Capital Adequacy Disclosures 2013

Cembra
MoneyBank

Capital Adequacy Disclosures as at 31 December 2013

1. About the Bank

Cembra Money Bank AG ("Bank", together with its subsidiaries, "Group") has a strong market position in the Swiss consumer finance business. It is subject to prudential supervision by FINMA, has a banking license and provides a range of financial products and services. Headquartered in Zurich, the Bank operates through a nationwide network of 25 branches as well as through alternative distribution channels, such as the internet, credit card partners (including Migros, Conforama and TCS), independent agents and more than 3,200 auto dealers. As at 31 December 2013, the Bank occupied 700 employees and served approximately 624,000 customers.

The main products are:
- Personal loans;
- Auto leases and loans; and
- Credit cards.

The Bank predominantly operates in Switzerland. Total income and almost all costs arise in Swiss francs. Based on its financing receivables volume, the Bank believes that it is a leading provider of personal loans in Switzerland, one of the largest independent auto lease providers and a leading Swiss credit card issuer.

2. Scope of Consolidation

These capital adequacy disclosures show the risk and capital position of the Group on a consolidated basis. The Group comprises the parent company Cembra Money Bank AG and its directly held subsidiaries Swiss Auto Lease 2012-1 GmbH and Swiss Auto Lease 2013-1 GmbH. Prokredit AG, which was fully consolidated in the prior year, was merged with the Bank in the current year. Furthermore the Swiss Auto Lease 2013-1 GmbH was founded in this year.

Capital adequacy rules are monitored on group as well as on bank level.

3. Capital Adequacy

As of 1 January 2013 new rules on capital adequacy for the implementation of Basel III came into effect and replaced the former capital adequacy rules (Basel 2.5). For the calculation of eligible and required capital the Group decided not to make use of the relief provided by the transitional provisions and is therefore applying the definite Basel III rules effective 1 January 2013.

Under Basel III, a variety of basic approaches are available to banks for the calculation of capital adequacy requirements for credit, market and operational risks.

The Group uses the "SA-BIS" approach to calculate the minimum requirement for covering credit risk. It is entitled to use the standard approach to calculate the capital charge for market and operational risks.

On the following pages, the Group provides an overview of the risk situation and the determination of required capital. As of 31 December 2013, the Group adheres to the requirements of Capital Adequacy Ordinance and respective circulars of the Swiss Financial Market Supervisory Authority (FINMA), in particular the disclosure requirements according to FINMA circular 2008/22.

As of 31 December 2013, the Group's calculated required and eligible capital was CHF 288 million and CHF 712 million, respectively. The eligible capital consists of CHF 707 million common equity tier 1 ("CET1") capital and CHF 5 million tier 2 ("T2") capital. The reduction compared to the prior year was mainly driven by two dividend payments amounting to CHF 470 million and the repayment of a senior note that used to qualify as T2 capital.

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 2013 in the section "Risk Management".

4. Group Balance Sheet before Appropriation of Profit

At 31 December (CHF in thousands)	**Reference** [1]	**2013**
ASSETS		
Liquid assets		484,131
Amounts due from banks		48,244
Amounts due from customers		3,949,332
Financial investments		2,420
– of which own shares		2,000
Fixed Assets		6,591
Accrued income and prepaid expenses		49,358
Other assets		49,306
– of which deferred taxes	A	13,943
Total assets		**4,589,382**
LIABILITIES		
Amounts due to banks		1,067,000
Amounts due to customers in savings or deposit accounts		667,122
Other amounts due to customers		737,530
Cash bonds		550,455
Bond issues and central mortgage institution loans		649,547
Accrued expenses and deferred income		44,721
Other liabilities		61,844
Value adjustments and provisions		4,750
Total debt capital		**3,782,968**
– of which eligible as T2 capital	B	4,750
Bank’s capital		30,000
– of which eligible as CET1 capital	C	30,000
Profit reserves		634,606
– of which eligible as CET1 capital	D	634,606
Profit for the year		141,808
– of which eligible as CET1 capital	E	141,808
Total equity		**806,414**
Total liabilities		**4,589,382**

[1] *Reference in eligible capital*

5. Eligible Capital

At 31 December (CHF in thousands)	**Reference in Balance Sheet**	**2013 (Basel III)**	**2012 (Basel 2.5)**
COMMON EQUITY TIER 1 CAPITAL (CET1)			
Issued share capital, fully paid, eligible in full	C	30,000	30,000
Profit reserves	D	634,606	934,231
Profit for the year	E	141,808	–
Common equity tier 1 prior to adjustments		**806,414**	**964,231**
Adjustments to CET1			
Deferred tax assets which depend on future profitability	A	– 13,943	–
Expected dividends		– 85,500	–
Sum of CET1 adjustments		**– 99,443**	**–**
Net CET1		**706,972**	**964,231**
ADDITIONAL TIER 1 CAPITAL (AT1)			
Additional tier 1 capital (AT1)		–	–
Net tier 1 capital		**706,972**	**964,231**
Tier 2 capital (T2)	**B**	**4,750**	**482,129**
Regulatory capital (net T1 and T2)		**711,722**	**1,446,360**

6. Required Capital

At 31 December (CHF in thousands)	**2013 (Basel III)**	**2012 (Basel 2.5)**
Credit risk (SA-BIS)	243,869	243,891
Non counterparty risk (standard approach)	561	3,624
Market risk (standard approach)	9	34
– of which foreign currency instruments	9	34
Operational risk (standard approach)	43,209	41,868
Minimum capital requirements prior to weighting and capital buffer	**287,648**	**289,416**
Sum of risk-weighted positions [1]	3,595,600	3,617,705

[1] *12.5 x minimum capital*

7. Capital Ratios in Accordance with Basel III («Swiss Finish»)

At 31 December	**Comments**	**2013**[1]
CET1 ratio		19.7 %
T1 ratio		19.7 %
Total capital ratio		19.8 %
Surplus common equity (CET1)	**CET1 requirements: 7.4 %**	**12.3 %**
Surplus tier 1 capital (T1)	**T1 requirements: 9 %**	**10.7 %**
Surplus total regulatory capital	**Total capital ratio: 11.2 %**	**8.6 %**

1 *Figures were calculated on the basis of definitive Basel III requirements for a category IV bank in accordance with FINMA circular 2011/2. The Group decided not to make use of the relief provided by the transitional provisions.*

8. Key Characteristics of Regulatory Capital Instruments

At 31 December 2013	**Share capital**
Issuer	Cembra Money Bank AG
Identification (ISIN)	CH0225173167
Law applicable to instrument	Swiss law
Regulatory treatment	
Consideration in the Basel III transitional rules	Common Equity Tier 1
Consideration after the expiry of the Basel III transitional period	Common Equity Tier 1
Eligibility at stand-alone / group / stand-alone and group levels	Stand-alone and group levels
Equity shares / debt securities / hybrid instruments / other instruments	Equity shares
Amounts eligible for regulatory capital (according last submitted capital adequacy reporting form)	TCHF 30,000
Instruments' nominal value	CHF 1
Accounting item	Bank's capital
Original date of issue	17 December 2009
Unlimited or with expiry date	Unlimited
May be cancelled by issuer (with prior approval of regulatory authorities)	No
Dividends	
Fixed / variable / initially fixed then converted to variable / intitially variable then fixed	Variable
Nominal coupons and any index reference	N/A
Existence of a payment stop for dividends (if dividends on the instrument are waived, dividends on the normal share will be omitted as well)	No
Payment of interests / dividends: entirely / partially discretionary / mandatory	Dividends: entirely discretionary
Existence of a clause for increasing the interest rate or another incentive to pay back	No
Non-cumulative or cumulative	Non-cumulative
Non-convertible or convertible	Non-convertible
Write-down characteristics	N/A
Trigger for write-down	N/A
Full / partial	N/A
Permanent of temporary	N/A
Existence of characteristics that prevent full recognition under Basel III	No

9. Credit Risk by Counterparty

Credit exposures *(CHF in thousands)*	**Central governments and Central banks**	**Banks**	**Public bodies**	**Enter-prises**	**Retail**	**Equity**	**Other exposures**	**Total**
Balance sheet items								
Liquid assets	474,506	–	–	–	–	–	9,625	484,131
Amounts due from banks	–	48,244	–	–	–	–	–	48,244
– thereof Repo	–	–	–	–	–	–	–	–
Amounts due from customers	–	–	217	14,138	3,934,875	–	102	3,949,332
Financial fixed assets / debt securities / securities	–	–	–	–	–	2,000	–	2,000
Other assets	26,601	4,152	14,044	1,958	43,475	–	8,435	98,665
Total as per 31 December 2013	**501,108**	**52,395**	**14,261**	**16,095**	**3,978,350**	**2,000**	**18,162**	**4,582,371**
Total as per 31 December 2012	378,139	24,183	1,774	18,959	3,996,810	–	7,362	4,427,227
Off-balance sheet								
Contingent liabilities	–	–	–	–	9,983	–	–	9,983
Irrevocable commitments	–	–	1,148	–	–	–	–	1,148
General value adjustments and provisions	–	–	–	–	– 586	–	– 4,164	– 4,750
Total as per 31 December 2013	**–**	**–**	**1,148**	**–**	**9,397**	**–**	**– 4,164**	**6,381**
Total as per 31 December 2012	–	–	6,292	–	20,765	–	– 8,688	18,369

10. Credit Risk by Coverage

Credit exposures *(CHF in thousands)*	**Covered by recognised financial securities or REPOS**	**Uncovered**	**Total**
Balance sheet items			
Liquid assets	–	484,131	484,131
Amounts due from banks	–	48,244	48,244
– thereof Repo	–	–	–
Amounts due from customers	5,441	3,943,891	3,949,332
Financial fixed assets / debt securities / securities	–	2,000	2,000
Other assets	–	98,665	98,665
Total as per 31 December 2013	**5,441**	**4,576,931**	**4,582,371**
Total as per 31 December 2012	6,289	4,420,938	4,427,227
Off-balance sheet			
Contingent liabilities	–	9,983	9,983
Irrevocable commitments	–	1,148	1,148
General value adjustments and provisions	–	–4,750	–4,750
Total as per 31 December 2013	**–**	**6,381**	**6,381**
Total as per 31 December 2012	–	18,369	18,369

11. Credit Risk by Risk Weighting

Credit exposures *(CHF in thousands)*	**0 %**	**20 %**	**50 %**	**75 %**	**100 %**	**150 %**	**Total**
Balance sheet items							
Liquid assets	484,131	–	–	–	–	–	484,131
Amounts due from banks	–	48,244	–	–	–	–	48,244
– thereof Repo	–	–	–	–	–	–	–
Amounts due from customers	5,441	–	216	3,911,812	14,221	17,641	3,949,332
Financial fixed assets / debt securities / securities	–	–	–	–	–	2,000	2,000
Other assets	26,601	4,152	14,044	43,475	10,392	–	98,665
Total as per 31 December 2013	**516,173**	**52,395**	**14,260**	**3,955,288**	**24,614**	**19,641**	**4,582,371**
Total as per 31 December 2012	384,424	24,183	1,773	3,973,226	26,990	16,631	4,427,227
Off-balance sheet							
Contingent liabilities	–	–	–	–	9,983	–	9,983
Irrevocable commitments	–	1,148	–	–	–	–	1,148
General value adjustments and provisions	– 4,750	–	–	–	–	–	– 4,750
Total as per 31 December 2013	**– 4,750**	**1,148**	**–**	**–**	**9,983**	**–**	**6,381**
Total as per 31 December 2012	–	–	6,292	12,077	–	–	18,369

12. Credit Risk by Origin

Credit exposures *(CHF in thousands)*	**Switzerland**	**Foreign countries**	**Total**
Balance sheet items			
Liquid assets	484,131	–	484,131
Amounts due from banks	48,244	–	48,244
– thereof repo	–	–	–
Amounts due from customers	3,916,025	33,307	3,949,332
Financial fixed assets / debt securities / securities	2,000	–	2,000
Other assets	98,665	–	98,665
Total as per 31 December 2013	**4,549,064**	**33,307**	**4,582,371**
Total as per 31 December 2012	4,396,456	30,771	4,427,227
Off-balance sheet			
Contingent liabilities	9,983	–	9,983
Irrevocable commitments	1,148	–	1,148
General value adjustments and provisions	– 4,750	–	– 4,750
Total as per 31 December 2013	**6,381**	**–**	**6,381**
Total as per 31 December 2012	18,369	–	18,369
Doubtful client loans	17,003	644	17,647
Individual value adjustments	–	–	–

13. Interest Rate Risk

At 31 December (CHF in thousands)	**Movement interest rate curve by**	**2013**
Economic value impact on equity	+ 100 bps	4,925
	-100 bps	– 5,139
Total economic value impact on equity		**– 5,139**
As a % of equity		– 0.77 %

This document is also published in German. In case of differences between the German and the English version, the German version shall prevail.

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