J. SAFRA SARASIN

Sustainable Swiss Private Banking since 1841

Basel III Pillar 3 Disclosures 30 June 2021

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 2021.

For more information on the way the Group manages risk, please refer to the Risk Management (pages 76 – 82) section in the Holding's Annual Report 2020.

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 72 of the Holding's Annual Report. On page 89 of the Holding's Annual Report is a list of the main subsidiaries of the Group as at 31 December 2020.

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		**30.06.2021**	31.12.2020	30.06.2020
Available capital (amounts)				
1	Common Equity Tier 1 (CET1)	5,388,112	5,354,825	5,046,793
2	Tier 1	5,388,112	5,354,825	5,046,793
3	Total capital	5,501,664	5,354,825	5,046,793
Risk-weighted assets (amounts)				
4	Total risk-weighted assets (RWA)	15,020,690	14,580,635	17,419,248
4a	Minimum capital requirement	1,201,655	1,166,451	1,393,540
Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	35.87%	36.73%	28.97%
6	Tier 1 ratio (%)	35.87%	36.73%	28.97%
7	Total capital ratio (%)	36.63%	36.73%	28.97%
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%	0.02%	0.02%
11	Total of bank CET1 specific buffer requirements (%)	2.54%	2.52%	2.52%
12	CET1 available after meeting the bank's minimum capital requirements (%)	28.63%	28.73%	20.97%
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) (%)	0.04%	0.02%	0.02%
12c	CET1 target rate (in %) according to CAO Annex 8 plus countercyclical buffers according to CAO Art. 44 and 44a	7.84%	7.82%	7.82%
12d	T1 target rate (in %) according to CAO Annex 8 plus countercyclical buffers according to CAO Art. 44 and 44a	9.64%	9.62%	9.62%
12e	Total capital target ratio (in %) according to CAO Annex 8 plus countercyclical buffer according to CAO Art. 44 and 44a	12.04%	12.02%	12.02%
Basel III leverage ratio				
13	Total Basel III leverage ratio exposure measure	44,436,128	32,314,289	32,575,601
14	Basel III leverage ratio (%)	12.13%	16.57%	15.49%
Liquidity coverage ratio				
15	Total HQLA	14,115,896	11,938,409	10,814,905
16	Total net cash outflow	11,100,784	9,670,929	8,616,021
17	LCR ratio (%)	127.16%	123.45%	126.56%
Net stable funding ratio				
18	Total available stable funding	24,754,634	22,822,710	22,305,302
19	Total required stable funding	18,611,010	18,187,934	17,733,968
20	NSFR ratio (%)	133.01%	125.48%	125.78%

Table OV1: Overview of risk-weighted assets

		RWA	RWA	**Minimum Capital Requirement**
CHF 000		**30.06.2021**	31.12.2020	**30.06.2021**
1	**Credit risk (excluding counterparty credit risk) (CCR)**	8,549,672	8,383,333	683,974
2	Of which standardised approach (SA)	8,549,672	8,383,333	683,974
6	**Counterparty credit risk CCR**	703,589	543,784	56,287
7	Of which standardised approach for counterparty credit risk (SA-CCR)	680,490	514,100	54,439
7b	Of which determined using the market value method			
9	Of which others (CCR)	23,099	29,684	1,848
10	**Value adjustment risk of derivatives (CVA)**	322,539	350,159	25,803
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**	197,737	190,736	15,819
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**	2,840,171	2,775,203	227,214
21	Of which standardised approach (SA)	2,840,171	2,775,203	227,214
22	Of which determined with model approach (IMA)			
23	**Capital charge for switch between trading book and banking book**			
24	**Operational risk**	2,311,153	2,298,663	184,892
25	**Amounts below the thresholds for deduction (subject to 250% risk-weight)**	95,829	38,757	7,666
26	**Floor adjustment**			
27	**Total (1+6+10+11+12+13+14+14a+15+16+20+23+24+25+26)**	15,020,690	14,580,635	1,201,655

Table LIQ1: Information on the liquidity (LCR)

CHF 000		Unweighted values Average Quarter 1/21	Weighted values Average Quarter 1/21	Unweighted values Average Quarter 2/21	Weighted values Average Quarter 2/21
A. High-quality liquid assets (HQLA)					
1	Total high-quality liquid assets (HQLA)	12,557,830	12,128,782	13,491,437	13,109,358
B. Cash outflows					
2	Retail deposits and deposits from small business customers	11,940,491	1,741,053	12,702,652	1,853,851
3	Of which, stable deposits	775,811	38,791	795,405	39,770
4	Of which, less stable deposits	11,164,679	1,702,263	11,907,247	1,814,081
5	Unsecured wholesale funding	14,540,954	10,433,557	14,872,291	11,213,511
6	Of which, operational deposits (all counterparties) and deposits in networks of cooperative banks			0	0
7	Of which, non-operational deposits (all counterparties)	14,540,954	10,433,557	14,872,291	11,213,511
8	Of which, unsecured debt				
9	Secured wholesale funding				
10	Additional requirements	1,520,676	883,889	1,457,660	847,953
11	Of which, outflows related to derivative exposures and other collateral requirements	1,494,772	869,693	1,427,979	834,868
12	Of which, outflows related to loss of funding on debt products			2,000	2,000
13	Of which, credit and liquidity facilities	25,904	14,196	27,681	11,085
14	Other contractual funding obligations	12,704	12,704	32,206	32,206
15	Other contingent funding obligations	14,096,374	28,913	14,408,511	27,687
16	Total cash outflows	42,111,199	13,100,116	43,473,321	13,975,208
C. Cash inflows					
17	Secured lending (eg reverse repos)				
18	Inflows from fully performing exposures	5,189,259	2,927,000	5,761,320	3,107,655
19	Other cash inflows	81,855	81,855	131,539	131,539
20	Total cash inflows	5,271,114	3,008,855	5,892,859	3,239,194
Total adjusted value					
21	Total HQLA		9,549,936		13,109,358
22	Total net cash outflows		6,510,121		10,736,014
23	Liquidity coverage ratio (in %)		146,80%		121,92%

In 2021, the three-month average total LCR remained stable in the range of 120% - 135%. The higher net cash outflow was 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.