J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841

Basel III Pillar 3 Disclosures 31 December 2015

J. Safra Sarasin Holding Ltd.

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Basel III Pillar 3 Disclosures

Introduction

J. Safra Sarasin Holding Ltd. (the “Group” or the “Holding”) is regulated by the Swiss Financial Market Supervisory Authority (FINMA) which requires it to comply with Pillar III disclosures that are part of the Basel III Capital Adequacy Framework. This report discloses the Group’s application of Basel III framework as of 31 December 2015.

In order to have the full view of the Group’s regulatory environment and capital requirements, this report should be read along with the Holding’s Annual Report 2015. For more information on the way the Group manages risk, please refer to the Risk Management (pages 51 – 55) section in the Holding’s Annual Report 2015. Certain disclosures contained in this report can not be reconciled with disclosures in the Annual Report due to the way the Group manages risk internally being different to the way it reports it hereunder.

Consolidation perimeter

The consolidation perimeter includes all entities wholly and partially owned, direct or indirect subsidiaries (and their branches and representative offices). Methodology used is the same than the accounting principles described on page 48 of the Holding’s Annual Report. On page 61 of the Holding’s Annual Report is a list of the main subsidiaries of the Group as at 31 December 2015.

The Group’s financial statements are presented in accordance with the requirements of the Swiss Financial Market Supervisory Authority (FINMA) Circ.-FINMA 2008/22 concerning the preparation of financial statements for banks.

There are no internal and external limits which could prevent the transfer of funds or capital within the Group.

Disclosure obligations regarding capital adequacy

(Circ.-FINMA 2008/22 20.11.2008)

The Group reports regulatory capital according to the Swiss Capital Ordinance. Since 31 December 2013, the Group use the BIS method to calculate capital adequacy requirements for credit risk, non-counterparty risks and market risks. The basic indicator approach is used to calculate capital adequacy requirements for operational risks.

Total Eligible Capital

CHF 000	**2015**
Core capital prior to deductions	4,075,229
of which minority interests	503,645
Less: Goodwill and intangible assets	–490,044
Less: Other deductions	–46,716
of which minority interests (phase in – phase out)	–29,386
Tier 1 Capital	**3,538,469**
Transitional recognition capital instruments	0
Reduction due to amortization mechanism	0
Tier 2 Capital	0
Total Eligible Capital	**3,538,469**
Total CET1 Capital	**3,538,469**

Required capital

CHF 000	**2015**
Credit Risk	702,037
of which minimum capital requirements for CVA	27,311
Non-Counterparty Risk	21,571
Market Risk	178,302
Operational Risk	151,017
Settlement Risk	0
Other risk-weighted	693
Total required capital	**1,053,622**

Capital Ratio's

	2015
Tier 1 Ratio in respect of minimal capital requirement	26.87%
Total Eligible Capital Ratio in respect of minimal capital requirement	26.87%
Eligible capital / capital requirements pursuant to Swiss legislation	335.8%
FINMA minimum target	170.0%
Surplus	**165.8%**

Regulatory capital requirement presentation

		Phase-in Amounts	Effects of the Transition Period	**2015**
Eligible Equity Capital (CET1)				
1	Equity relating to regulatory scope of consolidation	848,245	–	848,245
2	Share premium reserves and retained earnings reserves, Profit (+) or loss (–) carried forward / group profit or loss, profit (+) or loss (–) for the current financial year	2,693,953	–	2,693,953
3	Other reserves / accumulated other comprehensive income (+/–) and Foreign exchange reserves (+/–)	–	–	–
5	Minority interests	533,030	–29,386	503,645
6	**Eligible Equity Capital (CET1) before adjustments**	**4,075,229**	**–29,386**	**4,045,843**
Adjustments in relation with CET1				
8	Goodwill	–465,208		–465,208
9	Other intangible assets	–24,837		–24,837
10	Defered tax assets that rely on future profitability	25,995		25,995
21	Defered tax assets coming from tempory differences (amounts over the threshold 2)	–43,325		–43,325
28	Total adjustments in relation with CET1	–507,374	–	–507,374
29	**Net CET1 Capital**	**3,567,854**	**–29,386**	**3,538,469**
Additional Eligible Capital (AT1)				
44	Total Additional Eligible Capital (AT1)	–	–	–
45	**Net Tier 1 Capital**	**3,567,854**	**-29,386**	**3,538,469**
Tier 2 Capital (T2)				
46	Gross amount of grandfathered T2 capital instruments issued by the parent company	–		–
47	Reduction in the eligibility due to the amortisation mechanism (phase out)	–		–
51	**Total Tier 2 Capital (T2)**	**–**	**–**	**–**
Adjustements in relation with Additional Tier 2 Capital				
57	Total adjustments in relation with Tier 2	–	–	–
58	Net Tier 2 Capital	–	–	–
59	**Total Eligible Capital (net T1 & T2)**	**3,567,854**	**-29,386**	**3,538,469**
60	**Total Risk Weighted Assets**	**13,170,271**		**13,170,271**
Capital Adequacy ratios				
61	CET1 Ratio			26.87%
62	Tier 1 Ratio			26.87%
63	Solvency ratio in respect of minimal and additional capital requirements			26.87%
64	Global CET1 requirements according to CAO (minimum requirements + capital buffer + countercyclical buffer) (in % of the risk-weighted positions)			6.15%
65	Of which capital buffers according to CAO (in % of the risk-weighted positions)			0.00%
66	Of which countercyclical buffers (in % of the risk-weighted positions)			0.05%
68	Available CET1 to cover the minimum and buffer requirements, after deducting AT1 and T2 requirements which are fulfilled with CET1 (in % of risk-weighted positions).			22.67%
68a	Minimal CET1 requirement ratio according to FINMA-Circ. 11/2 countercyclical buffer included			9.45%
68b	Available CET1 (in % of risk-weighted positions)			17.42%
68c	Minimal Tier 1 requirement ratio according to FINMA-Circ. 11/2 countercyclical buffer included			11.25%
68d	Available T1 (in % of risk-weighted positions)			15.62%
68e	Total Capital Adequacy requirement according to FINMA-Circ. 11/2			13.65%
68f	Available regulatory capital (in % of risk-weighted positions)			13.22%
Amounts below threshold (before weighted)				
73	Qualifying investments in the common stocks of other entities (CET1) (threshols 2 and 3)	3,466		3,466

Credit risk

For information on the Group's credit comprehensive risk approach and risk practice in relation to collateral, refer to Risk management, credit risk, lending business with clients, lending business with banks, governments and companies and Concentrated risk under the Risk Management section (pages 51 – 55) of the 2015 Group's Annual Report. Certain disclosures contained in this section of the report can not be reconciled with disclosures in the Annual Report due to the way the Group manages risk internally being different to the way it reports if for regulatory purposes.

Regulatory gross credit risk exposure by type of counterparty **2015**

CHF million	Private Individuals	Corporates	Banks & Multilateral Institutions	Governments	Other	Total
Balance sheet						
Liquid assets	–	–	–	–	5,522	5,522
Amounts due from banks	–	0	1,753	1	–	1,755
Amounts due from securities financing transactions	–	–	20	–	–	20
Amounts due from customers	5,641	3,999	1	–	–	9,641
Mortgage loans	1,464	853	–	–	–	2,317
Trading portfolio assets	–	–	–	–	2	2
Financial investments	–	1,742	3,339	1,819	431	7,331
Positive replacement value of derivative financial instruments	90	76	311	0	0	477
Other assets	35	52	399	14	25	525
Total current year	**7,230**	**6,721**	**5,823**	**1,835**	**5,981**	**27,591**
Off-balance sheet						
Contingent liabilities	265	118	10	0	0	394
Irrevocable commitments	5	4	10	0	0	19
Obligations to pay up shares and make further contributions	1	0	0	0	0	1
Add-on	79	174	288	0	0	542
Total current year	**350**	**296**	**308**	**0**	**0**	**956**

Regulatory gross credit risk exposure is after provisions and application of credit conversion factors on off balance sheet items.

Regulatory gross credit risk exposure by geography						2015
CHF million	Switzerland	Europe	Americas	Asia	Others	Total
Balance sheet						
Liquid assets	4,594	871	0	57	0	5,522
Amounts due from banks	415	1,005	139	109	86	1,755
Amounts due from securities financing transactions	20	0	0	0	0	20
Amounts due from customers	656	1,722	5,356	1,723	185	9,641
Mortgage loans	850	807	660	0	0	2,317
Trading portfolio assets	2	0	0	0	0	2
Financial investments	241	1,425	4,140	1,424	102	7,331
Positive replacement value of derivative financial instruments	113	257	63	41	2	477
Other assets	93	329	81	21	1	525
Total current year	**6,986**	**6,416**	**10,438**	**3,376**	**375**	**27,591**
Off-balance sheet						
Contingent liabilities	8	125	178	72	11	394
Irrevocable commitments	0	0	2	10	7	19
Obligations to pay up shares and make further contributions	0	0	0	1	0	1
Add-on	24	109	236	161	12	542
Total current year	**32**	**234**	**416**	**244**	**30**	**956**

Risk weighted assets and total regulatory net credit risk exposure 2015

CHF million	Regulatory gross credit risk exposure	Less credit risk mitigation	Total regulatory net credit exposure	Average risk weight	Risk weighted assets
Balance sheet					
Liquid assets	5,522	0	5,522	0.00	0
Amounts due from banks	1,755	–459	1,296	0.27	346
Amounts due from securities financing transactions	20	–11	9	0.50	4
Amounts due from customers	9,641	–6,905	2,737	0.90	2,454
Mortgage loans	2,317	–178	2,139	0.66	1,405
Trading portfolio assets	2	0	2	1.50	3
Financial investments	7,331	0	7,331	0.48	3,543
Positive replacement value of derivative financial instruments	477	–88	388	0.51	200
Other assets	525	–19	506	0.35	177
Total current year	**27,591**	**–7,660**	**19,930**	**0.41**	**8,133**
Off-balance sheet					
Contingent liabilities	394	–317	77	0.89	68
Irrevocable commitments	19	0	19	0.57	11
Obligations to pay up shares and make further contributions	1	–113	–111	–0.01	1
Add-on	542	0	542	0.41	221
Total current year	**956**	**–430**	**526**	**0.57**	**301**

Regulatory gross credit risk exposure is after provisions and application of credit conversion factors on off balance sheet items.

Net Credit risk exposure by collateral type 2015

CHF million	Total regulatory net credit exposure	Secured by collateral securities	Secured by Real Estate	Secured with guarantees and credit derivatives	Other credit exposures
Private Individuals	3,339	0	1,401	165	1,773
Corporates	3,626	1,742	738	131	1,015
Banks & Multilateral Institutions	6,076	3,772	0	618	1,686
Governments	1,835	1,835	0	0	0
Other	5,580	0	0	0	5,580
	20,456	**7,349**	**2,139**	**914**	**10,054**

Credit exposure after risk mitigation of collateral by risk weighting — 2015

CHF million	Risk weighting 0%	20%	35%	50%	75%	100%	150%	Total regulatory net credit exposure
Private Individuals	412	0	994	0	172	1,514	248	3,339
of which rated by credit agency	412	0	994	0	172	846	248	2,671
w/o rating	0	0	0	0	0	668	0	668
Corporates	28	287	169	336	0	2,683	122	3,626
of which rated by credit agency	28	287	169	336	0	1,689	122	2,631
w/o rating	0	0	0	0	0	995	0	995
Banks & Multilateral Institutions	434	1,911	0	2,738	0	935	57	6,076
of which rated by credit agency	434	1,529	0	2,321	0	836	57	5,177
w/o rating	0	383	0	416	0	99	0	898
Governments	1,534	200	0	48	0	54	0	1,835
of which rated by credit agency	1,534	200	0	48	0	54	0	1,835
w/o rating	0	0	0	0	0	0	0	0
Other	5,522	33	0	0	0	25	0	5,580
of which rated by credit agency	5,522	33	0	0	0	25	0	5,580
w/o rating	0	0	0	0	0	0	0	0
	7,930	**2,431**	**1,163**	**3,122**	**172**	**5,212**	**426**	**20,456**

Client impaired loans

For a detailed overview of impaired and past due loans, see to Note Impaired loans on page 57 in the Holding's Annual Report 2015.

Presentation of doubtful client loans by geographic region — 2015

CHF million	Gross amount	Individual value adjustments
Switzerland	240	88
Europe	106	105
Americas	36	33
Asia	1	1
Others	0	0
Total	**383**	**226**

Market risk

For more information on the Group's standard approach to manage market risk, see the Holding's Annual Report 2015 in the section Market risk and Interest rate risk (page 52). The Group use the BIS method to calculate market risks.

Below is the table displaying the breakdown in the Group's Market Risk capital adequacy requirement at 8 % of the Risk Weighted Assets equivalent:

CHF 000	**2015**
Interest rate instruments held in the trading book	8,015
Equities held in the trading book	61,053
Currencies and precious metals	94,772
Commodities	6,141
Options	8,321
Total required capital	**178,302**

Financial instruments in the trading book are marked to market and calculated on this basis for market risk purposes.

Interest rate instruments in the trading book

Two components compose interest rate risk in the trading book, which must be calculated separately. One component is based on specific risk of interest rate instruments. Specific risk includes risks that relate to factors other than changes in the general interest rate structure. These risks are calculated per issuer. These positions are based on the issuer rating and residual maturity of the instrument.

The second component is general market risk. General market risk includes risks which relate to a change in the general interest rate structure and are therefore, calculated per currency. The Group use the maturity method where the total of a currency is broken down into maturity time bands per position and each specific maturity band carries its own risk weight that is applied to the total positions.

Interest rate instruments in the trading book

Capital adequacy requirement for share price risk takes into account all positions in equities, derivatives, and equity-like instruments. There is a distinction between the types of risk for share price risks between general market risk and share issuer.

Currency risk, Gold, Commodity risk

The Group calculates a capital requirement for all foreign currencies and gold positions. The calculations are based on the net long or net short positions of the currencies and then a 8% factor is applied. When reviewing the commodity risk, the Group reviews the risk of changes in spot prices and the forward gap risk.

Operational risk / Interest rate risk

Operational risk

For more information on the Group's Basic Indicator approach to manage operational risk, see the Holding's Annual Report 2015 in the Operational and reputation risk (page 53).

Interest rate risk in the banking book

CHF million	**2015**
USD	–0.666
EUR	–0.286
CHF	–0.378

Interest rate risk in the banking book

Descriptions of calculations methodologies in this document are meant to explain the Basel III capital calculation implemented by the Group according to FINMA requirement but do neither represent the full set of rules published by FINMA, nor provide a legally binding opinion of the Group.

Leverage Ratio (LERA)

Leverage Ratio Exposure with comparison with accounting assets	**2015**
CHF million	Amount
Total consolidated assets as per published financial statements	**29,874**
(–) Adjustment for capital deductions and entities that are outside the scope of regulatory consolidation	–507
(–) Adjustment for fiduciary assets	–
(+/–) Adjustments for derivatives	542
(+/–) Adjustments for SFTs	1,287
(+) Adjustments for off-balance sheet items	414
(+/–) Other adjustments	–
Leverage Ratio exposure	**31,610**

Basel III leverage ratio	
On-balance sheet exposures	**28,870**
(+) On-balance sheet items excluding derivatives and SFTs	29,378
(–) Asset amounts deducted from Basel III Tier 1 capital	–507
Derivative Exposures	**1,018**
(+) Replacement cost associated with all derivatives transactions net of eligible cash variation margin	477
(+) Add-on amounts for PFE associated with all derivatives transactions	542
(–) Adjusted effective notional offsets and add-on deductions for written credit derivatives	–
Securities financing transaction exposures	**1,307**
(+) Gross SFT assets	20
(–) Netted amounts of cash payables and cash receivables of gross SFT assets	
(+) Counterparty credit risk exposure for SFT assets	1,287
(+) Agent transaction exposures	
Other off-balance sheet exposures	**414**
(+) Off-balance sheet exposure at gross notional amount before any adjustment for credit conversion factors	830
(–) Adjustments for conversion to credit equivalent amounts	–416
Tier 1 capital	3,538
Basel III leverage ratio	**11.2%**

Liquidity Coverage Ratio (LCR)

In 2015, the three-month average total LCR increased by 35.1%. This movement was mainly driven by an increase in the total stock of HQLA. The stock of HQLA is under the control of Group Treasury. As per December 2015, more than 90% of the stock of HQLA consists of assets that qualify as Level 1, primarily cash holdings and central bank reserves. As a result, a significant part of the HQLA is denominated in CHF. In contrast, the majority of the customer deposits are denominated in USD and EUR. All currencies can easily be converted in times of liquidity stress since the relevant FX spot markets are highly liquid.

In general, sources of funding are well diversified across counterparties as a result of the broad positioning as an international wealth management bank.

The bank uses internationally acknowledged ISDA/CSA agreements to mitigate the credit risk arising from OTC derivative transactions that are mainly related to FX, interest rate and equity derivative trading.

Liquidity risk is managed and monitored centrally by the Group Treasury Committee with the involvement of the local Treasury representatives to ensure that all internal and local regulatory requirements are met. Liquidity risk limits are set at a Group and individual entity level and are reviewed and approved at least once a year by the Board of Directors (BoD).

Specific liquidity levels are defined that would trigger various escalation scenarios. Breaches of Group level limits are immediately reported to the Group Treasury Committee, the Executive Committee, and the Group Audit Committee.

Liquidity Coverage Ratio based on monthly averages of each quarterly reporting								**2015**
	Market value amount	Weighted amount	Market value amount	Weighted amount	Market value amount	Weighted amount	Market value amount	Weighted amount
CHF million	Q1		Q2		Q3		Q4	
Total stock of HQLA	**4,553**	**4,437**	**4,920**	**4,795**	**5,872**	**5,788**	**6,948**	**6,844**
Outflows								
Retail	**9,348**	**1,327**	**8,916**	**1,268**	**9,479**	**1,377**	**9,498**	**1,389**
Of which stable	992	50	1,012	51	1,002	50	988	49
Of which less stable	3,943	394	3,639	364	3,689	369	3,629	363
Of which demand and term deposits greater than CHF 1.5 m and a remaining maturity or cancellation period of up to 30 days	4'413	883	4,265	853	4,788	958	4,881	976
Unsecured wholesale funding	**10,191**	**6,461**	**10,052**	**6,016**	**10,364**	**6,237**	**10,860**	**6,697**
Of which stable	0	0	2	0	6	0	4	0
Of which less stable	810	81	931	93	976	98	995	100
Of which operational deposits provided by all counterparties	0	0	0	0	0	0	0	0
Of which non operational deposits provided by all counterparties	9,380	6,380	9,119	5,923	9,268	6,025	9,857	6,593
Of which unsecured debt issuance	0	0	0	0	114	114	0	0
Of which secured funding run-off	0	0	0	0	0	0	3	3
Additional requirements	**520**	**245**	**356**	**191**	**222**	**121**	**256**	**125**
Of which net outflow derivatives	129	129	105	105	39	39	42	42
Of which increased liquidity needs related to market valuation changes on derivative	66	66	66	66	66	66	66	66
Other contingent funding obligations	**7,531**	**63**	**7,271**	**43**	**7,304**	**45**	**7,895**	**45**
Total Outflows	**27,590**	**8,095**	**26,594**	**7,518**	**27,369**	**7,779**	**28,509**	**8,255**
Inflows								
Secured lending reverse repo and securities borrowing	0	0	0	0	0	0	43	12
Other inflows by counterparty	6,274	3,210	6,512	2,798	6,008	2,586	5,787	2,624
Other cash inflows	224	224	121	121	214	214	365	365
Total Inflows	**6,498**	**3,434**	**6,632**	**2,919**	**6,222**	**2,801**	**6,194**	**3,001**
Other inflows by counterparty		4,437		4,795		5,788		6,844
Other cash inflows		4,661		4,599		4,978		5,254
LCR Ratio		**95.2%**		**104.3%**		**116.3%**		**130.3%**