



Basel III Pillar 3 disclosures 2024

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1. Introduction

Cembra is a leading Swiss provider of innovative financing solutions and services. Our product range includes consumer credit products such as personal loans and auto leases and loans, credit cards, insurance products made available in this context, invoice financing, and deposits and savings products.

Across our business lines Lending and Payments we serve over 2 million customers in Switzerland and employ more than 850 people from about 40 different countries. We have our headquarters in Zurich and operate across Switzerland through our network of branches and our online distribution channels, as well as our credit card partners, independent intermediaries and car dealers.

We have been listed as an independent Swiss bank on the SIX Swiss Exchange since 2013. Cembra is rated A- by Standard & Poor's and is recognised for its strong sustainability performance by leading ESG rating agencies.

2. Scope of Pillar 3 disclosures

The report provides Pillar 3 disclosures for the Group. The Group comprises the Cembra Money Bank AG as parent company and its subsidiaries: Swiss Auto Lease 2023-1 GmbH, Swiss Auto Lease 2020-1 GmbH, CembraPay AG (previously Byjuno AG and merged with Swissbilling SA in May 2024), Fastcap AG, Cembra Credit GmbH (previously eny Credit GmbH) and Cembra Latvia SIA (previously Cembra Technologies SIA) and Cembra Auto Finance AG.

The Group figures shown in this report are based on the consolidated financial statements that reflect the Group's financial position and have been prepared in accordance with accounting principles generally accepted in the US ("US GAAP") and in compliance with the Swiss law.

The Bank figures shown in this report are prepared based on the accounting and valuation principles defined in the Ordinance on the Accounting of the Swiss Financial Market Supervisory Authority (FINMA-AO, 952.024.1), the FINMA circular 2020/01 "Accounting – Banks" and the Ordinance on Banks and Savings Banks (BO, SR 952.02).

The disclosures in this report were prepared in accordance with the FINMA regulatory requirements as defined in the circular 2016/01 "Disclosure – Banks" and the underlying updated framework - Pillar 3 disclosure requirements issued by Basel Committee on Banking Supervision ("BCBS").

The Group is subject to the annual partial disclosure requirements according to the FINMA circular 2016/01 as they are defined for a category 4 bank and they take into account the quantitative and qualitative disclosure information.

3. Capital and capital adequacy

The Group is applying the Basel III framework as implemented in Switzerland, as well as Swiss legislation and regulations for category 4 banks. Under Basel III standards different approaches are available for banks to calculate the regulatory capital requirements for credit risk (default risk), counterparty credit risk (default risk before the final settlement of derivative), market and operational risks. The Group uses the standardised approach (“SA-BIS” approach) to calculate the minimum capital requirement for covering credit risk. It applies current exposure method (“CEM”) to calculate the required capital for counterparty credit risk for derivative. The simplified approach with credit equivalent calculated with CEM is used to quantify the loss risk to credit value adjustment (“CVA”) of the derivative. It calculates the capital charge for market risk according to the standardised approach. The Group also applies the standardised approach to calculate the capital charge for operational risk. Thus it fulfils the qualitative and quantitative requirements of the Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO, SR 952.03). Capital adequacy and the use of regulatory capital is monitored and reported on a Bank and Group level applying the rules defined by FINMA on regular basis. The scope of consolidation for the regulatory capital requirements calculation is the same as the scope of consolidation under “US GAAP”.

As at 31 December 2024, the Group adheres to the requirements of CAO and respective circulars of the FINMA, in particular the disclosure requirements according to the FINMA circular 2016/01. The regulatory requirement consists of the absolute minimum requirement for a banking license at 8% and the capital buffer for the category 4 bank at 3.2%, which leads to a minimum total capital ratio at 11.2%.

The Group’s total capital ratio was 18.0% and the Bank’s total capital ratio was 19.2% as of 31 December 2024, which is higher than the regulatory requirement of 11.2%. Common Equity Tier 1 (CET1) ratios were 15.5% at the Group level and 16.6% at the Bank level, both well above the regulatory requirement of 7.4%.

As at 31 December 2024, the Group’s regulatory capital of CHF 1,094.4 million was composed mostly of CET1 capital of CHF 941.5 million, additional Tier 1 capital of CHF 150.0 million and Tier 2 capital of CHF 2.9 million. The Group’s required capital amounted to CHF 487.0 million.

The Group has in 2024 completed its preparation for the implementation of the Basel III final capital regulation (also known as Basel IV), which is effective from 1 January 2025 onwards. The implementation was performed based on the monthly parallel run of the minimum capital requirements calculations defined in current Basel III standards and in new Basel III final standards.

A detailed description of the risk and compliance organisation, principles applied, methods and processes as well as the various risk categories can be found in the Annual Report 2024 in the section “Risk Management Report – Capital management”.

4. Liquidity

The Group has appropriate methods and techniques in place for measuring liquidity risk that include the qualitative and quantitative assessment of exposure to that risk in accordance with Ordinance on the Liquidity of Banks and Investment Firms (LiqO, SR 952.06). The Group monitors exposure to liquidity risk regularly through precisely defined ratios, indicators and other criteria. The effective reporting and monitoring of liquidity risk thus allows the Group to continuously maintain the desired risk profile.

The Group ensures that it has adequate liquidity at all times, and to that end takes into account various liquidity management scenarios, based on which it defines a suitable method for ensuring its liquidity position.

The quantitative system comprises liquidity ratios prescribed as well by the FINMA circular 2015/02 “Liquidity risks – Banks”. In accordance with regulations, the Group calculates and reports the standardised liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

The purpose of the LCR is to ensure liquidity over the short term by defining the necessary scope of liquid assets to settle liabilities during emergency liquidity conditions. The purpose of the NSFR is to maintain stable funding profile in relation to the composition of the assets and the off-balance sheet items.

The LCR ratios at the Group level and at the Bank level for 2024, shown in this report, have been well above the minimum regulatory ratio of 100%. The NSFR ratios for the Group and the Bank in 2024, shown in this report, have been above the minimum regulatory ratio of 100%.

Additional information regarding the Group’s liquidity risk management is provided in the Annual Report 2024 in the section “Risk Management Report – ALM, market and liquidity risk”.

5. Interest rate risk in the banking book

The Group’s main source of market risk is the interest rate risk in the banking book (“IRRBB”). IRRBB is the current or prospective risk to the Group’s capital and earnings arising from adverse movements in the interest rates. Movements in interest rates might change the underlying value of assets, liabilities and off-balance sheet items and hence its economic value. They might also affect net interest income and earnings by altering interest-rate sensitive income and expenses. Excessive IRRBB can pose a significant threat to the Group’s current capital base and/or future earnings if not managed appropriately.

An effective interest rate risk management framework has been implemented to limit potential impacts on the Group’s current capital base and/or future earnings and to maintain the risk profile at levels that are appropriate to the risk appetite approved by the Board of Directors. Due to the Group’s prevailing fixed interest rate assets and liabilities, it is mainly exposed to the gap (repricing) risk. This is the risk of adverse consequence due to increasing or decreasing interest rates because of difference in time of when these rate changes affect the Group’s assets and liabilities. The Group faces relatively low option and basis risk. Consequently, the Group focuses IRRBB monitoring on repricing risk.

The Group applies different interest rate shock scenarios and reports the impact on the economic value of equity (EVE) and net interest income (NII) together with the limits utilisation to the ALCO and to the Board of Directors on a regular basis. The ALCO (Asset & Liability Management Committee, see Annual Report 2024 “Risk Management Report”) is responsible for approving any material changes that may occur in the methodology, including model assumptions, parameters and techniques.

The EVE metric measures the change in the discounted present value of the Group’s expected future net cash flows, focusing on the sensitivity of the economic values of the banking book items to the interest rate changes. The economic value metric captures the long-term effect of the interest rate changes on equity. Economic value measures reflect changes in value over the remaining life of the interest-rate sensitive instruments. The EVE calculation is based on the position level taking into consideration the exact repricing dates. The market value is determined by discounting the future cash flows, including margins, with risk-free rates (CHF SARON swap rate curve).

The NII metric is calculated as the difference which arises in the net interest margin during a certain time period due to a parallel movement in interest rates. The period for measuring net interest margin sensitivity is one year for each balance sheet position where the exact repricing dates are taken into account. The interest rates used for repricing in the base scenario are derived from the forward rates. Further, the current credit spreads are used in the NII calculation. The Group applies certain caps on the assets for the parallel upward shock and floors on the liabilities for the parallel downward shock. These central assumptions represent the Group’s best estimate of its ability to increase interest rates (e.g., considering maximum interest rates as set by the Swiss Consumer Credit Act) and to decrease interest rates (e.g., considering no negative interest rates for savings accounts).

Repricing maturities take into account assumptions of early repayments based on behavioural models for assets and of early withdrawals for liabilities. The assets prepayment model calculates the expected run-off of a portfolio of contracts until the end of the portfolio’s actual life. It is developed on the actual historical data and includes the observed customer behavioural patterns/changes. Early redemption risk is managed through the penalty charged to at least compensate the loss of interest between the date of early withdrawal and the contractual maturity date, which means that the Group utilizes a natural hedge against interest rate risk. The savings accounts are positioned in the repricing time bucket within 30 days, where the customer behaviour is evaluated on a regular basis to assess the stickiness of the customer savings accounts’ balances.

The Group considers the standardised regulatory interest rate shock scenarios for both IRRBB metrics, Δ EVE and Δ NII, as they are defined in Annex 2 of the FINMA circular 2019/02, “Interest rate risk – Banks”. The regulatory interest rate shock scenarios are appropriate enough for the interest rate risks the Group enters into, because they commensurate its nature, size, business complexity and overall risk profile and therefore no further internal interest rate shocks are applied. Within these scenarios, if applicable, negative interest rates are considered and therefore no interest rate floor is applied. All six standardised regulatory scenarios (parallel shifts up and down for 150 bps, steeper and flatter shocks, short rates up and down) are considered for the calculation of the change in the EVE. For the calculation of the change in the NII the two standardised regulatory scenarios (parallel shifts up and down for 150 bps) are considered. The change in the net present value of capital that is equal or greater than 15% of Tier 1 capital in at least one of the interest rate shock scenarios is according to the Annex 1 of the FINMA circular 2019/02 defined as potentially unduly high interest rate risk.

The Group carries out micro hedging transactions for the management of interest rate risk, these transactions involve the interest rate swap (“IRS”) contracts. The Group does not perform interest rate hedges with non-linear derivatives in the banking book. The Group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing quarterly basis, and requires the Group to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing quarterly basis and requires the Group to determine whether the hedging relationship has been effective.

The Group does not have automatic interest rate options to manage IRRBB as of 31 December 2024.

The numbers published in this report are rounded, however they are calculated based on the full numbers and therefore rounding differences can occur.

In order to have a complete understanding of the Group’s regulatory framework, this report should be read together with the Annual Report 2024 available at www.cembra.ch/financialreports.

KM1: Key metrics at consolidated Group level

At 31 December (CHF in thousands)	2024	2024 (3 months)	2024 (6 months)	2024 (9 months)	2023
Eligible capital					
Common equity Tier 1 capital (CET1)	941,453				896,011
CET1 without impact of transitional arrangements for expected losses	-				-
Tier 1 capital	1,091,453				1,046,011
Tier 1 capital without impact of transitional arrangements for expected losses	-				-
Total eligible capital	1,094,390				1,049,346
Total eligible capital without impact of transitional arrangements for expected losses	-				-
Risk-weighted assets (RWA)					
RWA	6,087,809				6,090,070
Minimum capital requirements	487,025				487,206
Minimum capital requirements risk based capital ratios (in % of RWA)					
CET1 ratio	15.5 %				14.7 %
CET1 ratio without impact of transitional arrangements for expected losses	-				-
Tier 1 capital ratio	17.9 %				17.2 %
Tier 1 capital ratio without impact of transitional arrangements for expected losses	-				-
Total capital ratio	18.0 %				17.2 %
Total capital ratio without impact of transitional arrangements for expected losses	-				-
CET1-buffer requirements (in % of RWA)					
Capital buffer in accordance with the Basel minimum standards	2.5 %				2.5 %
Countercyclical buffer (Art. 44a CAO) in accordance with the Basel minimum standards	-				-
Additional capital buffer due to international or national systemic importance	-				-
Total buffer requirements in accordance with the Basel minimum standards in CET1-quality	2.5 %				2.5 %
CET1 available to meet buffer requirements as per the Basel minimum standards (after deduction of the CET1 to meet minimum requirements and to meet TLAC requirements where applicable)	9.977 %				9.230 %
Capital target ratios in accordance with Annex 8 of CAO (in % of RWA)					
Capital buffer in accordance with Annex 8 of CAO	3.2 %				3.2 %
Countercyclical buffer (Art. 44 and 44a CAO)	0 %				0 %
CET1-target ratio in accordance with Annex 8 of CAO plus countercyclical buffer as per Art. 44 and 44a CAO	7.4 %				7.4 %
T1-target ratio in accordance with Annex 8 of CAO plus countercyclical buffer as per Art. 44 and 44a CAO	9.0 %				9.0 %
Total capital target ratio in accordance with Annex 8 of CAO plus countercyclical buffer as per Art. 44 and 44a CAO	11.2 %				11.2 %

<i>At 31 December (CHF in thousands)</i>	2024	2024 (3 months)	2024 (6 months)	2024 (9 months)	2023
Basel III Leverage Ratio					
Leverage ratio exposure	8,199,034				8,331,291
Basel III Leverage Ratio (Tier 1 capital in % of the leverage ratio exposure)	13.3 %				12.6 %
Basel III Leverage Ratio (Tier 1 capital in % of the leverage ratio exposure) without impact of transitional arrangements for expected losses	–				–
Liquidity Coverage Ratio (LCR)¹					
LCR numerator: total of high-quality, liquid assets	865,855	1,178,597	1,052,073	889,480	808,894
LCR denominator: total net cash outflows	55,826	125,583	118,207	95,352	232,532
Liquidity Coverage Ratio, LCR (in %)	1,551 %	939 %	890 %	933 %	348 %
Net Stable Funding Ratio (NSFR)					
Available amount of stable funding	6,737,222				6,265,971
Required amount of stable funding	5,472,593				5,537,270
Net Stable Funding Ratio, NSFR (in %)	123 %				113 %

¹ The average LCR for a quarter is defined as the ratio of the 3-month average for the high-quality assets (numerator) and the 3-month average for net cash outflows (denominator)

KM1: Key metrics at Bank level

<i>At 31 December (CHF in thousands)</i>	2024	2024 (3 months)	2024 (6 months)	2024 (9 months)	2023
Eligible capital					
Common equity Tier 1 capital (CET1)	982,758				937,945
CET1 without impact of transitional arrangements for expected losses	-				-
Tier 1 capital	1,132,758				1,087,945
Tier 1 capital without impact of transitional arrangements for expected losses	-				-
Total eligible capital	1,135,659				1,091,217
Total eligible capital without impact of transitional arrangements for expected losses	-				-
Risk-weighted assets (RWA)					
RWA	5,915,139				5,731,366
Minimum capital requirements	473,211				458,509
Minimum capital requirements risk based capital ratios (in % of RWA)					
CET1 ratio	16.6%				16.4%
CET1 ratio without impact of transitional arrangements for expected losses	-				-
Tier 1 capital ratio	19.2%				19.0%
Tier 1 capital ratio without impact of transitional arrangements for expected losses	-				-
Total capital ratio	19.2%				19.0%
Total capital ratio without impact of transitional arrangements for expected losses	-				-
CET1-buffer requirements (in % of RWA)					
Capital buffer in accordance with the Basel minimum standards	2.5%				2.5%
Countercyclical buffer (Art. 44a CAO) in accordance with the Basel minimum standards	-				-
Additional capital buffer due to international or national systemic importance	-				-
Total buffer requirements in accordance with the Basel minimum standards in CET1-quality	2.5%				2.5%
CET1 available to meet buffer requirements as per the Basel minimum standards (after deduction of the CET1 to meet minimum requirements and to meet TLAC requirements where applicable)	11.199%				11.039%
Capital target ratios in accordance with Annex 8 of CAO (in % of RWA)					
Capital buffer in accordance with Annex 8 of CAO	3.2%				3.2%
Countercyclical buffer (Art. 44 and 44a CAO)	0%				0%
CET1-target ratio in accordance with Annex 8 of CAO plus countercyclical buffer as per Art. 44 and 44a CAO	7.4%				7.4%
T1-target ratio in accordance with Annex 8 of CAO plus countercyclical buffer as per Art. 44 and 44a CAO	9.0%				9.0%

<i>At 31 December (CHF in thousands)</i>	2024	2024 (3 months)	2024 (6 months)	2024 (9 months)	2023
Total capital target ratio in accordance with Annex 8 of CAO plus countercyclical buffer as per Art. 44 and 44a CAO	11.2 %				11.2 %
Basel III Leverage Ratio					
Leverage ratio exposure	7,888,170				7,765,229
Basel III Leverage Ratio (Tier 1 capital in % of the leverage ratio exposure)	14.4 %				14.0 %
Basel III Leverage Ratio (Tier 1 capital in % of the leverage ratio exposure) without impact of transitional arrangements for expected losses	-				-
Liquidity Coverage Ratio (LCR)¹					
LCR numerator: total of high-quality, liquid assets	864,719	1,178,392	1,051,842	888,704	808,833
LCR denominator: total net cash outflows	103,730	57,246	166,307	131,449	257,246
Liquidity Coverage Ratio, LCR (in %)	834 %	2,058 %	632 %	676 %	314 %
Net Stable Funding Ratio (NSFR)					
Available amount of stable funding	6,294,782				5,842,954
Required amount of stable funding	5,026,885				4,916,143
Net Stable Funding Ratio, NSFR (in %)	125 %				119 %

¹ The average LCR for a quarter is defined as the ratio of the 3-month average for the high-quality assets (numerator) and the 3-month average for net cash outflows (denominator)

OV1: Overview of risk-weighted assets

At 31 December (CHF in thousands)	2024	2023	2024
			Minimum capital requirements ¹
Credit risk	5,296,060	5,331,248	423,685
Market risk	1,866	888	149
Operational risk	789,883	757,935	63,191
Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0
Total	6,087,809	6,090,070	487,025

¹ Correspond to 8% of the risk-weighted assets (RWA)

CR1: Credit risk – Credit quality of assets

At 31 December (CHF in thousands)	Gross carrying values of defaulted exposures	Gross carrying values of non-defaulted exposures	Value adjustments / impairments	Net values
Loans (excluding debt securities) ¹	78,593	6,632,949	158,454	6,553,087
Debt securities	0	189,856	0	189,856
Off-balance sheet exposures	0	190,186	0	190,186
Total	78,593	7,012,991	158,454	6,933,130

¹ The write-off definition for the personal loans and the credit cards changed from November 2024 and resulted in higher defaulted exposures. Defaulted exposure for the credit cards is calculated based on the delinquency percentages at last billing cycle and applying them to the general ledger month-end balances

CR2: Credit risk – Changes in stock of defaulted loans and debt securities

<i>At 31 December (CHF in thousands)</i>	2024
Defaulted loans and debt securities ¹ at end of the previous reporting period	51,795
Loans and debt securities that have defaulted since the last reporting period	83,790
Returned to non-defaulted status	9,813
Amounts written off	47,179
Other changes ² (+ / -)	0
Defaulted loans and debt securities at end of the reporting period	78,593

¹ Exposures net of write-offs and gross of allowances / impairments

² Balancing items that are necessary to enable total to reconcile

CR3: Credit risk – Overview of credit risk mitigation techniques

<i>At 31 December (CHF in thousands)</i>	Exposures unse- cured / Carrying amount	Exposures secured by collateral, of which: se- cured amount	Exposures secured by financial guarantees or credit derivatives, of which: secured amount
Loans (including Debt securities)	6,742,944	–	–
Off-balance-sheet transactions	190,186	–	–
Total	6,933,130	–	–
- of which defaulted	78,593	–	–

CR5: Credit risk – Exposures by asset classes and risk weights under the standardised approach

Exposure class									Total credit exposures amount (post-CCF and post-CRM)¹
<i>At 31 December (CHF in thousands)</i>	0%	10%	20%	35%	50%	75%	100%	150%	
Central governments and central banks	874,314	-	-	-	-	-	-	-	874,314
Banks and securities firms	-	-	45,016	-	-	-	-	-	45,016
Non-central government public sector entities and multilateral development banks	18,351	-	12,613	-	6,147	-	-	8	37,120
Corporates	10	-	61,188	-	-	-	65,517	93	126,808
Retail	-	-	-	-	-	6,428,433	179,944	82,164	6,690,541
Equity	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	32,223	-	32,223
Total	892,675	-	118,817	-	6,147	6,428,433	277,684	82,265	7,806,021
- of which, covered by mortgages	-	-	-	-	-	-	-	-	-
- of which, past-due loans	-	-	-	-	-	-	-	82,265	82,265

¹ The amount used for the capital requirements calculation (both for on- and off-balance-sheet amounts), therefore net of allowances and write-offs and after having applied Credit Risk Mitigation (CRM) techniques and Credit Conversion Factor (CCF) but before the application of the relevant risk weights

IRRBBA1: Interest rate risk in the banking book – Quantitative information on position structure and repricing maturities

At 31 December	Volume in million CHF		Average repricing maturity (in years)		Maximum repricing maturity (in years) for the positions with modelled repricing maturity (not deterministic)		
	Total	- of which CHF	- of which other major currencies that make up more than 10% of assets or liabilities of the balance sheet	Total ²	- of which CHF	Total	- of which CHF
Determined repricing maturity							
Receivables from banks							
Receivables from clients	5,524	5,524		1.42	1.42		
Money market mortgages							
Fixed-rate mortgages							
Financial investments	190	190		1.04	1.04		
Other receivables							
Receivables from interest rate derivatives ¹	275	275		0.06	0.06		
Liabilities to banks	10	10		0.46	0.46		
Liabilities from client deposits	916	916		0.42	0.42		
Medium-term notes	2,215	2,215		2.65	2.65		
Bonds and mortgage-backed bonds	2,905	2,905		2.58	2.58		
Other liabilities							
Payables to interest rate derivatives ¹	282	282		1.38	1.38		
Undetermined repricing maturity							
Receivables from banks	44	44		0.003	0.003		
Receivables from clients	672	672		1.69	1.69		
Variable mortgage receivables							
Other sight receivables							
Sight liabilities in personal and current accounts	319	319		0.08	0.08		
Other sight liabilities							
Liabilities from client deposits, callable but not transferable (savings)							
Total	-	-		-	-	10.00	10.00

¹ Interest rate derivative volume is shown twice (once under receivables and once under payables) for technical reasons according to the FINMA instructions set out in Circular 2016/01

² The weighted average repricing maturity of receivables amounts to 1.4 years and of liabilities amounts to 2.2 years based on the behavioural assumptions (excluding derivatives)

IRRBB1: Interest rate risk in the banking book – Quantitative information on net present value and interest rate income

<i>CHF in thousands</i>	ΔEVE (Change in the net present value)		ΔNII (Change in the net interest income)		
	<i>Period</i>	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Parallel upward shift		64,888	68,794	7,253	- 477
Parallel downward shift		- 72,433	- 78,345	- 32,117	- 23,942
Steeper shock		26,776	39,733		
Flattener shock		- 13,968	- 25,840		
Upward short-term interest rate shock		10,919	2,775		
Downward short-term interest rate shock		- 11,230	- 2,862		
Maximum		- 72,433	- 78,345	- 32,117	- 23,942
<i>Period</i>		31.12.2024		31.12.2023	
Core capital (Tier 1)		1,091,453		1,046,011	