Capital Adequacy and Liquidity Disclosures 2018

Capital Adequacy and Liquidity Disclosures as at 31 December 2018

1. About the Bank

Cembra Money Bank AG (the "Bank", together with its subsidiaries, the "Group") is a leading Swiss provider of consumer finance products and services in Switzerland. Its product range includes loans, leasing, credit cards and saving 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 intermediaries and more than 3,900 car dealers.

Cembra Money Bank AG is an independent Swiss bank and has been listed on the SIX Swiss Exchange since October 2013 and is subject to prudential supervision by FINMA. As at 31 December 2018, the Group occupied 855 employees (783 full time equivalents) and served approximately 870,000 customers.

2. Scope of Consolidation

These capital adequacy and liquidity disclosures show the liquidity, risk and capital positions 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 in Liquidation, Swiss Auto Lease 2015-1 GmbH, Swiss Auto Lease 2016-1 GmbH, eny Credit GmbH and Swiss SME Loans 2018-1 GmbH.

The Group figures shown below in the tables do not include Swissbilling SA and are prepared based on the accounting and valuation principles defined in the FINMA circular 2015/01 "Accounting- Banks".

Capital adequacy and liquidity rules are monitored on Group as well as on Bank level.

3. Capital Adequacy

The Group is applying the definite Basel III rules effective since 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 International standard approach ("SA-BIS" approach) to calculate the minimum requirement for covering credit risk. It is entitled to use a standardised approach to calculate the capital charge for market risk. The Group also applies a standardised approach to calculate the capital charge for operational risk management. 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 regularly monitored and reported on a Bank and Group level applying the rules defined by FINMA.

On the following pages, the Group provides an overview of the risk situation and the determination of required capital. As of 31 December 2018, the Group adheres to the requirements of Capital Adequacy Ordinance and respective circulars of the FINMA, in particular the disclosure requirements according to the FINMA circular 2016/1. As of 31 December 2018, the Group's calculated required and eligible capital was CHF 348 million and CHF 834 million, respectively. The eligible capital consists of CHF 834 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 2018 in the section "Risk Management".

4. Liquidity

The Group has in place appropriate methods and techniques for measuring liquidity risk that include the qualitative and quantitative assessment of exposure to that risk. 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 gradually achieve 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 by FINMA circular 2015/2 'Liquidity risks – banks'. In accordance with regulations, the Group calculates and reports the standardised liquidity coverage ratio (LCR). 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 LCR ratios at Group level and at Bank level for 2018, also shown in this document, have been significantly above the regulatory required minimum ratio of 90% (100% is required from 2019 onwards).

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

In order to hava a complete understanding of the Group's regulatory framework, this report should be read together with the 2018 Annual Report published on the Cembra website (www.cembra.ch/en/investor → Reports and Presentations → Financial Reports).

Key regulatory Ratios (Group)

At 31 December (CHF in thousands)	**2018**	**2018 - (3 Months)**	**2018 - (6 Months)**	**2018 - (9 Months)**	**2017**
Eligible capital					
Common equity Tier 1 capital (CET1)	833,830				789,660
CET1 without impact of transitional arrangements for expected losses	–				–
Tier 1 capital	833,830				789,660
Tier 1 capital without impact of transitional arrangements for expected losses	–				–
Total eligible capital	833,830				789,660
Total eligible capital without impact of tranisitional arrangements for expected losses	–				–
Risk-weighted assets (RWAs)					
RWA	4,346,114				4,114,040
Minimum capital requirements	**347,689**				**329,123**
Minimum capital requirements risk based capital ratios (in % of RWA)					
CET1 ratio	19.2 %				19.2 %
CET1 ratio without impact of transitional arrangements for expected losses	–				–
Tier 1 capital ratio	19.2 %				19.2 %
Tier 1 capital ratio without impact of transitional arrangements for expected losses	–				–
Total capital ratio	19.2 %				19.2 %
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 % from 2019)	1.875 %				1.250 %
Countercyclical buffer (Art. 44a ERV) in accordance with the Basel minimum standards	–				–
Additional capital buffer due to international or national systematical importance	–				–
Total buffer requirements in accordance with the Basel minimum standards in CET1-quality	1.875 %				1.250 %
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)	15.386 %				15.394 %
Capital target ratios in accordance with Annex 8 of ERV (in % of RWA)					
Capital buffer in accordance with Annex 8 of ERV	3.2 %				3.2 %
Countercyclical buffer (Art. 44 and 44a ERV)	0 %				0 %
CET1-target ratio in accordance with Annex 8 of ERV pus countercyclical buffer as per Art. 44 and 44a ERV	7.4 %				7.4 %

T1-target ratio in accordance with Annex 8 of ERV plus countercyclical buffer as per Art. 44 and 44a ERV	9.0%				9.0%
Total capital target ratio in accordance with Annex 8 of ERV plus countercyclical buffer as per Art. 44 and 44a ERV	11.2%				11.2%
Basel III Leverage Ratio					
Leverage ratio exposure	5,689,814				5,322,358
Basel III Leverage Ratio (Tier 1 capital in % of the leverage ratio exposure)	14.7%				14.8%
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	437,016	385,589	340,311	413,030	465,902
LCR denominator: total net cash outflows	51,321	53,233	48,297	52,778	147,078
Liquidity Coverage Ratio, LCR (in %)	852%	724%	705%	783%	317%

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).*

Key regulatory Ratios (Bank)

At 31 December (CHF in thousands)	**2018**	**2018 - (3 Months)**	**2018 - (6 Months)**	**2018 - (9 Months)**	**2017**
Eligible capital					
Common equity Tier 1 capital (CET1)	832,875				745,099
CET1 without impact of transitional arrangements for expected losses	–				–
Tier 1 capital	832,875				745,099
Tier 1 capital without impact of transitional arrangements for expected losses	–				–
Total eligible capital	832,875				745,099
Total eligible capital without impact of tranisitional arrangements for expected losses	–				–
Risk-weighted assets (RWAs)					
RWA	4,121,572				3,886,439
Minimum capital requirements	**329,726**				**310,915**
Minimum capital requirements risk based capital ratios (in % of RWA)					
CET1 ratio	20.2 %				19.2 %
CET1 ratio without impact of transitional arrangements for expected losses	–				–
Tier 1 capital ratio	20.2 %				19.2 %
Tier 1 capital ratio without impact of transitional arrangements for expected losses	–				–
Total capital ratio	20.2 %				19.2 %
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 % from 2019)	1.875 %				1.250 %
Countercyclical buffer (Art. 44a ERV) in accordance with the Basel minimum standards	–				–
Additional capital buffer due to international or national systematical importance	–				–
Total buffer requirements in accordance with the Basel minimum standards in CET1-quality	1.875 %				1.250 %
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)	16.408 %				15.372 %
Capital target ratios in accordance with Annex 8 of ERV (in % of RWA)					
Capital buffer in accordance with Annex 8 of ERV	3.2 %				3.2 %
Countercyclical buffer (Art. 44 and 44a ERV)	0 %				0 %
CET1-target ratio in accordance with Annex 8 of ERV pus countercyclical buffer as per Art. 44 and 44a ERV	7.4 %				7.4 %

T1-target ratio in accordance with Annex 8 of ERV plus countercyclical buffer as per Art. 44 and 44a ERV	9.0%				9.0%
Total capital target ratio in accordance with Annex 8 of ERV plus countercyclical buffer as per Art. 44 and 44a ERV	11.2%				11.2%
Basel III Leverage Ratio					
Leverage ratio exposure	5,297,187				4,874,341
Basel III Leverage Ratio (Tier 1 capital in % of the leverage ratio exposure)	15.7%				15.3%
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	437,016	385,552	340,269	413,030	465,875
LCR denominator: total net cash outflows	66,382	68,942	61,490	63,558	163,911
Liquidity Coverage Ratio, LCR (in %)	658%	559%	553%	650%	284%

[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).*

Overview of risk-weighted assets

At 31 December (CHF in thousands)	**2018**	**2017**	**2018**
			Minimum capital requirements[1]
Credit risk	3,740,443	3,539,953	299,235
Market risk	7,409	899	593
Operational risk	598,263	573,188	47,861
Amounts below the thresholds for deduction (subject to 250% risk weight)	–	–	–
Total	**4,346,114**	**4,114,040**	**347,689**

[1] *Corresponds to 8% of the risk-weighted assets (RWA).*

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)	20,772	4,779,401	51,384	4,748,790
Debt securities	–	10,548	–	10,548
Off-balance sheet exposures	–	66,333	–	66,333
Total	**20,772**	**4,856,282**	**51,384**	**4,825,670**

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

At 31 December (CHF in thousands)	**2018**
Defaulted loans and debt securities[1] at end of the previous reporting period	19,403
Loans and debt securities that have defaulted since the last reporting period	17,810
Returned to non-defaulted status	2,642
Amounts written off[2]	13,476
Other changes[3] (+/-)	– 324
Defaulted loans and debt securities at end of the reporting period	**20,772**

[1] *Exposures net of write-offs and gross of allowances / impairments.*
[2] *Total and partial write-offs.*
[3] *Balancing items that are necessary to enable total to reconcile.*

Credit risk: Overview of mitigation techniques

At 31 December (CHF in thousands)	**Exposures unsecured / Carrying amount**	**Exposures secured by collateral, of which: secured amount**	**Exposures secured by financial guarantees or credit derivatives, of which: secured amount**
Loans (including Debt securities)	4,756,710	2,627	–
Off-balance-sheet transactions	66,333	–	–
Total	**4,823,043**	**2,627**	**–**
- of which defaulted	20,772	–	–

Credit risk: exposures by exposure category and risk weights under the standardised approach

Exposure class *(CHF in thousands)*	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Total credit exposures amount (post-CCF and post-CRM)**[1]
Central governments and central banks	485,568	–	–	–	–	–	–	–	485,568
Banks and securities firms	–	–	40,370	–	–	–	–	–	40,370
Non-central government public sector entities and multilateral development banks	–	–	5,458	–	1,536	–	–	–	6,994
Corporates	–	–	8,533	–	–	–	32,002	37	40,572
Retail	–	–	–	–	–	4,819,709	5,786	15,320	4,840,815
Equity	–	–	–	–	–	–	–	4,711	4,711
Other exposures	2,756	–	–	–	–	–	10,276	–	13,032
Total	**488,325**	**–**	**54,360**	**–**	**1,536**	**4,819,709**	**48,064**	**20,068**	**5,432,063**
- of which, covered by mortgages	–	–	–	–	–	–	–	–	–
- of which, past-due loans	–	–	–	–	–	–	–	15,320	15,320

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 CRM techniques and CCF but before the application of the relevant risk weights.*

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