Capital Adequacy Disclosures 2014

Capital Adequacy Disclosures as at 31 December 2014

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 2014, the Bank occupied 702 employees and served approximately 665,000 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.

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 2014, 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 2014, the Group's calculated required and eligible capital was CHF 295 million and CHF 762 million, respectively. The eligible capital consists of CHF 760 million common equity tier 1 ("CET1") capital and CHF 2 million tier 2 ("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 2014 in the section "Risk Management".

4. Group Balance Sheet before Appropriation of Profit

At 31 December (CHF in thousands)	**Reference [1]**	**2014**
ASSETS		
Liquid assets		617,739
Amounts due from banks [2]		53,547
Amounts due from customers		4,028,677
Financial investments		2,156
– of which own shares		1,952
Fixed Assets		22,154
Accrued income and prepaid expenses		48,966
Other assets		36,162
– of which deferred taxes	A	6,520
Total assets		**4,809,401**
LIABILITIES		
Amounts due to banks		971,500
Amounts due to customers in savings or deposit accounts		646,707
Other amounts due to customers		530,040
Cash bonds		845,499
Bond issues and central mortgage institution loans		849,701
Accrued expenses and deferred income		48,931
Other liabilities		54,831
Value adjustments and provisions		2,515
– of which eligible as T2 capital	B	1,845
Total debt capital		**3,949,724**
Bank's capital		30,000
– of which eligible as CET1 capital	C	30,000
Profit reserves		690,555
– of which eligible as CET1 capital	D	690,555
Profit for the year		139,122
– of which eligible as CET1 capital	E	139,122
Total equity		**859,677**
Total liabilities		**4,809,401**

1 *Reference in eligible capital*
2 *Includes assets of TCHF 49,732 of the two subsidiaries that can only be used to settle the liabilities of the subsidiaries.*

5. Eligible Capital

At 31 December (CHF in thousands)	**Reference in Balance Sheet**	**2014 (Basel III)**	**2013 (Basel III)**
COMMON EQUITY TIER 1 CAPITAL (CET1)			
Issued share capital, fully paid, eligible in full	C	30,000	30,000
Profit reserves	D	690,555	634,606
Profit for the year	E	139,122	141,808
Common equity tier 1 prior to adjustments		**859,677**	**806,414**
Adjustments to CET1			
Deferred tax assets which depend on future profitability	A	– 6,520	– 13,943
Expected dividends		– 93,000	– 85,500
Sum of CET1 adjustments		**– 99,520**	**– 99,443**
Net CET1		**760,157**	**706,972**
ADDITIONAL TIER 1 CAPITAL (AT1)			
Additional tier 1 capital (AT1)		–	–
Net tier 1 capital		**760,157**	**706,972**
Tier 2 capital (T2)	**B**	**1,845**	**4,750**
Regulatory capital (net T1 and T2)		**762,002**	**711,722**

6. Required Capital

At 31 December (CHF in thousands)	**2014 (Basel III)**	**2013 (Basel III)**
Credit risk (SA-BIS)	249,902	243,869
Non counterparty risk (standard approach)	1,789	561
Market risk (standard approach)	34	9
– of which foreign currency instruments	34	9
Operational risk (standard approach)	43,390	43,209
Minimum capital requirements prior to weighting and capital buffer	**295,115**	**287,648**
Sum of risk-weighted positions [1]	3,688,939	3,595,600

[1] *12.5 x minimum capital*

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

At 31 December	**Comments**	**2014[1]**
CET1 ratio		20.6 %
T1 ratio		20.6 %
Total capital ratio		20.7 %
Surplus common equity (CET1)	**CET1 requirements: 7.4 %**	**13.2 %**
Surplus tier 1 capital (T1)	**T1 requirements: 9.0 %**	**11.6 %**
Surplus total regulatory capital	**Total capital requirements: 11.2 %**	**9.5 %**

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 2014	**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 or 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	617,739	–	–	–	–	–	–	617,739
Amounts due from banks	–	53,547	–	–	–	–	–	53,547
– thereof Repo	–	–	–	–	–	–	–	–
Amounts due from customers	–	–	259	15,928	4,012,452	–	38	4,028,677
Financial fixed assets / debt securities / securities	–	–	–	–	–	1,952	–	1,952
Other assets	27,056	1,130	1,309	3,495	45,113	–	7,025	85,128
Total as per 31 December 2014	**644,795**	**54,677**	**1,568**	**19,423**	**4,057,565**	**1,952**	**7,063**	**4,787,043**
Total as per 31 December 2013	501,108	52,395	14,261	16,095	3,978,350	2,000	18,162	4,582,371
Off-balance sheet								
Contingent liabilities	–	–	–	–	39,036	–	–	39,036
Irrevocable commitments	–	–	2,726	–	–	–	–	2,726
General value adjustments and provisions	–	–	–	–	– 313	–	– 1,532	– 1,845
Total as per 31 December 2014	**–**	**–**	**2,726**	**–**	**38,723**	**–**	**– 1,532**	**39,917**
Total as per 31 December 2013	–	–	1,148	–	9,397	–	– 4,164	6,381

10. Credit Risk by Coverage

Credit exposures *(CHF in thousands)*	**Covered by recognized financial securities or REPOS**	**Uncovered**	**Total**
Balance sheet items			
Liquid assets	–	617,739	617,739
Amounts due from banks	–	53,547	53,547
– thereof Repo	–	–	–
Amounts due from customers	4,702	4,023,975	4,028,677
Financial fixed assets / debt securities / securities	–	1,952	1,952
Other assets	–	85,128	85,128
Total as per 31 December 2014	**4,702**	**4,782,341**	**4,787,043**
Total as per 31 December 2013	5,441	4,576,931	4,582,371
Off-balance sheet			
Contingent liabilities	–	39,036	39,036
Irrevocable commitments	–	2,726	2,726
General value adjustments and provisions	–	– 1,845	– 1,845
Total as per 31 December 2014	**–**	**39,917**	**39,917**
Total as per 31 December 2013	–	6,381	6,381

11. Credit Risk by Risk Weighting

Credit exposures *(CHF in thousands)*	**0 %**	**20 %**	**50 %**	**75 %**	**100 %**	**150 %**	**Total**
Balance sheet items							
Liquid assets	617,739	–	–	–	–	–	617,739
Amounts due from banks	–	53,547	–	–	–	–	53,547
– thereof Repo	–	–	–	–	–	–	–
Amounts due from customers	4,702	–	259	3,990,191	15,945	17,580	4,028,677
Financial fixed assets / debt securities / securities	–	–	–	–	–	1,952	1,952
Other assets	27,056	1,130	1,309	45,113	10,520	–	85,128
Total as per 31 December 2014	**649,497**	**54,677**	**1,568**	**4,035,304**	**26,465**	**19,532**	**4,787,043**
Total as per 31 December 2013	516,173	52,395	14,260	3,955,288	24,614	19,641	4,582,371
Off-balance sheet							
Contingent liabilities	–	–	–	39,036	–	–	39,036
Irrevocable commitments	–	2,726	–	–	–	–	2,726
General value adjustments and provisions	– 1,845	–	–	–	–	–	– 1,845
Total as per 31 December 2014	**– 1,845**	**2,726**	**–**	**39,036**	**–**	**–**	**39,917**
Total as per 31 December 2013	– 4,750	1,148	–	–	9,983	–	6,381

12. Credit Risk by Origin

Credit exposures *(CHF in thousands)*	**Switzerland**	**Foreign countries**	**Total**
Balance sheet items			
Liquid assets	617,739	–	617,739
Amounts due from banks	53,121	426	53,547
– thereof repo	–	–	–
Amounts due from customers	3,994,783	33,894	4,028,677
Financial fixed assets / debt securities / securities	1,952	–	1,952
Other assets	85,128	–	85,128
Total as per 31 December 2013	**4,752,723**	**34,320**	**4,787,043**
Total as per 31 December 2013	4,549,064	33,307	4,582,371
Off-balance sheet			
Contingent liabilities	39,036	–	39,036
Irrevocable commitments	2,726	–	2,726
General value adjustments and provisions	– 1,845	–	– 1,845
Total as per 31 December 2013	**39,917**	**–**	**39,917**
Total as per 31 December 2013	6,381	–	6,381
Doubtful client loans	17,259	322	17,581
Individual value adjustments	–	–	–

13. Interest Rate Risk

At 31 December (CHF in thousands)	**Movement interest rate curve by**	**2014**
Economic value impact on equity	+100 bps	10,252
	–100 bps	–4,636
Total economic value impact on equity		**–4,636**
As a % of equity		–0.54 %

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

Cembra Money Bank AG
Bändliweg 20
8048 Zurich
Switzerland

cembra.ch
#CembraMoneyBank