J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841

Basel III Pillar 3 Disclosures 30 June 2020

J. Safra Sarasin Holding Ltd.

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Basel III Pillar 3 Disclosures (FINMA circ. 2016/1)

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 30 June 2020.

For more information on the way the Group manages risk, please refer to the Risk Management (pages 55 – 60) section in the Holding’s Annual Report 2019.

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 52 of the Holding’s Annual Report. On page 67 of the Holding’s Annual Report is a list of the main subsidiaries of the Group as at 31 December 2019.

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

Table KM1: Key metrics

CHF 000		**30.06.2020**	31.12.2019	30.06.2019
Available capital (amounts)				
1	Common Equity Tier 1 (CET1)	5,046,793	4,968,913	4,704,880
2	Tier 1	5,046,793	4,968,913	4,704,880
3	Total capital	5,046,793	4,968,913	4,704,880
Risk-weighted assets (amounts)				
4	Total risk-weighted assets (RWA)	17,419,248	15,852,213	15,832,640
4a	Minimum capital requirement	1,393,540	1,268,177	1,266,611
Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	28.97%	31.35%	29.72%
6	Tier 1 ratio (%)	28.97%	31.35%	29.72%
7	Total capital ratio (%)	28.97%	31.35%	29.72%
Additional CET1 buffer requirements as a percentage of RWA				
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.02%	0.19%	0.16%
11	Total of bank CET1 specific buffer requirements (%)	2.52%	2.69%	2.66%
12	CET1 available after meeting the bank's minimum capital requirements (%)	20.97%	23.35%	21.72%
Target equity ratios according to DRAO Annex 8 (as % of RWA)				
12a	Capital conservation buffer according to Annex 8 of CAO (in % of RWA)	4.00%	4.00%	4.00%
12b	Countercyclical buffers (Art. 44 and 44a CAO) (%)	0.02%	0.21%	0.18%
12c	CET1 target rate (in %) according to CAO Annex 8 plus countercyclical buffers according to CAO Art. 44 and 44a	7.82%	8.01%	7.98%
12d	T1 target rate (in %) according to CAO Annex 8 plus countercyclical buffers according to CAO Art. 44 and 44a	9.62%	9.81%	9.78%
12e	Total capital target ratio (in %) according to CAO Annex 8 plus countercyclical buffer according to CAO Art. 44 and 44a	12.02%	12.21%	12.18%
Basel III leverage ratio				
13	Total Basel III leverage ratio exposure measure	32,575,601	39,640,139	39,346,114
14	Basel III leverage ratio (%)	15.49%	12.54%	11.96%
Liquidity coverage ratio				
15	Total HQLA	10,814,905	10,398,095	10,001,431
16	Total net cash outflow	8,616,021	7,438,487	7,179,738
17	LCR ratio (%)	126.56%	139.75%	139.58%
Net stable funding ratio				
18	Total available stable funding	22,305,302	22,423,301	22,072,603
19	Total required stable funding	17,733,968	18,475,703	17,984,594
20	NSFR ratio (%)	125.78%	121.37%	122.73%

Table OV1: Overview of risk-weighted assets

		RWA	RWA	**Minimum Capital Requirement**
CHF 000		**30.06.2020**	31.12.2019	**30.06.2020**
1	**Credit risk (excluding counterparty credit risk) (CCR)**	10,117,666	10,265,985	809,413
2	Of which standardised approach (SA)	10,117,666	10,265,985	809,413
6	**Counterparty credit risk CCR**	1,264,466	682,726	101,157
7	Of which standardised approach for counterparty credit risk (SA-CCR)	1,078,024		86,242
7b	Of which determined using the market value method		383,707	
9	Of which others (CCR)	186,442	299,019	14,915
10	**Value adjustment risk of derivatives (CVA)**	784,185	232,879	62,735
11	**Equity positions in banking book under market-based approach**			
12	**Equity investments in funds – look-through approach**			
13	**Equity investments in funds – mandate-based approach**	168,466		13,477
14	**Equity investments in funds – fall-back approach**			
14a	**Investments in managed collective assets – simplified approach**			
15	**Settlement risk**			
16	**Securitisation exposures in banking book**			
17	Of which IRB ratings-based approach (SEC-IRBA)			
18	Of which under the external ratings-based approach (SEC-ERBA), including the Internal Assessment Approach (IAA)			
19	Of which under the standardised approach (SEC-SA)			
20	**Market risk**	2,749,736	2,391,621	219,979
21	Of which standardised approach (SA)	2,749,736	2,391,621	219,979
22	Of which determined with model approach (IMA)			
23	**Capital charge for switch between trading book and banking book**			
24	**Operational risk**	2,276,923	2,261,551	182,154
25	**Amounts below the thresholds for deduction (subject to 250% risk-weight)**	57,806	17,451	4,625
26	**Floor adjustment**			
27	**Total (1+6+10+11+12+13+14+14a+15+16+20+23+24+25+26)**	17,419,248	15,852,213	1,393,540

Table LIQ1: Information on the liquidity (LCR)

CHF 000		Unweighted values Average Quarter 1/20	Weighted values Average Quarter 1/20	Unweighted values Average Quarter 2/20	Weighted values Average Quarter 2/20
A. High-quality liquid assets (HQLA)					
1	Total high-quality liquid assets (HQLA)	10,056,283	9,774,511	12,131,701	11,855,299
B. Cash outflows					
2	Retail deposits and deposits from small business customers	12,429,292	1,905,319	12,244,265	1,807,031
3	Of which, stable deposits	734,276	36,714	755,376	37,769
4	Of which, less stable deposits	11,695,016	1,868,605	11,488,888	1,769,262
5	Unsecured wholesale funding	11,847,477	8,467,717	12,939,753	10,001,541
6	Of which, operational deposits (all counterparties) and deposits in networks of cooperative banks				
7	Of which, non-operational deposits (all counterparties)	11,847,133	8,467,374	12,888,253	9,950,041
8	Of which, unsecured debt	343	343	51,500	51,500
9	Secured wholesale funding	0	0	90,249	231
10	Additional requirements	1,735,900	563,053	2,200,725	946,822
11	Of which, outflows related to derivative exposures and other collateral requirements	1,714,566	554,946	2,159,503	919,896
12	Of which, outflows related to loss of funding on debt products	0	0	6,669	6,669
13	Of which, credit and liquidity facilities	21,334	8,108	34,553	20,257
14	Other contractual funding obligations	63,228	36,430	135,238	103,626
15	Other contingent funding obligations	13,572,551	53,454	13,693,862	49,420
16	Total cash outflows	39,648,447	11,025,974	41,304,091	12,908,671
C. Cash inflows					
17	Secured lending (eg reverse repos)	0	0	0	0
18	Inflows from fully performing exposures	5,819,136	3,378,849	5,173,692	2,950,435
19	Other cash inflows	182,454	182,454	190,866	190,866
20	Total cash inflows	6,001,591	3,561,303	5,364,558	3,141,301
Total adjusted value					
21	Total HQLA		9,774,511		11,855,299
22	Total net cash outflows		7,464,670		9,767,371
23	Liquidity coverage ratio (in %)		131.63%		121.48%

In 2020, the three-month average total LCR declined slightly to 120% - 130%. This level is mainly driven by a higher net cash outflow, partially compensated by an increase in HQLA. The stock of HQLA is under the control of Group Treasury.

In average about 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.