



J. SAFRA SARASIN



Sustainable Swiss Private Banking since 1841

Basel III Pillar 3 Disclosures 31 December 2014

J. Safra Sarasin Holding Ltd.

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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 2014.

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 2014. For more information on the way the Group manages risk, please refer to the Risk Management (pages 46 – 50) section in the Holding’s Annual Report 2014. 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 here-under.

Consolidation perimeter

The consolidation perimeter includes all entities wholly and partially owned, direct or indirect subsidiaries (and their branches and representative offices). On page 54 of the Holding’s Annual Report is a list of the main subsidiaries of the Group as at 31 December 2014.

The Group’s financial statements are presented in accordance with the requirements of the Swiss Financial Market Supervisory Authority (FINMA) Circ.-FINMA 2008/2 concerning the preparation of financial statements for banks.

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	2014
Core capital prior to deductions	3,840,007
of which minority interests	455,456
Less: Goodwill and intangibles assets	-494,662
Less : Other deductions	-50,971
of which minority interests (phase in – phase out)	-30,833
Tier 1 Capital	3,294,374
Transitional recognition capital instruments	56,513
Reduction due to amortization mechanism	-45,210
Tier 2 Capital	11,303
Total Eligible Capital	3,305,677
Total CET1 Capital	3,294,374

Required capital

CHF 000	2014
Credit Risk	729'851
of which Min Capital requirements for CVA	12'857
Non-Counterparty Risk	22'373
Market Risk	178'661
Operational Risk	127'045
Settlement Risk	0
Other risk-weighted	643
Total required capital	1,058,573

Capital Ratio's

	2014
Tier 1 Ratio	24.90%
Total Eligible Capital Ratio	24.98%
Eligible capital/capital requirements pursuant to Swiss legislation	312.3%
FINMA minimum target	170.0%
Surplus	142.3%

Regulatory capital requirement presentation

	Phase-in Amounts	Effects of the Transi- tion Period	2014
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	2,505,473	–	2,505,473
3 Other reserves / accumulated other comprehensive income (+/–) and foreign exchange reserves (+/–)	–	–	–
5 Minority interests	486,289	–30,833	455,456
6 Eligible Equity Capital (CET1) before adjustments	3,840,007	–30,833	3,809,174
Adjustments in relation with CET1			
8 Goodwill	–493,260	–	–493,260
9 Other intangible assets	–1,402	–	–1,402
10 Deferred tax assets that rely on future profitability	30,206	–	30,206
21 Deferred tax assets coming from temporary differences (amounts over the threshold 2)	–50,344	–	–50,344
28 Total adjustments in relation with CET1	–514,800	–	–514,800
29 Net CET1 Capital	3,325,207	–30,833	3,294,374
Additional Eligible Capital (AT1)			
44 Total Additional Eligible Capital (AT1)	–	–	–
45 Net Tier 1 Capital	3,325,207	–30,833	3,294,374
Additional Eligible Capital (AT2)			
46 Gross amount of grandfathered T2 capital instruments issued by the parent company	56,513	–	56,513
47 Reduction in the eligibility due to the amortisation mechanism (phase out)	–45,210	–	–45,210
51 Total Additional Eligible Tier 2 Capital (AT2)	11,303	–	11,303
Adjustments in relation with Additional Tier 2 Capital			
57 Total adjustments in relation with Tier 2	–	–	–
58 Net Tier 2 Capital	11,303	–	11,303
59 Total Eligible Capital (net T1&T2)	3,336,509	–30,833	3,305,676
60 Total Risk Weighted Assets	13,232,157	–	13,232,157
Capital Adequacy ratios			
61 CET1 Ratio			24.90%
62 Tier 1 Ratio			24.90%
63 Solvency ratio in respect of minimal and additional capital requirements			24.98%
64 Global CET1 requirement according to FINMA-Circ. 11/2, national countercyclical buffer included			1,252,003
65 Ratio in relation with global CET1 requirement			7.80%
66 Part of the complementary capital buffer ratio in relation with Risk Weighted Assets			0.06%
67 Ratio in relation with national countercyclical buffer			2.00%
68 Solvency ratio in respect of minimal and all additional capital requirements			23.32%
68a Minimal CET1 requirement ratio according to FINMA-Circ. 11/2 countercyclical buffer included			9.46%
68b Positive or negative difference between the CET1 amount available and Tier 1 requirement			15.43%
68c Minimal Tier 1 requirement ratio according to FINMA-Circ. 11/2 countercyclical buffer included			11.26%
68d Positive or negative difference between the Tier 1 amount available and Tier 1 requirement			13.63%
68e Total Capital Adequacy requirement according to FINMA-Circ. 11/2			13.66%
68f Positive or negative difference between the global amount available and the global requirement			11.32%
Amounts below threshold (before weighted)			
73 Qualifying investments in the common stocks of other entities (CET1) (thresholds 2 and 3)	3,214	–	3,214
Threshold Tier 2			
78 Deferred tax assets that rely on future profitability (Tier 2) in relation with BIS method	30,206	–	30,206

Credit risk

For information on the Group's credit 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

46 – 50) of the 2014 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 2014

CHF million	Private		Banks & Multilateral		Governments	Other	Total
	Individuals	Corporates	Institutions				
Balance sheet							
Cash	–	–	–	–	–	7,402	7,402
Money market paper	–	0	–	–	653	–	653
Due from banks	–	–	4,329	–	–	–	4,329
Due from customers	6,304	3,834	8	–	–	–	10,147
Mortgages	1,662	109	–	–	–	–	1,771
Securities and precious metals trading portfolios	–	–	–	–	–	1	1
Financial investments	–	1,796	4,075	–	721	579	7,171
Derivatives	133	133	334	–	0	20	620
Other assets	99	61	425	–	17	2	604
Total current year	8,198	5,933	9,172	–	1,391	8,004	32,698
Off balance sheet							
Contingent liabilities	250	119	7	–	–	0	375
Irrevocable facilities granted	1	0	46	–	–	0	47
Liabilities for calls on shares and other equities	1	0	0	–	–	0	1
Add-on	49	165	321	–	–	14	548
Total current year	302	283	373	–	0	14	971

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						2014
CHF million	Switzerland	Europe	Americas	Asia	Other	Total
Balance sheet						
Cash	7,277	80	0	45	0	7,402
Money market paper	2	0	40	612	0	653
Due from banks	513	3,285	193	272	67	4,329
Due from customers	830	1,735	5,424	1,972	186	10,147
Mortgages	1,084	635	52	0	0	1,771
Securities and precious metals trading portfolios	0	0	0	0	0	1
Financial investments	127	2,007	4,283	538	216	7,171
Derivatives	228	258	85	46	2	620
Other assets	115	361	101	25	2	604
Total current year	10,177	8,362	10,178	3,509	473	32,698
Off balance sheet						
Contingent liabilities	164	135	43	31	2	375
Irrevocable facilities granted	0	9	7	30	1	47
Liabilities for calls on shares and other equities	0	0	0	1	0	1
Add-on	65	95	285	94	10	548
Total current year	229	238	335	157	12	971

Risk weighted assets and total regulatory net credit risk exposure 2014

CHF million	Regulatory gross credit risk exposure	Less credit risk mitigation	Total regulatory net credit exposure	Average risk weight	Risk weighted assets
Balance sheet					
Cash	7,402	0	7,402	0.00	0
Money market paper	653	0	653	0.00	0
Due from banks	4,329	-297	4,032	0.08	338
Due from customers	10,147	-6792	3,355	0.81	2,718
Mortgages	1,771	-73	1,698	0.54	916
Securities and precious metals trading portfolios	1	0	1	1.50	1
Financial investments	7,171	0	7,171	0.55	3,966
Derivatives	620	-109	511	0.59	303
Other assets	604	-8	595	0.44	263
Total current year	32,698	-7,279	25,419	0.33	8,505
Off balance sheet					
Contingent liabilities	375	-162	213	0.96	205
Irrevocable facilities granted	47	-1	46	0.20	9
Liabilities for calls on shares and other equities	1	0	1	1.00	1
Add-on	548	-109	439	0.55	242
Total current year	971	-272	699	0.65	458

Credit exposure after risk mitigation of collateral by risk weighting								2014
CHF million	Risk weighting							Total regulatory net credit exposure
	0%	20%	35%	50%	75%	100%	155%	
Private Individuals	95	0	1,039	2	188	1,660	287	3,271
Corporates	731	69	108	312	0	2,843	125	4,190
Banks & Multilateral								
Institutions	2,673	2,331	0	3,607	0	635	2	9,248
Governments	1,200	73	0	111	0	6	1	1,391
Other	7,904	12	0	0	0	25	77	8,018
	12,603	2,486	1,147	4,033	189	5,169	491	26,118

Client impaired loans

For a detailed overview of impaired loans, see to note impaired loans on page 52 in the Holding's Annual Report 2014.

Market risk

For more information on the Group's approach to manage market risk, see the Holding's Annual Report 2014 in the section Market risk and Interest rate risk (pages 47 – 48). 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	2014
Interest rate instruments held in the trading book	32,669
Equities held in the trading book	23,613
Currencies and precious metals	112,183
Commodities	9,761
Options	435
Total required capital	178,661

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 approach to manage operational risk, see the Holding's Annual Report 2014 in the Operational and reputation risk (page 49).

Interest rate risk in the banking book

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

Interest rate risk in the banking book

CHF million	2014
USD	-1
EUR	0
CHF	0