BSI’s Apprenticeship programme has been part and parcel of the Bank’s tradition. It offers young lower and upper secondary education graduates the opportunity to participate in a three-year dual training scheme focusing on banking in order to acquire all the operational skills that are essential for working in the banking industry, and then to start a professional career at a financial institution.

In addition, through its Internship Programme, BSI supports and promotes the integration of university students into the bank by offering them short-term internships. This way, BSI shows its commitment to realising the potential of young people yearning to grow and learn a profession, offering them a dynamic work setting rife with opportunities.

Staying true to our responsibilities towards local communities, we give priority to Swiss nationals or people with a residence permit for admission to the above training programmes.

Annual assessments

Employees are BSI’s key asset and most profitable investment. We promote a merit-based environment that properly rewards achievements, while providing robust support and coaching to those in need of special help. Besides maintaining an open and constant dialogue, BSI carries out semi-annual and annual performance assessments.

These serve as a motivational tool, allowing for a constructive and transparent discussion about the balance between the expectations of the individual and those of the organisation. They reveal the employee’s strengths as well as his or her areas for improvement, allowing to define a custom development plan.

Internal work opportunities and job rotations

We know our employees need their work to stimulate them and offer opportunities for personal growth and satisfaction. Therefore, we proactively support the staff open to taking on new challenges within the Bank, and adopt rigorous recruitment processes designed to ensure that employees are given priority in the filling of internal positions. Job rotations re-energise employees, helping them to better understand the Bank’s functioning, involving them in its operations, and allowing them to acquire new skills. Furthermore, BSI offers also international mobility opportunities for both professional and personal growth.

Workplace health and safety

The health, safety and well-being of our employees continue to be of paramount importance to ensure the continued success and sustainability of our business. BSI promotes a robust safety culture and frequently disseminates essential information to raise awareness among employees about the main risks and explain the rules of conduct they must observe. Specifically, the Bank has adopted wide-ranging measures and policies covering seven areas: fire safety, intrusion prevention, access control, protection of people, protection of facilities, data protection, and protection of reputation. Every two years, all BSI offices carry out comprehensive audits to ensure compliance with the relevant regulations, identify potential risks, and guarantee the physical safety of all employees and guests on company property. Every year, our appraisals have produced excellent results. Besides the thoroughly planned evacuation procedures and the relevant exercises, which are performed on a regular basis, all BSI offices have a team of employees responsible for first aid. These employees have received specific training and acquired the knowledge and expertise allowing them to handle an emergency situation. They are also qualified to perform CPR (cardiopulmonary resuscitation) and basic life support. BSI regularly provides training sessions, either in-class or on the company’s intranet, that are open to all employees and concern operational and regulatory topics, from the personal protection of employees to client identifying data (CID) protection.

Commitment towards our community

BSI plays an important role in the cultural life of all the communities it serves. We believe that the value of all assets, besides financial and real estate ones, is key for our community. We support activities that contribute to the cultural, economic and scientific development of the community not just through sponsorship, but also as an enthusiastic and proactive participant in the conceptual, organisational and promotional aspects. Our ultimate aim is to promote awareness of the importance of culture, art and science both for our day-to-day lives and the sustainable development of our society.

BSI and music

Martha Argerich Project

Promoted by BSI and the Swiss radio channel "Rete Due", this event is part of the Lugano Festival and, since 2002, has been featuring the great Argentine pianist performing with a host of famous artists and talented young musicians.

OSI and OSR

In recognition of the cultural value and significance home-grown orchestras bring to a country, BSI has been long supporting the Orchestra della Svizzera Italiana (OSI), as well as the Orchestre de la Suisse Romande (OSR) by sponsoring their annual gala concert.

BSI and art

BSI Art Collection

The BSI Art Collection was created in 2000 as a testament to our commitment to the world of contemporary art, and has grown over the years through a noteworthy series of acquisitions that aim to identify some of the most influential personalities in art from the period since the 1960s. Throughout our journey, the Collection was expanded mainly to adorn and enrich BSI offices around the world. Paintings, sculptures, drawings, photographs, videos and site-specific artworks come to life in a combination of expressive languages.

Peggy Guggenheim Collection

Interested in the evolution of artistic and cultural expressions, since 2001 we have been supporting Venice's Peggy Guggenheim Collection, contributing to its activities, while also promoting other international art projects.

BSI and architecture

Aware of how important it is to live in an environment characterised by beauty and sustainability, in 2007 BSI set up the "BSI Architectural Foundation". Its goal is promoting architectural expertise, training and research activities. It presents a biennial architectural award, called the "BSI Swiss Architectural Award", to honour architects from around the world who share our vision for contemporary architecture, advancing the use of sustainable materials. The winner goes on to assume the role of visiting professor for one semester at one of the top architectural universities, sharing his or her knowledge and real-world experiences with young architectural students.

Bilateral relations

Fondazione del Centenario della Banca della Svizzera Italiana

The Fondazione del Centenario della Banca della Svizzera Italiana was established to commemorate BSI's 100th anniversary and provides monetary grants to persons or institutions that have furthered the development of Italian-Swiss relations and contributed to a better understanding between Switzerland and Italy.

Swiss Institute in Rome

Starting from 2005, we have been partnering with the Swiss Institute in Rome (SIR). Swiss academics and artists have been representing half of the SIR ever since its foundation, and in 2005 the institute became – together with the branch in Milan – the reference for Switzerland's art and science in Italy. The SIR promotes the dialogue and exchange between the cultural institutions operating in Italy and actively participates in the network of the several international institutes and academies in Rome.

Finance and Entrepreneurship

The BSI GAMMA Foundation was established on the 125th anniversary of BSI and strives to promote the development of, and empirical research on, asset management, capital markets, and the role and form of public regulation in fund management. On 11 November 2015, the Foundation hosted the conference "MiFID II: a model for Switzerland?", which focused on the discussed approval of the MiFID directive in relation to FIDLEG/FINIG. The conference aimed to raise awareness about this issue, and featured an interactive and lively debate for the over 100 people attending the event.

Since its inception, the Gamma Foundation has organised more than thirty conferences and supported over fifty research projects.

BSI, in partnership with the Startup Promotion Centre, created an award for entrepreneurs in the Ticino region in 2009, and has been supporting it ever since.

In 2014, the award changed its name to “StartCup Ticino”, and it is now presented in partnership with the Swiss Post. In 2015, the award went to the start-up Beehelpful, which developed a new class of hives that improve the health of bees, boost pollination, and reduce chemical treatments.

In addition, in 2015 BSI granted the long-running “BSI Pietro Balestra Award” – assigned every year to the best student in quantitative studies at the department of economics of Università della Svizzera Italiana – to two students, Thomas Odermatt and Marco Ferrari.

Economic growth

BSI has been actively contributing to the economic development of Lugano and the Ticino region since it was established. Among other things, it played a major role in the establishment of USI (Università della Svizzera Italiana), Lugano’s main university, and the Swiss Finance Institute, a world-leading research and training centre in banking and finance. Both institutions have proved vital to the development of the Ticino region.

Additionally, BSI is one of the founders of the Technopolo, often referred to as the “cradle of technological innovation in Ticino”.

We have also been supporting the historical Mount San Salvatore funicular railway with the objective of preserving the landscape and promoting tourism in Lugano.

Cultural donations

BSI supports the Cologni Foundation for Artistic Craft Professions, an organisation promoting the training of new generations of young artisans in order to save world-class craftsmanship skills from the threat of oblivion.

Sport support

By sponsoring the skipper Giovanni Soldini and his Maserati crew, we have contributed to the success of their record-breaking bids round the world – chief among them, the record they set in 2013 on the legendary Gold Route from New York to San Francisco via Cape Horn, which large ships started sailing halfway through the 19th century laden with gold seekers. 2015 was another year packed with achievements. In May, Giovanni Soldini set a new record on the historic San Francisco – Shanghai route, also known as the Tea Clipper Trade Route.

The Bank has a history of supporting young sports talents to foster their development. For several years, we have contributed to the Association for Talent in Life – an organisation that nurtures young sports talents and provides funding for their sporting and professional development.

Other initiatives

In light of the catastrophe that struck Nepal in 2015, also BSI decided to help the households affected. In cooperation with Habitat for Humanity, the Bank conducted a fundraising campaign among employees and double-matched the amount raised.

Habitat for Humanity is a non-profit international organisation that seeks to provide decent and affordable housing to the poor all over the world. BSI has been working for a long time with HFH through the employees at BSI Asia.

Twice yearly, Human Resources organises blood donation drives for Red Cross Ticino open to all Lugano-based employees. Every year we receive approximately 150 donations, and 2015 was in line with the previous year.

Once again in 2015, we supported an initiative of the FTIA (the Ticinese Federation for the Integration of People with Disabilities). Thanks also to BSI, the FTIA successfully completed the project “Una vela anche per me” (“A sail for me too”) for the third time, allowing young people with intellectual disabilities to spend a week on a sailboat. During this one-of-a-kind educational experience, the participants learned to sail in just a few days.

In 2015, BSI supported the Charity Golf – Turniers Lions Club Zürich tournament as main sponsor. The proceeds of the event go to Wohnheime im Seefeld, an association engaged in helping people with intellectual disabilities.

In 2015, BSI supported the Pro Marignano Foundation, which promoted a series of initiatives to commemorate the battle that took place in Marignano (currently Melegnano) in 1515. This was an event of great historical significance that, among other things, lies at the origin of Switzerland’s neutrality. The initiative culminated in the celebration of the 500th anniversary of the battle, held on 23 September 2015 also with BSI’s support.

For Expo 2015, BSI helped Caritas Ambrosiana with the preparation of its pavilion, which featured the installation “Energy” by the German artist Wolf Vostell. An important and intense work consisting of a Cadillac and a wall of bread loaves surrounding it on both sides, it represents the world of the sated and that of the hungry, consistently with the theme of the 2015 Universal Exposition “Feeding the Planet, Energy for Life.”

Finally, once again in 2015 BSI supported Uni2grow. This NGO comprises a socially-oriented IT services provider whose earnings go to fund university scholarships in Cameroon. BSI was a customer of Uni2grow and routinely made available its logistical infrastructure to the association for its operations.

Our commitment to the communities where we operate

BSI **Asia's** commitment to its local communities continued in 2015 as we reached out to help address education, health, hunger and other challenges in the region. In Singapore, we provided financial support for the “Have a Heart” programme of help for underprivileged cardiac and spinal patients; we also supported the hunger alleviation efforts of “Food for the Heart”; and again donated to The Red Pencil's innovative art therapy initiative to help disadvantaged children, families and the elderly. In 2015, our long-standing support for Habitat for Humanity was directed towards the provision of temporary shelter and other needs of Nepal's earthquake victims. We continued our diverse involvement with the international business community – with sponsorships including the Hong Kong Progressive Group, Singapore's Swiss Business Association and Italian Chamber of Commerce, and the Young Leaders Tanzania group. Our established patronage of the arts in Asia covered a number of events including our continued sponsorship of Singapore's Samarpana Asian classical dance festival.

Our **Latin America, Middle East and Eastern Mediterranean** offices actively support various communities and charitable organisations through a series of initiatives.

Through its subsidiary in **Panama**, BSI has supported Casa Esperanza, a local organisation that fights against child labour, offering developmental opportunities to children suffering from poverty and forced to work under extreme conditions. Our contribution helps to give these children access to education and the opportunity to return to school, whilst providing a basic income for their families.

Also BSI Servicios S.A. in **Montevideo** embraces a strong culture of charitable giving, supporting various entities that help the elderly, the disabled, and the disadvantaged. A notable example is the Asociación de Usuarios de Prótesis Infantiles, a governmental non-profit organisation that improves children's quality of life by providing them with prostheses. We also support music and environmental sustainability, providing financial aid to select associations such as the Centro Cultural de Música, a non-profit institution that promotes Uruguayan musicians by giving them the opportunity to nurture their talents, and Repapel, an environmental organisation that conducts campaigns about sustainable development and aims to raise public awareness on how changing our consumption habits can considerably reduce our environmental impact.

Since establishing itself as a branch in 2012, BSI **Bahrain** has been supporting several non-profit organisations, artistic events, as well as initiatives in welfare, education and research. As a result, it has established a robust partnership with the Sheikh Ebrahim Centre for Culture and Research headed by Sheikha Mai Al Khalifa, Bahrain Authority for Culture and Antiquities (BACA) President. To promote cultural exchange and the West's artistic heritage, in 2015 BSI hosted two events in partnership with the Peggy Guggenheim Foundation and FAI (Fondo Ambiente Italiano – the Italian National Trust), which in turn hosted the Kingdom of Bahrain National Day at Villa Necchi, in Milan, during the Expo.

Despite only commencing operations in 2013, the **Turkey** office has supported important initiatives focused on the preservation of art, music and culture. It sponsored “Art Walk Istanbul”, an art project showcasing the different faces of Istanbul's vibrant art scene, and organised a cultural visit for distinguished people to the historical island of Yassiada, which symbolises the birth of democracy in Turkey and the beginning of the modern history of the Turkish Republic. The Turkey office also supported a classical music concert performed by the Turkish National Youth Orchestra that featured violinist Shlomo Mintz and conductor Cem Mansur, thus bringing together the best young musicians in the country. In 2014 and in 2015, it sponsored two local famous singers as part of its philanthropic activity; contributed to educational initiatives for the young; and financed scholarships for many students.

Moreover, in 2015 it organised the conference “Art: Power, passion or investment?” to raise awareness about art's role in contemporary society, with the intervention of the distinguished speaker Mr. Philip Hoffman, CEO of the Fine Fund Art Group, which was followed by a panel with important art collectors and academics.

In 2015, **Luxembourg**-based BSI Europe continued supporting social, sporting and cultural activities through a number of initiatives.

First of all, the Bank supported Nepal's population, which was stricken by a devastating earthquake in April, through a fundraising campaign organised by Luxembourg's Red Cross.

Another social initiative was the donation to "Make A Wish Luxembourg", a charity that aims to make a wish come true for children suffering from serious and incurable diseases, giving them courage, hope and joy.

Once again in 2015, the Bank made a donation to the Luxembourg charity "Femmes Developpement", which supports the construction of children's villages, schools and health centres, as well as Rwanda's rural population – especially widowed mothers who survived the genocide in the 1990s – through activities such as microlending. The Bank also sponsored the association's annual Charity Dinner, held at the famous Mondorf-les-Bains casino.

As for sports, BSI also continued supporting Dudelange's basketball association "T71".

Finally, BSI made a monetary donation to the stand of the Swiss Confederation at the Fair of Nations, which is held annually in Luxembourg. The stand is managed by the Grand Duchy's Swiss Society.

The BSI Group also contributes to several causes in **Italy** that go beyond banks' traditional areas of expertise, participating in initiatives that support Italy's artistic and economic heritage as well as promoting the growth of skills typical of its industry. Besides the partnerships with the Swiss Institute in Rome and Peggy Guggenheim in Venice, the BSI Group works together with several institutions and associations, including: FAI, Fondo Ambiente Italiano; UNISG, the University of Gastronomic Sciences in Pollenzo; LIDE Italia, a Group of Business Leaders; and AIPB, the Italian Private Banking Association. The most important project BSI supported in 2015 was the "Food Industry Monitor". Together with the University of Gastronomic Sciences – UNISG, the Bank mapped the economic and financial performance of a representative sample of food companies, identifying the best among them and analysing the peculiar characteristics of their business models.

For seven years now, **BSI Monaco SAM** has been supporting the Albert II Foundation, which was established in 2006 by Prince Albert II and has representative offices in Italy, Switzerland, France, Britain, the United States, Canada, and Germany. The Foundation promotes environmental protection initiatives all over the world concerning climate change, the loss of biodiversity, and water management. It places special emphasis on projects concerning the Mediterranean Sea and the countries surrounding it, but also the major topics that have always been driving the explorations of Prince Albert I – and now those of the current Monarch, Prince Albert II, who is following in his father's footsteps.

Since 2012, BSI Monaco SAM has been a partner of the Oceanographic Museum, which is part of the Oceanographic Institute of Monaco and was created to raise awareness about the oceans and actively contribute to protecting them. Prince Albert II is the Chairman of the Institute's Board of Directors. As partner, BSI Monaco SAM has given financial support to a number of projects aimed at protecting animals at risk of extinction, such as some turtles from Mali, for which a dedicated space resembling their original habitat was created. In addition, it financially contributed to the preparation of a multi-sensory exhibition on sharks, which allowed to raise awareness among the general public about the protection of these predators that are key for the health of ecosystems.

Besides its environmental efforts, BSI Monaco SAM is also sponsor and partner of a number of charities, such as AMADE, the World Association of Children's Friends; MAP, a humanitarian association protecting children in need around the world; and "Les enfants de Frankie", which helps sick, disabled or disadvantaged children in the region.

In 2015, BSI Monaco SAM once again sponsored the "No Finish Line", a charity race that lasts an entire week and is held every year in the Principality. It combines competitiveness and solidarity to support the "Children & Future" Association, which promotes projects helping sick or disadvantaged children.

Finally, for Christmas, BSI Monaco SAM decided to donate part of the money set aside for year-end gifts to two Monaco-based associations that are on the front line of care for the sick and the needy, the "Ecoute Cancer Réconfort" and "Les Anges Gardiens de Monaco".

Environmental Dimension

Our Environmental Responsibility

Protecting the environment as an essential good is crucial for BSI. This is why, as a dynamic and established financial institution, BSI is committed to making decisions that balance economic and environmental interests. BSI is aware that certain actions taken to meet market demand and compete successfully have an irreversible impact on the planet. Therefore, it believes it is its duty to promote environmental sustainability through well-grounded and sensible operating procedures.

Since 2009, BSI has been painstakingly recording and disclosing data for the purposes of preparing the Corporate Responsibility Report. The data exclusively concern Switzerland, as this is where the majority of BSI's offices and operations are located.

The following table shows the goals set for 2016 and those for the most recent period:

Area	Results as at 30.6.2015 compared to 30.6.2014	BSI 2016 Goal
Electricity	15% reduction	Further 5% reduction per capita
	100% achieved in 2013	Maintaining the share of electricity from renewable sources
Paper	6% reduction in total paper consumption	Further 5% reduction
	100% achieved in 2013	Exclusive use of recycled paper
Water	7% reduction	Further 5% reduction
Waste	3% reduction in global waste generation	5% reduction in unsorted waste

Concerning **energy consumption**, the Bank introduced multiple improvements: it replaced halogen lighting with LED (-50% energy consumption) at the facility in viale Francini. The reduction in local printers in favour of centralised multifunction printers allowed for significant savings – as did the greater efficiency of the heating and air conditioning system, achieved by replacing heat exchangers. This offset the higher energy consumption during the particularly hot summer. Furthermore, the utilities that supply electricity to BSI in Switzerland are committed to generate energy from renewable sources such as water, sun, wind, biomass, biogas and geothermal power.

As for **paper consumption**, since 2013 BSI has been using exclusively recycled paper, which has a limited and controlled impact on the environment. Some practices aimed at reducing waste, such as electronic filing, using iPads, double-sided and monochrome printing, and recycling single-sided printouts have been implemented across the Group during 2015, also by implementing the “follow-me-printer” project. This involves rationalising the number of both centralised and decentralised printers in individual offices. Besides the above actions, an internal initiative led to replace several subscriptions to the print editions of newspapers and magazines with the corresponding digital ones starting from 1 January 2015.

In addition, since 2014 the Bank has been implementing new **videoconferencing systems** and **desktop-sharing solutions** to promote remote meetings and reduce travelling for both business trips and commutes. A further step was installing “Jabber”, an instant messaging and VoIP application that easily connects all employees and facilitates the exchange of information and documents, on all computers of the staff in Switzerland. In early 2015, BSI rolled out another application, “Webex”, which has further facilitated private and group conversations also with people outside the bank, allowing to share the desktop and make conference calls securely and easily.

The **restrictions on business trips** introduced in 2014 continued to make an impact, causing a considerable decline in travelling and the associated environmental impact.

Recycling is another environmentally-friendly practice spread across the entire Group. PET and glass bottles, cardboard and paper, toner cartridges, fluorescent tubes and batteries are collected and recycled, while spent printer ink cartridges and waste electronic equipment are handed back to suppliers to be regenerated and disposed of.



**We operate in many markets and
across many cultures but our values
are consistent and universal.**

Our Identity

What distinguishes BSI today and throughout our history is our unwavering belief in how we should conduct ourselves as a business, based on the principles of solidity, transparency and good governance. It is a commitment reflected in the trust of our clients and the loyalty of our staff. This is how it has always been at BSI. A commitment unchanged since 1873. We are “Swiss Bankers with Passion” and we believe that the reason for over 140 years of success and achievements is this unique marriage of cultures and traits: on the one hand, the rational thinking on which each decision is based and, on the other, the personal commitment to each client.

Our History

Banca della Svizzera Italiana, with its head office in Lugano, was founded in 1873 thanks to the financial support of Kreditanstalt in Zurich, Basler Bankverein and Banca Generale di Roma, and with the participation of local backers in Ticino (Carlo Battaglini, Annibale Bollati, Luigi Enderlin, Rodolfo Landerer, Pasquale Lucchini, Giuseppe Soldini, Pasquale Veladini, Giovan Battista Ferrazzini and Clemente Maraini sen.). A few years after its founding, the Bank moved to the 18th century home of the Marquis of Riva, which it still owns and uses as its head office. In the final decades of the 19th century, the Bank was active on the domestic market. In particular, it supported initiatives to develop regional transport and the hotel and catering sector. Nonetheless, the Bank was also active in Italy thanks to the personal relationships of its directors. The Bank survived the banking crisis of 1914, although two cantonal institutions – Banca Cantonale Ticinese in Bellinzona and Credito Ticinese in Locarno – did not. Banca Popolare Ticinese in Bellinzona was also forced into liquidation. Following this crisis, Banca della Svizzera Italiana continued to grow its presence in the Swiss market, and later, starting in the 1960s, it also expanded internationally. In the early 1990s, the Bank restructured its business and organisation, specialising in wealth management for private Swiss and international clients. The Bank, which has meanwhile changed its name to BSI, has expanded again in recent years through client acquisition and also thanks to the recovery of banks operating in the Ticino financial centre. At the same time, the Bank has undergone a major international expansion, especially in Asia, the Middle East and Latin America, in order to diversify its market presence.

Key dates

- 1873** Founding of the Bank with the name Banca della Svizzera Italiana.
- 1874** Opening of an agency in Locarno, transformed into a branch in 1914.
- 1879** Opening of an agency in Bellinzona, later sold to the new company Banca Popolare Ticinese in 1884.
- 1881** The Bank begins issuing banknotes, a function it maintains until the Swiss National Bank is founded in 1907. Opening of an agency in Mendrisio, transformed into a branch in 1955 (closed midway through the 1990s).
- 1905** Opening of an agency in Chiasso, transformed into a branch in 1924.
- 1908** Banca della Svizzera Italiana acts as an agency for the Swiss National Bank in the Sottoceneri region of Ticino.
- 1914** Opening of a branch in Bellinzona.
- 1935** Opening of a branch in Zurich.
- 1969** Swiss Italian Banking Corporation Ltd, Nassau, is founded, marking the start of the Bank's international expansion.
- 1971** Acquisition of Adler Bank Basel AG, Basel.
- 1973** Opening of a branch in St. Moritz.
On the occasion of the Bank's centenary, Fondazione del Centenario della Banca della Svizzera Italiana is founded.
- 1975** Acquisition of a majority stake in Banque Romande in the French-speaking part of Switzerland.
- 1976** Acquisition of a significant stake in Compagnie Monegasque de Banque, Monaco.
Opening of a representative office in Caracas.
- 1980** Acquisition of a participation in Domus Bank, Zurich.
- 1990** Opening of BSI Finanziaria SpA, Milan, which in 2002 becomes Banca BSI Italia SpA, Milan, and which is later sold to Banca Generali, Milan.
- 1993** Separation of assets and liabilities related to commercial activity, founding of the company SBSI Holding SA, Lugano.
- 1994** The asset management company in Monaco is transformed into a bank (today's BSI SAM Monaco).
- 1995** Founding of Boss Lab SA, an IT services company for financial institutions and which later becomes B-Source.
- 1998** On the occasion of the 125th anniversary of BSI, the BSI Gamma Foundation is created, a foundation that supports academic research in the financial field.
The company's name is changed to BSI Ltd.

- 2000** Opening of offices in Lausanne, which are later transformed into a branch.
- 2005** Opening of BSI Bank Ltd, Singapore.
- 2006** Acquisition of Banca Unione di Credito, Lugano.
- 2008** Acquisition of Banca del Gottardo, Lugano. Licence obtained for operating in the Kingdom of Bahrain.
- 2010** Opening of an agency in Crans-Montana.
- 2011** Sale of 51% of B-Source and IT migration from the BOSS system to Avaloq.
- 2012** BSI expands its Asian business and opens a branch in Hong Kong. Incorporation of Patrimony 1873, a wholly controlled wealth management company. The Middle East business continues to grow with the representative office in the Kingdom of Bahrain being upgraded to a branch.
- 2013** BSI celebrates 140 years of success and service in the private banking sector. BSI opens a representative office in Istanbul. The Italian branch of BSI Europe S.A. in Milan starts operations.
- 2014** Opening of BSI Bank (Panama).
- 2015** Further development of BSI in Italy through the opening of the BSI Europe - Italian branch offices in Como. BTG Pactual becomes the new and sole shareholder of BSI.

Shareholders

- 1910** Acquisition of a majority share package by Banca Commerciale Italiana, Milan.
- 1983** Irving Trust Co., New York, takes over the share package from Banca Commerciale Italiana.
- 1988** Unigestion SA, Geneva, obtains the share package from Irving Trust Co. and later sells a minority stake to Tayio Kobe Bank.
- 1991** Swiss Bank Corporation, Basel, becomes the majority shareholder.
- 1998** Assicurazioni Generali, Trieste, becomes the sole shareholder.
- 2015** BTG Pactual becomes the sole shareholder.

Chairmen of the Board of Directors

- Pasquale Veladini, 1873-1874
- Pasquale Lucchini, 1874-1892
- Clemente Maraini, 1893-1905
- Giacomo Blankart, 1905-1920
- Adolfo Soldini, 1920-1927
- Otto Maraini, 1927-1944
- Marco Antonini, 1944-1955
- Antonio Lory, 1955-1966
- Carlo Pernsch jr., 1966-1974
- Ettore Tenchio, 1975-1983
- Gianfranco Antognini, 1983-1991

- Franco Masoni, 1991-1993
- Alberto Togni, 1993-1998
- Hugo von der Crone, 1998-2004
- Giorgio Ghiringhelli, 2004-2011
- Alfredo Gysi, 2012-2015
- Joseph Rickenbacher, since 16 September 2015

Executive directors

- Giacomo Blankart, Director 1873-1888
- Innocente Gianinazzi, Director 1888-1918
- Carlo Pernsch sen., Director 1918-1926
- Guido Petrolini, Director 1926-1927
- Adolfo Hediger, Director 1928
- Antonio Lory, Director 1928-1942 and Managing Director 1943-1955
- Carlo Pernsch jr., Director 1943-1955 and Managing Director 1956-1966
- Gianfranco Antognini, Senior Executive Vice President 1966-1968 and Managing Director 1969-1983
- Giorgio Ghiringhelli, Chief Executive Officer 1983-1994
- Alfredo Gysi, Senior Executive Vice President and Chief Executive Officer 1994-2011
- Stefano Coduri, Group CEO, since 1 January 2012

Our Mission

BSI's objective is to accompany its clients – year after year, generation after generation – in all the important decisions that concern the growth and protection of their wealth.

BSI's objective is to provide a multicultural and international work environment, where people can grow and create, and enjoy the respect, confidence and flexibility necessary to perform well.

BSI's objective is to contribute, through its own resources, to the economic, social and cultural growth of the main communities in which it conducts business.

Our Vision

We aspire to rank first in the hearts and minds of our clients when it comes to outstanding private wealth management advice and services.

We serve clients in different parts of the world, building personalised, trust-based, family-like relationships that last from generation to generation, since 1873.

We are committed to providing expertise, discretion and flexibility in banking also leveraging on our multicultural understanding and global networking.

Our Values

Our values represent who we are, our DNA. They make us unique, different from our competitors.

Our values are a beacon that guides our decisions in times of great changes that are transforming our bank on a constant basis. They always remind us of who and what we are, and they motivate our actions as we pursue our objectives. Our ability to remain unique depends directly on the extent to which our values are reflected in what we do.

Competence

At BSI, we are constantly enhancing our competencies to provide high-quality private wealth management products and services to our clients. We leverage a wide range of specialist competencies to look for innovative solutions. Aspiring to be a learning organisation, we develop the expertise required to continuously improve our products and processes.

Partnership

At BSI, we value long-term relationships and strive to engage in professional and personal relationships for our benefit and that of our partners. Our partnerships with clients, colleagues, suppliers, stakeholders, and the entire community give us the energy necessary to create a shared future. As a bank that puts its clients at the centre, we listen carefully to find solutions that benefit all stakeholders. We appreciate feedback as an opportunity to learn and we give it to others in a constructive way.

Integrity

BSI's relations with its clients and employees are based on complete transparency, trust, and compliance with applicable laws. We keep our promises, ensure our commitment, and represent a partner our clients, employees and stakeholders can rely on. Integrity is a value that underpins all our relationships, and through co-operation we promote trust and transparency – which are the starting point for a long-term partnership.

Care

Caring for our clients, employees and stakeholders means always being aware of the crucial importance of our actions and of how we take them. We listen empathetically to make our clients understand that we are really committed to helping them in achieving their personal wealth management goals. We work with our colleagues for their benefit and that of the clients. We do our best to meet the needs of our clients. We firmly believe in the importance of the sense of civic duty. Therefore, through our proactive commitment, we promote the economic and cultural growth of the communities we serve.

Flexibility

At BSI, we respect the different needs of our clients and acknowledge the importance of a tailor-made approach. Our flexibility allows us to deal with unforeseen circumstances as well as complex projects amid the uncertainty and challenges that characterise our wealth management business. We listen to others and proactively strive to understand different ideas and perspectives in order to achieve shared goals. We can change our minds and encourage colleagues to consider other points of view – all for the sole purpose of providing our client with an optimal solution.

Code of conduct

Purpose

This Code of conduct establishes the principles and practices each employee is expected to comply with, in order to preserve BSI first class reputation, maintaining the highest standards of ethics, integrity, responsibility and professionalism at all time.

Principles

Integrity

All BSI employees are expected to conduct themselves with honesty, integrity and professional diligence, in observance of the ethical principles and standards of behaviour required by this Code of conduct.

Reputation. Reputation is our main value and requires that we continuously maintain the highest standards of ethics and professionalism.

Responsible behaviour. An ethical behaviour entails acting in good faith, responsibly and with due care and prompts us to act with honesty and competence at all times.

Transparency. We are fully committed to communicating in a fair, accurate and timely manner, in order to maintain an excellent level of transparency.

Loyalty. We will strive to uphold a fair relationship with clients, business partners, competitors, service providers as well as with each other.

Conflicts of interest. We endeavour to identify and avoid or manage any potential conflicts of interest for the protection of our clients and employees.

Confidentiality

Discretion and confidentiality are fundamental hallmarks of the relationship between BSI and our clients and stakeholders.

Data protection. We resort to the highest standards of information security for continuous data protection.

Discretion. Confidential and sensitive information can be internally shared on a strictly “need to know” basis.

Banking secrecy. We refrain from any communication to third parties without an explicit consent or the existence of a legal obligation.

Compliance

In our activity we always strive to comply with all laws, regulations and policies.

External and internal regulations. Each employee is required to know and comply with the external and internal laws, rules and regulations relevant to his/her specific area of expertise.

Fighting financial crime. All employees are required to commit to the fight against corruption, money laundering and terrorism financing in their specific area of expertise.

Cross-border business. When performing cross-border business, we are always aware of and act in compliance with the local regulations of the Countries where we operate.

Taxation. Tax reporting must comply with applicable laws, regulations and treaties. None of BSI employees will assist clients in acts aimed at breaching their fiscal obligations.

Commitment

We expect everyone to contribute to the Bank’s success.

Fairness. Each employee is granted equal treatment, fair evaluation and recognition of individual efforts.

Training. Continuous education represents a right and a duty for each employee.

Access to top management. Access to management is promoted through our “open door” policy.

Risk approach

We do recognize risk as an important feature of our business and actively manage it.

Awareness. All employees must retain a constant level of risk awareness, in order to ensure a controlled and conscious risk taking.

Active risk management. All recognised risks have to be managed in a rigorous and active way.

Adherence to the Code of conduct

All BSI employees adhere to and follow the spirit and purpose of this Code of conduct.

The Code applies to all circumstances: no waivers or exceptions will be granted.

Line managers are expected to be diligent in the exercise of their supervisory responsibilities.


Every employee is encouraged to report violations to the relevant line manager, Legal & Compliance or Human Resources department. Reports will always be treated with utmost confidentiality.

Disciplinary measures

Violations of this Code will not be tolerated in any circumstances.

Appropriate disciplinary measures will apply in the case of violation, which may include reprimands, warnings, demotion and dismissal.

Where a violation is perceived to amount to criminal behaviour, competent authorities will be informed.



**Our capabilities are truly global but
our commitment to each relationship is
truly personal.**

Management Report 2015

2015 was a challenging and eventful year for the European Community, the world economy and for BSI.

From the Swiss franc to the Eurozone countries crisis

In Switzerland, 2015 started with an unexpected announcement for the market: on January 15, the Swiss National Bank (SNB) announced that it would cease supporting the exchange rate of Euro against the Swiss franc, as it had done for more than three years to avoid a further strengthening of the Swiss franc and weakening of the Swiss economy.

The sudden and radical step of the SNB caught the markets by surprise and caused a fierce political discussion inside the country. As a consequence, the Swiss franc experienced a steep rise in value against the Euro. This caused more and more businesses, mainly in the export industry, to cut their workforce or transfer part of their production capacities into countries with a lower cost base. At the same time consumers, mainly those living close to Germany, France or Italy, started to buy their daily goods more and more across the border and Swiss tourism started to face a decrease of bookings by guests from the Eurozone.

To weaken the Swiss Franc, SNB started to take interest rates into negative territory and to intervene again on the forex market. The effect of this move was limited because, more or less at the same time, the European Central Bank (ECB) initiated a government bond purchase-program to support the weak EMU economies, especially in peripheral markets such as Greece, Italy and Spain. Later, the ECB announced that it would continue its quantitative easing policy until at least March 2017.

The main reasons that monetary policies showed only limited effects were twofold: the internal crisis of the EC stemming from Greece's austerity programme to bring the country and its economy back on track and the economic slowdown in the Asian markets, mainly China.

For some months in early 2015 the rift within EMU between the major countries of the Eurozone on one side and the new Socialist government in Athens on the other side was of the most severe nature. The possibility of Greece leaving – or having to leave – the Eurozone became real. The consequences for the EMU and global economy of such a "Grexit" were unclear. This caused major concern not only on a political level but in the global financial markets as well.

The slowdown of the economies in China and other emerging markets led to further stress in the financial markets. As consequence of a decreasing demand in those countries, prices of oil and other commodities dropped. Further negative ripples were felt in those many industrial companies and their supply chains in Europe and the U.S. for which China had become a major export market.

The feared negative effects for the U.S. economy of these negative developments caused the U.S. Federal Reserve Board to wait longer than initially expected, before reversing its policy of monetary easing and starting to increase interest rates.

As consequence of all these issues, a high degree of uncertainty characterized the financial markets in the second half of 2015. This was a sharp contrast to the first few months of the year, when macro-economic conditions looked more stable and financial markets therefore were more positive.

"Our unwavering commitment to meeting the demands of our clients still drives the passion we bring every day to those who have entrusted us with their assets. Creating world-class solutions for our clients is a constant and stimulating challenge we tackle every day with our enthusiasm and professional expertise."

Renato Santi, Member of the Group Executive Board
CEO BSI Switzerland & Europe

A year of changes

For BSI 2015 was an eventful year, characterized by challenges and changes. We achieved a strong financial performance despite very challenging conditions. The sharp growth of net profit reflected the underlying resilient business performance and was sustained by the positive effects of the operational excellence programme.

A very important milestone was the successful completion of BSI's acquisition by the Brazil-based international banking group BTG Pactual, which took place in September. This followed the receipt of regulatory approvals of authorities where BSI has operations, including the Swiss Financial Market Supervisory Authority (FINMA).

In 2015 we solved past legacies and in this way we were able to focus on our business and on the implementation of our growth strategy. In March, following a proactive and productive dialogue with the U.S. Department of Justice (DOJ), BSI was the first so-called “Category 2 bank” to reach a Non-Prosecution Agreement (NPA) with the DOJ. By entering into the NPA, BSI resolved its liability with the DOJ arising from its legacy U.S. private banking cross-border business and agreed to pay USD 211 million.

“2015 was the year of the creation of the new Chief Risk Officer division. Our Risk Management, Compliance and Credit Office departments were centralized in this area in order to increase the efficiency and enhance the effectiveness of our risk control capability. The mission of this new division is to help BSI to operate within the risk appetite determined by the BoD and to serve our clients compliant within the regulatory framework.”

Reto Kunz, Member of the Group Executive Board
Chief Risk Officer

Organizational developments

Following the shareholding change and in line with a personal choice, Alfredo Gysi decided to step down as Chairman and from the Board of Directors of BSI. He remained close to our bank as Honorary Chairman. Joseph Rickenbacher has been appointed as new Chairman of the Board effective September 16, 2015. With a career of over 40 years in the banking industry in senior management position in wealth management both in Switzerland and abroad, combined with his board level role at FINMA, Joseph Rickenbacher provides the right experience for BSI in the new market environment. Following the closing, the Board of Directors was changed in order to reflect BTG Pactual rather than Generali ownership. At the end of the year, the BTG Pactual representatives were Steve Jacobs and Roberto Isolani, while the independent members were Joseph Rickenbacher, Eugenio Brianti and Nicola Mordasini.

“BSI capacity to attract, retain and serve UHNW clients is a key element for our growth. In 2015 the UHNW development office was created with the objective to continuously improve our capabilities to assist sophisticated clients and to deal with the accelerated pace of changes in the private banking landscape.”

Renato Cohn, Deputy Group CEO
CEO BSI UHNWI Development

Important changes were made also at the group Executive Board level. In August, BSI strengthened itself with the appointment of Reto Kunz as new Chief Risk Officer and member of the Group Executive Board. This appointment is in line with the increased complexity of the context in which the Bank operates and allows the bank to further strengthen its risk and compliance culture. The newly created Chief Risk Officer division is responsible for Credit, Risk Management and Compliance. As part of the Bank’s strategy to grow and position itself within the new global competitive environment and in line with BSI Group’s greater size and international presence, three new divisions were created: BSI UHNWI Development, headed by Renato Cohn; Capital Markets, headed by Maurizio Moranzoni; and Structuring & Product Development, headed by Guilherme Pini.

At the end of 2015 Nicola Battalora, Head of Group Investments Solutions, decided to leave the bank. His responsibilities have been taken ad interim by the Group CEO Stefano Coduri.

“2015 has been a year with very difficult market conditions in all asset classes and has seen the return of high volatility. In order to better serve our clients we have further strengthened our 24 hours coverage Forex service and our capacity to provide tailor-made solutions in an environment more and more regulated.”

Maurizio Moranzoni, Member of the Group Executive Board
CEO Capital Markets

Positive effects of focused strategy

In 2015 the business strategy proved effective. In all regions and markets where it operates, BSI timely and continuously aligns its strategy and activities according to best practices in full respect with local and international regulations, which partially influenced the business.

In the traditional markets, BSI enlarged its offer through new products and services such as the innovative consultancy services in portfolio management and the development of the new offering of fiscal certificates for clients. Substantial growth was achieved in the Italian market, the second domestic market of BSI after its home market Switzerland. The Bank expanded its network and opened a new branch in the Northern-Italian city of Como. During the year, special effort has been put on helping clients in the tax regularization process of their assets, such as in Italy where a Voluntary Disclosure Programme was put in place. Further improvements took place in the Swiss home market with the development of a dedicated offer to the clientele based in Ticino and Switzerland as well as a further enhancement of the External Asset Managers segment. In Monaco, where the bank moved into a new location, the bank reported excellent results, thus confirming to be a very important player on the local market. In Luxembourg, one of the biggest international centers for the Fund Management industry, the bank took advantage of its local platform. A particular attention was also paid on the Spanish, English and French markets through our affiliate Oudart. With regard to the growing markets, BSI further expanded and fine-tuned its offer for the clients based in Central Eastern Europe.

In Asia, where the bank increased its focus on the more profitable markets, operations developed well. In particular, the Hong Kong branch continued its growth reaching net profits for the first time in 2015, in line with BSI plans. In Latin America, BSI Panama achieved higher than expected results, thus proving that the Latin American markets continue to be important for the bank. In Turkey and East Mediterranean markets BSI continued to develop well, thus creating a solid base for future growth in this area.

“The subsidiary in Panama continued to successfully grow its business, achieving results beyond expectations within the context of BSI’s very positive performance in Latin America.

The Turkey and the East Mediterranean area delivered significant results, exceeding the targets set out in the three-year business plan and laying solid foundations for further growth in the region.

On the other hand, the Middle East Area was negatively affected by the exit of several senior asset managers halfway through the year, which caused business to slow down. Still, year-end results were in line with the previous year.”

Gerald Robert, Member of the Group Executive Board
CEO BSI Latin America, Middle East &
Eastern Mediterranean

Trading activities of the newly created Capital Markets division performed well, profiting from a very volatile market while keeping the usual low risk profile. The stronger coordination with treasury activities and liquidity management on a group level helped to stabilize the interest rate result, although the market environment, with negative interest rates, was very difficult.

From an operational point of view, in 2015 the bank successfully completed, within the set deadlines, the operational excellence programme launched in early 2014. This programme, aimed at reducing operating costs and focusing on markets and segments where the bank can compete more effectively, has already delivered significant results, although the full financial impact of these measures will be fully exploited starting from 2016.

Challenging conditions in the fourth quarter

Following the news that hit the founder and CEO of our shareholder BTG Pactual last November, BTG Pactual decided to take measures to strengthen the business and increase its liquidity. Having been approached by third parties interested in several of their assets, BTG Pactual decided to sell BSI as one of the measures to improve liquidity and cash position. On February 22, 2016 BTG Pactual and EFG International announced to have reached an agreement for the acquisition of BSI. The transaction is expected to close in the fourth quarter of this year. The merger with EFG International will create one of the largest private banks in Switzerland.

“During 2015 BSI strengthened its focus on Products and Services. The Private Banking industry faces increasing pressure to differentiate through the offering of investment opportunities with balanced risk return. Clients have different profiles and approaches when it comes to preserve wealth and at the same time search for balanced returns. In BSI we aim at providing an adequate scope of products and services, ranging from the more traditional asset classes to alternative investments. Understanding the investment opportunities offered by global markets and their suitability to our clients is the BSI approach to bring value to the client experience with the Bank.”

Guilherme Alaga Pini, Member of the
Group Executive Board
CEO Structuring & Product Development

Very stable and solid financial base

In 2015, BSI achieved a strong financial performance despite very challenging conditions, particularly in the fourth quarter, and the negative impact of both the appreciation of the Swiss Franc and the persistent low interest rates, even negative in Switzerland, which impacted our business and clients' assets. In spite of that, we have been able to keep strong relationships with our clients thanks to our undiminished commitment backed by our solidity and the quality of our products and services.

In line with the new Swiss accounting principles requested by FINMA, BSI published 2015 financial results in the new publication format. At 31 December 2015, consolidated operating result of the BSI Group stood at CHF 153 million. This result was boosted by a strong reduction of the operating expenses, which fully compensated a slight decrease in revenues linked to lower clients' activity and Assets under Management.

Net result from interest operations decreased by 10.8% to CHF 173.5 million (2014 restated according to new publication format: CHF 194.5 million) due the persistent low interest rate environment and negative rates in Switzerland. The result from commission business and services decreased to CHF 454.8 million, compared to CHF 512.9 million at 31 December 2014, following the reduction of Assets under Management and the lower clients' activity. The result from trading activities and the fair value option significantly grew by 15% to CHF 171.6 million (2014: CHF 149.3 million) reflecting the positive performance of trading activities that well exploited the markets' and currencies volatility. The result from other ordinary activities increased to CHF 16.6 million (2014: CHF 12.3 million).

The operational efficiency programme implemented in 2014 and 2015 is already delivering significant results, although the impact of these measures will be fully exploited starting from 2016. As a consequence, total operating expenses decreased, even more than expected, by 12.7% to CHF 609.7 million from CHF 698.7 million at 31 December 2014. Personnel expenses went down by 9.7% to CHF 385.0 million (2014: CHF 426.4 million), while other operating expenses significantly decreased by 17.5% to CHF 224.7 million from CHF 272.3 million in 2014.

As a consequence of enhanced operational efficiency, the Cost/Income Ratio improved to 74.7% (2014: 80.4%).

Consolidated net profit increased sharply to CHF 112.5 million compared to CHF 2.2 million in 2014 when it was, however, influenced by major extraordinary legacy effects linked to the Bank's participation to the US tax program.

In spite of positive inflows from some emerging markets and the traditional markets where BSI recently invested, Total Client Assets stood at CHF 84.3 billion (2014: CHF 94.0 billion), out of which Assets under Management (AuM) were CHF 77.2 billion and Assets under Custody (AuC) amounted to CHF 7.1 billion. The decrease was the result of negative market performance and negative currency impact, driven by the appreciation of the Swiss franc that followed the decision of the Swiss Central Bank to abandon the floor with the Euro on January 15th, the departure of institutional clients and the gradual transformation of the client base. Due to all these factors, the Net New Money of Assets under Management was negative for CHF 9.3 billion, whereas the Net New Money of Assets under Custody was positive, amounting to CHF 4.5 billion.

In 2015, BSI confirmed to be a very solid and well capitalised bank. The Total Capital Ratio was 22.8%, well above the end-2014 figure (17.1%). At 31 December 2015, Total Assets were CHF 21.0 billion (31 December 2014: CHF 24 billion).

“Our results demonstrate that we have made significant progress in 2015.

We’ve improved financial performance, strengthened our capital and liquidity ratios and continued to drive down costs.

This should set a strong base for the future.”

Rajiv Pradhan, Deputy Group CEO
Chief Operating Officer

Outlook for 2016 and beyond

2015 certainly was a very challenging and eventful year for BSI. Nevertheless, we proved again to have built a solid foundation for the business and remain confident about our future development. This positive outlook is based on our successful strategic focus, on the confirmed clients’ trust and loyalty, on the ongoing improvements of our services and operational effectiveness as well as on the plans that we can build together with EFG International.

The merger with EFG International will allow the newly created group to become the fifth largest Swiss private banking group with more than CHF 170 Billion of Assets under Management and listed at SIX Swiss Stocks Exchange. We will be well-positioned and well-equipped to meet all future challenges and to serve our clients around the world with the high quality personalized wealth management services they are accustomed.

Lugano, 30 March 2016

For the Board
of Directors
Joseph Rickenbacher,
Chairman

The Group Executive Board:
Stefano Coduri, Group CEO

Renato Cohn
Rajiv Pradhan
Reto Kunz
Maurizio Moranzoni
Guilherme Alaga Pini
Gerald Robert
Renato Santi



**We offer International scale
at a personal level.**

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Consolidated balance sheet as of 31 December 2015

		31.12.2015	31.12.2014	Change
	Notes	CHF 1'000	CHF 1'000	in %
Assets				
Liquid assets		3'671'497	2'978'959	23.2
Amounts due from banks		2'118'843	2'638'563	-19.7
Amounts due from securities financing transactions	3.1	54'175	173'314	-68.7
Amounts due from customers	3.2	6'232'078	7'335'861	-15.0
Mortgage loans	3.2	4'195'812	4'334'721	-3.2
Trading portfolio assets	3.3	1'022'342	1'243'407	-17.8
Positive replacement values of derivative financial instruments	3.4	307'249	691'718	-55.6
Financial investments	3.5	2'876'010	3'991'734	-28.0
Accrued income and prepaid expenses		54'375	67'869	-19.9
Participations	3.6, 3.7	24'728	47'826	-48.3
Tangible fixed assets	3.8	342'948	361'112	-5.0
Intangible assets	3.9	9'003	11'363	-20.8
Other assets	3.10	84'073	97'954	-14.2
Total assets		20'993'133	23'974'401	-12.4
Total subordinated claims		59'954	67'888	-11.7
Liabilities				
Amounts due to banks		275'378	740'791	-62.8
Amounts due in respect of customer deposits		17'586'766	19'429'147	-9.5
Trading portfolio liabilities	3.3	180'825	263'169	-31.3
Negative replacement values of derivative financial instruments	3.4	338'649	738'399	-54.1
Liabilities from other financial instruments at fair value	3.3, 3.14	324'960	375'323	-13.4
Bond issues and central mortgage institution loans	3.15	99'522	99'036	0.5
Accrued expenses and deferred income		212'360	242'573	-12.5
Other liabilities	3.10	113'748	124'901	-8.9
Provisions	3.16	66'698	288'084	-76.8
Reserves for general banking risks	3.16	101'780	85'689	18.8
Bank's capital	3.17	1'840'000	1'840'000	
Retained earnings reserves		-260'074	-254'958	2.0
<i>of which minority interests</i>		1	1	
Group profit		112'521	2'247	4'907.6
Total liabilities		20'993'133	23'974'401	-12.4
Total subordinated liabilities		111'652	116'984	-4.6
Off-balance-sheet transactions				
Contingent liabilities	4.1	1'886'363	2'134'081	-11.6
Irrevocable commitments		121'361	161'048	-24.6
Obligations to pay up shares and make further contributions		322	3'066	-89.5
Credit commitments	4.2	3'068	2'775	10.6

Consolidated profit and loss statement 2015

		2015	2014	Change
	Notes	CHF 1'000	CHF 1'000	in %
Result from interest operations				
Interest and discount income	5.2	179'917	187'545	-4.1
Interest and dividend income from financial investments		21'649	29'984	-27.8
Interest expense	5.2	-12'968	-20'554	-36.9
Gross result from interest operations		188'598	196'975	-4.3
Changes in value adjustments for default risks and losses from interest operations		-15'064	-2'447	515.6
Net result from interest operations		173'534	194'528	-10.8
Result from commission business and services				
Commission income from securities trading and investment activities		485'999	529'080	-8.1
Commission income from lending activities		6'903	8'697	-20.6
Commission income from other services		50'354	74'904	-32.8
Commission expense		-88'453	-99'826	-11.4
Result from commission business and services		454'803	512'855	-11.3
Result from trading activities and the fair value option	5.1	171'643	149'316	15.0
Other result from ordinary activities				
Result from the disposal of financial investments		-16	204	-107.8
Income from participations		14'184	9'293	52.6
<i>of which from participations consolidated using the equity method</i>		11'953	8'094	47.7
<i>of which from non-consolidated participations</i>		2'231	1'199	86.1
Result from real estate		2'454	2'591	-5.3
Other ordinary income		2'235	2'875	-22.3
Other ordinary expenses		-2'277	-2'674	-14.8
Other result from ordinary activities		16'580	12'289	34.9
Operating expenses				
Personnel expenses	5.3	-385'038	-426'403	-9.7
General and administrative expenses	5.4	-224'702	-272'254	-17.5
Operating expenses		-609'740	-698'657	-12.7
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets				
Changes to provisions and other value adjustments and losses	5.5	-40'588	-42'310	-4.1
Operating result		152'973	-57'823	364.6
Extraordinary income	5.5	9'400	14'140	-33.5
Extraordinary expenses	5.5	-1'124	-1'193	-5.8
Changes in reserves for general banking risks	5.5	-16'975	60'303	-128.1
Taxes	5.8	-31'753	-13'180	140.9
Group profit		112'521	2'247	4'907.6

Consolidated cash flow statement 2015

	2015	
	Cash in-flow	Cash out-flow
	CHF 1'000	CHF 1'000
Cash flow from operating activities (internal financing)		
Group profit	112'521	
Change in reserves for general banking risks	16'975	
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	40'588	
Provisions and other value adjustments		221'385
Accrued income and prepaid expenses	13'494	
Accrued expenses and deferred income		30'213
Other items	2'728	
Subtotal		65'292
Cash flow from shareholder's equity transactions		
Translation differences arising from profit consolidation		8'247
Subtotal		8'247
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets		
Participations	22'885	
Real estate	1'815	
Other tangible fixed assets		22'416
Intangible assets	749	
Subtotal	3'033	
Total		70'506
Cash flow from banking operations		
Medium and long-term business (> 1 year)		
Amounts due in respect of customer deposits		127'277
Bond issues and central mortgage institution loans	486	
Amounts due from banks		36'527
Amounts due from customers	132'167	
Mortgage loans		241'122
Financial investments	98'875	
Short-term business		
Amounts due to banks		465'413
Amounts due in respect of customer deposits		1'715'104
Trading portfolio liabilities		82'344
Negative replacement values of derivative financial instruments		399'750
Liabilities from other financial instruments at fair value		50'362
Amounts due from banks	556'247	
Amounts due from securities financing transactions	119'139	
Amounts due from customers	971'616	
Mortgage loans	380'032	
Trading portfolio assets	221'064	
Positive replacement values of derivative financial instruments	384'469	
Financial investments	1'016'848	
Liquid assets		692'538
Total		70'506

2014 figures are not disclosed according to the FAQ of the Circular 2015/1, paragraph 13, of the Swiss Financial Market Supervisory Authority (FINMA). The consolidated cash flow statement for 2014 is included in the Annual Report 2014.

Presentation of the statement of changes in equity

	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserves	Own shares (negative item)	Minority interests	Result of the period	Total
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Equity at 31.12.2014	1'840'000		-214'809	85'689	-40'150		1	2'247	1'672'978
Currency translation differences				-884	-7'363				-8'247
Other allocations to the retained earnings reserve			-1'243		3'490			-2'247	
Other allocations to the reserves for general banking risks				16'975					16'975
Changes to the scope of consolidation			-9'066		9'066				
Group profit								112'521	112'521
Equity at 31.12.2015	1'840'000		-225'118	101'780	-34'957		1	112'521	1'794'227

Notes to the 2015 Group financial statements

1. Commentaries regarding the Group business activities

The following notes refer to the position as at 31 December 2015.

General information

The Parent Company of the Group, BSI Ltd., is based in Lugano and operates in Switzerland and abroad through a network of nine branches (Bellinzona, Chiasso, Geneva, Locarno, Lausanne, Zurich, Bahrain, Hong Kong and Nassau), one agency (Crans-Montana), three representative offices (Istanbul, Montevideo and Panama), five banks (Luxembourg, Monte Carlo, Nassau, Panama and Singapore) and affiliates. With regard to the scope of consolidation and the major non-consolidated holdings, reference should be made to table 3.7. BSI Ltd. is wholly owned by Banco BTG Pactual Ltd., Sao Paulo, Brazil, which completed the acquisition from Assicurazioni Generali Group on 15 September 2015, through its indirect investee BSI Holdings AG, Zurich. The latter, based in Switzerland, was included in the quantitative and qualitative scope of consolidated supervision in accordance with the provisions issued by the Financial Market Supervisory Authority FINMA.

Main activity of the BSI Group

The BSI Group is mainly involved in asset management for private and institutional clients as well as in directly related services, such as, in particular, investment funds, fiduciary deposits placements and trading in securities, precious metals and currencies. The Group also offers credit services to its clients. BSI Ltd. trades in currencies and securities (shares, bonds and derivatives) for third parties and on its own account, within pre-defined limits. BSI Ltd. also performs issuing activities and acts as a market maker.

Balance sheet transactions

Balance sheet transactions have a complementary role. They account for 21.3% of the Group's net operating result (2014: 22.4%). Lending activities mainly involve the granting of Lombard loans, loans mainly covered by guarantees and mortgages, as well as unsecured loans. Overall, secured loans account for 93.4% of total loans (2014: 94.0%). Bank deposits are made only at leading Swiss institutions or OECD countries. BSI Ltd. holds a bond portfolio and money market papers, booked as "Financial Investments", as a medium to long-term investment.

Headcount

As at the end of 2015, the Group had 1,850.41 full-time equivalent (FTE) employees (2014: 1'927.95), 648 of which employed abroad (2014: 647.50). The Parent Bank had 1'263.41 full-time equivalent employees (2014: 1'340.15), 111 of which employed abroad (2014: 110).

Control and risk management

Principles

Risk management is an integral part of the BSI Group's corporate policy. In compliance with Swiss and international laws and regulatory requirements, the Bank has defined a control and risk management structure for the BSI Group.

Structure and responsibility

The Bank's risk management and internal control structure is proportionate to the size and complexity of the Bank's business. This structure includes processes and controls that ensure the delegation of powers and the separation of critical functions.

The Board of Directors monitors whether the Bank has a clear global risk management process. It approves risk policies and limits, and receives quarterly written reports on all risks of the BSI Group.

The Group Executive Board and the Chief Risk Officer are responsible for implementing the risk management process for the entire banking organisation through the definition of risk principles, strategies and policies, as well as the global limits and the limits of the power delegated by the Board of Directors.

In order to ensure that risk is managed effectively, the Group Executive Board has set up the ALCO Committee and the Operational Risk Committee with specific responsibilities for the management of financial risks and operational and compliance risks, respectively.

Group Risk Control, in cooperation with the control units of the Bank's various business areas, carries out several controls independently from the line. The control units intervene directly in case of non-compliance with the limits, and they regularly report to Group Risk Control on the level of risks falling under their responsibility.

Group Risk Control analyses and consolidates the risk data and information at Group level, and prepares a quarterly “Global Risk Report” for the Group Executive Board and the Board of Directors.

Balance sheet guidelines

The Bank has a reference model for managing the consolidated financial statements, approved by the Board of Directors and the Group Executive Board. The reference model explicitly sets out the risk appetite and the guidelines for reporting on the main assets and liabilities on the basis of solvency, liquidity, risk and profitability. In particular, within the balance sheet guidelines the Bank has defined some measures that allowed to improve the level of solvency, and mitigate and optimise the risk exposure.

Credit risks

Credit risk is the risk that a counterparty’s creditworthiness deteriorates and that said counterparty becomes insolvent or fails to meet its obligations. Credit risk also includes other risk categories, such as counterparty risk, delivery risk, concentration risk and country risk. Credit risks are present in both interbank portfolios and in the Bank’s own portfolios, as well as in the client loan portfolios.

The Bank has various internal policies that define risk governance principles and rules for calculating and limiting risk, responsibilities for authorising credit lines and overdrafts, and the reporting to management bodies and the Board of Directors.

In particular, the Bank has a Credit Risk Policy that defines the risk governance principles for private clients’ loan portfolios, the calculation rules and the risk appetite for each type of credit. For loans that may generate a probable financial loss, the Bank allocates provisions.

The Group Credit Office ensures centralised supervision by monitoring all consolidated positions and managing the control processes.

The Bank measures and controls credit risk on a daily basis and, through a system of limits, it defines the maximum levels of risk towards counterparty groups and groups of counterparties and checks compliance with regulatory requirements on major risks. The Group Credit Office unit carries out independent controls both at the consolidated level and for the Bank and the main Affiliates.

In terms of lending activities to clients, the Bank aims to diversify risks and optimize the risk/return ratio. To this end, the Bank uses internal models to assess credit risk.

The client loans portfolio consists primarily of loans guaranteed by assets or securities and mortgages, in particular for residential properties in Switzerland, Singapore and London. The Bank applies internal policies that govern the lending values of guarantees to these loan categories, in accordance with the principles of prudence. Exceptions to said policies are monitored and submitted to the Board of Directors for approval. The loan portfolio includes, to a lower extent, commercial loans, loans related to trade financing, and loans to public entities

The Bank has maintained a cautious approach to the credit risk for the interbank portfolio, paying particular attention to the selection and diversification of bank counterparties and issuers, including governments, and keeping the duration of exposures below 12 months.

The Bank has a “Country Risk Policy” (relating to balance sheet assets) and country exposure is attributed on the basis of the “final risk” approach: if there are forms of cover (pledges, mortgages, guarantees) the domicile of the cover is taken into consideration rather than the debtor’s domicile.

Throughout 2015, the Bank monitored country risk closely and implemented various measures to limit its exposures to high-risk countries.

Market risk

Market risk is the risk of loss arising from unexpected changes in interest rates, exchange rates, share prices or the price of precious metals and commodities, as well as the relevant expected volatility. Market risks can affect the Bank’s operating and financial results.

The measurement, monitoring and systematic control of the risk of interest rate changes in the Bank portfolios are implemented at a centralised level on an individual and consolidated basis. As at the end of 2015, exposure to a reduction of -1% of the market interest rates at a Group level was equal to CHF -32 million in terms of the impact on the economic value of equity and CHF -62 million in terms of the impact on net annual interest margin.

The risks inherent in the balance sheet structure (interest rates and currency) are managed by the ALCO Committee and controlled by the Group Risk Control unit in compliance with the principles and maximum limits established by the “Market Risk Policy – Balance Sheet/ALM”. Derivatives are also used in the context of Asset & Liability Management (ALM). Positions with indefinite maturity are replicated on the basis of historical analyses.

The ALCO Committee is also responsible for the management of credit risk and allocating capital for the Bank's various assets.

The Bank carries out trading operations both for its clients and on its own account using all financial products and their derivatives. The trading portfolio is governed by a "Market Risk Policy – Trading", defining the organisational structure, responsibilities, the system of limits and maximum risk that may be assumed. The Investment Committee is responsible for managing and monitoring market risk related to trading operations and operates on the basis of restrictions set by the ALCO Committee.

In addition to its trading portfolio, the Bank has an investment portfolio, which allows it to diversify its assets and optimise excess liquidity, if any. The investment portfolio is divided into various portfolios based on type of product and strategy. The risks of the investment portfolio are managed by the Investment Committee, which operates on the basis of restrictions set by the ALCO Committee and the "Market Risk Policy – Investment."

Liquidity risks

Liquidity risks arise when financing activities are difficult or expensive as a result of liquidity crises on the markets or reputational issues. They also arise when it is difficult to meet own commitments in a timely manner due to a lack of very liquid assets.

Liquidity risks are managed by the ALCO Committee, which delegates their operational management and control to the Treasury and Group Risk Control, respectively.

The Bank has a "Liquidity and Financing Risk Policy", which defines the risk governance policies, the calculation rules and respective limits that take into account the new qualitative and quantitative requirements of the Basel III regulations. As of 2014, in its balance sheet management guidelines, the Bank has also adopted the defined indicators of the new Basel III international framework for liquidity risk management. These indicators serve two separate but complementary purposes. The first indicator, the Liquidity Coverage Ratio (LCR), is intended to increase the short-term resilience of the liquidity risk profile, ensuring there are sufficient high-quality liquid assets to address an acute stress scenario lasting one month.

The minimum LCR required by FINMA for banks of non-systemic relevance, such as BSI, was 60% in 2015. This level will be increased by 10% annually, until reaching 100% in 2018. The Group fully complies with this requirement, with a Group LCR equal to 150% at the end of 2015. In the table 6.12 "Information on the short-term liquidity ratio", LCR (Circ. 2008/22 Publication-Banks), the quarterly average levels of the LCR ratio during 2015 are shown.

The second indicator, the Net Stable Funding Ratio (NSFR), has a longer timeframe and aims to provide a sustainable maturity structure of assets and liabilities. As at the end of 2015, the NSFR at a Group level was equal to 137%.

Operational risks and internal controls

Operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes, human resources and systems or from external events. Operational risks include compliance risks and legal risks but exclude strategic, business and reputational risks.

Within BSI, the management of operational risks is the responsibility of Group Operation Risk & Internal Control. It is based primarily on the centralised collection and analysis of operational losses, the identification and analysis of risks inherent to the Bank's processes through Risk & Control Self-Assessments (RCSA), and the management of corrective measures. The Bank allocates provisions for events that could generate a potential financial loss. The heads of the Bank's different business areas have selected a number of risk indicators, which are used and monitored in order to assess in advance whether to increase the level of risk within the Bank.

Some risk and compliance elements are also used for the annual evaluation of Private Banking employees, by means of an individual and team risk scorecard.

The Operational Risk Committee governs the management of operational and compliance risks and coordinates the implementation of strategies for managing and mitigating operational and compliance risk.

The Bank's risk mitigation controls are characterised by a three lines of defence structure:

- The first line of defence consists of checks carried out by the line, intrinsic to the performance of operations, and controls carried out by units independent from the line. The former aim to ensure the correct implementation of activities, the latter monitor and ensure the correct performance of activities by the operational units.
- The second line of defence consists of control units belonging to the Chief Risk Officer division and carries out controls intended to verify the correct implementation and the effectiveness of the first line of defence controls. The Group Executive Board receives reports on the controls.
- The third line of defence is an independent control carried out by the Group Internal Audit, which reports directly to the Board of Directors.

The status and the result of the main operational controls at BSI are reported on quarterly basis in the Global Control Report and addressed to the Group Executive Board, the Audit & Risk Committee and the Board of Directors.

Processing of clients' electronic data

The processing of electronic Client Identifying Data (CID) is defined as all types of information saved electronically, which, directly or in combination with other information, may enable the identity of a client to be disclosed.

The Bank implemented a governance structure for the management of CID on a Group level, on a need-to-know basis, where access to information is guaranteed only for operational business reasons and is regularly reviewed.

The governance structure defines rules, responsibilities and internal controls to maintain a security level for the CID against internal threats and cyber attacks. It includes procedures for the selection, monitoring and training of employees with access to CID. The storage location of the CID lists, the IT systems, which use the CID and Bank employees, or external collaborators having access to CID are also an integral part of the governance structure.

The Bank defined a procedure for the management, monitoring and mitigation of additional risks, including cyber risks, resulting from crisis situations, providing for an increase of security measures.

Stress testing

"Stress testing" refers to a series of qualitative and quantitative techniques the Bank uses to assess its own vulnerability to exceptional events that could potentially occur. Stress testing techniques are complementary to other Group Risk Control approaches and measures. These techniques are intended to better define the Bank's risk profile, assess the adequacy of limits, verify the accuracy of risk forecasting models, the soundness of the assumptions about correlations, and the effectiveness of the systems for reducing and mitigating risks.

Group Risk Control regularly performs systematic stress tests on the Bank's main assets and portfolios to assess the overall effectiveness of risk limits, capital adequacy, and liquidity reserves considered as a whole. Stress scenarios are regularly reviewed, updated, or supplemented by Group Risk Control, based on the trend in risk factors (prices, volatility, exchange and interest rates, etc.) and the macro-economic context.

Main risks

During 2015, the Board of Directors carried out an internal assessment of the main risks, of which the following should be noted:

- **Compliance risk:** risks related to cross-border activities, suitability and money laundering;
- **Credit risk:** risk of bankruptcy of a counterparty and risk of default of an issuer;
- **Operational risk:** risks related to information technology;
- **Market risk:** interest rate and exchange rate risks, and their impact on the balance sheet and profit and loss statement;
- **Strategic risk:** risks related to the "regularisation" of clients' assets and to "large transactions."

Capital adequacy

As at the end of 2015, the BSI Group and the Bank complied with the limits specified by the Capital Adequacy Ordinance (CAO) concerning the capital buffer and concentration risk. Quantitative information on the minimum capital buffer requirements and credit risk is provided in the attached tables 6.1-6.11 (Circ. 2008/22, Publication-Banks). On the basis of FINMA Circular 2011/2 on capital buffers and capital planning, and in consideration of the size and the risks to which the Bank and the BSI Group are respectively exposed, the Bank is in category 3, therefore the minimum target for own capital is set at 12%.

As at the end of 2015, the Total Capital Ratio of the BSI Group was 22.8% (table 6.1) and the ratio of available shareholders' equity to required shareholders' equity is 287.7% (table 6.2).

Additional information about the calculation methods used by the Bank is provided below.

Credit risk

The Bank applies the Standard International Approach (AS-BRI) to the calculation of capital buffer requirements for credit risk. This approach is based on ratings provided by external agencies recognised by FINMA. In particular, the Bank uses the ratings provided by Standard & Poor's and Moody's to assess the quality of counterparties and to classify credit instruments.

Off-balance sheet exposures to derivatives are calculated as credit equivalents under the "mark-to-market" method (art. 57 CAO). The Bank also applies the "global" approach to transactions with financial collateral (Article 62b CAO). As at 31 December 2015, these credit risk requirements amounted to approximately 23.2% of available shareholders' equity.

Risks without counterparty

As at 31 December 2015, these requirements amounted to approximately 1.5% of available shareholders' equity.

Market risk

The Bank applies the standard method to the calculation of capital buffer requirements for market risk, as defined in FINMA Circular 2008/20 (Articles 84-87 CAO). As at 31 December 2015, these requirements amounted to approximately 4.1% of available shareholders' equity.

Operational risk

To calculate the regulatory capital for operational risks, the Bank uses the standard method, weighting gross revenues according to factors ranging from 12% to 18%, depending on the business line concerned, as set out in FINMA Circular 2008/21.

As at 31 December 2015, regulatory capital for the operational risks of the BSI Group amounted to CHF 107 million, representing approximately 5.8% of available shareholders' equity.

Legal and compliance risk

The Legal department is responsible for managing legal risks and ensuring that the BSI Group complies with regulatory and legal requirements. Legal risk may be divided into (a) the risk that the BSI Group, or other person acting on its behalf, fails to meet an obligation owed to a third party or fails to respect the rights of a third party, and (b) the risk that a financial or other loss, or damage resulting from the inability of the BSI Group to enforce its rights and claims against third parties. In the context of the so-called "Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks" (the "DOJ Program"), on 30 March 2015, BSI reached a Non Prosecution Agreement (NPA) with the US Department of Justice (DOJ).

With the NPA, BSI resolved its liability towards the DOJ deriving from its US legacy for private banking activities, with the simultaneous payment of 211 million dollars. For this amount, the Bank had allocated the necessary provisions. As envisaged by the Program, the NPA requires that the Bank continue to cooperate with the DOJ during the term of the agreement, which lasts four years, in full compliance with the Program and Swiss laws.

BSI has received inquiries from regulatory and investigative authorities in relationship with a potential case of misappropriation of assets of a Sovereign Fund. The inquiries relate to certain transactions and fund flows made via accounts held with the Bank and other financial institutions. BSI has stated publicly that it has and will continue to cooperate fully with the relevant Authorities.

The Bank is not aware of any legal claims commenced or threatened by any third parties in relation to the aforementioned. The Bank has not been notified yet of any potential sanctions that may or may not arise from the aforementioned and/or their severity.

Outsourcing

BSI outsources the management, development and maintenance of its IT infrastructure and back-office activities to B-Source SA, a service provider 49%-owned by BSI until 5 February 2016.

BSI Ltd. outsources the management of hedge fund products to Thalia SA, 35%-owned by BSI. BSI Ltd. also outsourced a part of administrative activities and IT services for certain specific products (Genera products) to Fin-clear AG. The Bank complies with the legal provisions on outsourcing set out in FINMA Circular 2008/7.

Value Added Tax (VAT)

The Bank was part of the Generali Personenversicherungen AG VAT Group until 30 June 2015, and is thus jointly and severally liable for potential liabilities arising from this tax until such date. Since 1 July 2015, the Bank has been enrolled in the register of VAT payers as representative of the new BSI VAT Group.

2. Accounting and valuation principles

In order to present an annual report that fully reflects the equity, financial and economic position in 2015, FINMA permitted BSI Ltd. to publish consolidated accounts despite the fact it is owned by the holding company BSI Holdings AG, Zurich (formerly, BTG Pactual Holding, Zurich). The consolidated accounts of BSI Ltd. were therefore prepared according to the usual scope of consolidation and, starting from the 2016 accounts, the consolidated annual report shall be prepared by the aforementioned holding company. This method of presentation does not have any material effects on operations since the company performs a purely holding role. BSI Holdings AG, Zurich was established on 9 February 2015, with a share capital of CHF 100'000. The sole shareholder is BTGP-BSI Ltd., London.

On 16 September 2015, share capital increased to CHF 10'000'000, financed by the contribution of BSI Ltd. shares (representing 84% of the latter's share capital). The BSI Ltd. shares (15'456'727) were valued at CHF 67.82 per shares: the difference between the value of the shares contributed and the amount of the capital increase was recorded under reserves (CHF 1'038 million).

On 4 November 2015, the sole shareholder BTGP-BSI Ltd. decided to make an additional free capital contribution to BSI Holdings AG, through 2'943'273 BSI Ltd. shares, valued at the same price.

This amount was entirely recorded under reserves. The stake of BSI Holdings AG in BSI Ltd. thus passed from 84% to 100%.

The future income situation shall reflect that of the BSI Group since BSI is the only investment.

The capital requirement, as required by the supervisory authority (FINMA) is calculated at Holding Group level and as at 31 December 2015 amounted to 22.8%.

The consolidated annual accounts of the Holding company would have shown a substantial profit arising from the consolidation difference (lucky buy). This profit, of approximately CHF 525 million, arises from the difference between the net book value of the BSI Group and the carrying value of the investment in the accounts of the holding company. If the holding company re-valued the assets of the BSI Group at fair value, the consolidation profit would have amounted to approximately CHF 597 million.

The amounts reported in this section were not subject to audit.

General principles

The accounting, balance sheet entry and valuation criteria are compliant with the provisions of the Swiss Code of Obligations, the Swiss Banking Law and the directives of the Financial Market Supervisory Authority FINMA. The Group accounts show a true and fair view of the Bank's equity, financial and economic position.

Recognition of transactions

All transactions are recorded in the books of the Group companies on their execution date. Transactions with future execution date are recorded in the balance sheet, except for BSI Monaco SAM, which are recorded according to the value date principle.

Scope of consolidation

The Bank fully consolidates all the companies operating in the banking and finance sector in which it directly or indirectly holds the majority of votes or share capital (50.0%). The Special Purpose Entities (SPE), in which the Bank doesn't hold the majority of votes or share capital are fully consolidated if circumstances indicate a business relationship in which the Bank holds the majority of the benefits of the company or the risks associated with its activities.

A list of fully consolidated participations, participations entered in the balance sheet in accordance with the equity method, relevant participations entered in the balance sheet at the purchase value minus the necessary amortisation and depreciation, and changes to the perimeter of consolidation are shown in tables 3.6 and 3.7.

Consolidation method

The capital of the companies involved in banking and finance in which the Bank directly or indirectly holds the majority of voting rights or share capital is consolidated in accordance with the purchase method. The purchase price is offset against the market value of the assets at the time of acquisition. The resulting difference from the first consolidations is entered in the balance sheet under "Intangible assets" and amortised in compliance with FINMA's accounting provisions. Participations between 20.0% and 50.0% are consolidated at equity and are shown in the balance sheet with the net asset value for the Bank's share. Minor companies and companies held for are entered in the balance sheet at their purchase price, after deducting the necessary depreciation. Intra-group transactions and related internal profits are eliminated.

Conversion of foreign currency

Foreign currency transactions are recorded at the exchange rate of the trade date. Profits or losses arising from revaluations are recorded into the profit and loss account. Balance sheet items denominated in foreign currency are converted into Swiss francs at the exchange rate on the

balance sheet closing date. Items of the profit and loss statement of the Group companies, the accounting of which is expressed in foreign currency, are converted into Swiss francs based on the average annual price. Conversion differences are recorded directly as an increase or decrease of the shareholders' equity of the Group.

Denomination	Currency	Closing rate		Annual average rate	
		31.12.2015	31.12.2014	2015	2014
1	USD	0.995	0.990	0.964	0.920
1	EUR	1.084	1.202	1.064	1.213
100	JPY	0.827	0.828	0.797	0.864
1	GBP	1.476	1.544	1.470	1.511

Cash, receivables from banks, receivables from securities financing transactions and liabilities

These items are recorded in the balance sheet at nominal value or purchase value, deducting any adjustments in case of doubtful debts. Any discounts are recorded under the relevant balance sheet liabilities.

Loans to customers and mortgages

Receivables from clients and mortgage receivables are shown in the balance sheet at nominal value.

Loans for which the debtors or guarantors are unlikely to meet their future obligations are considered as non-performing loans by the Bank. A loan is therefore deemed to be non-performing if certain indicators show that the principal and/or interest due in accordance with the contract will probably not be paid. Non-performing loans are valued individually, and specific value adjustments are booked to cover the identified value losses.

The Bank allocates provisions for interest on credit positions for which clients have not respected the contractual terms for more than 90 days. Off-balance sheet liabilities, such as guarantees and derivatives, are also considered in this valuation. The Bank allocates suitable provisions for capital and interest on the basis of the liquidation value of collaterals. Provisions are made for non-performing interest, in accordance with the rule described above, and are directly deducted from the corresponding asset items.

Loans are no longer considered non-performing if the amount due (interest and principal) is fully settled, the contractual obligations are re-established and the solvency criteria are fulfilled. Loans are amortised by debiting the corresponding individual provisions if the loans are considered entirely or partially impaired or if the decision is taken not to recover them.

Securities lending and borrowing

Securities lending transactions for which the Bank acts as principal are shown in the notes to the annual accounts. The commissions collected and paid for such transactions are recorded under the relevant item of the profit and loss statement.

Repo and reverse repo transactions

These transactions are recognised as loans or deposits collateralised by securities. They are recorded under "due from/ due to" securities financing transactions at nominal value. Interest collected and paid is recorded under the corresponding items of the profit and loss statement.

Trading transactions

Securities and metals held by the Bank for trading are revalued at the market price on the balance sheet closure date. The result of revaluation is entered in the profit and loss statement under the item "Result from trading and fair value option". Accrued interest and dividends result from trading operations minus any financing costs, recorded as result from interest activities.

Financial investments

The balance sheet value of securities purchased as long-term investments complies with the following principles:

- Debt securities intended to be held to maturity are valued at the purchase price. If the purchase was made at a price other than at par, the premium or discount is spread over the residual term to maturity, and debited or credited to Interest income from financial investments;

- Debt securities not intended to be held to maturity and shares are valued at the lower of purchase price and market value. Any value adjustments are recorded under “Other ordinary expenses”. In the event of a recovery in market value, shares are revalued to the extent that their revalued amount does not exceed the purchase price. Such revalued amounts are posted to “Other ordinary income.”

Properties acquired as a result of lending transactions and held for resale are recorded under this item and valued at the lower of purchase price and sale price.

The result deriving from the securities related to this asset item are entered under “Interest and dividend income from financial investments”. The results of the disposal of properties acquired in the context of loan transactions and held for resale are entered under “Result from the disposal of financial investments”.

Other financial instruments measured at fair value and liabilities from other financial instruments measured at fair value

The BSI Group did not opt to use the option of measurement at fair value for other financial instruments under balance sheet assets. Structured products with acknowledgment of debt (AOD) issued by the BSI Group, net of any parts repurchased by clients, are shown under the item “Liabilities from other financial instruments at fair value” and valued at market price.

The result of revaluation and devaluation of these structured products is shown in the profit and loss statement item “Result from trading activities and the fair value option”. Further details are provided in tables 3.14 and 5.1 of the annex to the annual accounts.

Non-consolidated participations

Minority participations between 20% and 50% in the banking and financial sector are entered in the balance sheet according to the equity method. Companies in which the Bank holds a stake of less than 20% or whose size or activities do not have a significant influence on the Bank are valued at purchase price, minus the required depreciation. All non-consolidated participations are valued individually.

Accruals and deferrals

Interest income, interest expenses and all other income and expenses not settled during the accounting period are accrued or prepaid to match the correct profit and loss period.

Tangible assets

Fixed asset acquisitions are capitalised and valued at their purchase price, if their intended use is for more than one accounting period and they exceed a minimum of CHF 5'000. New investments in existing fixed assets are capitalised if leading to a lasting increase in their market value or a significant lengthening in their useful life. Thereafter, fixed assets are recorded at their purchase price minus accumulated depreciation. Depreciation is calculated on the basis of assets' expected useful lives. Fixed assets are reviewed annually for any impairments in value: if such analysis shows the need to shorten the depreciation period or to decrease value, the depreciation plan is adjusted or extraordinary depreciation is charged to the specific item of the profit and loss statement. Profits from the sale of tangible assets are entered as “Extraordinary income”, while losses are entered as “Extraordinary expenses”.

Intangible assets

The BSI Group has been applying FINMA's new accounting guidelines since 2013. The amortisation period was shortened to a maximum of 5 years. The current value is revised every year. If such valuation identifies a change in useful life or a fall in value, the residual accounting value is amortised in accordance with a plan corresponding to the new useful life.

Pension plans

The accounting treatment complies with the standards laid down by the Swiss GAAP ARR 16 Recommendations relating to the presentation of accounts. Further details are provided in table 3.13 of the annex to the annual accounts.

Taxes

Taxes relating to the current accounting period are estimated in accordance with local tax legislation and recorded as costs for the period to which they relate. Direct taxes on current year profits payable, but not yet paid, are recorded as “Accrued expenses”. Provisions for deferred taxation relating to any future release of amounts from the reserve for general banking risk are reported as “Provisions”.

Tax credits on tax losses carried forward are entered in the balance sheet under “Other assets” up to an amount calculated on the basis of expected profits for a maximum period of 3 years.

The accounting treatment complies with SWISS GAAP ARR 11 relating to the presentation of accounts. Further details are provided in table 5.8 of the annex to the annual accounts.

Value adjustments and provisions

Provisions and value adjustments are made for all identified risks in accordance with the principle of prudence. The value of such items is deducted from the balance sheet assets to which they relate. Value adjustments and provisions proving to be financially unnecessary during the financial year are released and credited to the profit and loss statement, under "Changes to provisions and other value adjustments, losses". Provisions for latent risks or other risks are recorded as liabilities in the balance sheet, under "Provisions".

Reserves for general banking risks

This item was created in accordance with FINMA directives on the presentation of accounts. Movements in the reserves for general banking risks are entered in the profit and loss statement as "Changes in reserves for general banking risks."

Contingent liabilities, irrevocable commitments, contingent liabilities for calls and margin liabilities

Off-balance sheet items are stated at nominal value. Any provisions for identified risks are included under "Provisions". A guarantee is in place in favour of the government of Singapore for the business operations conducted by the subsidiary BSI Bank Ltd., Singapore. Following the application of the banking agreement on deposit guarantees, the Bank has an irrevocable commitment with regard to privileged deposits.

Derivative financial instruments

Derivative financial instruments are generally treated as trading operations with the exception of the transactions described in the following paragraphs.

Trading transactions

These are periodically valued with reference to market or trading prices or are based on calculations entailing the discounted future cash flows or option pricing models.

Hedging transaction

The Bank uses derivative financial products for asset and liability management (ALM) purposes. These hedges and their underlying positions are valued in the same way. Any net income earned on these transactions is credited to the same item as income arising from the hedged transactions. The Bank enters into global hedge transactions with respect to interest rate risk. Profits on these transactions are accrued as interest income. Accrued interest payable and receivable is recorded in the balance sheet under "Other liabilities" and "Other assets". Positive and negative replacement values in connection with hedges are recorded under "Positive replacement values of derivative financial instruments" or "Negative replacement values of derivative financial instruments". The use of derivatives for

ALM purposes is documented together with the objectives and strategies employed and kept on file until the transactions expire. The effectiveness of the hedge is periodically controlled. Whenever the value of a hedge exceeds the value of the hedged item, the excess is treated as a normal trading position.

Replacement values

For over the counter (OTC) transactions, replacement values are recorded in the balance sheet under "Positive replacement values of derivative financial instruments" if positive and "Negative replacement values of derivative financial instruments" if negative. In either case, gains or losses are recorded in the profit and loss statement of the Bank under "Result from trading activities and the fair value option."

Client assets

The value of client assets under management is calculated with reference to the total value of all client positions at year-end. Funds held by the Bank's clients are double counted, in client files and as funds under management. Any funds held by corresponding banks and brokers are excluded, as are securities belonging to the Group. Assets managed by the Group but deposited at third party banks are also included.

Events following the balance sheet date

After the balance sheet date, no event took place that would lead to a correction of the financial statements.

However, it should be noted that:

On 5 February 2016, BSI announced the sale of its participation in B-Source SA, in which it held a 49% stake.

On 22 February 2016, BTG Pactual and EFG International announced that they had reached an agreement for the sale of the BSI Group, which is scheduled to take place in the final quarter of 2016, if approved by the supervisory authorities of the countries in which BSI and EFG International respectively are present.

3. Information on the balance sheet

3.1 Breakdown of securities financing transactions (assets and liabilities)

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Book value of receivables from cash collateral delivered in connection with securities lending and repurchase transactions ¹	54'175	173'314	-68.7
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	1'001'943	1'862'608	-46.2
<i>with unrestricted right to resell or pledge</i>	1'001'943	1'862'608	-46.2
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	2'134'422	4'066'244	-47.5
<i>of which repledged securities</i>	1'008'550	2'007'276	-49.8

¹ Before netting agreements.

3.2 Presentation of collateral for loans and off-balance-sheet transactions, as well as impaired loans

	Type of collateral			
	Secured by mortgage	Other collateral	Unsecured	Total
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Loans (before netting with value adjustments)				
Amounts due from customers	297'960	5'337'814	680'784	6'316'558
Mortgage loans	4'136'714	52'605	10'109	4'199'428
<i>Residential property</i>	3'410'293	25'656	1'998	3'437'947
<i>Office and business premises</i>	545'111	7'322	1'127	553'560
<i>Commercial and industrial premises</i>	105'037		6	105'043
<i>Other</i>	76'273	19'627	6'978	102'878
Total at 31.12.2015	4'434'674	5'390'419	690'893	10'515'986
31.12.2014	4'747'571	6'316'958	703'619	11'768'148
Loans (after netting with value adjustments)				
Total at 31.12.2015	4'434'674	5'311'048	682'168	10'427'890
31.12.2014	4'743'461	6'220'788	703'618	11'667'867
Off-balance-sheet				
Contingent liabilities	6'881	383'545	1'495'937	1'886'363
Irrevocable commitments	768	87'053	33'540	121'361
Obligations to pay up shares and make further contributions			322	322
Credit commitments			3'068	3'068
Total at 31.12.2015	7'649	470'598	1'532'867	2'011'114
31.12.2014	21'151 ¹	551'098 ¹	1'728'722	2'300'970

¹ The data for 2014 have been adjusted.

	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments				
					CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
					Impaired loans			
Total at 31.12.2015	183'238	94'933	88'305	88'086				
31.12.2014	168'513	67'492	101'021	100'482				

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

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Assets			
Trading portfolio assets	1'022'342	1'243'407	-17.8
Debt securities, money market securities / transactions	368'190	557'848	-34.0
<i>of which listed</i>	356'905	545'569	-34.6
Equity securities	89'988	110'047	-18.2
Precious metals and commodities	416'330	378'636	10.0
Other trading portfolio assets	147'834	196'876	-24.9
Total assets	1'022'342	1'243'407	-17.8
<i>of which determined using a valuation model</i>	145'244	178'458	-18.6
<i>of which securities eligible for repo transactions in accordance with liquidity requirements</i>	2'371	13'229	-82.1
Liabilities			
Trading portfolio liabilities	180'825	263'169	-31.3
Debt securities, money market securities / transactions	147'621	250'392	-41.0
<i>of which listed</i>	146'497	247'935	-40.9
Equity securities	6'765	931	626.6
Other trading portfolio liabilities	26'439	11'846	123.2
Other financial instruments at fair value	324'960	375'323	-13.4
Structured products	324'960	375'323	-13.4
Total liabilities	505'785	638'492	-20.8
<i>of which determined using a valuation model</i>	351'398	387'168	-9.2

3.4 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Interest rate instruments	1'350	1'352	40'274	1'543	46'603	1'511'076
Swaps	1'350	1'350	17'516	1'543	46'603	1'511'076
Futures		2	22'758			
Foreign exchange / precious metals	257'380	222'509	33'021'196	21'228	33'417	4'331'913
Forward contracts	201'769	187'152	25'806'994	20'356	27'015	4'017'398
Swaps				872	6'402	314'515
Options (OTC)	55'611	35'357	7'214'202			
Equity securities / indices	23'350	34'308	1'381'679			
Futures	1'233	59	72'873			
Options (OTC)	21'663	33'454	1'242'769			
Options (exchange-traded)	454	795	66'037			
Credit derivatives	2'398	460	77'105			
Credit default swaps	2'398	460	77'105			
Total at 31.12.2015 (before netting agreements)	284'478	258'629	34'520'254	22'771	80'020	5'842'989
<i>of which determined using a valuation model</i>	280'605	258'071	–	22'771	80'020	–
Total at 31.12.2014 (before netting agreements)	653'117	647'997	40'233'910	38'601	90'402	6'452'980
<i>of which determined using a valuation model</i>	595'543	591'205	–	38'601	90'265	–
Total after netting agreements						
31.12.2015			307'249			338'649
31.12.2014			671'718			738'399
Breakdown by counterparty						
Positive replacement values (after netting agreements)				Central clearing houses	Banks and securities dealers	Other customers
					209'642	97'607

3.5 Breakdown of financial investments

	Book value		Fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Debt securities	2'732'935	3'745'686	2'745'397	3'773'232
<i>of which intended to be held to maturity</i>	2'732'874	3'744'447	2'745'334	3'771'991
<i>of which not intended to be held to maturity (available for sale)</i>	61	1'239	63	1'241
Equity securities	14'770	29'141	15'542	29'934
<i>of which qualified participations¹</i>	6'878	17'967	6'878	17'967
Precious metals	117'362	204'689	117'362	204'689
Real estate	10'943	12'218	11'416	12'218
Total	2'876'010	3'991'734	2'889'717	4'020'073
<i>of which securities eligible for repo transactions in accordance with liquidity requirements</i>	323'127	785'580	–	–

¹ At least 10% of capital or votes.

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	below B-	unrated
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Debt securities book values	1'612'565	771'646	159'172	55	–	189'497

3.6 Presentation of participations

	2015									
	Acquisition cost	Accumulated value adjustments and changes in book value (valuation using the equity method)	Book value at 31.12.2014	Reclassifications	Additions	Disposals	Value adjustments	Changes in book value in the case of participations valued using the equity method / depreciation reversals	Book value at 31.12.2015	Market value
Participations valued using the equity method	37'551	–	37'551	–	1'924	-24'626	–	–	14'849	–
<i>without market value</i>	37'551	–	37'551	–	1'924	-24'626	–	–	14'849	–
Other participations	12'477	-2'202	10'275	–	371	-554	-213	–	9'879	–
<i>without market value</i>	12'477	-2'202	10'275	–	371	-554	-213	–	9'879	–
Total	50'028	-2'202	47'826	–	2'295	-25'180	-213	–	24'728	–

3.7 Disclosure of companies in which the bank holds a permanent direct or indirect significant participation

Company name and domicile	Business activity	Company capital		Share of capital	Share of votes	Held directly	Held indirectly
		thousands		in %	in %	in %	in %
Fully consolidated participations							
BSI Bank Ltd., Singapore	Bank	USD	214'000	100.00	100.00	100.00	
BSI Bank (Panama) SA, Panama	Bank	USD	10'410	100.00	100.00	100.00	
BSI Europe SA, Luxembourg	Bank	EUR	35'400	100.00	100.00	100.00	
BSI Fund Management SA, Luxembourg	Fund management company	EUR	2'500	100.00	100.00		100.00
BSI Monaco SAM, Monte Carlo	Bank	EUR	18'000	100.00	100.00	100.00	
BSI Asset Managers SAM, Monte Carlo	Asset management company	EUR	2'000	99.98	99.98		99.98
BSI Overseas (Bahamas) Ltd., Nassau	Bank	USD	10'000	100.00	100.00	100.00	
BSI Trust Corporation (Malta) Ltd., La Valletta	Trust Company	EUR	50	100.00	100.00	100.00	
EOS Servizi Fiduciari SpA, Milan	Fiduciary company	EUR	4'250	100.00	100.00	100.00	
Oudart SA, Paris	Asset management company	EUR	5'500	100.00	100.00	100.00	
Oudart Gestion SA, Paris	Asset management company	EUR	1'000	100.00	100.00		100.00
Oudart Patrimoine SARL, Paris	Asset management company	EUR	56	100.00	100.00		100.00
Patrimony 1873 SA, Lugano	Asset management company	CHF	5'000	100.00	100.00	100.00	
Participations valued at equity							
B-Source SA, Bioggio	Systems development and business operations	CHF	2'400	49.00	49.00	49.00	
Cross Factor SpA, Milan	Investment company	EUR	1'032	20.00	20.00	20.00	
Thalia SA, Lugano	Investment company	CHF	2'000	35.00	35.00	35.00	
Significant non-consolidated participations							
Banca Patrimoni Sella & C. SpA, Turin ¹	Bank	EUR	28'000	5.68	5.68	5.68	
Aduno Holding AG, Zurich ¹	Credit card issuer company	CHF	25'000	1.80	1.80	1.80	
SIX Group AG, Zurich ¹	Financial services company	CHF	19'522	0.69	0.69	0.69	
Dynamic Securities SA, Athens ¹	Brokerage firm	EUR	6'989	19.95	19.95	19.95	
BSI Laran SA, Lugano ²	Investment company	CHF	100	100.00	100.00	100.00	
Significant non-consolidated participations and entered under "Financial investments"							
IFA SA, Paris ³	Investment company	EUR	15'785	51.00	51.00	51.00	

¹ The percentage held is less than the 20% threshold.

² Participation is considered not material.

³ In liquidation.

3.8 Presentation of tangible fixed assets

	2015								
	Acquisition cost	Accumulated depreciation	Book value at 31.12.2014	Reclassifications	Additions	Disposals	Depreciation	Reversals	Book value at 31.12.2015
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Bank buildings	273'816	-86'400	187'416		4'421		-4'771		187'066
Other real estate	58'977	-37'748	21'229		38	-6'273	-930		14'064
Proprietary or separately acquired software	268'150	-139'480	128'670		15'132	-64	-25'092		118'646
Other tangible fixed assets	148'922	-125'125	23'797		9'340	-1'994	-7'971		23'172
Total	749'865	-388'753	361'112		28'931	-8'331	-38'764		342'948

	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000
Leasing contracts not posted in the Balance Sheet: pledges arising from future leasing installments	71	127
Coming due in less than 1 year	28	57
Coming due in more than 1 year	43	70

3.9 Presentation of intangible assets

	2015								
	Cost value	Accumulated amortisation	Book value at 31.12.2014	Reclassifications	Additions	Disposals	Depreciation	Reversals	Book value at 31.12.2015
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Goodwill	1'168	-779	389			-31	-358		
Other intangible assets	14'156	-3'182	10'974			-718	-1'253		9'003
Total	15'324	-3'961	11'363			-749	-1'611		9'003

3.10 Breakdown of other assets and other liabilities

	Other assets		Other liabilities	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Compensation account	35'742	43'535		
Deferred income taxes recognised as assets	5'217	4'307		
Amount recognised as assets in respect of employer	2'000	2'000		
Others	41'114	48'112	113'748	124'901
Total	84'073	97'954	113'748	124'901

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

	Book value		Effective commitment	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Assets pledged or put up as collateral	165'850	300'216	37'585	102'647
Total	165'850	300'216	37'585	102'647

3.12 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Commitments to pension institutions	49'344	60'509	-18.5

The Bank's commitments towards its own pension institutions are equivalent to the cash held by the pension institutions.

3.13 Disclosures on the economic situation of own pension schemes

The "Fondazione di previdenza BSI SA" (Foundation) provides pension insurance to all employees of the Parent Bank, as well as to employees of Swiss subsidiaries, affiliates or companies / entities in which it has interests to protect, with the exception of interns, trainees, volunteers and collaborators with fixed-term contract exceeding three months or an advisory mandate. Employees with a fixed-term employment contract exceeding three months or a temporary or permanent advisory mandate have occupational pension insurance with a primary pension institution.

The Foundation, which guarantees occupational pension plans in compliance with the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (LPP) and the provisions thereof, applied a defined-benefit plan until 31 December 2014, while the regulation introduced on 1 January 2015 requires a benefit plan according to which retirement pensions are calculated by applying the conversion rate to the individual savings accumulated at retirement date. Retirement benefits in the event of incapacity or death are based instead, under both the previous and the new regulations, on the employee's last salary prior to the occurrence of the insured event.

The "Fondo Complementare di previdenza BSI SA" (Fund), formerly the "Fondo per prestazioni a carattere sociale di BSI SA", consists of a defined-benefit supplementary plan. The Fund insures employees already covered by the Foundation, whose annual insured salary is four times the maximum AVS retirement pension or whose entry benefit generated a purchase surplus.

The statutory retirement age is set at 64 for both the Foundation and the Fund.

As at 31.12.2015, the responsible actuary determined the pension funds and actuarial provisions, taking into account the changes introduced to the Foundation and the Fund on 1 January 2015, applying the technical rate of 2.75% and the 2010 LPP generational technical bases. On the basis of these actuarial estimates, coverage at 31.12.2015 stands at 100/101% for the Foundation (31.12.2014: 101.9%, technical rate 2.75%, 2010 LPP generational tables) and 104/105% for the Fund (31.12.2014: 108.1%, technical rate 2.75%, 2010 LPP generational tables).

In accordance with Article 57, paragraphs 1 and 2, of the Provision on Occupational Retirement, Survivors' and Disability Pension Plans (OPP2), BSI Ltd. undertakes, through the formation of a collateral deposit, to guarantee the liquidity held by the Foundation and the Fund at BSI Ltd.

A. Disclosures on the economic situation of own pension schemes

	Nominal	Waiver	Other	Lending	Balance sheet	
	value	of use	value	value	31.12.2015	31.12.2014
	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Pension fund / Pension institution						
Fondo Complementare di previdenza BSI SA (formerly Fondo per prestazioni a carattere sociale di BSI SA) (booked under "Other assets")	2'000				2'000	2'000
Total	2'000				2'000	2'000

Throughout 2014, the BSI Group wrote back CHF 11.0 million in the profit and loss statement under "Value adjustments, provisions and losses" to finance staff reduction measures as a part of the operational excellence program.

B. Presentation of the economic benefit / obligation and the pension expenses

	Cover surplus / deficit	Financial share paid by the organisation	Financial share paid by the organisation	Change from previous financial year /	Contributions adjusted for the current period	Pension expenses in personnel expenses	Pension expenses in personnel expenses
				with impact on financial result			
	31.12.2015	31.12.2015	31.12.2014			2015	2014
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Pension fund / Pension institution							
Fondazione di previdenza di BSI SA							
without cover surplus / deficit					16'339	16'339	19'394
Fondo Complementare di previdenza BSI SA (formerly Fondo per prestazioni a carattere sociale di BSI SA)							
without cover surplus / deficit					5'220	5'220	5'803
Total					21'559	21'559	25'197

C. Employees of foreign branches and affiliates

Employees of foreign branches and affiliates have occupational pension insurance in their respective countries according to local laws. The relevant costs are entered under "Personnel expenses".

	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000
Pension insurance costs included in the costs of staff	2'014	2'411

3.14 Presentation of issued structured products

	Book value				Total CHF 1'000
	Valued as a whole		Valued separately		
	Booked in trading portfolio CHF 1'000	Booked in other financial instruments at fair value CHF 1'000	Value of the host instrument CHF 1'000	Value of the derivative CHF 1'000	
Underlying risk of the embedded derivative					
Equity securities					
with own debenture component (oDC)	–	324'960			324'960
without own debenture component (oDC)					
Total		324'960			324'960

3.15 Presentation of bonds outstanding and mandatory convertible bonds

Issuer		Weighted average interest rate	Maturities	Amount CHF 1'000
BSI SA, Lugano	Subordinated without PONV ¹ clause	5.25%	23.12.2021	99'522
Total				99'522

¹ Point of non viability.

Overview of maturities of bonds outstanding

Issuer	Maturities						Total CHF 1'000
	within one year CHF 1'000	from 1 to 2 years CHF 1'000	from 2 to 3 years CHF 1'000	from 3 to 4 years CHF 1'000	from 4 to 5 years CHF 1'000	after 5 years CHF 1'000	
BSI SA, Lugano						99'522	99'522

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

	2015							Situation 31.12.2015 CHF 1'000
	Situation 31.12.2014 CHF 1'000	Use in conformity with designated purpose CHF 1'000	Reclassifica- tions CHF 1'000	Currency difference CHF 1'000	Past due interest, recoveries CHF 1'000	New creations charged to income CHF 1'000	Releases to income CHF 1'000	
Provisions for deferred taxes	2'335		-	-190	-	160	-6	2'299
Provisions for default risks	7'854	-51		-94			-984	6'725
Provisions for other business risks	2			105		3'145		3'252
Provisions for restructuring	9'149	-2'920	-	51		1'866		8'146
Other provisions	268'744	-223'054		-5'075		7'123	-1'462	46'276
Total provisions	288'084	-226'025		-5'203		12'294	-2'452	66'698
Reserves for general banking risks	85'689	-		-884	-	16'975		101'780
Value adjustments for default and country risks	104'462	-24'530		-6'800	2'453	18'446	-5'730	88'301
<i>of which value adjustments for default risks in respect of impaired loans / receivables</i>	<i>100'281</i>	<i>-24'530</i>		<i>-6'766</i>	<i>2'453</i>	<i>18'446</i>	<i>-1'788</i>	<i>88'096</i>
<i>of which value adjustments for latent risks</i>	<i>4'181</i>			<i>-34</i>			<i>-3'942</i>	<i>205</i>

3.17 Presentation of the bank's capital

	31.12.2015			31.12.2014		
	Total par value CHF 1'000	No. of shares	Capital eligible for dividend CHF 1'000	Total par value CHF 1'000	No. of shares	Capital eligible for dividend CHF 1'000
Bank's capital						
Share capital (fully paid up)	1'840'000	18'400'000	1'840'000	1'840'000	18'400'000	1'840'000
Total bank's capital	1'840'000	18'400'000	1'840'000	1'840'000	18'400'000	1'840'000
Authorized capital	1'840'000	18'400'000	1'840'000	1'840'000	18'400'000	1'840'000

3.18 Number and value of equity securities or options on equity securities held by all executives and directors and by employees

As at 31.12.2015 there is no equity participation plan for staff.

3.19 Disclosure of amounts due from / to related parties

	Amounts due from		Amounts due to	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Transactions on the balance sheet				
Holders of qualified participations				11'261
Non-consolidated companies	22'394	22'452	39'238	34'469
Linked companies		100'782		30'577
Bank bodies	18'423	17'005	9'400	17'774
Total	40'817	140'239	48'638	94'081

Volumes	
31.12.2015	31.12.2014 ¹
CHF 1'000	CHF 1'000

Off balance sheet operations to bank bodies

Forward transactions on foreign currencies	800
Contingent liabilities	68

¹ Figures as at 31.12.2014 are not published as per marginal figure 627 of FINMA Circular 2015/1.

Off-balance sheet loans and transactions to Bank bodies are granted at the same conditions applied to employees. Due to their lower credit risk, employees generally receive an interest rate reduction depending on the type of loan. Liabilities to bank bodies are repaid at the same conditions applied to employees.

On-balance sheet and off-balance sheet transactions with non-consolidated businesses and Bank bodies are all undertaken at market conditions.

3.20 Disclosure of holders of significant participations

	31.12.2015		31.12.2014	
	Nominal	% of equity	Nominal	% of equity
	CHF 1'000	in %	CHF 1'000	in %
with voting rights	Participatie Maatschappij Graafschap Holland NV, Diemen (NL) ¹		1'840'000	100.0
with voting rights	BSI Holdings AG, Zurich ² (formerly BTG Pactual Holding AG, Zurich)		1'840'000	100.0

¹ Company wholly and directly owned by the Assicurazioni Generali Group, Trieste.

² Company indirectly owned by BTG Pactual, Sao Paulo, Brazil.

3.21 Disclosure of own shares and composition of equity capital

No treasury shares are or have been held by BSI Ltd. since the shareholders have always owned the entire shareholding of BSI Ltd.

3.22 Disclosures in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations and Article 663c para. 3 CO for banks whose equity securities are listed

The shares of BSI SA are not listed.

3.23 Presentation of the maturity structure of financial instruments

	Residual maturity							Total
	At sight	Subject to notice	due within 3 months	due within 3 to 12 months	due within 12 months to 5 years	after 5 years	fixed	
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	
Assets / Financial instruments								
Liquid assets	3'671'497	–	–	–	–	–	–	3'671'497
Amounts due from banks	592'578	59'991	809'005	574'665	82'604	–	–	2'118'843
Amounts due from securities financing transactions	–	–	–	54'175	–	–	–	54'175
Amounts due from customers	–	2'547'389	2'514'538	777'782	355'038	37'331	–	6'232'078
Mortgage loans	1'945	426'239	1'185'573	475'550	1'240'708	865'797	–	4'195'812
Trading portfolio assets	1'022'342	–	–	–	–	–	–	1'022'342
Positive replacement values of derivative financial instruments	307'249	–	–	–	–	–	–	307'249
Financial investments	130'824	–	947'732	777'796	715'703	293'012	10'943	2'876'010
Total 31.12.2015	5'726'435	3'033'619	5'456'848	2'659'968	2'394'053	1'196'140	10'943	20'478'006
31.12.2014	5'930'389	2'433'314	8'032'911	3'437'134	2'425'065	1'117'246	12'218	23'388'277
Debt capital / Financial instruments								
Amounts due to banks	231'307	26'157	17'914	–	–	–	–	275'378
Amounts due in respect of customer deposits	16'602'426	653'898	241'755	74'463	14'224	–	–	17'586'766
Trading portfolio liabilities	180'825	–	–	–	–	–	–	180'825
Negative replacement values of derivative financial instruments	338'649	–	–	–	–	–	–	338'649
Liabilities from other financial instruments at fair value	324'960	–	–	–	–	–	–	324'960
Bond issues and central mortgage institution loans	–	–	–	–	–	99'522	–	99'522
Total 31.12.2015	17'678'167	680'055	259'669	74'463	14'224	99'522	–	18'806'100
31.12.2014	18'858'861	1'213'537	1'096'499	236'430	141'501	99'036	–	21'645'864

3.24 Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

	31.12.2015		31.12.2014	
	Switzerland	Foreign	Switzerland	Foreign
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Assets				
Liquid assets	3'533'179	138'318	2'914'230	64'729
Amounts due from banks	438'121	1'680'722	362'721	2'275'842
Amounts due from securities financing transactions		54'175		173'314
Amounts due from customers	980'732	5'251'346	1'088'516	6'247'345
Mortgage loans	3'115'732	1'080'080	3'136'508	1'198'213
Trading portfolio assets	424'341	598'001	384'579	858'828
Positive replacement values of derivative financial instruments	75'125	232'124	164'308	527'410
Financial investments	224'443	2'651'567	174'593	3'817'141
Accrued income and prepaid expenses	8'952	45'423	11'623	56'246
Participations	16'960	7'768	15'031	32'795
Tangible fixed assets	336'146	6'802	352'212	8'900
Intangible assets	1'298	7'705	2'287	9'076
Other assets	42'301	41'772	42'695	55'259
Total assets	9'197'330	11'795'803	8'649'303	15'325'098
Liabilities				
Amounts due to banks	115'305	160'073	191'290	549'501
Amounts due in respect of customer deposits	4'771'375	12'815'391	5'293'579	14'135'568
Trading portfolio liabilities	2'324	178'501	64	263'105
Negative replacement values of derivative financial instruments	94'625	244'024	176'831	561'568
Liabilities from other financial instruments at fair value	143'233	181'727	164'475	210'848
Bond issues and central mortgage institution loans		99'522		99'036
Accrued expenses and deferred income	123'331	89'029	127'047	115'526
Other liabilities	30'028	83'720	56'927	67'974
Provisions	56'439	10'259	278'466	9'618
Reserves for general banking risks	101'780		85'689	
Bank's capital	1'840'000		1'840'000	
Retained earnings reserves	-260'074		-254'958	
Group profit	112'521		2'247	
Total liabilities	7'130'887	13'862'246	7'961'657	16'012'744

3.25 Breakdown of total assets by country or group of countries (domicile principle)

	31.12.2015		31.12.2014	
	CHF 1'000	Participation in %	CHF 1'000	Participation in %
Switzerland	9'197'330	43.8	8'649'303	36.1
Other OECD countries	5'655'758	26.9	8'127'932	33.9
Other European countries	925'691	4.4	698'507	2.9
Caribbean and Latin America	2'651'275	12.6	3'055'801	12.7
Other	2'563'079	12.3	3'442'858	14.4
Total	20'993'133	100.0	23'974'401	100.0

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

	Net foreign exposure		Net foreign exposure	
	31.12.2015		31.12.2014 ¹	
Moody's (converted by SERV)	CHF 1'000	in %	CHF 1'000	in %
Aaa - AA3	8'856'983	82.9		
A1 - A3	350'761	3.3		
Baa1 - Baa3	356'683	3.3		
Ba1 - Ba3	343'623	3.2		
B1 - B3	21'905	0.2		
Caa1 - C	10'357	0.1		
Unrated	741'216	6.9		
Total	10'681'529	100.0		

¹ Figures as at 31.12.2014 are not published as per marginal figure 627 of FINMA Circular 2015/1.

The Moody's system as converted by SERV (Schweizerische Exportrisikoversicherung) is used.

3.27 Presentation of assets and liabilities broken down by the most significant currencies for the bank

Equivalent in CHF 1'000

	CHF	USD	EUR	JPY	Other	Total
Assets						
Liquid assets	3'477'027	6'219	184'355	193	3'703	3'671'497
Amounts due from banks	271'338	953'965	530'176	21'497	341'867	2'118'843
Amounts due from securities financing transactions			54'175			54'175
Amounts due from customers	849'385	3'175'802	1'311'443	73'336	822'112	6'232'078
Mortgage loans	3'114'293	136'819	212'998	2'505	729'197	4'195'812
Trading portfolio assets	25'356	331'420	225'002	3'389	437'175	1'022'342
Positive replacement values of derivative financial instruments	213'668	53'545	11'645	6'814	21'577	307'249
Financial investments	164'647	1'644'877	885'425		181'061	2'876'010
Accrued income and prepaid expenses	7'815	15'573	28'139	41	2'807	54'375
Participations	17'918	30	6'776		4	24'728
Tangible fixed assets	336'392	763	5'793			342'948
Intangible assets	1'298	1'199	6'506			9'003
Other assets	46'866	18'136	17'023		2'048	84'073
Total assets shown in balance sheet	8'526'003	6'338'348	3'479'456	107'775	2'541'551	20'993'133
Spot, forward and option contracts not yet delivered	8'493'798	13'484'150	10'055'672	2'109'366	3'305'351	37'448'337
Total assets	17'019'801	19'822'498	13'535'128	2'217'141	5'846'902	58'441'470
Liabilities						
Amounts due to banks	18'400	90'129	68'277	118	98'454	275'378
Amounts due in respect of customer deposits	3'800'138	7'286'984	5'048'536	32'109	1'418'999	17'586'766
Trading portfolio liabilities	6'559	114'208	56'677		3'381	180'825
Negative replacement values of derivative financial instruments	240'439	45'520	24'798	5'720	22'172	338'649
Liabilities from other financial instruments at fair value	31'704	151'827	135'023	3'554	2'852	324'960
Bond issues and central mortgage institution loans		99'522				99'522
Accrued expenses and deferred income	134'633	53'467	20'486	4	3'770	212'360
Other liabilities	51'481	22'642	39'525	83	17	113'748
Provisions	36'829	23'427	6'442			66'698
Reserves for general banking risks	101'780					101'780
Bank's capital	1'840'000					1'840'000
Retained earnings reserves	-260'074					-260'074
Group profit	112'521					112'521
Total liabilities shown in the balance sheet	6'114'410	7'887'726	5'399'764	41'588	1'549'645	20'993'133
Spot, forward and option contracts not yet delivered	10'882'304	12'258'951	8'118'122	1'963'348	4'284'412	37'507'137
Total liabilities	16'996'714	20'146'677	13'517'886	2'004'936	5'834'057	58'500'270
Net position per currency	23'087	-324'179	17'242	212'205	12'845	-58'800

4. Information on off-balance sheet business

4.1 Breakdown of contingent liabilities and contingent assets

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Guarantees to secure credits and similar	1'620'705	1'770'646	-8.5
Performance guarantees and similar	64'705	92'351	-29.9
Irrevocable commitments arising from documentary letters of credit	200'953	271'084	-25.9
Total contingent liabilities	1'886'363	2'134'081	-11.6

4.2 Breakdown of credit commitments

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Commitments arising from deferred payments	3'068	2'775	10.6
Total credit commitments	3'068	2'775	10.6

4.3 Breakdown of fiduciary transactions

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Fiduciary investments with third-party companies	1'651'933	1'945'743	-15.1
Total	1'651'933	1'945'743	-15.1

4.4 Breakdown of managed assets and presentation of their development

A. Breakdown of managed assets

Type of managed assets	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Assets in collective investment schemes managed by the bank	4'101'594	4'985'877	-17.7
Assets under discretionary asset management agreements	14'765'646	19'002'863	-22.3
Other managed assets	58'357'833	68'340'934	-14.6
Total managed assets (including double counting)	77'225'073	92'329'674	-16.4
<i>of which double counting</i>	3'861'386	4'885'334	-21.0

B. Presentation of the development of managed assets

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Total managed assets (including double counting) at beginning	92'329'674	89'376'387	3.3
+/- net new money inflow or net new money outflow	-9'320'599	-626'716	1'387.2
+/- price gains / losses, interest, dividends and currency gains / losses	-4'547'930	5'471'477	-183.1
+/- other effects ¹	-1'236'072	-1'891'474	-34.7
Total managed assets (including double counting) at end	77'225'073	92'329'674	-16.4
Assets under custody²	7'049'177	1'692'496	316.5
Client assets	84'274'250	94'022'170	-10.4

¹ "Other effects" 2015 related to reclassification from "Other assets under management" to "Assets under custody";

"Other effects" 2014 related partially to reclassification of CHF 922.6 million from "Other assets under management" to "Assets under custody" and partially to the change in the scope of consolidation for CHF 968.8 million following the sale of Thalia SA.

² "Assets under custody" refers to client assets subject to contracts for the custody-only services thereof.

Definition of "Assets under Management" (AuM)

Assets under management (AuM) consist of client assets managed or deposited at the BSI Group for investment purposes. The BSI Group provides clients management or consultancy services. Custody-only services are excluded from the calculation of assets under management (and are separately classified as "Assets under custody").

"Asset management mandates" refer to assets for which clients delegate investment decisions to the BSI Group (including assets deposited with third parties).

"Other assets under management" refer to assets for which final investment decisions are made by the clients themselves.

The calculation of assets under management is carried out in accordance with FINMA guidelines.

Definition of "Assets under Custody" (AuC)

Assets under custody (AuC) consist of client assets deposited at the BSI Group for the sole purposes of custody or carrying out custody-related transactions. The BSI Group does not provide any management or consultancy services for such assets.

Definition of "Net New Money" (NNM)

Net New Money consists of contributions by new clients, outflows due to the end of relationships with clients and inflows or outflows in relation to existing customers.

The scope of clients used to calculate Net New Money is the same used for the calculation of assets under management. The calculation is based on transactions carried out by clients. New uses as well as the repayment of credit lines are included among the relevant transactions for the purposes of calculating Net New Money.

Interests and dividends received by clients in the context of asset management or consultancy, changes in the market or foreign exchange rates, as well as commissions paid by customers are not included among the relevant transactions for the purposes of calculating Net New Money. The effects of acquisitions or disposals related to subsidiaries or affiliates of the BSI Group are reported separately.

5. Information on the profit and loss statement

5.1 Breakdown of the result from trading activities and the fair value option

A. Breakdown by business area (in accordance with the organisation of the bank / financial group)

	2015	2014 ¹
	CHF 1'000	CHF 1'000
Banks	156'395	
Asset managers	7'427	
Natural Persons	4'687	
Public entities	3'302	
Financial companies	2'290	
Investment funds	877	
Trade	-2'391	
Others	-944	
Total	171'643	

¹ The 2014 data are not published according to the marginal figure 627 of the FINMA Circular 2015/1.

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

	2015	2014	Change
	CHF 1'000	CHF 1'000	in %
Result from trading activities from:			
Interest rate instruments (including funds)	19'895	18'670	6.6
Equity securities (including funds)	13'776	30'992	-55.5
Foreign currencies	114'404	87'211	31.2
Commodities / Precious metals	23'568	12'443	89.4
Total result from trading activities	171'643	149'316	15.0
<i>of which from fair value option</i>	2'983	3'019	-1.2
<i>of which from fair value option on liabilities</i>	2'983	3'019	-1.2

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

	2015	2014	Change
	CHF 1'000	CHF 1'000	in %
Income from refinancing included in interest and discount income	380	691	-45.0
Negative interest included in "Interest and discount income"	-14'970		100.0
Negative interest included in "Interest expenses"	2'661		100.0
Total	-11'929	691	-1'826.3

5.3 Breakdown of personnel expenses

	2015	2014	Change
	CHF 1'000	CHF 1'000	in %
Salaries	319'077	345'889	-7.8
Social insurance benefits	27'329	31'866	-14.2
Changes in book value for economic benefits and obligations arising from pension schemes	23'573	27'896	-15.5
Other personnel expenses	15'059	20'752	-27.4
Total	385'038	426'403	-9.7

5.4 Breakdown of general and administrative expenses

	2015	2014	Change
	CHF 1'000	CHF 1'000	in %
Office space expenses	31'573	34'572	-8.7
Expenses for information and communications technology	118'549	122'912	-3.5
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	363	450	-19.3
Fees of audit firm(s) (Art. 961a no. 2 CO)	3'791	4'183	-9.4
<i>of which for financial and regulatory audits</i>	3'751	4'183	-10.3
<i>of which for other services</i>	40		100.0
Other operating expenses	70'426	110'137	-36.1
Total	224'702	272'254	-17.5

5.5 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

	2015	2014	Change
	CHF 1'000	CHF 1'000	in %
Extraordinary income			
Recovered losses	721	313	130.4
Profit from sale of fixed assets		1'852	-100.0
Gain on the sale of participations	7'338	9'332	-21.4
Other extraordinary income	1'341	2'643	-49.3
Total	9'400	14'140	-33.5
Extraordinary expenses			
Losses on sale of participations		-1'099	-100.0
Losses on sale of fixed assets	-917	-57	1'508.8
Other extraordinary expenses	-207	-37	459.5
Total	-1'124	-1'193	-5.8
Net change of reserves for general banking risks			
Creation of reserves for general banking risks	-16'975		100.0
Release of reserves for general banking risks		60'303	-100.0
Total	-16'975	60'303	-128.1
Release of value adjustments and freed-up provisions			
Release of value adjustments and provisions	2'446	2'693	-9.2
Total	2'446	2'693	-9.2

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

No revaluations were carried out during the year under review.

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

	2015		2014	
	Switzerland	Foreign	Switzerland	Foreign
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Result from interest operations	143'236	30'298	158'083	36'445
Result from commission business and services	287'548	167'255	327'653	185'202
Results from trading activities and fair value option	134'649	36'994	119'893	29'423
Other results from ordinary activities	15'863	717	11'478	811
Net operating result	581'296	235'264	617'107	251'881
Personnel expenses	-261'007	-124'031	-282'071	-144'332
General and administrative expenses	-184'679	-40'023	-229'900	-42'354
Operating expenses	-445'686	-164'054	-511'971	-186'686
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-36'886	-3'702	-38'814	-3'496
Changes to provisions and other value adjustments and losses	-11'771	-1'488	-183'067	-2'777
Result of the year	86'953	66'020	-116'745	58'922

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

	2015	2014
	CHF 1'000	CHF 1'000
Creation of deferred tax assets	-171	-83
Release of deferred tax assets	453	493
New provisions for deferred taxes	160	6
Release of provisions for deferred taxes	-6	-6'083
Current year tax liability	32'179	15'295
Changes in tax receivables on booked tax losses carried forward	-861	3'552
Total	31'754	13'180
Tax credits on tax losses not on balance sheet	2'974	2'089 ¹
Average tax rate	20.76	17.86

¹ The 2014 figure was corrected.

The average tax rate for 2014 was calculated without taking into account provisions for the litigation against the DOJ since its tax deductibility has not yet been defined.

5.9 Disclosures and explanations of the earnings per equity security in the case of listed banks

The shares of BSI SA are not listed.

6. Information required in accordance with FINMA Circular 2008/22 on Capital Adequacy Disclosure

6.1 Presentation of available shareholders' equity

	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000
Available shareholders' equity		
Share capital	1'840'000	1'840'000
Reserves for general banking risks	101'780	85'689
Capital reserve		
Reserve and retained earnings		
Group losses brought forward	-260'074	-254'958
Group profit	112'521	2'247
Subtotal of basic shareholders' equity	1'794'227	1'672'978
- Goodwill		-389
- Other intangible assets	-9'003	-10'974
- Other amounts arising from shareholders' equity	-1'864	-2'300
Total basic shareholders' equity (CET1)	1'783'360	1'659'315
+ Additional shareholders' equity (AT1)		
Total basic shareholders' equity (T1)	1'783'360	1'659'315
Total additional shareholders' equity (T2)	69'666	79'229
Total available shareholders' equity	1'853'026	1'738'544
Total risk-weighted positions	8'052'263	10'068'463
CET1 Ratio	21.91%	16.29%
Total Capital Ratio	22.78%	17.08%

6.2 Presentation of required shareholders' equity

	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000
Credit risks (in accordance with the standard approach)	430'601	533'594
of which equities and shares in collective investment schemes	22'648	25'923
Risks not linked to counterparties	28'311	29'866
Market risk (in accordance with the standard approach)	76'557	126'650
of which relating to bonds (general and specific market risk)	25'532	30'069
of which relating to equities	22'690	17'253
of which relating to currencies and precious metals	9'016	61'451
of which relating to commodities	9'902	10'460
Operating risks (in accordance with the standard approach)	107'498	109'139
Items not deducted in accordance with 3 threshold ¹	1'213	6'228
Total required shareholders' equity	644'181	805'477
Ratio of available shareholders' equity to required shareholders' equity	287.66%	215.84%

¹ Basel III pursuant to art. 40 CAO.

6.3 Credit risk by type of counterparty

	Governments and central banks	Banks and securities traders	Corporations under public law	Corporation	Individuals, small and medium-sized companies (retail)	Equities and shares in collective investment schemes	Other	Total
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Loan commitments								
Balance sheet / loans ¹								
Liquid assets							3'671'497	3'671'497
Due from banks	3'634	1'919'455	23'581	172'174				2'118'843
Due from customers	85'244	612'061	124'407	2'817'153	2'593'213			6'232'078
Mortgage loans	2'389	21'023		920'552	3'251'848			4'195'812
Financial investments ²	1'363'005	910'647	303'585	155'707		151'661	128'320	3'012'925
Other assets	2'529	80'086	12	870			575	84'073
Total at 31.12.2015	1'456'801	3'543'272	451'585	4'066'456	5'845'061	151'661	3'800'392	19'315'228
31.12.2014	2'214'029	6'075'429	396'667	4'596'295	5'731'994	185'919	3'199'028	22'399'361
Off-balance sheet								
Contingent liabilities	55'073	398'625	2'353	200'110	162'628			818'789
Irrevocable commitments			32'970		88'391			121'361
Obligations to pay up shares and make further contributions		322						322
Credit commitments		3'020		49				3'068
Total at 31.12.2015	55'073	401'967	35'323	200'159	251'019			943'540
31.12.2014	3'585	526'435	35'745	358'100	237'557			1'161'422

¹ According to FINMA Circular 2015/01.² Reclassification of Hedge Funds portfolio.

6.4 Credit risk mitigation

		Covered by recognised financial guarantees	Covered by guarantees and derivatives	Covered by other guarantees	Total
		CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Loan commitments / Counterparty risk on balance sheet closing					
Balance sheet / Loans¹					
Due from banks		431'928	23'581		455'508
Due from customers		4'760'499	253'102	453'765	5'467'366
Mortgage loans		336'568	49'797	3'752'663	4'139'027
Financial investments ²			457'433	111'774	569'207
Other assets					
Total at 31.12.2015		5'528'994	783'913	4'318'202	10'631'108
31.12.2014		6'140'451	1'300'712	4'363'165	11'804'328
Off-balance sheet					
Contingent liabilities		369'926	14'555	2'061	386'542
Irrevocable commitments				769	769
Obligations to pay up shares and make further contributions					
Credit commitments					
Total at 31.12.2015		369'926	14'555	2'830	387'311
31.12.2014		440'090	4'106	3'009	447'205

¹ According to FINMA Circular 2015/01.

² Reclassification of Hedge Funds portfolio.

6.5 Breakdown of credit risk

	Weighting of regulated risk								Total	
	0%	20%	35%	50%	75%	100%	150%	> = 250%		
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	
Loan commitments / Counterparty risk on balance sheet closing										
Balance sheet / Loans¹										
Liquid assets	3'671'497									3'671'497
Due from banks	435'561	1'055'410		553'003		74'865	4			2'118'843
Due from customers	4'900'541	80'723	3'155'918	146'526	56'590	641'783	7'397			6'232'078
Mortgage loans	347'712	38'473	3'155'918	180	61'894	582'537	9'099			4'195'812
Financial investments ²	1'531'706	397'577		911'186		23'802	148'653			3'012'925
Other assets	37'913	44'020		710		1'430				84'073
Total at 31.12.2015	10'924'930	1'616'202	3'554'436	1'611'605	118'485	1'324'416	165'154			19'315'228
31.12.2014	11'732'326	1'435'553	3'439'267	3'984'938	124'106	1'489'348	193'823			22'399'361
Off-balance sheet										
Contingent liabilities	377'759	13'865	543	370'502	6'399	49'720				818'789
Irrevocable commitments		32'970	769			87'622				121'361
Obligations to pay up shares and make further contributions						322				322
Credit commitments		2'925		95		49				3'068
Total at 31.12.2015	377'759	49'760	1'312	370'597	6'399	137'713				943'540
31.12.2014	443'341	45'114	1'116	440'669		231'182				1'161'422

¹ According to FINMA Circular 2015/01.

² Reclassification of Hedge Funds portfolio.

6.6 Geographical credit risk (domicile of the collateral)

	Switzerland	Oceania	North America	Latin America	Europe	Caribbean	Asia	Africa	Other	Total
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Loan commitments										
Balance sheet / Loans ¹										
Due from banks	438'145	50'613	45'808	12'295	814'661	88'077	667'711	1'532		2'118'843
Due from customers	1'002'343	101'512	376'904	241'797	2'017'061	1'258'016	1'144'014	90'432		6'232'078
Mortgage loans	3'116'105		130'353		639'645	1'186	308'523			4'195'812
Financial investments ²	224'858	114'725	648'818		1'883'241	30'081	111'203			3'012'925
Other assets	40'580		2'178		33'553	706	7'055			84'073
Total at 31.12.2015	4'822'031	266'850	1'204'060	254'092	5'388'161	1'378'066	2'238'506	91'964		15'643'730
31.12.2014	5'194'754	268'626	1'500'163	179'780	7'374'744	2'005'835	2'809'100	87'400		19'420'402
Off-balance sheet										
Contingent liabilities	389'276	1'462	63'500	20'362	160'518	102'616	71'431	9'623		818'789
Irrevocable commitments	121'361									121'361
Obligations to pay up shares and make further contributions	322									322
Credit commitments	95				49		2'925			3'068
Total at 31.12.2015	511'054	1'462	63'500	20'362	160'567	102'616	74'356	9'623		943'540
31.12.2014	656'179	1'204	20'443	24'068	228'871	85'102	133'025	12'530		1'161'422

¹ According to FINMA Circular 2015/01.

² Reclassification of Hedge Funds portfolio.

6.7 Impaired client loans by geographical region

	Switzerland	Oceania	North America	Latin America	Europe	Caribbean	Asia	Africa	Other	Total
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Impaired loans (gross amount)	69'894	10'300	384	14	67'135	23'474	12'037			183'238
Total at 31.12.2015	69'894	10'300	384	14	67'135	23'474	12'037			183'238
31.12.2014	62'002		8'664	222	76'023	21'602				168'513
Individual value adjustments	10'269	457	346	14	48'304	23'491	5'205			88'086
Total at 31.12.2015	10'269	457	346	14	48'304	23'491	5'205			88'086
31.12.2014	12'471		1'502	222	64'686	21'601				100'482

6.8 Contract volumes for credit derivatives in the Bank portfolio

Derivatives	2015		2014	
	Seller	Buyer	Seller	Buyer
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Credit default swaps	23'404	53'701	207'294	241'246
of which from the trading portfolio	23'404	53'701	207'294	235'234
of which from the investment portfolio				6'012

6.9 Presentation of the most important features of regulatory capital instruments

	Share capital	Subordinated loan Tier 2
1 Issuer	BSI Ltd.	BSI Ltd.
2 Identification (e.g. ISIN)	n/a	CH0145635766
3 Law applicable to the instrument	Swiss	Swiss
Prudent basis		
4 Consideration during transitional Basel III regulations (CET1 / AT1 / T2)	CET1	T2
5 Consideration after the Basel III transitional phase (CET1 / AT1 / T2)	CET1	-
6 Calculated at the individual / consolidated / individual and consolidated level	Individual and consolidated	Individual and consolidated
7 Equities / debt securities / hybrid financial instruments / other instruments	Equities	Debt securities
8 Amount calculated on regulatory treasury funds (based on the last treasury fund statement)	CHF 1'840 million	CHF 69.7 million
9 Nominal value of the instrument	CHF 1'840 million	USD 100 million
10 Accounting item	Share capital	Loans with issuers of property bonds and other loans
11 Original issue date	1873	23.12.2011
12 Unlimited or with maturity	n/a	with maturity
13 Original maturity date	n/a	23.12.2021
14 Rescindable by the issuer (with consent from the Supervisory Authority)	n/a	yes
15 Period of notice of termination to be chosen / conditional period of notice of termination / reimbursement amount		23.11.2016 at 100% of the notional value
16 Subsequent termination clauses, if applicable	n/a	every 6 months
Coupons / dividends		
17 Fixed / variable / first fixed then variable / first variable then fixed	dividend	first fixed, then variable
18 Nominal coupon and reference index, if any	n/a	5.25% until 23.12.2016, then Libor +4%
19 Presence of a "dividend stopper" (waiver of dividends on an instrument involves cancellation of dividends on ordinary shares)	n/a	no
20 Payment of interests / dividends: completely discretionary / Partially discretionary / mandatory	completely discretionary	mandatory
21 Presence of a set-up clause or another reimbursement incentive	n/a	no
22 Not cumulative or cumulative	n/a	n/a
23 Convertible or non-convertible	n/a	non-convertible
24 If convertible: conversion activation (including through PONV)	n/a	n/a
25 If convertible: total in any case / total or partial / partial in any case	n/a	n/a
26 If convertible: conversion rate	n/a	n/a
27 If convertible: mandatory / optional conversion	n/a	n/a
28 If convertible: type of instrument resulting from the conversion	n/a	n/a
29 If convertible: instrument issuer resulting from the conversion	n/a	n/a
30 Presence of depreciation clause	n/a	no
31 Depreciation activation	n/a	n/a
32 Total / partial	n/a	n/a
33 Lasting or temporary	n/a	n/a
34 In case of temporary depreciation: description of the depreciation mechanism	n/a	n/a
35 Ranking in case of liquidation (specify the instrument with immediately higher ranking)	AT1	not subordinate
36 Presence of features that prevent full recognition pursuant to Basel III	No	No PONV clause
37 If present, description of these features	n/a	n/a

6.10 Risk-weighted assets based on ratings provided by external agencies

	Rating ²	Risk-weighted assets ¹				
		0%	20%	50%	100%	150%
		CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Counterparties						
Central governments and central banks	With rating	858'200		11	9	
	Without rating	60'646	2	56		3
Public entities	With rating		81'124	1	7	
	Without rating		10	74'623	10'707	
Financial sector	With rating	2'299'878	1'317'844		815	2
	Without rating	577'826	594'630	178'537		3
Businesses	With rating	16'591	155'248		2'598	177
	Without rating				3'283'163	27'759

¹ Before the risk management measures (Art. 61 CAO).

² Based on Moody's and S&P's ratings.

6.11 Information on the financial leverage ratio

A. Comparison between booked assets and global obligations

		31.12.2015
		CHF 1'000
1	Global exposure subject to financial leverage	23'382
2	Balance sheet exposure	20'993
3	Adjustments concerning assets deducted from own funds	-11
4	Adjustments concerning derivatives	365
5	Adjustments concerning securities financing transactions (SFT)	1'013
6	Adjustments concerning off-balance sheet operations	1'022

B. Detailed presentation of the financial leverage ratio

7	Total balance sheet exposure (without derivatives and securities financing transactions)	20'621
8	Balance sheet exposure excluding derivatives and securities financing transactions (SFT)	20'632
9	Assets in deduction from own funds	-11
10	Total exposure in derivatives	672
11	Positive replacement values concerning derivatives transactions	252
12	Add-ons concerning derivatives transactions	420
13	Nominal values effected on debt derivatives issued after deductions	23
14	Nominal value compensation on debt derivatives issued	-23
15	Total exposure on securities financing transactions (SFT)	1'067
16	Gross assets concerning SFT transactions	1'064
17	Exposure with SFT counterparties	3
18	Total off-balance sheet exposure	1'022
19	Off-balance sheet exposure in gross nominal values, before the use of equivalent credit conversion factors	7'030
20	Equivalent credit conversion adjustments	-6'008
21	Eligible capital (Tier 1)	1'783
22	Global exposure	23'382
23	Basel III financial leverage ratio	7.6%

6.12 Informations on the Liquidity Coverage Ratio (LCR)

	Q1 2015		Q2 2015	
	Unweighted values (monthly averages)	Weighted values (monthly averages)	Unweighted values (monthly averages)	Weighted values (monthly averages)
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
High-quality liquid assets (HQLA)				
1 Total high quality liquid assets		4'514'536		3'946'678
Cash outflows				
2 Retail deposits and deposits from small business customers	8'530'796	874'046	8'944'746	925'719
3 of which stable deposits	1'716'424	85'821	1'777'051	88'853
4 of which less stable deposits	6'814'372	788'225	7'167'695	836'866
5 Unsecured wholesale funding	10'819'864	7'362'571	9'897'224	5'177'399
6 of which operational deposits (all counterparties)	1'136	284	691	172
7 of which non-operational deposits (all counterparties)	10'814'900	7'358'458	9'891'365	5'172'059
8 of which unsecured debt	3'829	3'829	5'168	5'168
9 Secured wholesale funding		-		-
10 Additional requirements	1'303'239	826'502	1'168'362	820'471
11 of which outflows related to derivatives and other transactions	1'166'002	743'580	1'017'925	715'872
12 of which outflows related to loss of funding on debt products	59'372	59'372	85'956	85'956
13 of which outflows related to committed credit and liquidity facilities	77'866	23'550	64'481	18'642
14 Other contractual funding obligations	971	942	1'953	898
15 Other contingent funding obligations	10'352'339	102'888	10'258'264	104'842
16 Total cash outflows		9'166'950		7'029'328
Cash inflows				
17 Secured lending	634'238	227'146	579'734	280'231
18 Inflows from fully performing exposures	4'729'968	3'377'739	4'256'437	2'873'695
19 Other cash inflows	343'032	343'032	318'865	318'865
20 Total cash inflows	5'707'239	3'947'918	5'155'036	3'472'790
21 Total high quality liquid assets		4'514'536		3'946'678
22 Total net cash outflows		5'219'031		3'556'538
23 Liquidity coverage ratio (%)		87%		111%

	Q3 2015		Q4 2015	
	Unweighted values (monthly averages)	Weighted values (monthly averages)	Unweighted values (monthly averages)	Weighted values (monthly averages)
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
High-quality liquid assets (HQLA)				
1 Total high quality liquid assets		4'712'032		5'200'502
Cash outflows				
2 Retail deposits and deposits from small business customers	9'189'284	953'219	8'458'224	952'280
3 <i>of which stable deposits</i>	1'731'956	86'598	1'443'934	72'197
4 <i>of which less stable deposits</i>	7'457'327	866'621	7'014'290	880'093
5 Unsecured wholesale funding	10'288'822	5'385'757	10'291'949	5'491'903
6 <i>of which operational deposits (all counterparties)</i>	414	97	10'284	2'408
7 <i>of which non-operational deposits (all counterparties)</i>	10'282'655	5'379'907	10'279'807	5'487'636
8 <i>of which unsecured debt</i>	5'752	5'752	1'858	1'858
9 Secured wholesale funding		-		-
10 Additional requirements	1'068'706	823'488	967'809	780'194
11 <i>of which outflows related to derivatives and other transactions</i>	910'262	712'319	872'060	704'350
12 <i>of which outflows related to loss of funding on debt products</i>	92'561	92'561	58'804	58'804
13 <i>of which outflows related to committed credit and liquidity facilities</i>	65'884	18'608	36'945	17'041
14 Other contractual funding obligations	704	192	31'856	812
15 Other contingent funding obligations	10'175'334	105'995	9'127'313	116'774
16 Total cash outflows		7'268'651		7'341'962
Cash inflows				
17 Secured lending	597'018	356'005	271'873	158'481
18 Inflows from fully performing exposures	3'730'133	2'553'836	4'450'711	2'916'355
19 Other cash inflows	412'798	412'798	656'296	656'296
20 Total cash inflows	4'739'949	3'322'639	5'378'880	3'731'132
21 Total high quality liquid assets		4'712'032		5'200'502
22 Total net cash outflows		3'946'013		3'610'831
23 Liquidity coverage ratio (%)		119%		144%

Report of the statutory auditor on the consolidated financial statements



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To the General Meeting of
BSI SA, Lugano

Geneva, 30 March 2016

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of BSI SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 44 to 85), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with the accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the accounting rules 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 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 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.

Ernst & Young Ltd

A handwritten signature in blue ink, appearing to read 'Marco Amato', written over a light blue circular stamp.

Marco Amato
Licensed audit expert
(Auditor in charge)

A handwritten signature in blue ink, appearing to read 'Erico Bertoli', written over a light blue circular stamp.

Erico Bertoli
Licensed audit expert



**We have grown internationally
because we are trusted locally.**

BSI Ltd. financial statements

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Parent Bank balance sheet as of 31 December 2015

(before approval by the General Shareholders Meeting)

		31.12.2015	31.12.2014	Change
	Notes	CHF 1'000	CHF 1'000	in %
Assets				
Liquid assets		3'524'333	2'911'939	21.0
Amounts due from banks		2'464'476	2'694'679	-8.5
Amounts due from securities financing transactions		54'175	173'314	-68.7
Amounts due from customers	1.2	4'391'970	5'103'444	-13.9
Mortgage loans	1.2	3'812'880	3'905'707	-2.4
Trading portfolio assets	1.3	1'010'497	1'175'904	-14.1
Positive replacement values of derivative financial instruments	1.4	319'612	708'687	-54.9
Financial investments	1.5	1'914'754	2'686'711	-28.7
Accrued income and prepaid expenses		33'607	46'801	-28.2
Participations		342'593	349'000	-1.8
Tangible fixed assets		350'021	368'185	-4.9
Intangible assets		1'298	2'163	-40.0
Other assets	1.6	67'338	78'556	-14.3
Total assets		18'287'554	20'205'090	-9.5
Total subordinated claims		59'954	67'888	-11.7
Liabilities				
Amounts due to banks		2'470'308	3'014'954	-18.1
Amounts due in respect of customer deposits		13'150'369	14'000'720	-6.1
Trading portfolio liabilities	1.3	162'090	218'254	-25.7
Negative replacement values of derivative financial instruments	1.4	339'899	745'366	-54.4
Liabilities from other financial instruments at fair value	1.3, 1.10	143'233	164'475	-12.9
Bond issues and central mortgage institution loans	1.11	99'522	99'036	0.5
Accrued expenses and deferred income		133'201	124'048	7.4
Other liabilities	1.6	68'920	66'532	3.6
Provisions	1.12	56'587	278'210	-79.7
Reserves for general banking risks	1.12	90'054	73'537	22.5
Bank's capital	1.13	1'840'000	1'840'000	
Loss carried forward		-420'042	-398'974	5.3
Profit / loss of the period		153'413	-21'068	-828.2
Total liabilities		18'287'554	20'205'090	-9.5
Total subordinated liabilities		111'652	116'984	-4.6
Off-balance-sheet transactions				
Contingent liabilities		1'812'478	2'062'365	-12.1
Irrevocable commitments		33'687	35'318	-4.6
Obligations to pay up shares and make further contributions		319	361	-11.6
Credit commitments		3'068	2'775	10.6

Parent Bank profit and loss statement 2015

		2015	2014	Change
	Notes	CHF 1'000	CHF 1'000	in %
Result from interest operations				
Interest and discount income	3.2	147'431	154'606	-4.6
Interest and dividend income from financial investments		17'223	20'454	-15.8
Interest expense	3.2	-18'273	-23'622	-22.6
Gross result from interest operations		146'381	151'438	-3.3
Changes in value adjustments for default risks and losses from interest operations		-9'477	-2'260	319.3
Subtotal net result from interest operations		136'904	149'178	-8.2
Result from commission business and services				
Commission income from securities trading and investment activities		346'792	386'048	-10.2
Commission income from lending activities		6'555	8'569	-23.5
Commission income from other services		34'968	22'826	53.2
Commission expense		-93'552	-108'834	-14.0
Subtotal result from commission business and services		294'763	308'609	-4.5
Result from trading activities and the fair value option	3.1	138'288	121'240	14.1
Other result from ordinary activities				
Result from the disposal of financial investments		-35	207	-116.9
Income from participations		79'664	87'130	-8.6
Result from real estate		2'455	2'590	-5.2
Other ordinary income		24'185	23'821	1.5
Other ordinary expenses		-2'047	-2'966	-31.0
Subtotal other result from ordinary activities		104'222	110'782	-5.9
Operating expenses				
Personnel expenses	3.3	-268'497	-287'982	-6.8
General and administrative expenses	3.4	-187'185	-232'520	-19.5
Subtotal operating expenses		-455'682	-520'502	-12.5
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets				
		-38'631	-41'151	-6.1
Changes to provisions and other value adjustments and losses	3.5	-12'094	-172'090	-93.0
Operating result		167'770	-43'934	481.9
Extraordinary income	3.5	27'699	10'105	174.1
Extraordinary expenses	3.5	-901	-2'407	-62.6
Changes in reserves for general banking risks	3.5	-16'517	23'600	-170.0
Taxes	3.7	-24'638	-8'432	192.2
Profit / loss of the period		153'413	-21'068	828.2
Appropriation of profit				
		31.12.2015	31.12.2014	Change
		CHF 1'000	CHF 1'000	in %
Net result for the year		153'413	-21'068	828.2
Balance brought forward		-420'042	-398'974	5.3
Balance sheet loss		-266'629	-420'042	-36.5
Proposal of the Board of Directors				
Loss to be carried forward		-266'629	-420'042	-36.5
Total		-266'629	-420'042	-36.5

Presentation of the statement of changes in equity

	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Voluntary retained earnings reserves and profit / loss carried forward	Own shares (negative item)	Result of the period	Total
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Equity at 31.12.2014	1'840'000			73'537	-398'974		-21'068	1'493'495
Allocation of prior-year results					-21'068		21'068	
Other allocations / reductions affecting reserves for general banking risks				16'517				16'517
Profit for the period							153'413	153'413
Equity at 31.12.2015	1'840'000			90'054	-420'042		153'413	1'663'425

Notes to the 2015 Parent Bank financial statements

Accounting and valuation criteria

The accounting, recording and valuation criteria comply with the provisions of the Swiss Code Of Obligations, Swiss Banking Law and related provisions as well as the

directives of the Financial Market Supervisory Authority (FINMA). Please refer to the "Accounting and valuation principles" attached to the Group's accounts, which also apply to the accounts of the Parent Bank.

1. Information on the balance sheet

1.1. Breakdown of securities financing transactions (assets and liabilities)

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Book value of obligations from cash collateral delivered in connection with securities lending and repurchase transactions ¹	54'175	173'314	-68.7
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	1'001'943	1'862'608	-46.2
<i>with unrestricted right to resell or pledge</i>	1'001'943	1'862'608	-46.2
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	2'134'422	4'066'244	-47.5
<i>of which repledged securities</i>	1'008'550	2'007'276	-49.8

¹ Before netting agreements.

1.2 Presentation of collateral for loans and off-balance-sheet transactions, as well as impaired loans

		Type of collateral			
		Secured by mortgage	Other collateral	Unsecured	Total
		CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Loans (before netting with value adjustments)					
Amounts due from customers		297'961	3'615'377	557'156	4'470'494
Mortgage loans		3'768'476	38'042	9'979	3'816'497
<i>Residential property</i>		3'088'885	12'284	1'868	3'103'037
<i>Office and business premises</i>		498'281	6'131	1'127	505'539
<i>Commercial and industrial premises</i>		105'037		6	105'043
<i>Other</i>		76'273	19'627	6'978	102'878
Total at 31.12.2015		4'066'437	3'653'419	567'135	8'286'991
	31.12.2014	4'084'284	4'388'377	636'554	9'109'215
Total loans (after netting with value adjustments)					
Total at 31.12.2015		4'066'437	3'580'003	558'410	8'204'850
	31.12.2014	4'080'173	4'292'424	636'554	9'009'151
Off-balance-sheet					
Contingent liabilities		6'881	322'993	1'482'604	1'812'478
Irrevocable commitments		768		32'919	33'687
Obligations to pay up shares and make further contributions				319	319
Credit commitments				3'068	3'068
Total at 31.12.2015		7'649	322'993	1'518'910	1'849'552
	31.12.2014	8'851	369'383	1'722'585	2'100'819
Impaired loans					
Total at 31.12.2015		177'343	94'933	82'410	82'141
	31.12.2014	168'293	67'492	100'801	100'482

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

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Assets			
Trading assets	1'010'497	1'175'904	-14.1
Debt securities, money market securities / transactions	352'645	485'750	-27.4
<i>of which listed</i>	341'360	468'445	-27.1
Equity securities	89'988	110'046	-18.2
Precious metals and commodities	416'330	378'636	10.0
Other trading portfolio assets	151'534	201'472	-24.8
Total assets	1'010'497	1'175'904	-14.0
<i>of which determined using a valuation model</i>	148'944	183'054	-18.6
<i>of which securities eligible for repo transactions in accordance with liquidity requirements</i>	2'371	13'229	-82.1
Liabilities			
Trading portfolio liabilities	162'090	218'254	-25.7
Debt securities, money market securities / transactions	147'621	205'476	-28.2
<i>of which listed</i>	146'497	203'019	-27.8
Equity securities	6'765	931	626.6
Other trading portfolio liabilities	7'704	11'847	-35.0
Other financial instruments at fair value	143'233	164'475	-12.9
Structured products	143'233	164'475	-12.9
Total liabilities	305'323	382'729	-20.2
<i>of which determined using a valuation model</i>	150'937	176'321	-14.4

1.4 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Interest rate instruments	1'350	1'352	40'274	1'656	46'603	1'518'259
Swaps	1'350	1'350	17'516	1'656	46'603	1'518'259
Futures		2	22'758			
Foreign exchange / precious metals	257'597	223'453	33'111'728	21'228	33'417	4'331'913
Forward contracts including FRAs	202'246	187'938	25'974'720	20'356	27'015	4'017'398
Swaps				872	6'402	314'515
Equity securities / indices	35'383	34'614	1'500'546			
Futures	1'233	59	66'031			
Options (OTC)	34'150	34'555	1'434'515			
Credit derivatives	2'398	460	77'105			
Credit default swaps	2'398	460	77'105			
Total at 31.12.2015 (before netting agreements)	296'728	259'879	34'729'653	22'884	80'020	5'850'172
<i>of which determined using a valuation model</i>	288'346	259'354	–	22'884	80'020	–
Total at 31.12.2014 (before netting agreements)	669'885	654'083	40'533'305	38'802	91'283	6'658'219
<i>of which determined using a valuation model</i>	612'310	597'271	–	38'802	91'146	–
			Positive replacement values (cumulative)			Negative replacement values (cumulative)
Total after netting agreements						
31.12.2015			319'612			339'899
31.12.2014			708'687			745'366
			Central clearing houses		Banks and securities dealers	Other customers
Breakdown by counterparty						
Positive replacement values (after netting agreements)				250'634		68'978

1.5 Breakdown of financial investments

	Book value		Fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Debt securities	1'773'981	2'442'589	1'787'494	2'469'926
<i>of which intended to be held to maturity</i>	1'773'920	2'442'528	1'787'431	2'469'863
<i>of which not intended to be held to maturity (available for sale)</i>	61	61	63	63
Equity securities	12'468	27'215	13'237	28'008
<i>of which qualified participations¹</i>	6'878	17'967	6'878	17'967
Precious metals	117'362	204'689	117'362	204'689
Real estate	10'943	12'218	11'416	12'218
Total	1'914'754	2'686'711	1'929'509	2'714'841
<i>of which securities eligible for repo transactions in accordance with liquidity requirements</i>	323'127	785'580	–	–

¹ At least 10% of capital or votes.

Breakdown of counterparties by rating	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	below B-	unrated
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Debt securities book values	1'477'101	212'192	56'751	55		27'882

1.6 Breakdown of other assets and other liabilities

	Other assets		Other liabilities	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Compensation account	35'114	42'058		
Other	32'224	36'498	68'920	66'532
Total	67'338	78'556	68'920	66'532

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

	Book values		Effective commitments	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Assets pledged or set up as collateral	165'850	300'216	37'585	102'647
Total	165'850	300'216	37'585	102'647

1.8 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Commitments to pension institutions	49'344	59'307	-16.8

The Bank's commitments towards its own pension institutions are equivalent to the cash held by the pension institutions.

1.9 Disclosures on the economic situation of own pension schemes

The "Fondazione di previdenza di BSI SA" (Foundation) provides pension insurance to all employees of the Parent Bank, with the exception of interns, trainees, volunteers and collaborators with fixed-term contract exceeding three months or an advisory mandate. As at 31.12.2015, the total number of active employees insured amounted to 1,189, while the number of pensioners amounted to 964 (as at 31.12.2014, there were 1,266 active employees insured and 937 pensioners). Employees with a fixed-term employment contract exceeding three months or a temporary or permanent advisory mandate have occupational pension insurance with a primary pension institution.

Costs incurred by the Bank for pension purposes are included under "Personnel expenses."

The Foundation, which guarantees occupational pension contributions in compliance with the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (LPP) and its ordinances, implemented a defined-benefit plan until 31 December 2014, while the regulation effective as of 1 January 2015 is based on a defined-contribution system, according to which the old-age pension is calculated by applying the conversion rate to the individual savings accumulated until retirement.

On the contrary, contributions for disability and death are determined, in both the previous and the current regulations, based on the last salary paid before the occurrence of the insured event.

The "Fondo Complementare di BSI SA" (Fund), formerly the "Fondo per prestazioni a carattere sociale di BSI SA", consists of a defined-benefit supplementary plan. The Fund insures employees already covered by the Foundation, whose annual insured salary is four times the maximum AVS retirement pension or whose entry benefit generated a purchase surplus.

The statutory retirement age is set at 64 for both the Foundation and the Fund.

As at 31.12.2015, the responsible actuary determined the pension funds and actuarial provisions, taking into account the changes introduced to the Foundation and the Fund on 1 January 2015, applying the technical rate of 2.75% and the 2010 LPP generational technical bases. On the basis of these actuarial estimates, coverage at 31.12.2015 stands at 100/101% for the Foundation (31.12.2014: 101.9%, technical rate 2.75%, 2010 LPP generational tables) and 104/105% for the Fund (31.12.2014: 108.1%, technical rate 2.75%, 2010 LPP generational tables).

In accordance with Article 57, paragraphs 1 and 2, of the Provision on Occupational Retirement, Survivors' and Disability Pension Plans (OPP2), BSI Ltd. undertakes, through the formation of a collateral deposit, to guarantee the liquidity held by the Foundation and the Fund at BSI Ltd.

A. Disclosures on the economic situation of own pension scheme

BSI Ltd. had no reserves nor did it pay any amounts as contribution reserves.

B. Presentation of the economic benefit / obligation and the pension expenses

	Cover surplus / deficit	Financial share paid by the organisation	Financial share paid by the organisation	Change from previous financial year / with impact on financial result	Contributions adjusted for the period	Pension expenses in personnel expenses	Pension expenses in personnel expenses
	31.12.2015	31.12.2015	31.12.2014			2015	2014
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Pension fund / Pension institution							
Fondazione di previdenza di BSI SA							
without cover surplus / deficit					15'426	15'426	18'442
Fondo Complementare di BSI SA							
without cover surplus / deficit					4'558	4'558	4'689
Total					19'984	19'984	23'131

C. Employees of foreign branches

Employees of foreign branches have occupational pension insurance in their respective countries according to local laws. The relevant costs are entered under "Personnel expenses".

	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000
Pension insurance costs included in the costs of staff	153	825

1.10 Presentation of issued structured products

	Book value				Total
	Valued as a whole		Valued separately		
	Booked in trading portfolio	Booked in other financial instruments at fair value	Value of the host instrument	Value of the derivative	
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Underlying risk of the embedded derivative					
Interest rate instruments					
with own debenture component (oDC)	–	143'233			143'233
without own debenture component (oDC)					
Total		143'233			143'233

1.11 Presentation of bonds outstanding and mandatory convertible bonds

Issuer		Weighted average interest rate	Maturities	Amount CHF 1'000
BSI SA, Lugano	Subordinated without PONV ¹ clause	5.25%	23.12.2021	99'522
Total				99'522

¹ Point of non viability.

Overview of maturities of bonds outstanding

Issuer	Maturities						Total
	within 1 year	from 1 to 2 years	from 2 to 3 years	from 3 to 4 years	from 4 to 5 years	after 5 years	
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
BSI SA, Lugano						99'522	99'522

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

	2015							Situation 31.12.2015
	Situation 31.12.2014	Use in conformity with designated purpose	Reclas-sifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	
Provisions for default risks	2'208			1				2'209
Provisions for other business risks				105		3'145		3'250
Provisions for restructuring	9'000	-2'920	–			319		6'399
Other provisions	267'002	-222'771		-4'965		6'337	-874	44'729
Total provisions	278'210	-225'691		-4'859		9'801	-874	56'587
Reserves for general banking risks	73'537	–			–	16'517		90'054
Value adjustments for default and country risks	104'245	-24'457		-7'023	2'452	12'819	-5'690	82'346
<i>of which value adjustments for default risks in respect of impaired loans / receivables</i>	100'064	-24'457		-6'989	2'452	12'819	-1'748	82'141
<i>of which value adjustments for latent risks</i>	4'181			-34			-3'942	205

1.13 Presentation of the bank's capital

	31.12.2015			31.12.2014		
	Total par value	No. of shares	Capital eligible for dividend	Total par value	No. of shares	Capital eligible for dividend
	CHF 1'000		CHF 1'000	CHF 1'000		CHF 1'000
Total bank's capital						
Share capital (fully paid up)	1'840'000	18'400'000	1'840'000	1'840'000	18'400'000	1'840'000
Total bank's capital	1'840'000	18'400'000	1'840'000	1'840'000	18'400'000	1'840'000
Authorised capital	1'840'000	18'400'000	1'840'000	1'840'000	18'400'000	1'840'000

1.14 Number and value of equity securities or options on equity securities held by all executives and directors and by employees

As at 31.12.2015, there were no employee shareholding schemes.

1.15 Disclosure of amounts due from / to related parties

	Amounts due from		Amounts due to	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Transactions on the balance sheet				
Holders of qualified participations				11'261
Group companies	640'224	753'962	2'344'051	2'478'494
Linked companies		100'630		30'546
Bank bodies	18'423	17'005	9'400	17'774
Total	658'647	871'597	2'353'451	2'538'075

	Volumes	
	31.12.2015	31.12.2014 ¹
	CHF 1'000	CHF 1'000
Off balance sheet operations to bank bodies		
Forward transactions on foreign currencies		800
Contingent liabilities		68

¹ Figures as at 31.12.2014 are not published as per marginal figure 627 of FINMA Circular 2015/1.

Off-balance sheet loans and transactions to Bank bodies are granted at the same conditions applied to employees. Due to their lower credit risk, employees generally receive an interest rate reduction depending on the type of loan. Liabilities to bank bodies are repaid at the same conditions applied to employees.

On-balance sheet and off-balance sheet transactions with Group companies and Bank bodies are all undertaken at market conditions.

1.16 Disclosure of holders of significant participations

		31.12.2015		31.12.2014	
		Nominal	% of equity	Nominal	% of equity
		CHF 1'000	in %	CHF 1'000	in %
with voting rights	Participatie Maatschappij Graafschap Holland NV, Diemen (NL) ¹			1'840'000	100.0
with voting rights	BSI Holdings AG, Zurich ² (formerly BTG Pactual Holding AG, Zurich)	1'840'000	100.0		

¹ Company directly and entirely owned by Assicurazioni Generali Group, Trieste.

² Company indirectly owned by Banco BTG Pactual, Sao Paulo, Brazil.

1.17 Disclosure of own shares and composition of equity capital

No treasury shares are or have been held by BSI SA since the shareholders have always owned the entire shareholding of BSI Ltd.

1.18 Disclosures in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations and Article 663c para. 3 CO for banks whose equity securities are listed

The shares of BSI Ltd. are not listed.

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

	Net foreign exposure		Net foreign exposure	
	31.12.2015		31.12.2014 ¹	
	CHF 1'000	in %	CHF 1'000	in %
Moody's (converted by SERV)				
Aaa - AA3	6'407'330	81.8		
A1 - A3	287'720	3.7		
Baa1 - Baa3	295'190	3.8		
Ba1 - Ba3	318'204	4.1		
B1 - B3	19'927	0.3		
Caa1 - C	5'805	0.1		
Unrated	496'946	6.4		
Total	7'831'122	100.0		

¹ Figures as at 31.12.2014 are not published as per marginal figure 627 of FINMA Circular 2015/1.

The Moody's system as converted by SERV (Schweizerische Exportrisikoversicherung) is used.

2. Information on off-balance sheet business

2.1 Breakdown of fiduciary transactions

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Fiduciary investments with third-party companies	1'106'527	1'534'249	-27.9
Fiduciary investments with group companies and linked companies	267'940	876'167	-69.4
Total	1'374'467	2'410'416	-43.0

2.2 Breakdown of managed assets and presentation of their development

A. Breakdown of managed assets

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Type of managed assets			
Assets in collective investment schemes managed by the bank	4'101'594	4'985'877	-17.7
Assets under discretionary asset management agreements	10'710'575	15'210'363	-29.6
Other managed assets	40'842'766	47'509'583	-14.0
Total managed assets (including double counting)	55'654'935	67'705'823	-17.8
<i>of which double counting</i>	3'861'386	4'885'334	-21.0

B. Presentation of the development of managed assets

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Total managed assets (including double counting) at beginning	67'705'823	64'449'979	5.1
+/- net new money inflow or net new money outflow	-7'926'735	158'730	-5'093.8
+/- price gains / losses, interest, dividends and currency gains / losses	-3'233'446	3'954'611	-181.8
+/- other effects	-890'707	-857'497	3.9
Total managed assets (including double counting) at end	55'654'935	67'705'823	-17.8

Definition of "Assets Under Management" (AuM)

Assets Under Management (AuM) consist in client holdings managed by or deposited at BSI SA for the purpose of investment. BSI SA provides its clients with management and advisory services. Custody Only services are excluded from the calculation of assets under management (classified separately as "Assets in Custody Only").

"Assets held under an asset management mandate" refer to assets for which investment decisions are delegated by clients to BSI SA (including assets deposited with third parties).

"Other assets managed" refer to assets for which final investment decisions are taken by the clients themselves. Calculation of the assets managed is performed according to the Swiss Financial Market Supervisory Authority (FINMA) guidelines.

Definition of "Net inflow of new funds or net financial outflow" (NNM)

Net inflow or outflow consists in money coming in from new clients and coming out due to the closure of clients' accounts as well as incoming or outgoing transactions of existing clients. The client base used to calculate the net inflow and outflow is the same used for processing managed assets.

The calculation is based on client transactions.

New loans just like repayment of credit lines are included among the transactions identified for the purposes of calculating the net inflow or outflow.

Interest and dividends received by clients within the scope of asset management or advisory services, market or currency fluctuations as well as commissions paid by clients are not included among the transactions identified for the purposes of calculating the net inflow or outflow.

3. Information on the profit and loss statement

3.1 Breakdown of the result from trading activities and the fair value option

A. Breakdown by business area

	2015	2014 ¹
	CHF 1'000	CHF 1'000
Banks	128'589	
Asset Managers	7'427	
Public agencies	3'293	
Financial companies	2'344	
Investment funds	-1'287	
Trade	-2'387	
Others	309	
Total	138'288	

¹ Figures as at 31.12.2014 are not published as per marginal figure 627 of FINMA Circular 2015/1.

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

	2015	2014	Change
	CHF 1'000	CHF 1'000	in %
Result from trading activities from:			
Interest rate instruments (including funds)	19'895	23'504	-15.4
Equity securities (including funds)	10'530	22'890	-54.0
Foreign currencies	90'153	66'921	34.7
Commodities / Precious metals	17'710	7'925	123.5
Total result from trading activities	138'288	121'240	14.1
<i>of which from fair value option</i>	574	727	-21.0
<i>of which from fair value option on liabilities</i>	574	727	-21.0

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

	2015	2014	Change
	CHF 1'000	CHF 1'000	in %
Income from refinancing included in interest and discount income	380	691	-45.0
Negative interest included in "Interest and discount income"	-14'970		100.0
Negative interest included in "Interest expenses"	2'661		100.0
Total	-11'929	691	-1'826.3

3.3 Breakdown of personnel expenses

	2015	2014	Change
	CHF 1'000	CHF 1'000	in %
Salaries	224'312	232'476	-3.5
Social insurance benefits	16'956	17'940	-5.5
Changes in book value for economic benefits and obligations arising from pension schemes	20'312	24'242	-16.2
Other personnel expenses	6'917	13'324	-48.1
Total	268'497	287'982	-6.8

3.4 Breakdown of general and administrative expenses

	2015	2014	Change
	CHF 1'000	CHF 1'000	in %
Office space expenses	20'588	21'536	-4.4
Expenses for information and communications technology	113'026	116'465	-3.0
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	155	233	-33.5
Fees of audit firm(s) (Art. 961a no. 2 CO)	2'347	2'317	1.3
<i>of which, for financial and regulatory audits</i>	2'342	2'317	1.1
<i>of which, for other services</i>	5		100.0
Other operating expenses	51'069	91'969	-44.5
Total	187'185	232'520	-19.5

3.5 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

	31.12.2015	31.12.2014	Change
	CHF 1'000	CHF 1'000	in %
Extraordinary income			
Recovered losses	721	313	130.4
Profit from sale of fixed assets		230	-100.0
Other extraordinary income	118	210	-43.8
Gain on the sale of participations	26'860	9'352	187.2
Total	27'699	10'105	174.1
Extraordinary expenses			
Losses on sale of participations		-2'407	-100.0
Losses on sale of fixed assets	-901		100.0
Total	-901	-2'407	-62.6
Net change of reserves for general banking risks			
Creation of reserves for general banking risks	-16'517		100.0
Release of reserves for general banking risks		23'600	-100.0
Total	-16'517	23'600	-170.0
Release of value adjustments and freed-up provisions			
Release of value adjustments and provisions	874	2'665	-67.2
Total	874	2'665	-67.2

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

No revaluations were carried out during the year under review.

3.7 Presentation of current and deferred taxes with indication of the tax rate

	2015	2014
	CHF 1'000	CHF 1'000
Current year tax liability	24'638	8'432
Total	24'638	8'432
Tax credits on tax losses carried forward in the balance sheet		
Average tax rate	14.69	9.62

At present no tax losses have been reported since taxation for the years 2013 and 2014 is still pending.

The average tax rate for the year 2014 was calculated according to the indications included in the FINMA Circular 2015/1 (marginal figure A5-144) without taking into account provisions for litigation with the DOJ since its tax deductibility has not yet been defined.

4. Information required according to the FINMA 2016/1 Circular concerning disclosure requirements on own funds and liquidity

	<u>31.12.2015¹</u>
	in %
Common Equity Tier 1 Ratio (CET 1 Ratio)	18.77
Tier 1 Core Capital Ratio (Tier 1 Ratio)	18.77
Total Capital Ratio	19.77
Capital Ratio determining capital adequacy target	12.00
Leverage Ratio	6.5

	<u>Q1 2015¹</u>	<u>Q2 2015¹</u>	<u>Q3 2015¹</u>	<u>Q4 2015¹</u>
	(monthly average)	(monthly average)	(monthly average)	(monthly average)
	%	%	%	%
Liquidity Coverage Ratio (LCR)	85	106	107	115

¹ This information was published for the first time in 2015 according to the marginal figure 56 in the FINMA Circular 2016/1.

Report of the statutory auditor on the financial statements



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To the General Meeting of
BSI SA, Lugano

Geneva, 30 March 2016

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of BSI SA, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 90 to 107), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.



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 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 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 financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

A handwritten signature in blue ink, appearing to read 'Marco Amato', written over a light blue circular stamp.

Marco Amato
Licensed audit expert
(Auditor in charge)

A handwritten signature in blue ink, appearing to read 'Erico Bertoli', written over a light blue circular stamp.

Erico Bertoli
Licensed audit expert



Each client relationship is deeply personal – yet underpinned by a world of knowledge and experience.

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