Capital Adequacy and Liquidity Disclosures 2015

Capital Adequacy and Liquidity Disclosures as at 31 December 2015

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 2015, the Bank occupied 715 employees (full-time equivalents) and served approximately 701,000 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, Swiss Auto Lease 2013-1 GmbH and Swiss Auto Lease 2015-1 GmbH.

Capital adequacy and liquidity 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 2015, 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 2015, the Group's calculated required and eligible capital was CHF 296 million and CHF 733 million, respectively. The eligible capital consists of CHF 732 million common equity tier 1 ("CET1") capital and CHF 1 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 2015 in the section "Risk Management".

4. Group Balance Sheet before Appropriation of Profit

At 31 December (CHF in thousands)	**Reference [1]**	**2015**
ASSETS		
Liquid assets		565,652
Amounts due from banks [2]		47,282
Amounts due from customers		4,018,282
Financial investments		105
Accrued income and prepaid expenses		54,004
Tangible fixed assets		31,843
Other assets		8,902
Total assets		**4,726,070**
LIABILITIES		
Amounts due to banks		410,000
Amounts due in respect of customer deposits		1,249,798
Cash bonds		1,138,633
Bond issues and central mortgage institution loans		1,024,804
Accrued expenses and deferred income		41,403
Other liabilities		32,735
Provisions		1,677
– of which eligible as T2 capital	A	800
Total debt capital		**3,899,050**
Bank's capital	B	30,000
– of which eligible as CET1 capital		30,000
Capital reserves	C	276,500
– of which eligible as CET1 capital		276,500
Retained earnings reserves	D	475,700
– of which eligible as CET1 capital		475,700
Profit for the year	E	144,913
– of which eligible as CET1 capital		144,913
Own shares		– 100,093
Total equity		**827,020**
Total liabilities		**4,726,070**

[1] *Reference in eligible capital*
[2] *Includes assets of TCHF 41,241 of the 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**	**2015 (Basel III)**	**2014 (Basel III)**
COMMON EQUITY TIER 1 CAPITAL (CET1)			
Issued share capital, fully paid, eligible in full	B	30,000	30,000
Capital reserves	C	276,500	369,500
Retained earnings reserves	D	475,700	321,055
Profit for the year	E	144,913	139,122
Own shares		– 100,093	– 1,952
Common equity tier 1 prior to adjustments		**827,020**	**857,725**
Adjustments to CET1			
Deferred tax assets which depend on future profitability		–	– 6,520
Expected dividends		– 94,464	– 93,000
Sum of CET1 adjustments		**– 94,464**	**– 99,521**
Net CET1		**732,556**	**758,205**
ADDITIONAL TIER 1 CAPITAL (AT1)			
Additional tier 1 capital (AT1)		–	–
Net tier 1 capital		**732,556**	**758,205**
Tier 2 capital (T2)	**A**	**800**	**1,845**
Regulatory capital (net T1 and T2)		**733,356**	**760,050**

6. Required Capital

At 31 December (CHF in thousands)	**2015 (Basel III)**	**2014 (Basel III)**
Credit risk (SA-BIS)	249,205	249,902
Non counterparty risk (standard approach)	2,556	1,789
Market risk (standard approach)	232	34
– of which foreign currency instruments	232	34
Operational risk (standard approach)	44,243	43,390
Minimum capital requirements prior to weighting and capital buffer	**296,237**	**295,115**
Sum of risk-weighted positions [1]	3,702,961	3,688,939

[1] *12.5 x minimum capital*

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

At 31 December	**Comments**	**2015[1]**
CET1 ratio		19.8 %
T1 ratio		19.8 %
Total capital ratio		19.8 %
Surplus common equity (CET1)	**CET1 requirements: 7.4 %**	**12.4 %**
Surplus tier 1 capital (T1)	**T1 requirements: 9 %**	**10.8 %**
Surplus total regulatory capital	**Total capital requirements: 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 2015	**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 / initially 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	556,539	–	–	–	–	–	9,113	565,652
Amounts due from banks	–	47,282	–	–	–	–	–	47,282
– thereof Repo	–	–	–	–	–	–	–	–
Amounts due from customers	–	–	249	16,255	4,001,541	–	237	4,018,282
Financial fixed assets / debt securities / securities	–	–	–	–	–	–	105	105
Other assets	0	1,048	138	3,001	–	–	2,395	6,582
Total as per 31 December 2015	**556,540**	**48,330**	**386**	**19,256**	**4,001,541**	**–**	**11,850**	**4,637,903**
Total as per 31 December 2014	644,795	54,677	1,568	19,423	4,057,565	1,952	7,063	4,787,043
Off-balance sheet								
Contingent liabilities	–	–	–	–	37,956	–	–	37,956
Irrevocable commitments	–	–	3,187	–	–	–	–	3,187
Total as per 31 December 2015	**–**	**–**	**3,187**	**–**	**37,956**	**–**	**–**	**41,143**
Total as per 31 December 2014	–	–	2,726	–	38,723	–	– 1,532	39,917

10. Credit Risk by Coverage

Credit exposures *(CHF in thousands)*	**Covered by recognized financial securities or REPOS**	**Uncovered**	**Total**
Balance sheet items			
Liquid assets	–	565,652	565,652
Amounts due from banks	–	47,282	47,282
– thereof Repo	–	–	–
Amounts due from customers	3,998	4,014,283	4,018,282
Financial fixed assets / debt securities / securities	–	105	105
Other assets	–	6,582	6,582
Total as per 31 December 2015	**3,998**	**4,633,904**	**4,637,903**
Total as per 31 December 2014	4,702	4,782,341	4,787,043
Off-balance sheet			
Contingent liabilities	–	37,956	37,956
Irrevocable commitments	–	3,187	3,187
Total as per 31 December 2015	**–**	**41,143**	**41,143**
Total as per 31 December 2014	–	39,917	39,917

11. Credit Risk by Risk Weighting

Credit exposures *(CHF in thousands)*	**0 %**	**20 %**	**50 %**	**75 %**	**100 %**	**150 %**	**Total**
Balance sheet items							
Liquid assets	565,652	–	–	–	–	–	565,652
Amounts due from banks	–	47,282	–	–	–	–	47,282
– thereof Repo	–	–	–	–	–	–	–
Amounts due from customers	3,998	–	249	3,978,469	18,468	17,097	4,018,282
Financial fixed assets / debt securities / securities	–	–	–	–	105	–	105
Other assets	–	1,048	138	–	5,396	–	6,582
Total as per 31 December 2015	**569,650**	**48,330**	**386**	**3,978,469**	**23,970**	**17,097**	**4,637,903**
Total as per 31 December 2014	649,497	54,677	1,568	4,035,304	26,465	19,532	4,787,043
Off-balance sheet							
Contingent liabilities	–	–	–	37,956	–	–	37,956
Irrevocable commitments	–	3,187	–	–	–	–	3,187
Total as per 31 December 2015	**–**	**3,187**	**–**	**37,956**	**–**	**–**	**41,143**
Total as per 31 December 2014	– 1,845	2,726	–	39,036	–	–	39,917

12. Interest Rate Risk

At 31 December (CHF in thousands)	**Movement interest rate curve by**	**2015**
Economic value impact on equity	+ 100 bps	24,368
	-100 bps	– 26,717
Total economic value impact on equity		**– 26,717**
As a % of economic value of equity		– 3.23 %

13. Leverage Ratio

At 31 December (CHF in thousands)	**2015**
Total exposure for Leverage Ratio	**4,767,213**
Total consolidated assets as per published financial statements	4,726,070
Adjustments for deductions from core capital	–
Adjustments for derivatives	–
Adjustments for security financing transactions	–
Adjustment for off-balance sheet items	41,143
Other adjustments	–
Total on-balance sheet exposure	**4,726,070**
On-balance sheet items	4,726,070
Asset amounts deducted from core capital	–
Total derivative exposures	**–**
Total exposure securities financing transaction	**–**
Other off-balance sheet exposure	**41,143**
Off-balance sheet exposure at gross notional amount before any adjustment for credit conversion factors	44,330
Adjustments for conversion to credit equivalent amounts	– 3,187
Leverage Ratio	**15.4 %**
Total exposure for Leverage Ratio	4,767,213
Common equity (CET1)	732,556

14. Liquidity Coverage Ratio

	AVERAGE Q1 2015		AVERAGE Q2 2015	
(CHF in thousands)	Values not weighted	Weighted values	Values not weighted	Weighted values
Stock of high quality liquid assets (HQLA)[1]		**722,713**		**529,063**
Cash outflow[2]				
Deposits from retail clients	169,570	15,793	165,326	15,346
of which stable deposits	23,274	1,164	23,726	1,186
of which less stable deposits	146,296	14,630	141,600	14,160
Unsecured funding provided by corporate or wholesale clients	130,037	121,285	106,061	98,826
of which non-operational deposits (all counterparties)	63,370	54,619	106,061	98,826
of which unsecured debt instruments	66,667	66,667	–	–
Other cash outflows	5,452	2,726	5,452	2,726
of which cash outflows from committed credit and liquidity facilities	5,452	2,726	5,452	2,726
Other contingent funding obligations	32,497	32,497	43,776	43,776
Total cash outflow	**337,555**	**172,302**	**320,615**	**160,675**
Cash inflow[3]				
Cash inflows from non-impaired receivables	138,713	69,357	139,370	69,685
Other cash inflows	8,844	8,831	4,922	4,909
Total cash inflow	**147,557**	**78,187**	**144,292**	**74,594**
High quality liquid assets (HQLA)		**722,713**		**529,063**
Cash inflow[4]		**70,357**		**74,594**
Cash outflow		**172,302**		**160,675**
Net cash outflow		**101,944**		**86,080**
Liquidity coverage ratio[5] (%)		**709 %**		**615 %**

1 *The stock of high quality liquid assets (HQLA) consists of cash held at the Swiss National Bank.*

2 *Cash outflows represent mostly funding transactions related to term deposits from institutional and retail clients, bank loans and bonds as well as contingent obligations related to loans and leasing contracts in the cool-off period. The funding concentrations are monitored against limits on an ongoing basis in the ALCO, however, the Bank is currently not exposed to funding concentrations risks. Due to the maturity profile of the Group's funding, there can be movements in the cash outflows quarter-over-quarter (e.g. maturing bond in Q1 2015).*

3 *Cash inflows represent mainly expected payments from the Groups's clients related to its lending business. Due to the nature of the business, there are usually no material movements in the Group's cash inflows quarter-over-quarter.*

4 *Total cash inflow after possible cap (75 % of cash outflow).*

5 *In the fourth quarter of 2015, the Group's average total LCR increased by 249 percentage points from 676 % to 925 %, mainly due to higher cash balances in Q4. In Q3, the average cash balances were lower as a result of repayments of bank loans.*

(CHF in thousands)	AVERAGE Q3 2015 Values not weighted	AVERAGE Q3 2015 Weighted values	AVERAGE Q4 2015 Values not weighted	AVERAGE Q4 2015 Weighted values
Stock of high quality liquid assets (HQLA)[1]		**252,476**		**472,113**
Cash outflow[2]				
Deposits from retail clients	165,824	15,397	174,956	16,703
of which stable deposits	23,714	1,186	15,862	793
of which less stable deposits	142,110	14,211	159,094	15,909
Unsecured funding provided by corporate or wholesale clients	54,011	46,975	90,736	70,842
of which non-operational deposits (all counterparties)	54,011	46,975	90,736	70,842
of which unsecured debt instruments	–	–	–	–
Other cash outflows	6,374	3,187	6,374	3,187
of which cash outflows from committed credit and liquidity facilities	6,374	3,187	6,374	3,187
Other contingent funding obligations	43,663	43,663	35,839	35,839
Total cash outflow	**269,873**	**109,222**	**307,905**	**126,570**
Cash inflow[3]				
Cash inflows from non-impaired receivables	140,239	70,120	139,699	69,850
Other cash inflows	3,685	3,664	5,681	5,671
Total cash inflow	**143,924**	**73,783**	**145,380**	**75,520**
High quality liquid assets (HQLA)		**252,476**		**472,113**
Cash inflow[4]		**71,855**		**75,520**
Cash outflow		**109,222**		**126,570**
Net cash outflow		**37,367**		**51,050**
Liquidity coverage ratio[5] (%)		**676 %**		**925 %**

1 *The stock of high quality liquid assets (HQLA) consists of cash held at the Swiss National Bank.*

2 *Cash outflows represent mostly funding transactions related to term deposits from institutional and retail clients, bank loans and bonds as well as contingent obligations related to loans and leasing contracts in the cool-off period. The funding concentrations are monitored against limits on an ongoing basis in the ALCO, however, the Bank is currently not exposed to funding concentration risks. Due to the maturity profile of the Group's funding, there can be movements in the cash outflows quarter-over-quarter (e.g. maturing bond in Q1 2015).*

3 *Cash inflows represent mainly expected payments from the Groups's clients related to its lending business. Due to the nature of the business, there are usually no material movements in the Group's cash inflows quarter-over-quarter.*

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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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