CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES

2016

Cembra
MoneyBank

Capital Adequacy and Liquidity Disclosures as at 31 December 2016

1. About the Bank

Cembra Money Bank AG (the “Bank”, together with its subsidiaries, the “Group”) is one of the leading Swiss providers of consumer finance products and services. Its product range includes personal loans, auto leases and loans, credit cards and insurance sold with these products as well as deposit and savings products.

Headquartered in Zurich, the Bank has operations across Switzerland via a network of 18 branches as well as alternative sales channels such as the Internet, credit card partners, independent agents and more than 3,400 car dealers.

Cembra Money Bank AG is an independent Swiss bank, subject to prudential supervision by FINMA and has been listed on the SIX Swiss Exchange since October 2013. As at 31 December 2016, the Bank occupied 705 employees (full-time equivalents) and served approximately 750,000 customers.

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 in Liquidation, Swiss Auto Lease 2013-1 GmbH, Swiss Auto Lease 2015-1 GmbH and Swiss Auto Lease 2016-1 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 2016, 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 2016/1.

As of 31 December 2016, the Group's calculated required and eligible capital was CHF 300 million and CHF 753 million, respectively. The eligible capital consists of CHF 753 million common equity tier 1 ("CET1") 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 2016 in the section "Risk Management".

The numbers published are rounded, however they are calculated on full numbers, therefore rounding differences can occur.

4. Group Balance Sheet before Appropriation of Profit

At 31 December (CHF in thousands)	**Reference [1]**	**2016**
ASSETS		
Liquid assets		662,425
Amounts due from banks [2]		33,079
Amounts due from customers		4,030,440
Financial investments		12,077
Accrued income and prepaid expenses		47,879
Tangible fixed assets		28,423
Other assets		23,626
Total assets		**4,837,949**
LIABILITIES		
Amounts due to banks		385,000
Amounts due in respect of customer deposits		994,368
Cash bonds		1,276,792
Bond issues and central mortgage institution loans		1,224,907
Accrued expenses and deferred income		42,291
Other liabilities		34,904
Provisions		1,538
– of which eligible as T2 capital	A	–
Total debt capital		**3,959,800**
Bank's capital	B	30,000
– of which eligible as CET1 capital		30,000
Capital reserves	C	182,036
– of which eligible as CET1 capital		182,036
Retained earnings reserves	D	620,613
– of which eligible as CET1 capital		620,613
Profit for the year	E	145,886
– of which eligible as CET1 capital		145,886
Own shares		– 100,385
Total equity		**878,149**
Total liabilities		**4,837,949**

[1] *Reference in eligible capital*
[2] *Includes assets of TCHF 26,710 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	2016 (Basel III)	2015 (Basel III)
COMMON EQUITY TIER 1 CAPITAL (CET1)			
Issued share capital, fully paid, eligible in full	B	30,000	30,000
Capital reserves	C	182,036	276,500
Retained earnings reserves	D	620,613	475,700
Profit for the year	E	145,886	144,913
Own shares		– 100,385	– 100,093
Common equity tier 1 prior to adjustments		**878,149**	**827,020**
Adjustments to CET1			
Deferred tax assets which depend on future profitability		–	–
Expected dividends		– 125,482	– 94,464
Sum of CET1 adjustments		**– 125,482**	**– 94,464**
Net CET1		**752,667**	**732,556**
ADDITIONAL TIER 1 CAPITAL (AT1)			
Additional tier 1 capital (AT1)		–	–
Net tier 1 capital		**752,667**	**732,556**
Tier 2 capital (T2)	**A**	**–**	**800**
Regulatory capital (net T1 and T2)		**752,667**	**733,356**

6. Required Capital

At 31 December (CHF in thousands)	**2016 (Basel III)**	**2015 (Basel III)**
Credit risk (SA-BIS)	252,157	249,205
Non counterparty risk (standard approach)	2,283	2,556
Market risk (standard approach)	580	232
– of which foreign currency instruments	580	232
Operational risk (standard approach)	45,588	44,243
Minimum capital requirements prior to weighting and capital buffer	**300,608**	**296,237**
Sum of risk-weighted positions [1]	3,757,600	3,702,961

[1] *12.5 x minimum capital*

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

At 31 December	**Comments**	**2016[1]**
CET1 ratio		20.0 %
T1 ratio		20.0 %
Total capital ratio		20.0 %
Surplus common equity (CET1)	**CET1 requirements: 7.4 %**	**12.6 %**
Surplus tier 1 capital (T1)	**T1 requirements: 9 %**	**11.0 %**
Surplus total regulatory capital	**Total capital requirements: 11.2 %**	**8.8 %**

[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 2016	**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 1.00
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	655,297	–	–	–	–	–	7,127	662,425
Amounts due from banks	–	33,079	–	–	–	–	–	33,079
– thereof Repo	–	–	–	–	–	–	–	–
Amounts due from customers	–	–	192	14,962	4,015,233	–	54	4,030,440
Financial fixed assets / debt securities / securities	–	–	3,081	8,878	–	–	–	11,959
Other assets	8	460	68	19,747	41,475	–	9,746	71,505
Total as per 31 December 2016	**655,306**	**33,539**	**3,340**	**43,587**	**4,056,708**	**–**	**16,928**	**4,809,408**
Total as per 31 December 2015	556,540	48,330	386	19,256	4,001,541	–	11,850	4,637,903
Off-balance sheet								
Contingent liabilities	–	–	–	–	57,625	–	–	57,625
Irrevocable commitments	–	–	3,686	–	–	–	–	3,686
Total as per 31 December 2016	**–**	**–**	**3,686**	**–**	**57,625**	**–**	**–**	**61,311**
Total as per 31 December 2015	–	–	3,187	–	37,956	–	–	41,143

10. Credit Risk by Coverage

Credit exposures *(CHF in thousands)*	**Covered by recognized financial securities or REPOS**	**Uncovered**	**Total**
Balance sheet items			
Liquid assets	–	662,425	662,425
Amounts due from banks	–	33,079	33,079
– thereof Repo	–	–	–
Amounts due from customers	3,290	4,027,151	4,030,440
Financial fixed assets / debt securities / securities	–	11,959	11,959
Other assets	–	71,505	71,505
Total as per 31 December 2016	**3,290**	**4,806,118**	**4,809,408**
Total as per 31 December 2015	3,998	4,633,904	4,637,903
Off-balance sheet			
Contingent liabilities	–	57,625	57,625
Irrevocable commitments	–	3,686	3,686
Total as per 31 December 2016	**–**	**61,311**	**61,311**
Total as per 31 December 2015	–	41,143	41,143

11. Credit Risk by Risk Weighting

Credit exposures *(CHF in thousands)*	**0 %**	**20 %**	**50 %**	**75 %**	**100 %**	**150 %**	**Total**
Balance sheet items							
Liquid assets	662,425	–	–	–	–	–	662,425
Amounts due from banks	–	33,079	–	–	–	–	33,079
– thereof Repo	–	–	–	–	–	–	–
Amounts due from customers	3,290	–	192	3,991,488	18,192	17,280	4,030,440
Financial fixed assets / debt securities / securities	–	10,928	1,030	–	–	–	11,959
Other assets	8	460	68	40,897	30,072	–	71,505
Total as per 31 December 2016	**665,723**	**44,468**	**1,290**	**4,032,384**	**48,263**	**17,280**	**4,809,408**
Total as per 31 December 2015	569,650	48,330	386	3,978,469	23,970	17,097	4,637,903
Off-balance sheet							
Contingent liabilities	–	–	–	57,625	–	–	57,625
Irrevocable commitments	–	3,686	–	–	–	–	3,686
Total as per 31 December 2016	**–**	**3,686**	**–**	**57,625**	**–**	**–**	**61,311**
Total as per 31 December 2015	–	3,187	–	37,956	–	–	41,143

12. Interest Rate Risk

At 31 December (CHF in thousands)	**Movement interest rate curve by**	**2016**
Economic value impact on equity	+ 100 bps	24,257
	–100 bps	– 26,515
Total economic value impact on equity		**– 26,515**
As a % of economic value of equity		– 3.02 %

13. Leverage Ratio

At 31 December (CHF in thousands)	**2016**
Total exposure for Leverage Ratio	**4,899,260**
Total consolidated assets as per published financial statements	4,837,949
Adjustments for deductions from core capital	–
Adjustments for derivatives	–
Adjustments for security financing transactions	–
Adjustment for off-balance sheet items	61,311
Other adjustments	–
Total on-balance sheet exposure	**4,837,949**
On-balance sheet items	4,837,949
Asset amounts deducted from core capital	–
Total derivative exposures	**–**
Total exposure securities financing transaction	**–**
Other off-balance sheet exposure	**61,311**
Off-balance sheet exposure at gross notional amount before any adjustment for credit conversion factors	64,997
Adjustments for conversion to credit equivalent amounts	– 3,686
Leverage Ratio	**15.4 %**
Total exposure for Leverage Ratio	4,899,260
Common equity (CET1)	752,667

14. Liquidity Coverage Ratio

(CHF in thousands)	AVERAGE Q1 2016 Values not weighted	AVERAGE Q1 2016 Weighted values	AVERAGE Q2 2016 Values not weighted	AVERAGE Q2 2016 Weighted values
Stock of high quality liquid assets (HQLA)[1]		**427,609**		**394,251**
Cash outflow[2]				
Deposits from retail clients	196,357	18,409	192,013	17,966
of which stable deposits	24,535	1,227	24,704	1,235
of which less stable deposits	171,821	17,182	167,309	16,731
Unsecured funding provided by corporate or wholesale clients	47,746	45,036	97,937	89,090
of which non-operational deposits (all counterparties)	47,746	45,036	97,937	89,090
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	58,075	58,075	70,159	70,159
Total cash outflow	**308,551**	**124,707**	**433,149**	**247,069**
Cash inflow[3]				
Cash inflows from non-impaired receivables	138,710	69,355	139,203	69,601
Other cash inflows	7,162	7,155	6,035	6,026
Total cash inflow	**145,872**	**76,509**	**145,237**	**75,628**
High quality liquid assets (HQLA)		**427,609**		**394,251**
Cash inflow[4]		**76,509**		**75,628**
Cash outflow		**124,707**		**247,069**
Net cash outflow		**48,197**		**171,441**
Liquidity coverage ratio (%)[5]		**887 %**		**230 %**

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. In the second quarter of 2016 the change was due to maturing bond.*
3 *Cash inflows represent mainly expected repayments 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 second quarter of 2016, the average LCR declined from 887 % to 230 % due to repayment of a bond. The cash balances in the second quarter were also lower due to dividend payment.*

(CHF in thousands)	AVERAGE Q3 2016 Values not weighted	AVERAGE Q3 2016 Weighted values	AVERAGE Q4 2016 Values not weighted	AVERAGE Q4 2016 Weighted values
Stock of high quality liquid assets (HQLA)[1]		**379,162**		**627,739**
Cash outflow[2]				
Deposits from retail clients	195,523	18,735	205,147	20,105
of which stable deposits	16,341	817	8,187	409
of which less stable deposits	179,182	17,918	196,960	19,696
Unsecured funding provided by corporate or wholesale clients	56,798	44,966	105,653	76,265
of which non-operational deposits (all counterparties)	56,798	44,966	105,653	76,265
of which unsecured debt instruments	–	–	–	–
Other cash outflows	7,372	3,686	7,372	3,686
of which cash outflows from committed credit and liquidity facilities	7,372	3,686	7,372	3,686
Other contingent funding obligations	61,931	61,931	61,671	61,671
Total cash outflow	**321,625**	**129,319**	**379,843**	**161,727**
Cash inflow[3]				
Cash inflows from non-impaired receivables	140,207	70,103	140,046	70,023
Other cash inflows	5,135	5,125	5,657	5,646
Total cash inflow	**145,342**	**75,229**	**145,704**	**75,669**
High quality liquid assets (HQLA)		**379,162**		**627,739**
Cash inflow[4]		**75,229**		**100,822**
Cash outflow		**129,319**		**161,727**
Net cash outflow		**54,090**		**60,906**
Liquidity coverage ratio (%)[5]		**701 %**		**1,031 %**

1 *The stock of high quality liquid assets (HQLA) consists mainly 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).*
3 *Cash inflows represent mainly expected repayments 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 2016, our average total LCR increased by 330 percentage points from 701 % to 1031 %, mainly due to higher cash balances in Q4. In Q3, the average cash balances were lower as a result of repayments of bank loans.*

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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