Capital Adequacy and Liquidity Disclosures 2017

Capital Adequacy and Liquidity Disclosures as at 31 December 2017

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. Its product range includes personal loans, auto leases and loans, credit cards and insurance sold with these products as well as invoice financing, 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 intermediaries and more than 3,600 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 2017, the Bank occupied 735 employees (full-time equivalents) and served approximately 809,000 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 in Liquidation GmbH, Swiss Auto Lease 2015-1 GmbH, Swiss Auto Lease 2016-1 GmbH, eny Credit GmbH and EFL Autoleasing AG.

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 2017, 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 2017, the Group's calculated required and eligible capital was CHF 329 million and CHF 790 million, respectively. The eligible capital consists of CHF 790 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 2017 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]**	**2017**
ASSETS		
Liquid assets		405,465
Amounts due from banks [2]		40,824
Amounts due from customers		4,516,951
Financial investments		11,832
Accrued income and prepaid expenses		49,386
Participations		4,000
Tangible fixed assets		28,939
Intangible assets	E	9,000
Other assets		12,128
Total assets		**5,078,525**
LIABILITIES		
Amounts due to banks		147,000
Amounts due in respect of customer deposits		1,005,299
Cash bonds		1,576,887
Bond issues and central mortgage institution loans		1,326,144
Accrued expenses and deferred income		53,414
Other liabilities		69,536
Provisions		1,481
– of which eligible as T2 capital	A	–
Total debt capital		**4,179,761**
Bank's capital	B	30,000
– of which eligible as CET1 capital		30,000
Capital reserves	C	84,760
– of which eligible as CET1 capital		84,760
Retained earnings reserves	D	738,304
– of which eligible as CET1 capital		738,304
Profit for the year	F	146,704
– of which eligible as CET1 capital		146,704
Own shares	G	– 101,004
Total equity		**898,764**
Total liabilities		**5,078,525**

1 *Reference in eligible capital*
2 *Includes assets of TCHF 30,047 of the subsidiaries that can only be used to settle the liabilities of the subsidiaries.*

5. Eligible Capital

At 31 December (CHF in thousands)	**Refer-ence in Balance Sheet**	**2017 (Basel III)**	**2016 (Basel III)**
COMMON EQUITY TIER 1 CAPITAL (CET1)			
Issued share capital, fully paid, eligible in full	B	30,000	30,000
Capital reserves	C	84,760	182,036
Retained earnings reserves	D	738,304	620,613
Goodwill	E	– 9,000	–
Profit for the year	F	146,704	145,886
Own shares	G	– 101,004	– 100,385
Common equity tier 1 prior to adjustments		**889,764**	**878,149**
Adjustments to CET1			
Deferred tax assets which depend on future profitability		–	–
Expected dividends		– 100,104	– 125,482
Sum of CET1 adjustments		**– 100,104**	**– 125,482**
Net CET1		**789,660**	**752,667**
ADDITIONAL TIER 1 CAPITAL (AT1)			
Additional tier 1 capital (AT1)		–	–
Net tier 1 capital		**789,660**	**752,667**
Tier 2 capital (T2)	**A**	**–**	**–**
Regulatory capital (net T1 and T2)		**789,660**	**752,667**

6. Required Capital

At 31 December (CHF in thousands)	**2017 (Basel III)**	**2016 (Basel III)**
Credit risk (SA-BIS)	280,874	252,157
Non counterparty risk (standard approach)	2,322	2,283
Market risk (standard approach)	72	580
– of which foreign currency instruments	72	580
Operational risk (standard approach)	45,855	45,588
Minimum capital requirements prior to weighting and capital buffer	**329,123**	**300,608**
Sum of risk-weighted positions [1]	4,114,040	3,757,600

1 *12.5 x minimum capital*

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

At 31 December	**Comments**	**2017[1]**
CET1 ratio		19.2 %
T1 ratio		19.2 %
Total capital ratio		19.2 %
Surplus common equity (CET1)	**CET1 requirements: 7.4 %**	**11.8 %**
Surplus tier 1 capital (T1)	**T1 requirements: 9 %**	**10.2 %**
Surplus total regulatory capital	**Total capital requirements: 11.2 %**	**8.0 %**

1 *Figures were calculated on the basis of definitive Basel III requirements for a category 4 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 2017	**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	401,224	–	–	–	–	–	4,240	405,465
Amounts due from banks	–	40,824	–	–	–	–	–	40,824
– thereof Repo	–	–	–	–	–	–	–	–
Amounts due from customers	–	–	110	17,607	4,499,151	–	83	4,516,951
Financial fixed assets / debt securities / securities	–	–	3,037	8,707	–	4,000	–	15,744
Other assets	4,170	530	32	2,482	41,429	–	12,871	61,514
Total as per 31 December 2017	**405,394**	**41,354**	**3,178**	**28,796**	**4,540,580**	**4,000**	**17,195**	**5,040,498**
Total as per 31 December 2016	655,306	33,539	3,340	43,587	4,056,708	–	16,928	4,809,408
Off-balance sheet								
Contingent liabilities	–	–	–	–	58,502	–	–	58,502
Irrevocable commitments	–	–	3,739	–	–	–	–	3,739
Total as per 31 December 2017	**–**	**–**	**3,739**	**–**	**58,502**	**–**	**–**	**62,241**
Total as per 31 December 2016	–	–	3,686	–	57,625	–	–	61,311

10. Credit Risk by Coverage

Credit exposures *(CHF in thousands)*	**Covered by recognised financial securities or REPOS**	**Uncovered**	**Total**
Balance sheet items			
Liquid assets	–	405,465	405,465
Amounts due from banks	–	40,824	40,824
– thereof Repo	–	–	–
Amounts due from customers	2,936	4,514,015	4,516,951
Financial fixed assets / debt securities / securities	–	6,033	15,744
Other assets	–	61,514	61,514
Total as per 31 December 2017	**2,936**	**5,027,850**	**5,040,498**
Total as per 31 December 2016	3,290	4,806,118	4,809,408
Off-balance sheet			
Contingent liabilities	–	58,502	58,502
Irrevocable commitments	–	3,739	3,739
Total as per 31 December 2017	**–**	**62,241**	**62,241**
Total as per 31 December 2016	–	61,311	61,311

11. Credit Risk by Risk Weighting

Credit exposures *(CHF in thousands)*	**0 %**	**20 %**	**50 %**	**75 %**	**100 %**	**150 %**	**Total**
Balance sheet items							
Liquid assets	405,465	–	–	–	–	–	405,465
Amounts due from banks	–	40,824	–	–	–	–	40,824
– thereof Repo	–	–	–	–	–	–	–
Amounts due from customers	2,936	–	110	4,475,408	22,540	15,958	4,516,951
Financial fixed assets / debt securities / securities	–	11,744	–	–	–	4,000	15,744
Other assets	4,170	530	32	40,813	15,969	–	61,514
Total as per 31 December 2017	**412,571**	**53,098**	**142**	**4,516,221**	**38,509**	**19,958**	**5,040,498**
Total as per 31 December 2016	665,723	44,468	1,290	4,032,384	48,263	17,280	4,809,408
Off-balance sheet							
Contingent liabilities	–	–	–	58,502	–	–	58,502
Irrevocable commitments	–	3,739	–	–	–	–	3,739
Total as per 31 December 2017	**–**	**3,739**	**–**	**58,502**	**–**	**–**	**62,241**
Total as per 31 December 2016	–	3,686	–	57,625	–	–	61,311

12. Interest Rate Risk

At 31 December (CHF in thousands)	**Movement interest rate curve by**	**2017**
Economic value impact on equity	+ 100 bps	36,758
	- 100 bps	– 40,309
Total economic value impact on equity		**– 40,309**
As a % of economic value of equity		– 4.46 %

13. Leverage Ratio

At 31 December (CHF in thousands)	**2017**
Total exposure for Leverage Ratio	**5,131,767**
Total consolidated assets as per published financial statements	5,078,525
Adjustments for deductions from core capital	– 9,000
Adjustments for derivatives	–
Adjustments for security financing transactions	–
Adjustment for off-balance sheet items	62,241
Other adjustments	–
Total on-balance sheet exposure	**5,069,525**
On-balance sheet items	5,078,525
Asset amounts deducted from core capital	– 9,000
Total derivative exposures	**–**
Total exposure securities financing transaction	**–**
Other off-balance sheet exposure	**62,241**
Off-balance sheet exposure at gross notional amount before any adjustment for credit conversion factors	65,980
Adjustments for conversion to credit equivalent amounts	– 3,739
Leverage Ratio	**15.4 %**
Total exposure for Leverage Ratio	5,131,767
Common equity (CET1)	789,660

14. Liquidity Coverage Ratio

	AVERAGE Q1 2017		AVERAGE Q2 2017	
(CHF in thousands)	Values not weighted	Weighted values	Values not weighted	Weighted values
Stock of high quality liquid assets (HQLA)[1]		**678,934**		**534,988**
Cash outflow[2]				
Deposits from retail clients	210,210	21,021	197,880	19,788
of which stable deposits	–	–	–	–
of which less stable deposits	210,210	21,021	197,880	19,788
Unsecured funding provided by corporate or wholesale clients	85,931	79,045	109,722	100,567
of which non-operational deposits (all counterparties)	85,931	79,045	109,722	100,567
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	61,101	61,101	69,454	69,454
Total cash outflow	**364,615**	**164,853**	**384,428**	**193,495**
Cash inflow[3]				
Cash inflows from non-impaired receivables	138,979	69,489	142,951	71,476
Other cash inflows	4,590	4,579	5,133	5,124
Total cash inflow	**143,568**	**74,069**	**148,084**	**76,600**
High quality liquid assets (HQLA)		**678,934**		**534,988**
Cash inflow[4]		**103,833**		**94,933**
Cash outflow		**164,853**		**193,495**
Net cash outflow		**61,020**		**98,562**
Liquidity coverage ratio (%)[5]		**1,113 %**		**543 %**

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.*
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 2017, the average LCR declined from 1,113 % to 543 % due to dividend payment.*

	AVERAGE Q3 2017		AVERAGE Q4 2017	
(CHF in thousands)	Values not weighted	Weighted values	Values not weighted	Weighted values
Stock of high quality liquid assets (HQLA)[1]		**571,474**		**465,902**
Cash outflow[2]				
Deposits from retail clients	192,358	19,236	191,140	19,114
of which stable deposits	–	–	–	–
of which less stable deposits	192,358	19,236	191,140	19,114
Unsecured funding provided by corporate or wholesale clients	62,659	53,585	218,013	191,117
of which non-operational deposits (all counterparties)	62,659	53,585	134,683	107,787
of which unsecured debt instruments	–	–	83,330	83,330
Other cash outflows	7,478	3,739	7,478	3,739
of which cash outflows from committed credit and liquidity facilities	7,478	3,739	7,478	3,739
Other contingent funding obligations	62,412	62,412	64,228	64,228
Total cash outflow	**324,907**	**138,972**	**480,859**	**278,198**
Cash inflow[3]				
Cash inflows from non-impaired receivables	149,592	74,796	157,493	78,747
Other cash inflows	2,209	2,201	8,278	8,267
Total cash inflow	**151,801**	**76,997**	**165,771**	**87,013**
High quality liquid assets (HQLA)		**571,474**		**465,902**
Cash inflow[4]		**104,229**		**131,120**
Cash outflow		**138,972**		**278,198**
Net cash outflow		**34,743**		**147,078**
Liquidity coverage ratio (%)		**1,645 %**		**317 %**

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 Q4 2017).*
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).*

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