J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841

Basel III Pillar 3 Disclosures 30 June 2022

J. Safra Sarasin Holding Ltd.

Table of contents

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 2022.

For more information on the way the Group manages risk, please refer to the Risk Management (pages 56 – 63) section in the Holding's Annual Report 2021.

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 69 of the Holding's Annual Report is a list of the main subsidiaries of the Group as at 31 December 2021.

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		**30.06.2022**	31.12.2021	30.06.2021
Available capital (amounts)				
1	Common Equity Tier 1 (CET1)	5,755,789	5,707,838	5,388,112
2	Tier 1	5,755,789	5,707,838	5,388,112
3	Total capital	5,851,278	5,814,809	5,501,664
Risk-weighted assets (amounts)				
4	Total risk-weighted assets (RWA)	14,192,618	14,751,415	15,020,690
4a	Minimum capital requirement	1,135,409	1,180,113	1,201,655
Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	40.55%	38.69%	35.87%
6	Tier 1 ratio (%)	40.55%	38.69%	35.87%
7	Total capital ratio (%)	41.23%	39.42%	36.63%
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 (%)	0.04%	0.05%	0.04%
11	Total of bank CET1 specific buffer requirements (%)	2.54%	2.55%	2.54%
12	CET1 available after meeting the bank's minimum capital requirements (%)	33.23%	31.42%	28.63%
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) (%)	0.07%	0.05%	0.04%
12c	CET1 target rate (in %) according to CAO Annex 8 plus countercyclical buffers according to CAO Art. 44 and 44a	7.87%	7.85%	7.84%
12d	T1 target rate (in %) according to CAO Annex 8 plus countercyclical buffers according to CAO Art. 44 and 44a	9.67%	9.65%	9.64%
12e	Total capital target ratio (in %) according to CAO Annex 8 plus countercyclical buffer according to CAO Art. 44 and 44a	12.07%	12.05%	12.04%
Basel III leverage ratio				
13	Total Basel III leverage ratio exposure measure	48,893,009	47,238,247	44,436,128
14	Basel III leverage ratio (%)	11.77%	12.08%	12.13%
Liquidity coverage ratio				
15	Total HQLA	19,203,529	13,605,209	14,115,896
16	Total net cash outflow	11,016,818	10,208,449	11,100,784
17	LCR ratio (%)	174.31%	133.27%	127.16%
Net stable funding ratio				
18	Total available stable funding	28,228,447	26,275,009	24,754,634
19	Total required stable funding	17,292,526	19,391,050	18,611,010
20	NSFR ratio (%)	163.24%	135.31%	133.01%

Table OV1: Overview of risk-weighted assets

		RWA	RWA	Minimum Capital Requirement
CHF 000		**30.06.2022**	31.12.2021	**30.06.2022**
1	**Credit risk (excluding counterparty credit risk) (CCR)**	7,021,392	8,002,688	561,711
2	Of which standardised approach (SA)	7,021,392	8,002,688	561,711
6	**Counterparty credit risk CCR**	1,053,437	981,858	84,275
7	Of which standardised approach for counterparty credit risk (SA-CCR)	791,989	644,999	63,359
7b	Of which determined using the market value method			
9	Of which others (CCR)	261,448	336,859	20,916
10	**Value adjustment risk of derivatives (CVA)**	297,744	332,766	23,820
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**	189,726	196,583	15,178
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**	3,108,879	2,783,120	248,710
21	Of which standardised approach (SA)	3,108,879	2,783,120	248,710
22	Of which determined with model approach (IMA)			
23	**Capital charge for switch between trading book and banking book**			
24	**Operational risk**	2,422,089	2,359,567	193,767
25	**Amounts below the thresholds for deduction (subject to 250% risk-weight)**	99,352	94,833	7,948
26	**Floor adjustment**			
27	**Total (1+6+10+11+12+13+14+14a+15+16+20+23+24+25+26)**	14,192,618	14,751,415	1,135,409

Table LIQ1: Information on the liquidity (LCR)

CHF 000		Unweighted values Average Quarter 1/22	Weighted values Average Quarter 1/22	Unweighted values Average Quarter 2/22	Weighted values Average Quarter 2/22
A. High-quality liquid assets (HQLA)					
1	Total high-quality liquid assets (HQLA)	15,791,159	15,293,941	19,106,571	18,661,888
B. Cash outflows					
2	Retail deposits and deposits from small business customers	13,706,419	2,023,081	14,546,655	2,178,730
3	Of which, stable deposits	836,763	41,838	921,023	46,051
4	Of which, less stable deposits	12,869,656	1,981,243	13,625,632	2,132,679
5	Unsecured wholesale funding	15,697,548	10,528,728	15,536,219	10,733,303
6	Of which, operational deposits (all counterparties) and deposits in networks of cooperative banks				
7	Of which, non-operational deposits (all counterparties)	15,697,548	10,528,728	15,536,219	10,733,303
8	Of which, unsecured debt				
9	Secured wholesale funding				
10	Additional requirements	2,375,992	738,661	2,342,908	721,525
11	Of which, outflows related to derivative exposures and other collateral requirements	2,353,480	729,898	2,289,686	700,473
12	Of which, outflows related to loss of funding on debt products				
13	Of which, credit and liquidity facilities	22,512	8,763	53,222	21,052
14	Other contractual funding obligations	15,010	15,010	75,118	75,118
15	Other contingent funding obligations	15,431,502	19,965	15,572,496	18,995
16	Total cash outflows	47,226,472	13,325,446	48,073,397	13,727,671
C. Cash inflows					
17	Secured lending (eg reverse repos)				
18	Inflows from fully performing exposures	4,844,527	2,767,784	4,677,020	2,653,174
19	Other cash inflows	112,127	112,127	231,927	231,927
20	Total cash inflows	4,956,654	2,879,912	4,908,947	2,885,102
Total adjusted value					
21	Total HQLA		15,293,941		18,661,888
22	Total net cash outflows		10,445,534		10,842,569
23	Liquidity coverage ratio (in %)		146.71%		172.09%

In 2022, the three-month average total LCR increased in the range of 145 % - 175%. The higher net cash outflow reminded stable. The stock of HQLA is under the control of Group Treasury.
In average 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.