

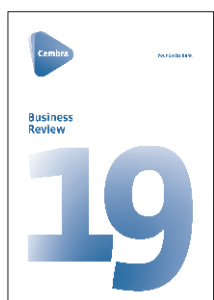


Your Swiss Bank

# Annual Report 2019

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## Business Review for the financial year 2019

Find the online report with  
an interview with the CEO  
and “Cembra in Numbers”  
at [reports.cembra.ch](https://reports.cembra.ch)

## Key facts and figures

### Key figures

| At 31 December (in CHF millions)     | 2019          | 2018          | 2017          | 2016          | 2015          |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net interest income                  | 332.0         | 309.2         | 283.6         | 297.7         | 301.9         |
| Commission and fee income            | 147.7         | 129.6         | 112.7         | 96.3          | 86.7          |
| Net revenues                         | 479.7         | 438.8         | 396.3         | 394.0         | 388.7         |
| Provision for losses                 | -45.1         | -50.1         | -45.1         | -44.6         | -43.6         |
| <b>Total operating expenses</b>      | <b>-231.8</b> | <b>-193.0</b> | <b>-167.9</b> | <b>-167.5</b> | <b>-161.5</b> |
| <b>Net income</b>                    | <b>159.2</b>  | <b>154.1</b>  | <b>144.5</b>  | <b>143.7</b>  | <b>145.0</b>  |
| <b>Total assets</b>                  | <b>7,485</b>  | <b>5,440</b>  | <b>5,099</b>  | <b>4,857</b>  | <b>4,745</b>  |
| Net financing receivables            | 6,586         | 4,807         | 4,562         | 4,073         | 4,063         |
| Personal loans                       | 2,625         | 1,885         | 1,782         | 1,720         | 1,784         |
| Auto leases and loans                | 2,915         | 1,974         | 1,942         | 1,641         | 1,661         |
| Credit cards                         | 1,029         | 940           | 833           | 711           | 617           |
| Others                               | 17            | 8             | 5             | -             | -             |
| Shareholders' equity                 | 1,091         | 933           | 885           | 848           | 799           |
| Return on shareholders' equity (ROE) | 15.7%         | 16.9%         | 16.7%         | 17.4%         | 17.7%         |
| Net interest margin                  | 5.8%          | 6.5%          | 6.5%          | 7.2%          | 7.3%          |
| Cost/income ratio                    | 48.3%         | 44.0%         | 42.4%         | 42.5%         | 41.5%         |
| Tier 1 capital ratio                 | 16.3%         | 19.2%         | 19.2%         | 20.0%         | 19.8%         |
| Employees (full-time equivalents)    | 963           | 783           | 735           | 705           | 715           |
| Credit rating (S&P)                  | A-            | A-            | A-            | A-            | A-            |
| Basic earnings per share (in CHF)    | 5.53          | 5.47          | 5.13          | 5.10          | 5.04          |
| Dividend per share (in CHF)          | 3.75          | 3.75          | 3.55          | 4.45          | 3.35          |
| Book value per share (in CHF)        | 36.35         | 31.10         | 29.52         | 28.27         | 26.64         |
| Share price (in CHF)                 | 106.00        | 77.85         | 90.85         | 74.20         | 64.40         |
| Market capitalisation                | 3,180         | 2,336         | 2,726         | 2,226         | 1,932         |

## Key facts and profile

### Share price Cembra



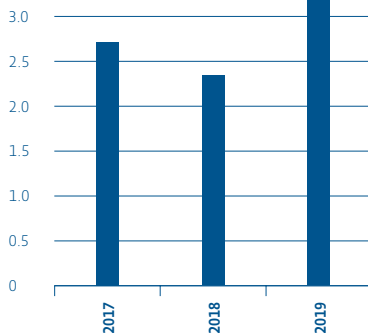
### Key figures

CHF

**3,180,000,000**

was the market capitalisation of Cembra at the end of 2019

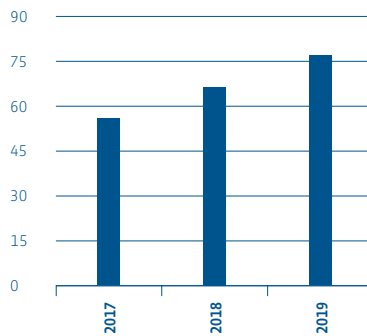
in billion CHF



**77,134,000**

credit card transactions were processed by Cembra in 2019

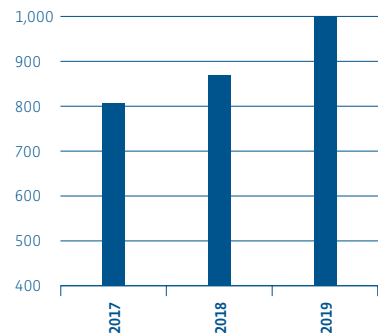
in millions



**1,001,000**

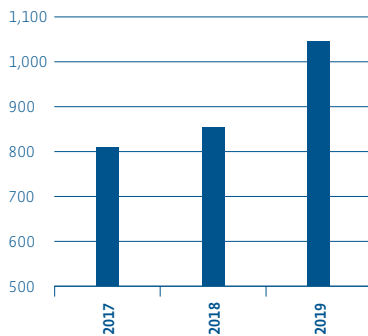
customers have chosen Cembra as their preferred partner

in 1,000



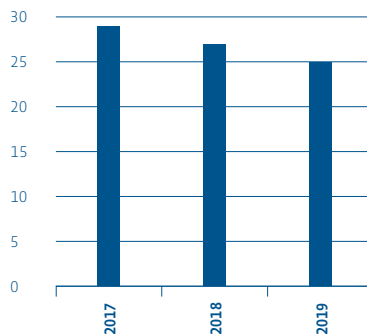
**1,045**

employees from 36 different nations work for Cembra Money Bank



**25**

sales area managers serve around 4,000 car dealers across Switzerland

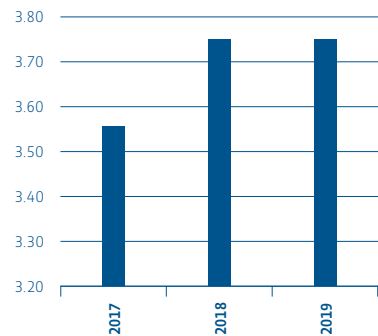


CHF

**3.75**

dividend per share proposed at Annual General Meeting

in CHF



## About Cembra

Cembra is a leading Swiss provider of financing solutions and services. Our product range includes consumer finance products such as personal loans and auto leases and loans, credit cards and the insurance sold with these products, SME loans, invoice financing, and deposit and savings products.

We have our headquarters in Zurich-Altstetten and operate across Switzerland through our network of branches and our online distribution channels, as well as credit card partners, independent intermediaries and car dealers.

We have over 1 million customers in Switzerland and employ more than 1,000 people from 36 different countries. In September 2019, we successfully completed our takeover of consumer credit provider cashgate. We have been listed as an independent Swiss bank on the SIX Swiss Exchange since October 2013.

### Offering

We offer a broad range of financing solutions in Switzerland:

- **Personal loans:** Cembra is a leading provider in the highly competitive personal loans market. We are offering a personalised premium service and our products are available through our 17 branches across Switzerland, through independent intermediaries and online.
- **Auto loans and leasing:** Cembra is a large brand-independent auto loans and leasing provider in Switzerland. Our products are sold via a distribution network of around 4,000 car dealers, who act as intermediaries. A dedicated sales force of 25 field agents, together with the employees at our four service centres, provide a personalised, flexible and efficient service.
- **Credit cards:** We are one of the leading credit card providers in Switzerland, with about 1 million cards in circulation. We offer a range of credit cards through partner programmes with Migros, Conforama, TCS and Fnac, as well as our own credit card. The cards offer a range of attractive features, such as Migros Cumulus points, cash back, personalised designs and no annual fees.
- **Insurance products:** We provide insurance products as an intermediary. Alongside our personal loans and auto leasing and loans, we offer financial protection in case of involuntary unemployment, accident, illness or disability. We also offer travel and flight accident insurance and card protection insurance for our credit card customers.
- **Deposits:** We provide deposit and savings products at competitive interest rates for both retail customers and institutional clients.
- **Invoice financing:** We offer invoice financing through our subsidiary Swissbilling AG.
- **SME financing:** At the end of 2019, we started providing financing solutions for small businesses under the brand Cembra Business.

### History

The roots of Cembra Money Bank date back to 1912, when Banque commerciale et agricole E. Uldry & Cie. was founded in Fribourg. This bank later became Bank Prokredit. In 1999, GE Capital merged Bank Prokredit with Bank Aufina, which it had acquired in 1997. In October 2013, the Bank separated from its parent company GE, went public and was rebranded as Cembra Money Bank AG. In 2019, we strengthened our market position by acquiring the consumer finance provider cashgate. At the start of 2020, we changed our brand name to "Cembra".

The Bank is named after the Swiss cembra pine (*Pinus cembra*), a sturdy and resilient tree with strong roots. This symbolises our Bank's strength and our origin.

## Dear Shareholders

It is our pleasure to inform you about another successful year for Cembra. Our net income in 2019 increased by 3% to CHF 159.2 million. All businesses contributed to this record result. This translated into a 15.7% return on shareholders' equity coupled with a solid Tier 1 capital ratio of 16.3%. A dividend per share of CHF 3.75 will be recommended to the Annual General Meeting on 16 April 2020 in Zurich.

2019 was another very successful year for Cembra. We are very pleased that we gained more than 130,000 new customers in 2019 and that we now serve over one million customers in Switzerland. We are looking forward to further digitising our businesses, developing our new partnerships in the cards business, and rolling out our new online financing product for small companies.

### **Profitable growth across all business lines**

The Group's net financing receivables rose by 37% to a record CHF 6.6 billion as a result of the consolidation of cashgate. Despite strong competition in all businesses, Cembra's organic asset growth, excluding cashgate, stood at 6%.

In the personal loans business, receivables increased by 39% to CHF 2.6 billion (+2% excluding cashgate). Interest income in the personal loans business increased by 7% to CHF 172.6 million with a yield of 7.5%.

Net financing receivables in auto leases and loans grew by 48% to CHF 2.9 billion in the reporting period (+7% excluding cashgate). Interest income was 12% higher, at CHF 110.6 million, with a yield of 4.5% for the auto financing business.

The solid performance in the credit cards business was driven by the higher number of cards issued (up 10% year on year to 984,000) and the further increase in transaction volumes (up 10% year on year). Net financing receivables grew by 9% to CHF 1.0 billion. Interest income in the cards business grew by 11% to CHF 79.4 million, with an 8.0% yield.

### **Steady revenue increase**

Net revenues rose by 9% to CHF 479.7 million (+4% excluding cashgate). Interest income grew by 9% as a result of the acquisition and higher credit card volumes. Interest expense was 34% higher at CHF 27.8 million, reflecting the CHF 1.8 billion increase in funding.

Commission and fee income increased by 14% to CHF 147.7 million, influenced by the acquisition and thanks to strong credit card fee income, as well as other income relating mainly to the invoice financing provider Swissbilling. The share of net revenues generated from commissions and fees increased to 31%, compared with 30% in 2018.

Total operating expenses increased by 20% to CHF 231.8 million. Personnel expenses came in at CHF 120.5 million, up 14% following the addition of 180 FTEs (+23%) in 2019, including 134 employees from cashgate. General and administrative expenses rose 28% to CHF 111.3 million, mainly as a result of the integration of cashgate, together with continued investments in technology and growth initiatives. The cost/income ratio increased to 48.3%. Excluding the acquisition – the cost of integrating cashgate amounted to around CHF 8 million in 2019 – the cost/income ratio was 45.5% (2018: 44.0%).

### **Favourable loss performance**

The provision for losses decreased by CHF 5.0 million, or 10%, to CHF 45.1 million, despite the expanding loan portfolio. This decline was due to the continued favourable macro environment and a one-off effect due to better synchronisation of write-off and collection procedures. This resulted in a loss rate of 0.8% (2018: 1.1%) and a higher non-performing-loans (NPL) ratio of 0.6% (2018: 0.4%) resulting from the synchronisation process. The rate of over-30-days past due financing receivables remained stable at 1.8% (2018: 1.8%).

## Letter to Shareholders

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### **Timely integration of cashgate well on track**

Since the completion of the acquisition on 2 September 2019, Cembra is executing on the integration as planned. In December 2019, all employees at cashgate's headquarters moved to their new offices at Cembra headquarters in Zurich-Altstetten. Since 1 January 2020, Cembra's auto business has been operating on a single system, and the cashgate brand will be maintained for online offering for personal loans. By April 2020, we expect to have consolidated all cashgate branches and will then be operating a network of 17 branches across Switzerland.

### **Progress in new businesses**

Swissbilling more than doubled its revenues in 2019 compared to 2018. In Q4 2019, we expanded our product portfolio as planned, with an online financing product for small companies in Switzerland under the new Cembra Business brand. The commercial roll-out of the new product started on 17 February 2020.

### **Bridge loan facility fully paid back**

Since the announcement of the acquisition of cashgate on 1 July, we have fully paid off the transaction through various capital market instruments and deposits. The bridge loan facility amounting to CHF 1.5 billion was paid back in full by November 2019, with Cembra's funding portfolio rising by 42% to CHF 6.1 billion at year-end. The weighted average remaining maturity was 2.9 years and the period-end funding cost declined from 49 to 44 basis points.

### **Solid capital position and stable dividend**

Cembra remains very well capitalised, with a solid Tier 1 capital ratio of 16.3%, which is within the 16–17% range indicated for 2019. The leverage ratio amounted to 12.5%. Shareholders' equity increased by 17% to CHF 1.091 billion, predominantly relating to the sale of treasury shares in July 2019.

Given Cembra's solid financial performance, the Board of Directors will recommend a dividend of CHF 3.75 per share (representing a payout ratio of 68%) at the next Annual General Meeting on 16 April 2020. Given that organic growth was stronger than expected in the second half of the year, and in order to maintain flexibility for further growth, Cembra does not propose that the remaining treasury shares be cancelled at the upcoming Annual General Meeting.

### **Thomas Buess proposed for election to the Board of Directors**

The Board of Directors of Cembra will propose to the shareholders at the next Annual General Meeting on 16 April 2020 the election of Thomas Buess as a new member to the Board of Directors. He will replace Ben Tellings, who stepped down as of 31 December 2019.

Thomas Buess, Swiss citizen, has spent over thirty years of his career in the financial services and insurance sector in several roles for companies such as Elvia, Zurich Insurance Group and Allianz Group. From 2009 until 2019 he served as Group Chief Financial Officer at Swiss Life Group. Since 2019, he is member of the Board of Directors of Swiss Life Group.

### **Outlook**

While the recent coronavirus (Covid-19) outbreak is having an adverse impact on the global and Swiss economies, Cembra had a good start to the year. Thanks to multi-year contracts and based on our long term experience, the Group currently expects to see for the year a resilient business performance with the integration of cashgate progressing as planned. Cembra Management is continuously evaluating the situation and will update on the guidance if necessary.

On behalf of the Board of Directors and Management, we would like to thank our customers, shareholders and business partners for the trust they have placed in us. We would also like to express our particular gratitude to our employees, who shape the success of our Group with their expertise, dedication and engagement.



**Dr Felix Weber**  
Chairman



**Robert Oudmayer**  
CEO

# Management Report

|          |                           |
|----------|---------------------------|
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| 11       | Product markets           |
| 12       | Balance sheet analysis    |
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| 18       | Outlook                   |



## Significant developments

On 17 April 2019, Cembra Money Bank AG held its sixth General Meeting of Shareholders as a SIX-listed company, in Zurich. All agenda items were approved, including a dividend payment of CHF 3.75 per share. All members of the Board of Directors were re-elected for another one-year term of office.

On 1 July 2019, Cembra Money Bank AG announced that it had signed an agreement with Aduno Holding AG for the acquisition of 100% of the shares of cashgate AG. The purchase price was CHF 277 million and the acquisition was completed on 2 September 2019. Through this acquisition, we increased our personal loans and auto leases and loans portfolio by around CHF 1.5 billion, to a total of CHF 6.6 billion.

On 2 July 2019, we successfully placed 1.2 million treasury shares (4% of the share capital) and issued a CHF 250 million private placement convertible bond in order to finance a part of the cashgate transaction. On 4 July 2019, Cembra issued a CHF 150 million subordinated additional tier 1 bond.

On 4 November 2019, Cembra announced that Ben Tellings, Vice Chairman of the Board of Directors, would step down at the end of 2019. Starting in 2020, Mr Tellings continued to share his expertise with us as an external consultant.

In 2019, we further strengthened our position on the Swiss credit card market by entering into new partnerships and renewing existing partnerships:

- On 27 August 2019, we announced that we would extend our credit card partnership with Fnac until 2024.
- On 4 December 2019, we signed a new credit card partnership with the furniture retailer LIPO Einrichtungsmärkte AG.
- On 5 December 2019, Cembra announced a new partnership with Migros Bank AG aimed at launching a new credit card.

## Macroeconomic environment

We operate exclusively in Switzerland and our financial position and revenues are strongly influenced by domestic macroeconomic factors, especially gross domestic product, the unemployment rate and interest rates. We have very limited exposure to foreign currencies.

### Swiss gross domestic product

Growth in Switzerland's gross domestic product (GDP) is an important indicator for the Group. Swiss GDP expanded by 0.9% in 2019, compared with 2.5% in 2018. Consumer spending was once again on the rise in 2019, up 1.0% (2018: 1.0%).

### Interest rates

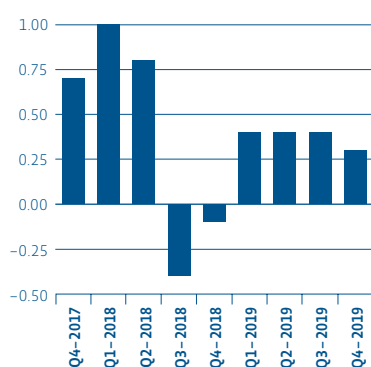
Interest rates are a key indicator for the Group's funding. Swiss-franc interest rates continued to decline in the first half of the year. They bottomed out in the summer, when both the US Federal Reserve and the European Central Bank cut rates, before levelling off in the second half. The rate cuts, together with geopolitical events and the macroeconomic environment, lead to lower Swiss-franc interest rates over the year as a whole. The Swiss National Bank continued to maintain the interest rate on sight deposits at -0.75%.

### Unemployment rate

The unemployment rate is an important indicator for the credit risk profile of the Group's customers. At 2.3%, the average unemployment rate in Switzerland remained low in 2019; unemployment slightly increased to 2.5% at year-end. These figures were lower than in the previous year, when the unemployment rate was 2.6% on average and 2.7% at year-end.

#### GDP Switzerland

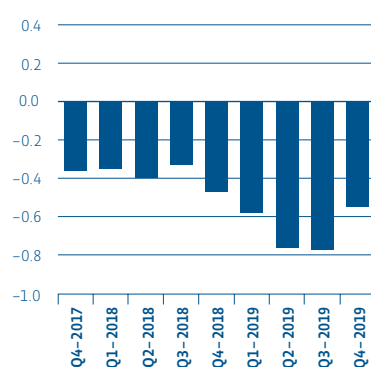
Change versus previous quarter (in %)



Source: SECO

#### CHF 3-year swap rate

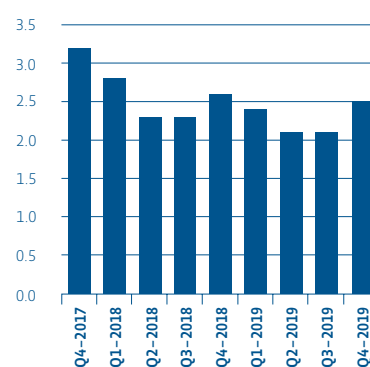
in %



Source: Bloomberg

#### Unemployment rate in Switzerland

in %



Source: SECO

## Product markets

### Consumer loan market

In 2019, the Swiss consumer loan market expanded for the third consecutive year. According to figures from the Swiss central credit information bureau (ZEK), the Swiss consumer loan market increased by 6% from CHF 7,657 million in 2018 to CHF 8,113 million of outstanding assets in 2019. The number of loan contracts outstanding increased by 1% to 372,000 in 2019, up from 369,000 in 2018. In a competitive environment, the Group had an estimated market share of approximately 44% of consumer loans outstanding.

### Auto market

The Swiss auto market slightly increased in the reporting period, mainly driven by various sales promotions due to carbon-related regulations coming into effect in 2020. According to “auto-schweiz” statistics (association of official Swiss car importers), about 311,000 new cars were registered in 2019, an increase of 4% versus 2018. 848,000 used cars were sold in Switzerland according to Eurotax Schweiz (independent provider of automotive market data); which was 1% lower than the 2018 figure (856,000). The number of active leasing contracts grew by 4% to 649,000 in 2019. Total consumer leasing volumes outstanding in Switzerland in 2019 increased by 7% according to data from ZEK. The Group estimates its auto leasing market share to be about 23% of total leasing volumes outstanding in 2019.

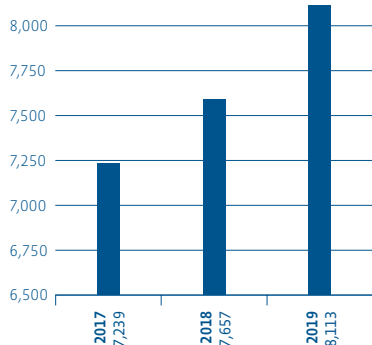
### Credit card market

The growth trend continued in the credit card market in 2019. Based on the Swiss National Bank statistics, the number of credit cards issued in Switzerland grew by approximately 4% to about 7.2 million in 2019. Contactless transactions (NFC) gained further momentum making up around 38% of all domestic transactions in 2019. The number of transactions increased by 14% from 465.4 million in 2018 to 529.6 million in 2019 driven by the strong increase in contactless payments. Overall, the credit card transaction volumes increased by 6% to CHF 46.6 billion in 2019.

The Group’s credit cards business continued to outgrow the market, with the number of cards growing by about 92,000, or 10%, to about 984,000. The Group’s market share, based on the number of credit cards in circulation, increased from 13% to 14% in 2019.

Swiss consumer loan market

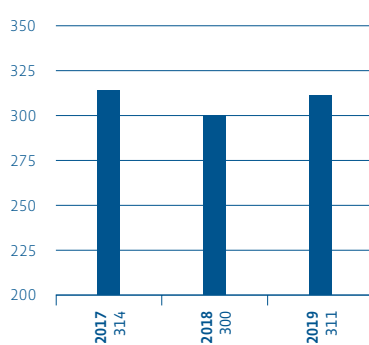
CHF in millions



Source: ZEK

New car registrations in Switzerland

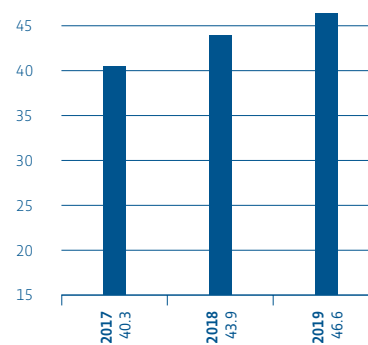
in 1,000



Source: auto-schweiz

Transaction volume Swiss credit cards

CHF in billions



Source: SNB

## Balance sheet analysis

| At 31 December (CHF in millions)                  | 2019         | 2018         | Variance     | in %      |
|---|--------------|--------------|--------------|-----------|
| <b>Assets</b>                                     |              |              |              |           |
| Cash and cash equivalents                         | 543          | 499          | 43           | 9         |
| Net financing receivables                         | 6,586        | 4,807        | 1,779        | 37        |
| Personal loans                                    | 2,625        | 1,885        | 740          | 39        |
| Auto leases and loans                             | 2,915        | 1,974        | 941          | 48        |
| Credit cards                                      | 1,029        | 940          | 89           | 9         |
| Other   | 17           | 8            | 9            | 118       |
| Financial investments                             | 6            | 11           | -5           | -46       |
| Other assets                                      | 351          | 124          | 228          | 184       |
| <b>Total assets</b>                               | <b>7,485</b> | <b>5,440</b> | <b>2,045</b> | <b>38</b> |
| <b>Liabilities and equity</b>                     |              |              |              |           |
| Deposits and debt                                 | 6,134        | 4,325        | 1,809        | 42        |
| Deposits  | 3,495        | 2,827        | 668          | 24        |
| Debt  | 2,639        | 1,498        | 1,141        | 76        |
| Other liabilities                                 | 260          | 182          | 78           | 43        |
| <b>Total liabilities</b>                          | <b>6,395</b> | <b>4,507</b> | <b>1,888</b> | <b>42</b> |
| Shareholders' equity                              | 1,091        | 933          | 157          | 17        |
| <b>Total liabilities and shareholders' equity</b> | <b>7,485</b> | <b>5,440</b> | <b>2,045</b> | <b>38</b> |

On 2 September 2019, Cembra completed the acquisition of cashgate which has been consolidated since that date.

Net financing receivables amounted to CHF 6,586 million, an increase of 37%, or CHF 1,779 million, compared with year-end 2018. The increase related mainly to the acquisition of cashgate in September 2019.

At the end of 2019, the Group's personal loans accounted for 40% (2018: 39%), auto leases and loans made up for 44% (2018: 41%), and the credit cards business accounted for 16% (2018: 20%) of net financing receivables.

As of 31 December 2019, net financing receivables from personal loans were 39% higher at CHF 2,625 million compared to year-end 2018. Auto leases and loans grew by 48% to CHF 2,915 million up from CHF 1,974 million at the end of 2018. Credit cards increased by 9% from CHF 940 million to CHF 1,029 million in the reporting period. Other net financing receivables of CHF 17 million (2018: CHF 8 million) included the Swissbilling business, which was acquired in February 2017.

### Funding

In order to finance the acquisition of cashgate, the Group significantly expanded its funding and further increased funding diversification from July 2019. The deposit base increased by 24% to CHF 3,495 million at 31 December 2019. The institutional deposit base was 27% higher at CHF 2,379 million, while retail deposits grew by 16% to CHF 1,116 million. The non-deposit debt increased by 76%, from CHF 1,498 million as at 31 December 2018 to CHF 2,639 million as at 31 December 2019. The financing of the acquisition also included a bank loan, an additional tier 1 bond, a convertible bond, several senior unsecured bonds and floating rate notes issued between July and December 2019 (see page 132 of the Financial Report for details).

## Management Report

### Equity

Total shareholders' equity increased by CHF 157 million from CHF 933 million to CHF 1,091 million at year-end 2019. The increase was mainly driven by the net income of CHF 159.2 million and by the sale of 1.2 million own shares in July 2019. The increase was partially offset by the dividend payment for the business year 2018 of CHF 106 million in April 2019.

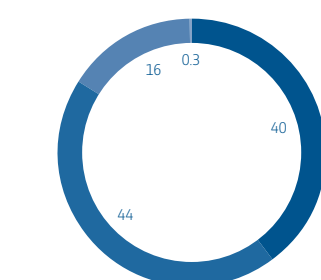
### Capital position

| At 31 December (CHF in millions) | 2019  | 2018  | Variance | in % |
|----------------------------------|-------|-------|----------|------|
| Risk-weighted assets             | 5,908 | 4,346 | 1,562    | 36   |
| Tier 1 capital                   | 962   | 834   | 128      | 15   |
| Tier 1 ratio                     | 16.3% | 19.2% |          |      |

Risk-weighted assets increased by 36% to CHF 5,908 million at 31 December 2019 compared to CHF 4,346 million as per 31 December 2018. This increase was driven by the acquisition and was largely in line with the rise in net financing receivables. The Tier 1 capital increased by CHF 128 million, or 15%, to CHF 962 million mainly as a result of the statutory net income generated in 2019 and the issuance of an additional tier 1 bond in July 2019, adjusted for the expected future dividend payment. This resulted in a Tier 1 capital ratio of 16.3% at 31 December 2019, which was significantly above the regulatory requirement of 11.2%.

#### Net financing receivables

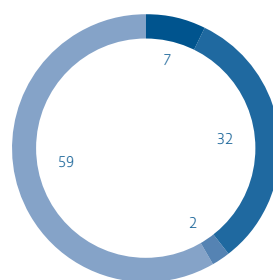
in %



- Personal loans
- Auto leases and loans
- Credit cards
- Other

#### Funding structure

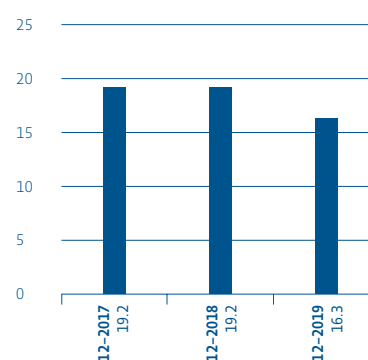
in %



- ABS
- Senior unsecured bonds
- AT subordinated
- Deposits

#### Tier 1 capital ratio

in %

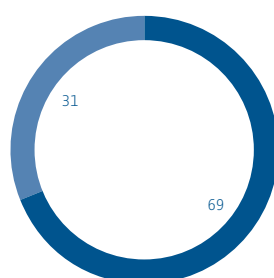


## Profit and loss analysis

| For the years ended 31 December (CHF in millions)    | 2019          | 2018          | Variance    | in %       |
|--|---------------|---------------|-------------|------------|
| Interest income                                      | 359.8         | 330.0         | 29.8        | 9          |
| Interest expense                                     | -27.8         | -20.8         | 7.0         | 34         |
| <b>Net interest income</b>                           | <b>332.0</b>  | <b>309.2</b>  | <b>22.8</b> | <b>7</b>   |
| Commission and fee income                            | 147.7         | 129.6         | 18.1        | 14         |
| <b>Net revenues</b>                                  | <b>479.7</b>  | <b>438.8</b>  | <b>40.9</b> | <b>9</b>   |
| <b>Provision for losses on financing receivables</b> | <b>-45.1</b>  | <b>-50.1</b>  | <b>-5.0</b> | <b>-10</b> |
| Compensation and benefits                            | -120.5        | -105.8        | 14.6        | 14         |
| General and administrative expenses                  | -111.3        | -87.2         | 24.1        | 28         |
| <b>Total operating expenses</b>                      | <b>-231.8</b> | <b>-193.0</b> | <b>38.7</b> | <b>20</b>  |
| <b>Income before income taxes</b>                    | <b>202.9</b>  | <b>195.7</b>  | <b>7.1</b>  | <b>4</b>   |
| Income tax expense                                   | -43.7         | -41.6         | 2.1         | 5          |
| <b>Net income</b>                                    | <b>159.2</b>  | <b>154.1</b>  | <b>5.1</b>  | <b>3</b>   |
| Other comprehensive income/(loss)                    | -2.1          | -6.3          | 4.2         | 67         |
| <b>Comprehensive income</b>                          | <b>157.1</b>  | <b>147.8</b>  | <b>9.3</b>  | <b>6</b>   |

### Net revenues

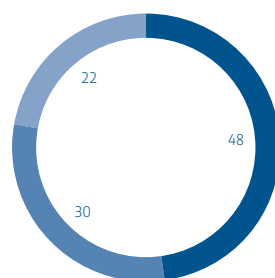
as %



- Net interest income
- Commission and fee income

### Interest income

as % (excluding "Other")



- Personal loans
- Auto leases and loans
- Credit cards

## Management Report

### Interest income

| For the years ended 31 December (CHF in millions) | 2019         | 2018         | Variance    | in %     |
|---|--------------|--------------|-------------|----------|
| Personal loans                                    | 172.6        | 161.3        | 11.3        | 7        |
| Auto leases and loans                             | 110.6        | 98.4         | 12.2        | 12       |
| Credit cards                                      | 79.4         | 71.7         | 7.8         | 11       |
| Other   | -2.9         | -1.5         | -1.4        | 99       |
| <b>Total</b>                                      | <b>359.8</b> | <b>330.0</b> | <b>29.8</b> | <b>9</b> |

Overall, the relative contributions of the businesses to interest income remained stable compared to 2018, at 48% for personal loans, at 30% for auto leases and loans and at 22% for credit cards.

Total interest income increased by 9%, or CHF 29.8 million, to CHF 359.8 million in 2019. Interest income from personal loans increased by CHF 11.3 million, or 7%, to CHF 172.6 million, while the corresponding net financing receivables grew by 39% due to the acquisition. Interest income in personal loans was also impacted by the remaining effect from the introduction of the new rate cap in 2016. Consequently, the yield declined to 7.5% from 8.6% in the reporting period. Interest income from the auto leases and loans increased by CHF 12.2 million, or 12%, up from CHF 98.4 million to CHF 110.6 million in 2019. The yield decreased to 4.5% (2018: 5.0%) mainly due to the acquisition. Interest income from credit cards increased by CHF 7.8 million, or 11%, to CHF 79.4 million in 2019. The increase was primarily due to higher levels of credit card receivables as a result of an increase in the number of credit cards issued. The yield remained stable at 8.0%. Other interest income included CHF 2.9 million in expenses from the negative interest rate on the cash held with the Swiss National Bank and other institutions.

### Cost of funds

| For the years ended 31 December (CHF in millions) | 2019        | 2018        | Variance   | in %      |
|---|-------------|-------------|------------|-----------|
| Interest expense on ABS                           | 1.9         | 1.8         | 0.1        | 3         |
| Interest expense on deposits                      | 13.1        | 12.6        | 0.5        | 4         |
| Interest expense on debt                          | 12.8        | 6.4         | 6.5        | 102       |
| <b>Total</b>                                      | <b>27.8</b> | <b>20.8</b> | <b>7.0</b> | <b>34</b> |

Due to the financing of the acquired assets, the overall cost of funds increased by CHF 7.0 million, or 34%, to CHF 27.8 million in 2019. Interest expense on auto lease asset-backed securities (ABS) increased by 3% to CHF 1.9 million. Interest expense on deposits increased by 4% to CHF 13.1 million despite a 24% increase of the portfolio, as Cembra was able to refinance the maturing deposit portfolio at lower rates in the second half of 2019.

Total interest expense on non-deposit debt increased by CHF 6.5 million, or 102%, up from CHF 6.4 million to CHF 12.8 million in 2019. The main reason for the increase was the 76% rise in the balance of the non-deposit portfolio and the financing costs relating to the acquisition.

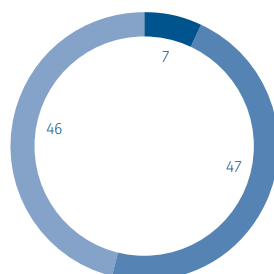
### Commission and fee income

| For the years ended 31 December (CHF in millions) | 2019         | 2018         | Variance    | in %      |
|---|--------------|--------------|-------------|-----------|
| Insurance   | 21.6         | 20.5         | 1.2         | 6         |
| Credit cards                                      | 101.1        | 92.6         | 8.6         | 9         |
| Loans and leases                                  | 14.5         | 13.4         | 1.1         | 9         |
| Other   | 10.4         | 3.2          | 7.2         | n/a       |
| <b>Total</b>                                      | <b>147.7</b> | <b>129.6</b> | <b>18.1</b> | <b>14</b> |

## Management Report

### Cost of funds

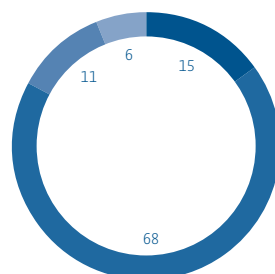
as %



- Asset-backed securities (ABS)
- Deposits
- Debt

### Commission and fee income

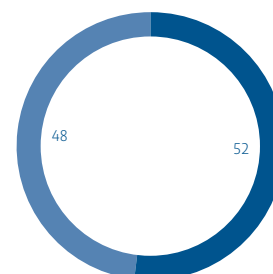
as %



- Insurance
- Credit cards
- Loans and leases
- Other

### Operating expenses

as %



- Compensation and benefits
- General and administrative expenses

Commission and fee income increased by CHF 18.1 million, or 14%, up from CHF 129.6 million in 2018 to CHF 147.7 million. The increase was mainly due to higher fee income on credit cards of 9% or CHF 8.6 million which was in line with the respective growth in net financing receivables. Other fees increased significantly by CHF 7.2 million to CHF 10.4 million driven by fee income from Swissbilling and retail savings accounts.

Insurance income, mainly revenues from payment protection insurance products, increased by CHF 1.2 million, or 6% to CHF 21.6 million due to the effect of the acquisition. The 9% increase in fees from loans and leases to CHF 14.5 million was mainly attributable to the consolidation of cashgate in the last four months of 2019.

### Provision for losses on financing receivables

| For the years ended 31 December (CHF in millions) | 2019        | 2018        | Variance    | in %       |
|---|-------------|-------------|-------------|------------|
| Provision for losses on personal loans            | 24.4        | 29.6        | -5.2        | -18        |
| Provision for losses on auto leases and loans     | 10.4        | 11.2        | -0.8        | -7         |
| Provision for losses on credit cards              | 9.1         | 8.4         | 0.7         | 9          |
| Provision for losses on other                     | 1.2         | 1.0         | 0.3         | 29         |
| <b>Total</b>                                      | <b>45.1</b> | <b>50.1</b> | <b>-5.0</b> | <b>-10</b> |

The provision for losses on financing receivables decreased by CHF 5.0 million or 10%, to CHF 45.1 million in 2019, compared with CHF 50.1 million in 2018. Provision for losses on personal loans decreased by CHF 5.2 million driven by a one-off effect related to the synchronisation of write-off and collection procedures, as well as the further optimisation of collections strategies in a favourable macro environment. On auto leases and loans, the provision for losses decreased by CHF 0.8 million mainly driven by higher recoveries. Provision for losses on credit cards increased by CHF 0.7 million, in line with the growth in the portfolio. The Group's loss rate for the year 2019 was 0.8% of financing receivables. Adjusted for the above mentioned one-off effect, the loss rate amounted to 0.9%.



## Management Report

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### Compensation and benefits

| For the years ended 31 December (CHF in millions) | 2019         | 2018         | Variance    | in %      |
|---|--------------|--------------|-------------|-----------|
| <b>Compensation and benefits</b>                  | <b>120.5</b> | <b>105.8</b> | <b>14.6</b> | <b>14</b> |

Compensation and benefit expenses increased by CHF 14.6 million, or 14%, to CHF 120.5 million. The increase in cost was driven by the higher headcount following the acquisition of cashgate, as well as FTE increases to accommodate business growth.

The average number of employees (full-time equivalent – FTE) of the Group was 873 in 2018 compared with 759 in the prior-year period. The average cost per FTE of TCHF 138 in 2019 decreased compared with TCHF 140 in 2018 due to the effect of the acquisition in September.

### General and administrative expenses

| For the years ended 31 December (CHF in millions) | 2019         | 2018        | Variance    | in %      |
|---|--------------|-------------|-------------|-----------|
| Professional services                             | 22.4         | 18.6        | 3.7         | 20        |
| Marketing   | 11.8         | 8.5         | 3.3         | 39        |
| Collection fees                                   | 10.9         | 10.9        | -0.1        | -1        |
| Postage and stationery                            | 11.2         | 9.9         | 1.3         | 14        |
| Rental expense under operating leases             | 7.2          | 4.9         | 2.3         | 47        |
| Information technology                            | 31.4         | 24.9        | 6.4         | 26        |
| Depreciation and amortisation                     | 19.5         | 13.0        | 6.5         | 50        |
| Other   | -2.9         | -3.5        | 0.6         | -17       |
| <b>Total</b>                                      | <b>111.3</b> | <b>87.2</b> | <b>24.1</b> | <b>28</b> |

The general and administrative expenses increased by CHF 24.1 million, or 28%, from CHF 87.2 million to CHF 111.3 million in the year of 2019. Costs from professional services of CHF 22.4 million increased by 20% relating to the acquisition, partly offset by lower project spend. Marketing expenses were 39% or CHF 3.3 million higher due the acquisition as well as increased marketing activities.

Collection fees remained stable at CHF 10.9 million. Increased expenses from cashgate were offset by lower third-party costs and postage fees. Costs for postage and stationery increased by 14% to CHF 11.2 million primarily driven by growth in the credit card business. Rental expenses increased by 47% to CHF 7.2 million due to the adoption of the US GAAP operating lease standard, as well as additional costs relating to closing of branches. Information technology costs of CHF 31.4 million were 26% higher, due to a one-off effect in 2018 and cashgate. Depreciation and amortisation was 50% higher, mainly driven by a CHF 3.9 million amortisation of the purchase price agreement for cashgate, and due to investments in IT and projects. "Other" costs increased to CHF -2.9 million, primarily driven by CHF 1.2 million higher pension costs and offset by the adoption of the US GAAP operating lease standard.

The cost/income ratio was 48.3% in 2019 compared to 44.0% in 2018. The increase was mainly driven by the acquisition and consolidation of cashgate.

### Income tax expense

The Group's income tax expense increased by CHF 2.1 million, or 5%, to CHF 43.7 million in 2019 in line with the higher income before taxes. The effective tax rate was 21.5% which was in line with the statutory tax rate resulting from the combination of federal, cantonal and communal corporation taxes in Switzerland. The numbers published in the tables above are in Swiss francs and rounded, therefore rounding differences can occur.

## Strategy

Our strategy focuses on making Cembra the provider of choice for those looking for financial solutions in Switzerland. We aim to achieve this through our three strategic goals, which are to defend the core business, build for the future and increase in size through external growth.

### **Defend the core business**

Here, our focus is on maintaining our leading market position in personal loans and auto financing by adapting to the evolving distribution environment and expanding our B2B network of partners. We seek to provide customers with a holistic experience. We also stay in tune with wider market trends by rolling out new product offerings.

### **Build for the future**

We aim to prepare our business for upcoming challenges, with a focus on systems, processes, people and ultimately how we execute initiatives. One of our key objectives is to transform Cembra into a more customer-centric organisation, supported by lean processes and a competitive cost base, which we will achieve by digitising our value chain. We are also focused on developing our employees and improving their work environment.

### **Gain size through external growth**

We are looking to bring in new business lines and expand our customer base through acquisitions and partnerships, while also remaining in line with Cembra's core ambition of being the provider of choice for financial solutions in Switzerland.

## Outlook

While the recent coronavirus (Covid-19) outbreak is having an adverse impact on the global and Swiss economies, Cembra had a good start to the year. Thanks to multi-year contracts and based on our long term experience, the Group currently expects to see for the year a resilient business performance with the integration of cashgate progressing as planned. Cembra Management is continuously evaluating the situation and will update on the guidance if necessary.

The Group's mid-term financial targets are as follows:

- Average return on shareholders' equity (ROE) of at least 15%;
- Consolidated Tier-1 capital ratio of at least 17% in the mid term; and
- Ordinary dividend payout of between 60% and 70% of net income.

# Risk Management Report

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| 25 | Operational and other risks    |

## Risk Management Report

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### Risk management

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Risk is broadly defined as the possibility that an uncertain event or outcome results in adverse variations in profitability or in losses. Risks might also negatively impact the strength of the Group's balance sheet, its market capitalisation or its brand and reputation. In the process of performing its function as a financial intermediary, the Group is exposed to various categories of risk, such as credit risk, asset and liability management risk (including market and liquidity risk), operational risk and other risks.

Within its risk appetite and tolerance limits and in accordance with its strategic objectives, the Group takes on and manages risks, and controls and monitors them prudently. The Group actively, comprehensively and systematically manages risk and promotes a strong risk and control culture across all business areas. The established risk management process comprises four core elements:

- Identification of risks across all business activities
- Assessment and measurement of risks, including stress testing
- Limitation and mitigation of risks, and
- Effective controls, monitoring and reporting.

## Risk governance structure

The Board of Directors is ultimately responsible for determining the Group's risk strategy, risk appetite and corresponding tolerance levels. It has established an effective internal control system that: (i) ensures that material risks are assessed and controlled; (ii) oversees the Group's risk profile to ensure it is correctly monitored and managed; and (iii) ensures that the risk management framework and strategies are correctly implemented.

The Group has put in place regulations that govern the risk management and control processes to ensure that all material risks are recorded and supervised. These processes are supported by a framework of approved policies and directives, which set out the principles guiding the Group's attitude to risk and the amount of risk it is willing to take on.

The Group has set up a risk appetite framework, which includes integrated tolerance limits to control overall risk-taking. It contains a diverse set of quantitative metrics and qualitative statements covering various risk categories and serves as a decision-making tool for the Management Board. As part of the Group Risk Policy, it is reviewed annually by the Board of Directors and takes into account strategic objectives and business plans. The risk profile is assessed relative to the Group's risk appetite, and risk exposures are monitored relative to risk tolerance limits on a regular basis. Summary reports are reviewed by the Audit and Risk Committee and reported to the Board of Directors.

Three working committees have been set up. Members of the Management Board are required to attend regular committee meetings:

| Committee                                     | Risk category   |
|---|---|
| Credit Committee                              | Credit risk   |
| Asset & Liability Management Committee (ALCO) | Asset & liability management, market & liquidity risk, capital management   |
| Risk & Controllershship Committee (RCC)       | Risk framework, internal control system, compliance & operational risk management, information security, data privacy, business continuity management |

The Group's risk and control framework operates along three lines of defence:

- First line: business functions are responsible for ensuring that a risk and control environment is in place and maintained as part of day-to-day operations
- Second line: control functions provide independent control and oversight of risks, and
- Third line: the Internal Audit function evaluates the overall effectiveness of the control environment and provides additional independent assurance.

This three-lines-of-defence model ensures that direct accountability for risk decisions, implementation and oversight of risk management, and the independent control of the effectiveness of risk management are segregated. Internal policies and directives further detail the expected principles of risk management and control for each risk category.

## Credit risk

Credit risk is the risk to earnings or capital that may arise from the possibility that a borrower or counterparty may fail to honour their contractual obligations. The obligations include, for example, principal repayment, interest and fees. A consequent loss may be partial or complete and may arise at any time as a result of a number of isolated or interlinked circumstances. The Group is exposed to credit risk on all its lending products.

The Credit Committee serves as the main decision-making body concerning credit strategies and exposures, and regularly reviews the Group's credit risk performance. The Credit Committee is responsible for making lending decisions on individual counterparties and lending programmes that are not under the authority of the Chief Risk Officer (CRO) or specific subsidiaries, but under the authority of the Board of Directors. The Credit Committee is chaired by the CRO.

The guidelines for the approval of lending programmes, as well as individual counterparty lending approvals, are set out in the credit risk policy. Lending authority that has been delegated is actively monitored and reviewed regularly.

Credit risk metrics, portfolio and collection performance reports and macroeconomic trends are reviewed on a monthly basis by the Credit Committee. Summary reports of the Group's credit risk profile are reviewed by the Audit and Risk Committee every quarter and reported to the Board of Directors.

The Group maintains stringent underwriting processes, which are continually monitored and optimised to ensure that credit risk is adequately and responsibly managed. Prior to granting credit, the customer's creditworthiness, credit capacity and, where applicable, collateral are assessed. The customer's creditworthiness is evaluated by an automated credit risk rating system, which includes the use of scorecards and leverages available information about the customer. This ensures consistent and systematic decision-making across all lending products.

Where applicable, the credit capacity of consumers is also evaluated in accordance with the legal requirements of the Swiss Consumer Credit Act. Internal models determine the credit amount based on the customer's risk profile. Segments that are particularly exposed to credit risk are actively restricted beyond the requirements of the Swiss Consumer Credit Act through specific internal rules that aim to effectively implement and ensure responsible lending to customers. Manual underwriting complements the automated system decision in cases where additional information may be required.

The quality of portfolios and specific customer segments is thoroughly and periodically assessed. Specifically in the area of vehicle leasing the Group is exposed to risks related to the valuation of underlying assets or objects. Contractual residual values might differ from actual values of lease objects and distribution partners might fail to honour their contractual obligations. In addition to the consistent setting of residual values at lease origination the Group regularly monitors its exposure to this type of risk and makes use of external data sources to verify results. The quality and performance of new business are monitored to ensure that the credit approval process continues to effectively mitigate credit risk, and underwriting procedures are being correctly followed. Scorecards are regularly monitored and back-tested to ensure their performance remains within expected levels and, if required, changes are made to the models. Segmented collection strategies are implemented to tailor activities to customer groups with different payment behaviours and to ensure optimal resource allocation and effective mitigation of credit risk. The regular monitoring of process and performance metrics ensures diligent and responsible execution and supports the fair treatment of customers across a variety of servicing processes.

## Risk Management Report

For its lending products, the Group uses consumer ratings (CR) to assess overall credit quality. There are five consumer ratings, each having an implied probability of default based on historical default experience, with default being defined as 90 days past due. The Group's financing receivables from non-defaulted customers (before allowance for losses) at 31 December 2019 and 2018 were distributed among the CRs as follows:

| At 31 December 2019 | Personal loans | Auto leases and loans | Credit cards | Total |
|---------------------|----------------|-----------------------|--------------|-------|
| CR1                 | 48.2%          | 50.7%                 | 73.5%        | 53.3% |
| CR2                 | 31.1%          | 31.4%                 | 19.0%        | 29.3% |
| CR3                 | 15.7%          | 14.1%                 | 6.8%         | 13.6% |
| CR4                 | 4.7%           | 2.5%                  | 0.7%         | 3.1%  |
| CR5                 | 0.3%           | 1.2%                  | 0.0%         | 0.7%  |

<sup>1</sup> Does not include any Credit GmbH, Swissbilling SA and Swiss SME Loans 2018-1 GmbH. This has no material impact on the Group's consumer rating for total financing receivables.

| At 31 December 2018 | Personal loans | Auto leases and loans | Credit cards | Total |
|---------------------|----------------|-----------------------|--------------|-------|
| CR1                 | 51.1%          | 51.6%                 | 74.2%        | 56.0% |
| CR2                 | 29.6%          | 32.7%                 | 18.8%        | 28.7% |
| CR3                 | 16.3%          | 12.8%                 | 6.3%         | 12.9% |
| CR4                 | 2.6%           | 2.1%                  | 0.6%         | 2.0%  |
| CR5                 | 0.3%           | 0.7%                  | 0.0%         | 0.4%  |

<sup>1</sup> Does not include any Credit GmbH, Swissbilling SA and Swiss SME Loans 2018-1 GmbH. This has no material impact on the Group's consumer rating for total financing receivables.

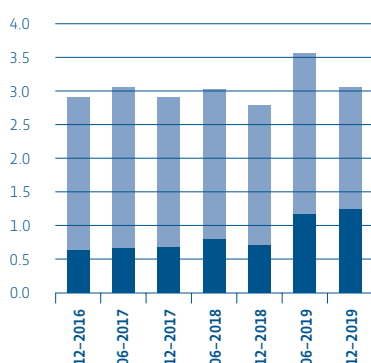
More details on the CRs and implied probability of default are provided in the Consolidated Financial Statements on page 126.

The Group's customer base primarily comprises individuals and small and medium-sized enterprises. Concentration risks are regularly assessed and monitored. The large number of borrowers naturally results in a broad diversification of credit risk.

Credit risk within specific portfolios is also monitored using asset quality metrics, such as delinquency metrics, which are further described on page 125. The historic trend is indicated in the graphs below.

### Personal loans

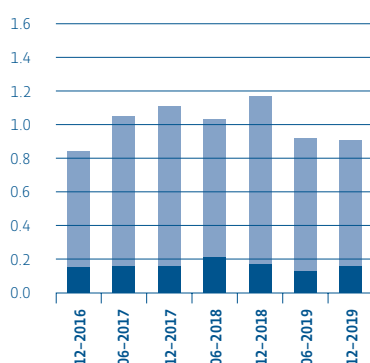
Delinquencies as %



■ Non-performing loans (NPL)  
■ 30 days past due

### Auto leases and loans

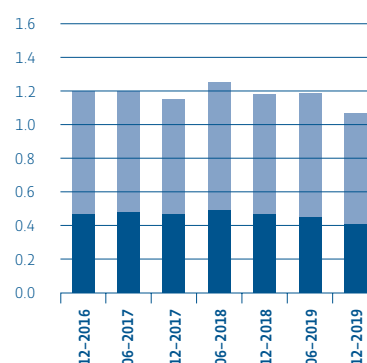
Delinquencies as %



■ Non-performing loans (NPL)  
■ 30 days past due

### Credit cards

Delinquencies as %



■ Non-performing loans (NPL)  
■ 30 days past due

# ALM, market and liquidity risk

Asset and liability management (ALM) forms part of the Group's risk management framework and can be considered as the coordinated management of various inherent risk types, such as liquidity, funding and market risk, in order to achieve the Group's objectives whilst operating within prudent and predetermined risk limits and concentrations. The ALCO is the decision-making committee for asset and liability management activities and has overall responsibility for the implementation of the respective policies, as well as their monitoring and reporting. The ALCO is chaired by the CFO.

### Liquidity and funding risk

Liquidity risk is defined as the risk of the Group not having sufficient funds to meet its contractual obligations when they fall due and support normal business activities, or only being able to secure such funds at excessive costs. The Group recognises that liquidity risks are often consequential rather than isolated in nature and arise from the materialisation of other risk types such as strategic, reputational, credit, regulatory or macroeconomic risks.

The Group's liquidity risk appetite is defined by the Board of Directors and forms the basis for the Group-internal liquidity risk management strategy, the liquidity-related directives and the risk steering and control process.

As it is headed by a listed entity, the Group aims to maintain a highly conservative liquidity profile; this approach is viewed as an essential safeguard in protecting the reputation of the Group as a stable institution. The Management Board ensures that adequate liquidity levels are maintained in order to meet operational and regulatory requirements under normal and stressed conditions. Excess liquidity can be invested with two main objectives in mind: principal preservation and liquidity management.

The Group maintains a robust stable funding structure. In order to withstand an extended period of limited access to the wholesale funding markets, the Group proactively seeks to reduce reliance on short term, potentially volatile, sources of funding. The Group actively averts building up concentration risk and strategically diversifies its investor base across different business sectors, by individual counterparty, by maturity buckets and across various categories of debt instruments.

For effective risk controlling, the overall condition of funding markets is regularly monitored and assessed against market-wide and Group-specific early warning indicators to ensure the Group's ability to access funding. This approach is designed to provide management with timely warning of events that might have a potentially unfavourable impact on its access to funding in the near future and, in turn, increase liquidity risk. Consequently, the Group has developed a comprehensive liquidity stress testing process to ensure it can adequately manage its liquidity during times of market stress of differing, yet plausible, magnitudes. This ensures the Group has sufficient controls and mitigation procedures in place to prevent or alleviate the consequences of stressed market conditions. The Group's contingency funding plan is based on the results of stress-testing scenarios and integrated into the Business Continuity Management (BCM) framework. The plan is tested annually, and results are reviewed within ALCO and reported to the RCC. Stress-testing results, along with other regulatory liquidity measures, such as the minimum reserve, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), are essential components of the Group's liquidity management approach and are reviewed regularly by the ALCO and the Board of Directors. The Group's average LCR for 2019 was 680%, well above the 2019 regulatory requirement of 100%. The NSFR complements the LCR as part of the liquidity regulations under Basel III. The Group's NSFR at 31 December 2019 was 112%, above the recommended level of 100%.

Further quantitative information is provided in the separate document "Basel III Pillar 3 disclosures 2019" published on the Cembra website ([www.cembra.ch/financialreports](http://www.cembra.ch/financialreports)).

## Risk Management Report

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### Market risk

Market risk encompasses the risk of financial losses due to adverse movements in market prices. The Group's business model leads to limited exposure to market risk factors. The Group's main source of market risk is interest rate risk in the banking book (IRRBB). IRRBB is the current or prospective risk to the Group's capital and earnings arising from adverse movements in interest rates. Movements in interest rates might change the underlying value of assets, liabilities and off-balance-sheet items and hence their economic value. They might also affect net interest income and earnings by altering interest-rate-sensitive income and expenses. Excessive IRRBB can pose a significant threat to a group's current capital base and/or future earnings if not managed appropriately. The Group has implemented an effective interest rate risk management framework to limit the potential effects on the Group's current capital base or future earnings and to keep interest rate risk at an acceptable level.

Given the Group's predominantly fixed interest rate assets and liabilities, it is mainly exposed to repricing risk. This is the risk of there being adverse consequences of increasing or decreasing interest rates because of time differences in when these rate changes affect the Group's assets and liabilities. The Group faces relatively low option and basis risk. Consequently, the Group focuses IRRBB monitoring on repricing risk.

The Group actively manages and monitors IRRBB performance. As per the regulatory requirement, the Group applies different interest rate shock scenarios and reports the impact on the economic value of equity (lifetime) and net interest income (next 12 months) on a monthly basis. At 31 December 2019, the Group did not use any hedging instruments to manage IRRBB.

Another type of market risk is foreign exchange (FX) risk, which is defined as the financial risk from adverse movements in the exchange rate on transactions denominated in a currency other than the base currency of the institution. The Group operates predominantly in the Swiss consumer lending market, and borrows and lends exclusively in Swiss francs. Therefore, the Group's exposure to FX risk is minimal and limited to supplier invoices denominated in foreign currencies. FX exposure is monitored closely against internally set triggers, and the Group takes immediate corrective action if limits are exceeded. At 31 December 2019, the Group did not use any hedging instruments to manage its FX risk.

Further quantitative information is provided in the separate document "Basel III Pillar 3 disclosures 2019" published on the Cembra website ([www.cembra.ch/financialreports](http://www.cembra.ch/financialreports)).

## Capital management

One of the Group's principal management goals is to maintain a strong capitalisation by taking a prudent approach to balance sheet growth and implementing a balanced dividend payment strategy.

### Methodology for calculating minimum capital requirements

The Group uses the International Standardised Approach ("SA-BIS" approach) as described in the Basel Minimum Standards, which are the standards defined by the Basel Committee on Banking Supervision and used to calculate capital adequacy requirements. The Standardised Approach is used for credit risk, market risk and operational risk. It therefore also 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 ratio

At 31 December 2019, the applicable regulatory requirement for a category 4 bank was set at 11.2% by FINMA. The Group aims to consistently maintain a capital base that is well above this mark, defining a mid-term minimum target for its Tier 1 capital ratio of 17% for the Group. Compliance with the target ratio is monitored at the monthly ALCO meeting. At 31 December 2019, the Group's Tier 1 capital ratio was 16.3% temporarily below the mid-term target level as a result of the acquisition of cashgate AG.

### Leverage ratio

The Basel leverage standard supplements the Basel III risk-adjusted capital standards and serves as a backstop. The leverage ratio compares the Group's equity against its total asset base (considering off-balance-sheet items) without any risk adjustment. At 31 December 2019, the Group's leverage ratio was 12.5%, well above the recommended 3.0%.



Further quantitative information is provided in the separate document “Basel III Pillar 3 disclosures 2019” published on the Cembra website ([www.cembra.ch/financialreports](http://www.cembra.ch/financialreports)).

### Capital planning

Each year, the Group draws up a three-year capital plan and assesses the impact of several stress scenarios. As per FINMA requirements, the Group assesses its resilience to adverse macroeconomic conditions. In the 2019 stress test, the Group forecast that it would be in a position to meet the minimum regulatory capital adequacy ratio prescribed by FINMA even under a prolonged severe stress scenario. The capital plan, as well as the output of the stress tests, are approved by ALCO and submitted to the Board of Directors.

## Operational and other risks

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group recognises the importance of the effective management of operational risks and has implemented a robust framework and appropriate processes to manage them.

Key instruments include:

- Operational risk assessments: regular identification and assessment of the likelihood and potential impact of operational risks
- Control catalogue: execution of a set of documented controls aligned with business processes and their inherent risks
- Key risk indicators: regularly monitored risk metrics that serve as early warning indicators for potentially material operational risks
- Loss data collection: historical dataset of loss events used to identify operational risks deriving from process inefficiencies or control gaps, and
- Analysis of external events: analysis of external operational risk events applicable to the Group’s risk profile to identify emerging risks and evaluate controls.

The Group is exposed to a wide variety of operational risks, including technology and cyber-security risk that stem from dependencies on information technology and third-party suppliers. The Group acknowledges the evolving cyber risk landscape and has therefore developed a comprehensive information security framework to effectively manage and control this type of risk. This framework addresses regulatory requirements, is based on international standards and is supported by a cyber-security strategy that ensures continuous improvements. Relevant cyber threats are regularly identified and assessed, and corresponding measures are considered. Specific response plans are maintained. The Group has implemented this framework with the overall goal to ensure the Group’s critical information, client identifying data and related information technology are protected. These defined technical and organisational measures include specifically training relevant staff, assessing data confidentiality and privacy risks, and making use of vulnerability and penetration tests to protect sensitive data and systems.

The Group is aware that severe events beyond its control (such as natural disasters) may result in an inability to fulfil some or all of its business obligations, particularly where its physical, telecommunications or IT infrastructure would be damaged or made inaccessible. In compliance with the Recommendation for Business Continuity Management (BCM) issued by the Swiss Bankers Association, the Group has implemented a BCM programme, which involves identifying critical processes and their dependency on systems, applications and external vendors. The Group’s BCM framework encompasses planning, testing and other related activities. The framework aims to ensure that business-critical functions will either continue to operate in spite of a serious incident, or will be recovered to an operational state within a reasonably short period of time after such an incident occurs. Comprehensive crisis management plans are in place and define the processes to be followed in case of a business emergency. The aim is to safeguard the continuity of the Group’s business-critical activities and to keep major damage under control in the event of a significant business interruption. The status of the BCM programme and the status of the operational risk, cyber and information security control framework are regularly reviewed by the RCC and a summary report provided to the Audit and Risk Committee.

## Risk Management Report

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The Group has chosen to use external service providers to support its business activities. With the implementation of directives governing this area and an ongoing monitoring process, the Group ensures compliance with relevant regulatory requirements.

Compliance risk is the risk of legal or regulatory sanctions, reputational damage and financial forfeiture or material loss deriving from violations of laws and regulations, internal policies, prescribed best practice, or professional and ethical standards. The Group is exposed to this type of risk as a consequence of being a market participant in the financial services industry, with its legal and regulatory requirements and the changes made to them. To ensure operational independence, the Group has a separate Legal & Compliance function. This function effectively manages, controls, monitors and reports on legal and compliance risks and ensures that the Group's business activities adhere to all relevant legal requirements, regulatory standards and requirements for effective corporate governance. The Group acknowledges the increasing importance of behavioural compliance related to conduct risk in the banking sector and addresses this within the provisions of the Group's Code of Conduct.

Strategic risk is defined as possible losses that arise from uncertainties or untapped opportunities inherent in the Group's strategic goals. This context includes risks that the environment and climate change might pose to the Group's business model. Environmental risks are generally considered to be rather low due to being a financial services provider that operates exclusively in Switzerland (see also our approach to sustainability on page 29). Reputational risk is the risk of losses resulting from damages to the Group's reputation. The Management Board directly manages and supervises strategic risk, business risk and reputational risk. Recognising the fact that reputational risk can be difficult to quantify and arises as a consequence of another materialised risk, the Group manages reputational risk jointly with other risks by assessing the inherent reputational impact of those risks.

# Sustainability Report

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# 1 Letter from the Chairman

## Dear Customers, Partners, Shareholders, Employees, and other Stakeholders

In this report, we provide details of the specific steps Cembra has taken towards fostering a culture of corporate responsibility throughout the organisation. It reflects our attitude and our increasing efforts to promote sustainable action within Cembra.

We believe that customers reward our sustainable action through high levels of retention and loyalty. In 2019, we grew our customer base by 130,000, and we are proud that one million customers – or every seventh person above the age of 18 in Switzerland – have chosen Cembra as their financial partner. For us, this is a sign that our customers appreciate our transparent, needs-based products and services. But as a market leader in consumer finance and cards in Switzerland, it is our duty to further improve our sustainability performance.

We believe that our sustainable action is important for all our stakeholders. Our work in this area is guided by five sustainability themes, which you – our stakeholders – confirmed to be important for our future success. The themes emerged from discussions with stakeholders back in 2018. And last year, on the basis of additional input, we added environmental stewardship as another key topic. We also set up a stringent framework to drive further improvements, and defined our commitments and performance measures for each topic. We are currently developing an organisational structure for these actions and we are planning to set up a Sustainability Committee at the Management Board level.

Finally, we believe that our sustainable action can help to enhance our financial performance over the long term. The company's reputation has been included in the criteria for the Management Board's long-term incentive since 2016. Now the Board of Directors has decided to give sustainability a greater weighting in the executive remuneration system. We provide more information on how this will be done in the outlook section of the Compensation Report (page 104).

Your feedback is important to us, and we would like to continue our dialogue with you on sustainability and corporate responsibility and our performance in these areas. Please do not hesitate to get in touch with us if you would like to discuss these matters further.



**Dr Felix Weber**  
Chairman

## 2 Our approach to sustainability

### Aspirations, values and policies

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In 2019, the Management Board set out Cembra's sustainability aspiration. It is available at [www.cembra.ch/sustainability](http://www.cembra.ch/sustainability).

#### Aspiration

At Cembra we generate long-term value, by actively considering the interests and expectations of our most relevant stakeholders, by fostering responsible behaviour and practices and by actively contributing to a more sustainable future. We are aware of the impact of our activities and of our responsibilities towards our customers, business partners, regulators, shareholders, employees and communities. In this way, we always aim to adhere to high responsibility standards from an economic, legal, social, environmental and ethical perspective. As a forward-looking business partner, we share our expertise and innovation capacity in order to develop demand-based and reliable financing solutions. Our commitments:

- **As a responsible provider of financing solutions**, we ensure the quality and integrity of all our products and services.
- **As a forward-looking business partner**, we share our expertise and innovation capacity in order to develop demand-based and reliable financing solutions.
- **As a credible investee**, we adhere to strict governance and risk management practices.
- **As an attractive employer**, we promote well-being in the workplace, diversity, equal opportunities, and personal development, and we raise our employees' awareness of our environmental and social responsibilities.
- **As a good corporate citizen**, we contribute to community development and use resources in a sustainable manner while minimising the negative impacts on the natural environment.

This policy statement applies to all employees and is actively shared with contractors, suppliers and other key business partners. Members of the Management Board are responsible for ensuring full compliance with this policy.

#### Values

The daily work of our employees is guided by our four values: engagement, customer focus, responsibility and diversity. The values were defined and anchored in workshops with 140 employees from all of the Bank's departments and language regions in 2017. Since then, the values have become part of our internal communications for all employees.

- **Engagement:** We actively take into account the needs of our stakeholders and support our local communities through local employment, responsible procurement and social engagement.
- **Customer focus:** We consider the interests of our clients by taking into account their needs, protecting their data and privacy, and providing them with responsible consumer finance products designed to support their endeavours in a thriving, sustainable and inclusive society.
- **Responsibility:** We act responsibly and with integrity, striving to minimise the negative impact of our operations and contributing to solving the challenges faced by our society.
- **Diversity:** We value the variety of the contributions we get from our diverse workforce and strive to provide them with a working environment, development options and a remuneration system that foster responsible achievements, an even work-life balance and fulfilment.

#### Policies

Cembra adheres to high standards in corporate governance, risk management and internal controls. Policies guide decisions and the behaviour of all our employees and business partners.

Members of the Management Board are responsible for ensuring full compliance with Cembra's policies. The Legal and Compliance department in particular supports the internal implementation and development of effective policies and guidelines in this regard. The Board of Directors supervises the business conduct of the Management Board through corporate governance mechanisms with effective checks and balances (see section on business integrity, page 47).

We have put in place policies, directives and detailed working instructions. The Code of Conduct and the main policies and directives are described on page 48

# Sustainability Report

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## Organisation, reporting and coverage

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### Organisation

Corporate responsibility matters are addressed periodically by the **Board of Directors**, which regularly reviews the feedback and concerns of institutional investors and other stakeholders. In the reporting period, the Board of Directors dealt specifically with the status of our corporate responsibility activities, how corporate responsibility is organised, and the way forward. Questions regarding remuneration, the Board's composition and shareholder rights are always dealt with transparently.

From 2020 on, sustainability will be overseen by the **Management Board** through a new dedicated committee, which will complement the three existing committees at Management Board level: the Credit Committee, the Asset and Liability Management Committee, and the Risk and Controllershship Committee. The new Sustainability Committee is chaired by the CEO. During the reporting period, a **sustainability coordination group** composed of senior managers from various departments reported to the Management Board on sustainability matters. It is planned that from 2020 on, new sustainability-oriented performance indicators will be added to the criteria for determining the Management Board's long-term incentive (see Compensation Report, page 87)

### Reporting

This report was drawn up in accordance with the GRI Standards' Core option and in line with the principles of materiality, transparency and comparability. It follows on from the chapter entitled Corporate Social Responsibility (CSR) in Cembra's 2018 Annual Report (pages 28–40). Our sustainability reporting for 2019 consists of the Annual Report 2019, including this chapter on sustainability, as well as the GRI Content Index 2019 and additional disclosures. All information is available online at [www.cembra.ch/sustainability](http://www.cembra.ch/sustainability).

### Coverage and reporting boundaries

The report describes new developments and the progress made in the area of sustainability in the 2019 financial year. Most data and indicators are available for the three financial years up to and including 2019. Because the acquisition of cashgate AG was not completed until 2 September 2019, **cashgate's activities and figures have not been included in the 2019 sustainability report**. cashgate is currently being integrated into the business and will be included in future sustainability reports. The environmental figures on emissions relate to the headquarters in Zurich, which is the workplace of 79% of all employees. The process of harmonising key environmental figures internally is ongoing and should be completed in 2020.

### Stakeholder engagement and influence

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We are aware of the impact of our activities and of our responsibilities towards our stakeholders. Cembra's most relevant stakeholders are customers, business partners, regulators, shareholders, employees and communities. We consequently seek dialogue at different levels with various partners in our everyday business. Cembra employees from various business functions are in close contact with individuals from these groups. The Bank interacts with other stakeholders, such as representatives of civil society, local communities and non-governmental organisations, on a case-by-case basis.

In 2017, we began discussing various corporate responsibility and sustainability themes with external and internal stakeholders, who then prioritised them for Cembra, resulting in a materiality matrix (see the materiality matrix on page 30 of our 2018 Annual Report). In the reporting period, the focus was on the requirements and expectations of leading worldwide ESG (environmental, social, governance) ratings, which base their criteria on a broad set of stakeholders' interests, including regulation and environmental trends.

During the review process, and based on the feedback provided by external and internal stakeholders, it became evident that environmental and climate-related topics were important, despite the Bank's relatively limited direct environmental footprint as a focused financial services provider that provides payment, lending, and deposit and savings products only in our home market of Switzerland. We therefore now consider environmental stewardship to be a new and highly relevant theme (see section below).

# Sustainability Report

## Most relevant sustainability themes

As a result of our engagement with our main stakeholders, we made some changes to the most relevant sustainability themes in 2019. The four themes identified in 2018 were kept, and environmental stewardship was added:

- **Customer orientation** (section 3) addresses responsible consumer finance products and services in Switzerland.
- **Quality and integrity of products and services** (section 4) covers financing products and services with high product safety, the responsible treatment of customers, as well as access to affordable products and services.
- **People and development** (section 5) comprises recruitment, education and training, work-life balance, diversity management, health promotion, personal development, as well as communicating and embedding Cembra's four corporate values.
- **Environmental stewardship** (section 6) is achieved by optimising processes and outputs that have an environmental impact. It is addressed both within the Bank and in the area of vehicle financing.
- **Business integrity** (section 7) covers compliance with laws and regulations, as well as governance, risk management practices, and ethical business conduct. It also covers protection of customers' privacy with regard to the processing and transfer of their data.

As we have been committed to a number of philanthropic activities since 2003, we also report on the topic of community engagement (section 8). This topic concerns the impact of the Bank's activities on local communities and our engagement with them. An organisation can generate a positive impact through local employment and procurement as well as through social engagement in the community.

## Commitments and performance measures

We have developed commitments and performance measures for each of the five most relevant themes. These commitments and measures were defined in the second half of 2019 by the Management Board and approved by the Board of Directors in February 2020.

| Most relevant topics | Customer orientation   | Quality and integrity of products and services                   | People and development                    | Environmental stewardship                       | Business integrity  |
|----------------------|--|--|---|---|---|
| Commitment           | Satisfied customers reward us through high retention and loyalty | We are a responsible provider of financing products and services | We are a Great Place To Work <sup>1</sup> | We reduce our ecological footprint per employee | We have a reputation for taking a zero tolerance approach to non-compliance |
| Performance measures | Net promoter score   | Quality metrics of lending portfolios                            | Retention rate                            | Metrics for emissions, and energy use           | Number of resolved complaints, cases, dismissals                            |

<sup>1</sup> [www.greatplacetowork.ch](http://www.greatplacetowork.ch)

Our five most relevant topics, as well as our community engagement, are described in detail in the following sections.

## Sustainability-related opportunities and risks

Cembra operates exclusively in Switzerland. Given the very stringent regulatory environment, and as we are a purely financial services company, our approach to many environmental, economic and social aspects already meets relatively high standards.

- 95% of Cembra's total assets are in cash (or cash equivalents) or in unsecured and secured loans (net financing receivables) in Swiss francs provided in Switzerland only.
- Loan applications that do not meet our strict standards are rejected (see section 4 on the quality and integrity of products and services, page 34).
- Although we are a bank, we offer no investment funds or financing for international projects.

This forms a solid basis for our sustainable and responsible business model. We are aware of sustainability-related opportunities and risks. We aim to identifying such risks, and their implications are managed as part of Cembra's overall risk management framework (see Risk Management Report, page 19).

## 3 Customer orientation

### Aim and approach

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We aim to ensure that our customers are satisfied and reward us with a high level of retention and loyalty. For us, customer orientation means that we want to provide high customer value and to differentiate ourselves through outstanding service and operational excellence. We also ensure the quality and integrity of all our products and services. We are committed to offering our clients transparent and responsible solutions that meet their needs and foster sustainable behaviour.

The Bank's goal is to provide our customers with responsible solutions. We have also made customer focus one of four values, thereby underpinning the importance we place on customers' needs. To satisfy the needs of our customers of tomorrow, we invest in forward-looking infrastructure, including the development of a user-friendly, needs-based digital platform. Customer orientation is also furthered by the selection, motivation and training of employees (see page 40). Finally, internal policies govern how employees treat customers. Specific policies on business practices are laid out in numerous internal directives.

### Client satisfaction measured by net promoter score

Cembra uses several indicators to assess customer orientation. The most relevant indicator is customer satisfaction for each business, measured by the net promoter score (NPS). NPS evaluates customer loyalty towards a company. Customers are asked how likely they are to recommend a company to a friend or family member. The score can range from -100 to +100.

The satisfaction of our customers is measured, and any areas of improvement identified, through regular yearly surveys. NPS data are collected as part of recurring customer satisfaction surveys for Cembra's three main businesses – personal loans, auto leases and loans, and credit cards. The surveys also identify the factors that drive customer satisfaction and areas where customers think there is room for improvement. Net promoter scores were introduced at Cembra in 2016, and the Managing Director B2C is responsible for this indicator.

In 2019, Cembra's total weighted NPS score was +31, on a range from -100 to +100. Due to definition changes, there is no comparable score for the previous reporting period.

### Transparent, needs-based offerings

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#### Premium, personalised service in personal loans

We are a leading player in the personal loans market in Switzerland, offering premium, personalised service. For more on our lending process and services, please see section 4 on the quality and integrity of products and services (page 34).

#### Personalised and flexible service in auto loans and leasing

We are the biggest brand-independent auto loans and leasing player in Switzerland, and the dedicated sales force and employees at our service centres in the German-, French- and Italian-speaking regions of Switzerland provide a personalised, flexible and efficient service. For the financing of e-vehicles please see section 6 on environmental stewardship (page 45).

#### High customer value in the credit card business

We offer a range of credit cards through partner programmes with Switzerland's leading retailer Migros and with Conforama, TCS, and Fnac; we also have our own Cembra credit card. There is no annual fee on most of the cards we issue, and in several independent consumer ratings, our credit cards regularly rank among the best in terms of customer value. In the 2019 financial year, the number of cards in circulation increased by 10% to 984,000 (2018: 892,000).



### Moving towards widely accessible products

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Since 2010, we have been successfully pursuing a long-term strategic shift towards a balanced product portfolio, with credits cards accounting for a sharply increasing share of that portfolio. In all businesses, but particularly in the credit card business, we offer very good customer value for our retail customers. While personal loans and auto leases are usually only granted in certain situations, credit cards are increasingly becoming a part of our daily lives, supporting customers in their daily payment transactions and providing a convenient cashless payment solution. For more information on our share of contactless card payments, see the products and markets section (page 11).

Shift of business mix from 2010 to 2018 (as % of net revenues)

|                       | 2010 | 2014 | 2019 |
|-----------------------|------|------|------|
| Personal loans        | 69%  | 58%  | 40%  |
| Auto leases and loans | 23%  | 20%  | 22%  |
| Credit cards          | 8%   | 22%  | 37%  |
| Other                 | -    | -    | 1%   |

NB: 2019 not adjusted (including cashgate revenues for 4 months)

### Access to finance

Cembra's products are accessible to a wide range of people across Switzerland. We are proud to serve about one million of the seven million people over the age of 18 living in Switzerland. As our offerings are available everywhere in the country, our customers come from all across Switzerland.

The financial situation of our customers can vary depending on their personal circumstances. Some of our customers need financing for matters such as moving to a new place, mobility or education. Our offerings are voluntary, and we provide customers with financing solutions and a way to stay in control of their finances (since 2004, Cembra has been supporting practice-oriented business training programmes for students, see page 54).

## 4 Quality and integrity of products and services

### Aim and approach

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We aim to be recognised by our stakeholders as a **responsible provider of financing products and services**. Our overall goal is to provide customers with the amount of credit that suits their individual situation and to prevent people from taking on too much debt. The quality and integrity performance measures include various metrics relating to the quality of the lending portfolio.

### Responsible handling of customers in the lending process

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We take our responsibility towards customers and society very seriously. We aim to identify and prevent potential over-indebtedness throughout the whole lending process:

- Protection of consumers through the Swiss Consumer Credit Act and through contract terms
- Marketing and sales
- Customer information
- Evaluation of loan applications and customer behaviour
- Underwriting (including the assessment of creditworthiness and borrowing capacity)
- Loan origination and payout
- Customer service
- Monitoring and learning

The process steps are described in detail below.

### Protection of consumers through the Swiss Consumer Credit Act and through contract terms

We provide lending in accordance with the Swiss Consumer Credit Act (CCA). The CCA aims to prevent the consumer from taking on too much debt and therefore sets out precise requirements with regard to the content of the contract, as well as the assessment of the customer's borrowing capacity, including a budget calculation (see insert).

#### The Swiss Consumer Credit Act

The aim of the revised Consumer Credit Act (CCA), which entered into force in 2003, is to protect customers against over-indebtedness. The Act covers various types of consumer credits to natural persons. The main elements of the Consumer Credit Act are:

- **Mandatory check of the borrower's borrowing capacity:** A detailed borrowing capacity check must be carried out by the lender for loans and leasing agreements up to a total exposure of CHF 80,000, to ensure that the amount requested does not lead to the customer's over-indebtedness. The borrowing capacity check assumes that the consumer loan will be repaid within 36 months, even if the contract concerned specifies a longer period. For credit cards with a credit option, the law provides for a summary check. These checks are based on the information provided by the borrower regarding their income and assets, as well as information obtained by the lender from the Swiss central credit information bureau (ZEK) on lines of credit registered in its database.
- **Reporting requirement on the part of the lender:** Lenders must inform the ZEK of the consumer credits they grant and of any leasing agreements subject to the CCA.
- **Maximum interest rate:** The Federal Council determines the maximum effective annual interest rate permissible for consumer credit based on a formula. Lenders must comply with this maximum interest rate. In the 2019 financial year, the maximum interest rate was 10% for personal loans and 12% for credit cards.
- **Right of revocation within 14 days** ("cool-off period"): Customers can cancel the consumer credit contract within 14 days of receiving their copy of the agreement.
- **Advertising for consumer credit may not be aggressive:** Lenders offering consumer financing in Switzerland follow the rules set by members of the industry association, Swiss Consumer Finance (KFS).

Cembra not only acts in accordance with the applicable strict legal requirements but also makes use of additional measures and the Bank's substantial experience. Most actions are pre-emptive, in the interests of both the customer and the Bank. It is our goal to establish responsible credit terms rather than maximising contract terms and repayment periods.

### **Marketing and sales**

We are committed to marketing our products responsibly. The CCA stipulates that marketing for consumer credit may not be aggressive. Extending these legal requirements, the members of Swiss Consumer Finance (KFS), the Swiss Leasing Association (SLV), and other lending and leasing institutions self-regulate their advertising for consumer loans and take appropriate preventive measures. The "Marketing convention for consumer credit in Switzerland", which took effect on 1 January 2016, is a self-regulation agreement approved by the Federal Council. It goes beyond the commitment not to provide information that is misleading. It also states that aggressive marketing measures must not target young adults and that it must not suggest taking out credit for expensive short-term investments such as holidays. For the credit card business, a similar convention was adopted by the Swiss credit card association in 2016. The conventions are available at [www.cembra.ch/sustainability](http://www.cembra.ch/sustainability), in German and French. Cembra is a member of these associations and is committed to applying their guidelines. The guidelines and processes concerning marketing activities are detailed in an internal directive on marketing activities and external correspondence (see the section on business integrity on page 47 for details).

The advertising campaign launched at the beginning of 2018 focused on lifecycle events. In other words, a loan should be an appropriate response to life circumstances and events. The campaign addresses certain situations in life when a loan might be considered: education, housing and vehicle purchases. The campaign visuals are available in the corporate sustainability appendix, available at [www.cembra.ch/sustainability](http://www.cembra.ch/sustainability).

Cembra is also committed to adhering to responsible sales practices. To ensure responsible sales and customer service, regular training sessions are conducted for both employees and partners. All front-line employees receive regular training (once per year) on regulatory requirements and customer service. Completion tests and certificates confirm the employee's successful participation in these online training sessions. Partners (independent intermediaries, car dealers and credit card partners) also receive regular training (see the section on business integrity for more details). Sales practices are subject to regular monitoring, and sales persons receive feedback on their performance and on ethical business practices (see paragraph below on monitoring and learning).

### **Customer information**

We provide comprehensive, accurate and balanced information to our customers: Swiss regulations (Swiss Federal Act Against Unfair Competition, UCA) require banks to provide loan calculation examples on all online and offline marketing materials. In addition, the CCA requires all costs to be accurately and visibly captured in the contract. All marketing materials for personal loans include a legal disclaimer about the risk of over-indebtedness.

For each contract, information on the Swiss consumer credit organisation's principles for responsible lending is provided. This information is also available on the Bank's website, in German and French ([www.cembra.ch/de/kredite](http://www.cembra.ch/de/kredite)).

The guidelines and processes concerning customer information are set out in the internal directive on marketing activities and external correspondence (see page 53).

### **Evaluation of loan applications and customer behaviour**

We carefully and systematically evaluate every consumer loan application. Before a contract is concluded, we assess both creditworthiness and borrowing capacity. In addition, we might get in contact with customers in order to further reduce the risk of customer over-indebtedness and debt repayment (servicing) problems. In order to diligently fulfil the legal requirements, the Bank requires additional documents so that the accuracy of the income and expenses declared (e.g. rental expenses) can be confirmed through plausibility checks.

We also draw on our long experience by using the Bank's databases and analysing historical behaviour and patterns of customers, in the interests of conscious risk taking. Personal contact with customers is essential to the Bank's business. Knowing the borrower and the borrower's personal situation not only keeps the underwriting process concise, but it also helps in identifying the best possible financial solution for the customer's individual situation.

### **Underwriting (including the assessment of creditworthiness and borrowing capacity)**

Underwriting and the assessment of creditworthiness and borrowing capacity are key competences that the Bank uses to limit defaults.

The **assessment of creditworthiness** involves evaluating the customer's financial circumstances and personal situation. The assessment is supported by an automated and statistically powerful scorecard-based credit risk rating system that relies on available customer information. A customer's behaviour can also influence the assessment of creditworthiness.

The **assessment of borrowing capacity** is based on: a) the legal provisions of the CCA; b) available customer data from the Swiss central credit information bureau (ZEK); and c) client-specific characteristics pursuant to internal rules, in addition to the legal requirements. The underwriting process requires detailed **budget calculations** to be made based on the information provided by the customer concerning current income and expenses. Customers should be granted loans only if they understand how loan repayment works and if they are expected to manage it without financial difficulties. Applicants who do not meet the necessary criteria are denied credit.

The underwriting process is backed by regular plausibility checks, the monitoring of scorecards and case-specific controls regarding the consistency and completeness of the assessment. The combination of these rule-based tools and the in-depth experience of employees ensure consistent and systematic decision-making for all credit products. All **underwriting** decisions take into account the risk tolerance and risk limit requirements applicable throughout the Bank (see Risk Management Report, page 19).

### **Customer service and repayment**

Customers past due or with higher risk are made aware of the payments due through collection notifications at an early stage of the repayment process. This allows them to handle any potential repayment issues early on.

In accordance with the CCA, customers can make additional early repayments at any time during the contract term, which lowers their total interest payments. In the event of early repayment, the consumer is entitled to a reduction in interest and to a reasonable reduction in the costs attributable to the unused credit period.

### **Monitoring and learning**

The quality of new transactions is monitored internally to ensure that underwriting requirements are fulfilled and that the loan approval process still mitigates credit risk effectively. Underwriters receive regular feedback from their supervisors so that decisions leading to unwanted outcomes are prevented.

We regularly survey our customers to determine our net promoter score, and the Bank's customer service for credit cards is also regularly reviewed by independent product comparisons and in customer satisfaction surveys, where it often garners top scores (see section on customer orientation, page 32).

### Serving customers in financial difficulty

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#### Responsible practices in cases of potential over-indebtedness

Although all of the pre-emptive action we take means that our portfolio is of a consistently high quality, we also support debt counselling and enable fair repayment where applicable.

- **Regular contact with ombudsman:** In Switzerland, all customers and their representatives have access to the Swiss Banking Ombudsman, to whom they can address their concerns about banks. We are in regular contact with the Swiss Banking Ombudsman in order to find solutions for relevant cases.
- **Information support for debt counselling services:** Cembra supports external debt counselling services when they request information in order to find solutions for clients with debt repayment problems. We are therefore in regular contact with debt counselling institutions in Switzerland.
- **Customer complaints process.** In addition to chapter 4 of the Code of Conduct (which states that Cembra must react to customer complaints in a timely manner and with respect and fairness), we have a customer complaint resolution process in place for external complaints, with monthly reporting to the Management Board.

#### Responsible practices in exceptional cases

We have put a number of measures in place in the event that loan repayment difficulties nonetheless arise due to unforeseen events such as unemployment, sickness or divorce:

- **Finding affordable repayment solutions:** The Bank always aims to find fair and affordable repayment solutions for all products. Our internal collections department can respond appropriately and quickly to any unusual situations. The experts in Cembra's collections team have an average of 15+ years of experience.
- **Cessation of interest payments:** In certain exceptional and unfavourable situations, we allow interest payments to be ceased. In addition, at a certain stage in the collection process, interest is automatically no longer charged under Swiss debt collection and bankruptcy law.
- **Individual amicable solutions:** In certain exceptional and unfavourable situations, Cembra may try to find an individual amicable solution, e.g. by adjusting the terms of the product.
- **Mortality risk borne by the Bank:** In the personal loans business the mortality risk arising from the customers' obligations under the contract is borne by the Bank.

### Outcome: consistently high quality of our credit portfolio

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Thanks to all of the regulations, actions and measures we apply regarding the quality and integrity of products and their distribution, our loan portfolio is of a consistently high quality. Over the last five years, our provisions consistently amounted to about 1% of financing receivables, and non-performing loans accounted for less than 1% of financing receivables. The Bank exercises an equal amount of caution when ensuring responsible treatment of customers in personal loans, as well as in vehicle financing and the credit card business (see Risk Management Report, page 19).

## 5 People and development

### Aim and approach

Our employees are one of our most important stakeholder groups. Their commitment and contributions enable us to be one of the most successful banks in Switzerland. We are therefore committed to providing our employees with a great place to work, as defined by the international organisation Great Place To Work: it is important for us to provide our employees with a healthy environment, to further their development and careers, and to appreciate their performance. A number of different programmes, initiatives and specific training courses are aimed at retaining and promoting qualified and responsible-minded staff. Cembra considers diversity in terms of gender, age, nationality and cultural background. A key performance indicator is the retention rate.

### Responsibilities

The Human Resources (HR) department is responsible for employing and training people, and ensuring effective employee relations. Cembra's HR Learning & Development department is responsible for training and development programmes. Various indicators, such as the results of employee engagement surveys, the retention rate of employees or the average years of employment, are key to measuring our performance in terms of people and development (see table below).

### Coverage

The indicators and activities presented below do not include temporary workers (as they do not have a contract with Cembra directly) and **they exclude employees of subsidiaries cashgate and Swissbilling** (see also the section on reporting boundaries, page 30). 79% of all employees work at our headquarters in Zurich Altstetten (excluding 134 employees of cashgate), while the remainder work in our network of branches across Switzerland (excluding cashgate). In 2019, 2% of our employed workers were temporary workers.

### Personnel management

| Employee key figures | Turnover rate – permanent contracts <sup>1</sup> | Turnover rate – temporary contracts | Average years of employment | New recruits 50+ |
|----------------------|--|-------------------------------------|-----------------------------|------------------|
| 2015                 | 12%  | 3%                                  | 9.1                         | 8                |
| 2016                 | 14%  | 2%                                  | 9.3                         | 8                |
| 2017                 | 13%  | 1%                                  | 9.6                         | 5                |
| 2018                 | 13%  | 1%                                  | 9.3                         | 19               |
| 2019                 | 11%  | 1%                                  | 9.0                         | 16               |

<sup>1</sup> Turnover rate = reciprocal value of retention rate. Retention rate is the performance indicator in Cembra's corporate responsibility framework

Coverage: Cembra excluding cashgate and Swissbilling

In 2019, the average employee turnover rate declined from 13% to 11% compared with the previous year, mainly due to the effect of the increase in the workforce in the reporting period. The comparatively high average number of years of employment reflects employees' loyalty and engagement. The call centres, which typically represent an intermediary career stage for young professionals, traditionally have a significantly higher turnover rate. The number of new employees over the age of 50 decreased slightly in 2019.

### Employee satisfaction surveys and measures to further improve satisfaction

We measure the satisfaction and commitment of our employees every two years. The results of the surveys are discussed by the Management Board and are disclosed to the Board of Directors, and appropriate measures are derived from them. We work with the Great Place to Work organisation to conduct the surveys. Each year, millions of employees in more than 50 countries take part in the Great Place to Work Trust Index survey. The first survey by Cembra, in autumn 2016, resulted in an overall trust index of 67%, with a participation rate of 72%. After we introduced various measures to improve employee satisfaction and engagement, our participation rate increased to 77% in autumn 2018, and the employee trust index rose to 69%. Thanks to this excellent result, in April 2019 Cembra was ranked fifth among the Great Places to Work in Switzerland 2019, in the Large Companies (250+ employees) category.



The results of the 2018 employee survey show that we can still make significant improvements in two areas: Our work together would benefit from even greater trust, and we need to grow together as a team. In 2019, we implemented various measures under the motto of “Trust and Team” in order to further foster a culture of trust and teamwork. These measures included statements by members of the Management Board and other managers, regular information events, specialised talks, workshops for employees and managers, and a review of our performance management system (see below).

### Updated staff regulations

The staff regulations form the basis of the company’s interaction with employees, and the Code of Conduct describes the key principles of working together within the company. These policies also specify that our behaviour should be based on mutual appreciation and respect. This includes protecting personal privacy, integrity and employee health. The Bank also ensures that ethical and moral standards are safeguarded. We do not tolerate any discriminatory conduct, in particular on the basis of race, nationality, gender, sexual orientation, religion or age. Nor do we tolerate violations of people’s rights, in particular workplace bullying. The existing staff regulations were updated during the reporting year and will enter into force in the first quarter of 2020. The most important changes concern additional annual leave for employees over the age of 50 and more paternity leave, as we place great emphasis on the issue of work-life balance and the compatibility of work and family life. The staff regulations are made available upon request.

### New performance management dialogue

To establish a culture of trust and to transfer more responsibility to managers, the traditional performance assessment process is being replaced by a continuous dialogue between employees and managers. Performance ratings will be abolished in 2020.

This “Dialogue”, as the new approach is called, takes our cultural initiative “Trust and Team” a step further. We promote an open dialogue between managers and employees through continuous feedback in both directions. We communicate openly and honestly as part of this process, learn from each other, and help each other further develop our strengths.

“Dialogue” also places greater emphasis on the ambitions that we as a team want to achieve together. We will therefore define new team goals and derive individual and team priorities from those goals. This makes it possible for all employees to work towards the same goals. Shorter-term milestones will be defined for individual employees so that we can respond in a more agile way to changes. The rules governing bonuses have been aligned with this new performance management process.

In addition to this permanent dialogue, employees can raise their concerns with Human Resources or Compliance directly. And if they prefer, employees may also take advantage of the whistleblowing process that is set out in the Code of Conduct (see section on business integrity, page 48).

## Development and training

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### Mandatory training

Cembra requires **all employees** to complete a number of mandatory online training courses (see section on business integrity, page 47) in order to meet regulatory requirements. These courses cover topics relating to general compliance, operational risk awareness, employees' reporting obligations, anti-money-laundering compliance, bank-wide information security, business continuity management awareness, data protection and governance, insider trading, and conflicts of interest.

All **new employees** attend the mandatory two-day welcome-aboard training course offered during the first days of employment. In addition, those new employees who will be working in an operations role within the Bank also attend a specific onboarding training session. The mostly mandatory functional **training sessions** last between two days and five weeks. They are a mix between classroom and online training, one-to-one coaching, testing, self-study, job-monitoring and other formats. The structure is adapted to the employee's specific needs, and we aim to make the learning content as personalised as possible.

In addition, where necessary, **specific groups of employees** receive functional refresher training to improve operational readiness and awareness relating to relevant topics (e.g. on changes in compliance, in technology, processes or new products). Further training is given in cases where management identifies skill gaps in customer service employees, e.g. managing complaining customers, negotiation skills, or handling retention issues.

The training programmes are developed and carried out by seven internal functional trainers and one lead. In 2019 a total of 1,639 participants were trained through 63 different courses.

### Development of management and soft skills

We aim to find a balance that gives employees the opportunity to develop both professional skills and soft skills. By assessing employees' and the organisation's needs, an annual curriculum of management and leadership courses, as well as courses in soft skills, is offered in the areas of communication, business and personal effectiveness, and health and wellbeing. In 2019, 30 training days were offered for courses from the Bank's internal training curriculum and 35.5% of employees had the opportunity to take part in at least one training course.

|   | 2019  | 2018  | 2017  |
|---|-------|-------|-------|
| Management and soft skills training days  | 30.0  | 27.5  | 29.5  |
| Programmes offered  | 17    | 16    | 17    |
| Number of employees taking part in management and soft skills training sessions | 289   | 267   | 228   |
| % of employees trained in management and soft skills                            | 35.5% | 35.3% | 29.5% |

Cembra excluding cashgate and Swissbilling

### Junior talent development programme

In 2016, we launched our junior talent programme, Radix. Since 2018, the programme has been conducted in collaboration with the University of Applied Sciences in Business Administration in Zurich (HWZ) as part of a CAS (Certificate of Advanced Studies) and has been expanded to include a module in general management. The new Bank-wide programme consists of 22 training days over a period of eight months. It is designed to help participants further develop their professional and personal skills. Graduates have the opportunity to sharpen their business understanding, gain new perspectives, and learn to develop solutions based on challenging cases, as well as to expand their network.

In 2018, nine young employees were selected based on their engagement and skills, and all participants successfully completed the programme in 2019. In August 2019, another eight employees were selected and started the new cycle of the Radix programme.



### **Apprenticeship programme**

One pillar of the Bank's efforts in developing new talent for the future is our internal apprenticeship programme. We generally hire new apprentices every year. After the apprenticeship, we try to take on all the apprentices and offer them their desired position, often successfully. In addition, following the apprenticeship, we help young employees to complete their further education with the possibility of working part time.

Over the past nine years, 36 apprentices have successfully completed their programme at the Bank, of which 16 are still employed by us. Four of the apprentices who graduated in 2019 are still working within the Bank, with two of them working part time while they complete their vocational training.

### **Working conditions**

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Cembra aims to be an attractive employer by providing attractive monetary and non-monetary benefits, as well as a healthy work environment in which employees feel comfortable and are able to realise their full potential.

### **Healthy work environment and work-life balance**

We aim to give our employees the opportunity to develop their skills not only professionally, but also personally in order to foster a healthy work environment and lifestyle. In the reporting period, Cembra offered numerous courses and implemented measures all about remaining physically and mentally fit: agility, business networking, conflict management, mindfulness, resilience and stress management, as well as health and leadership, digital detox, sleep, and a free inhouse gym at the head office. There are seminars on various health topics, such as quitting smoking, as well as information sessions and awareness campaigns on topics related to nutrition, well-being and first aid. At headquarters, catering has been improved to offer healthy alternatives (e.g. a larger variety of vegetarian food and take-out options with no plastic). Cembra also has an emergency response system. Emergency first-aiders have been identified in all branches and at headquarters. They receive regular training every two years to refine their skills and stay up to date.

In 2019, Cembra's health and safety management system was analysed externally according to the quality criteria of the Friendly Work Space® best practice benchmark for occupational health and safety management in Switzerland. The assessment showed that Cembra implements a broad range of measures and identified areas for further improvement on which we will be working in 2020.

Line managers ensure that statutory health and safety requirements are met. The HR Director, reporting to the CEO, coordinates the health and safety management activities.

### **Flexible ways of working**

The Bank offers flexible working solutions to foster a healthy work-life balance. The solutions include part-time and telework arrangements, given that the Management Board is convinced that flexible ways of working can increase job satisfaction, employee commitment, productivity and retention. At year-end 2019, 25% of all employees were working part time (see table below). Many of our part-time employees are working parents.

Cembra promotes flexible work arrangements, outlined in our Ways of Working/Flexible Work Arrangement Framework. The key elements of the framework are described on page 53.

## Sustainability Report

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### Part-time work

|                              | 2019       | 2018       | 2017       |
|------------------------------|------------|------------|------------|
| <b>Men</b>                   |            |            |            |
| Senior Management            | 0          | 0          | 0          |
| Management                   | 0          | 2          | 2          |
| Senior Employees             | 11         | 13         | 8          |
| Employees                    | 28         | 35         | 35         |
| <b>Total men</b>             | <b>39</b>  | <b>50</b>  | <b>45</b>  |
| <b>Women</b>                 |            |            |            |
| Senior Management            | 0          | 0          | 0          |
| Management                   | 7          | 6          | 6          |
| Senior Employees             | 34         | 24         | 26         |
| Employees                    | 135        | 142        | 140        |
| <b>Total women</b>           | <b>176</b> | <b>172</b> | <b>172</b> |
| <b>Total</b>                 | <b>215</b> | <b>222</b> | <b>217</b> |
| <b>As % of all employees</b> | <b>25%</b> | <b>27%</b> | <b>28%</b> |

Cembra excluding cashgate and Swissbilling

### Annual leave and absentee regulation

The health of our employees and their families is a high priority for the Bank. Annual leave and other days off have positive effects on health and well-being, limit the time employees have to take off due to sickness, and also improve morale and productivity in the workplace. All of our employees are entitled to 25 days of paid annual leave. This is above the legal minimum of 20 days and corresponds to the industry standard in Switzerland. In addition, from 2020 on, employees over the age of 50 will be entitled to five additional days of annual leave. Moreover, we also grant employees paid days off for various family matters.

### Absentee rate

The absentee rate is an indicator we use to learn about our employees' well-being. In 2019, the absentee rate was 3.3% (2018: 3.1%).

### Non-salary employee benefits

Employees are offered various non-salary (fringe) employee benefits. Following a review in 2018, the Bank extended the benefits with the aim of ensuring that all employees gain equally from these benefits. The benefits offered are comparable to those of other banks in Switzerland. Alongside salaries customary for the sector, the benefits contribute to our attractiveness as an employer.

The non-salary benefits include vouchers for public transport, additional financial support for employees with children, and increased amounts for Reka-Checks. An overview of all benefits for employees is made available upon request.

### Top-to-median salary ratio

The ratio of the top-to-median compensation is 12.3 (2018: 12.5; 2017: 12.7). The median is based on the annual base salary plus variable target compensation for the previous financial year. The annual base salary is extrapolated to full-time equivalents.

# Sustainability Report

## Diversity

Diversity is one of our four corporate values (see page 29), and Cembra values and promotes diversity in terms of gender, age, nationality and cultural background.

We and our stakeholders benefit from a diverse workforce in various ways, such as enhanced understanding of the customer base, an increased skills set, improved employee onboarding and retention, a larger talent pool, and raised productivity.

### Gender and age

Overall, 48% of employees are women. At the employee level (including the employee and senior employee levels), the proportion of female employees is 50%. At the management level (including the management and senior management levels), it is 25%. Female representation on the Board of Directors stands at 29%, or two out of seven members.

Age and gender of workforce according to seniority (headcount):

|                         | 2019       |            |            |                 | 2018       |            |            |                 |
|-------------------------|------------|------------|------------|-----------------|------------|------------|------------|-----------------|
|                         | Age < 30   | Age 30-50  | Age > 50   | Total headcount | Age < 30   | Age 30-50  | Age > 50   | Total headcount |
| <b>Men</b>              |            |            |            |                 |            |            |            |                 |
| Senior Management       |            | 1          | 7          | 8               |            | 3          | 8          | 11              |
| Management              |            | 34         | 18         | 52              |            | 27         | 13         | 40              |
| Senior Employee         | 6          | 120        | 51         | 177             | 7          | 107        | 48         | 162             |
| Employee                | 84         | 91         | 43         | 218             | 75         | 103        | 39         | 217             |
| <b>Total men</b>        | <b>90</b>  | <b>246</b> | <b>119</b> | <b>455</b>      | <b>82</b>  | <b>240</b> | <b>108</b> | <b>430</b>      |
| <b>Women</b>            |            |            |            |                 |            |            |            |                 |
| Senior Management       |            | 1          | 1          | 2               |            |            |            |                 |
| Management              |            | 17         | 1          | 18              |            | 18         | 4          | 22              |
| Senior Employee         | 3          | 65         | 21         | 89              | 2          | 52         | 14         | 68              |
| Employee                | 81         | 159        | 65         | 305             | 74         | 157        | 72         | 303             |
| <b>Total women</b>      | <b>84</b>  | <b>242</b> | <b>88</b>  | <b>414</b>      | <b>76</b>  | <b>227</b> | <b>90</b>  | <b>393</b>      |
| <b>Total at 31 Dec.</b> | <b>174</b> | <b>488</b> | <b>207</b> | <b>869</b>      | <b>158</b> | <b>467</b> | <b>198</b> | <b>823</b>      |

Cembra excluding cashgate and Swissbilling

Definition of Senior Management: as of 31.12.2019: 7 Management Board members plus 3 extended board members

Definition of Senior Management: as of 31.12.2018: 7 Management Board members plus 4 extended board members

### Women-only networking groups

Giving female employees the opportunity to take part in networking groups is an efficient way for women to come together and offer each other peer support, build up a valuable network and gain ideas. It also provides them with a space to discuss gender issues and equality without judgement.

Our internal “Connect” programme provides women across different functions and hierarchies with various platforms to facilitate personal growth, encourage career advancement and foster the exchange of ideas in line with the Bank’s values. A team of ten women contributes to the organisation of the talks, panel discussions with internal and external speakers and events on topics such as diversity, networking and courage. The programme also supports participation in the annual Pink Ribbon Charity Walk to raise awareness of breast cancer and donates to the Zurich Women’s Shelter (see also section on community engagement, page 54). In 2019, the events were organised under the theme “Trust”. The programme is open to all female staff within the organisation, with some events also open to men. The programme is sponsored by a member of the Management Board.

Additionally, Cembra is a founding member of the “Advance” network for gender equality in business. Advance offers its over 100 Swiss-based member companies skill-building and mentorship programmes as well as role-model exposure and best-practice sharing on innovative working models. Advance organises events and leverages the most innovative talent management tools from associated organisations. As a premium member, we have access to 17 exclusive training days for talented women in middle and upper management, the mentorship programme for one selected female employee, and a variety of workshops, seminars, and networking events offered throughout the year.

### Internationality and cultural backgrounds

The internationality and cultural background of employees are considered part of Cembra’s diversity. Despite being a relatively small company, Cembra employs people from 36 different countries (2018: 37, 2017: 38; not counting multiple citizenships) and with diverse cultural backgrounds.

| Nationality of workforce | 2019       |            | 2018       |            |
|--------------------------|------------|------------|------------|------------|
|                          | Swiss      | Non-Swiss  | Swiss      | Non-Swiss  |
| Senior Management        | 7          | 3          | 7          | 4          |
| Management               | 45         | 25         | 36         | 26         |
| Senior Employees         | 167        | 99         | 148        | 82         |
| Employees                | 402        | 121        | 388        | 132        |
| <b>Total</b>             | <b>621</b> | <b>248</b> | <b>579</b> | <b>244</b> |

Cembra excluding cashgate and Swissbilling

## 6 Environmental stewardship

### Aim and approach

As we only provide lending, deposit and savings products in our home market of Switzerland, our environmental footprint is relatively small. However we are committed to using resources in a sustainable manner, minimising the negative impact of our operations, and fostering the transition to a low-carbon economy. This theme is currently being managed using a two-fold approach involving the two most relevant **environmental opportunities**:

- **Operational environmental management:** We are engaged in ongoing efforts to protect the environment by conserving natural resources and preventing pollution, including specific effects from supply chains.
- **Ongoing shift towards financing electromobility:** Electromobility accounts for a growing share of our financing. Considering increasing demand for climate-friendly products, Cembra's strategy includes developing innovative solutions.

As for **environmental risk**, we strive to manage the effects of climate-change-related risks on the business, such as physical, regulatory and reputational risks, as part of our strategic risk management (see Risk Management Report, page 19).

### Operational environmental management

Cembra's environmental management is based on the Swiss Environmental Protection, Energy and CO<sub>2</sub> Acts. We ensure environmental stewardship mainly by optimising processes and outputs with an environmental impact. These processes and outputs are addressed within the Bank and in the area of financial services. We also achieve cost reductions by optimising and reducing our use of energy and equipment.

### Energy and emissions

Cembra strives to make more efficient use of natural resources and to reduce greenhouse gas emissions. Since 2012, we have been part of the voluntary energy programme run by the Energy Agency of the Swiss Private Sector (EnAW) in Zurich, through which we have committed to actively reduce carbon emissions and optimise energy efficiency. By working with the EnAW, an official partner of the Swiss Federal Government and cantons for energy savings and climate protection, we have been able to cut our energy consumption and save money through cost-efficient measures. In 2013 our target for 2020 was to reach a CO<sub>2</sub> reduction of -14%, which is more than achieved by cutting our gas usage by 62% since 2013 and changing over to 100% renewable energy in our headquarters in 2016.

- **Energy consumption** is the area in which the Bank's operations have the greatest direct impact on the environment. At our headquarters (79% of all employees, same scope as for CO<sub>2</sub>) we have been using electric power generated 100% from renewable sources (100% European hydropower) since 2016. Hydropower has the highest lifetime energy payback of all energy generation technologies. Saving energy is essential for Cembra, as it enables us to conserve resources and be cost-efficient. In order to reduce our environmental impact and lower costs, we continuously implement a variety of measures aimed at minimising emissions and the greenhouse effects of energy use.

Since 2013, the consumption of electric power per FTE has declined by 25% and liquid natural gas by 62%.

|             |             | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  | 2013  |
|-------------|-------------|-------|-------|-------|-------|-------|-------|-------|
| Electricity | kWh/FTE avg | 2,570 | 2,633 | 2,525 | 2,649 | 2,944 | 3,188 | 3,409 |
| Gas         | kWh/FTE avg | 850   | 1,231 | 1,220 | 1,695 | 2,351 | 1,983 | 2,679 |

Coverage: Zurich headquarters (79% of total employees in 2019, excluding cashgate)

- **Company fleet:** In 2019, the number of cars declined by 9% to 57 cars (2018: 63). Despite the growing number of FTEs, the total number of kilometres travelled decreased by 4% in 2019 (2018: -9%).
- **Supporting the use of public transport:** We encourage commuting by public transport as part of our employee benefits. We cover a significant part of public transport commuting costs for most employees (see page 42).
- **Flexible ways of working:** Working from home and/or commuting to the workplace during off-peak hours reduces emissions and peak use of public transport. We therefore encourage teleworking and flexible working hours and ensure the necessary conditions and IT infrastructure are in place wherever this is possible. Our "Flexible Work Arrangement Framework" (see page 53 for a summary) defines the various working models offered by the Bank.

## Sustainability Report

### Materials

We pay particular attention to where we source materials and the use of paper, IT equipment and infrastructure.

- **Energy-efficient IT equipment and infrastructure:** We aim to improve energy efficiency in our own operations but also strive for high standards in our value chain. By law, IT equipment has to comply with stringent standards. We dispose of old equipment through standard Swiss channels and this is included in the purchasing price. We make use of infrastructure services, and the majority of our IT is managed and operated by Swisscom, which runs a strict environmental monitoring programme.
- **Low paper consumption:** Compared with other companies in the same sector, paper consumption in total and per employee is low at Cembra. We use electronic devices (e.g. laptops and video screens in meeting rooms) to a large extent, instead of printing paper for internal work. Employees are encouraged to refrain from printing documents whenever possible. In January 2020, we began using FSC®-certified paper for all printed documents for internal use and customer mailings. Many documents exist in online-only versions.
- **Plastic-free catering:** In order to reduce our environmental footprint, we are working towards more sustainable catering for employees at our headquarters, where 79% of employees work. For 2020, the aim is to significantly reduce the use of plastic and paper cups, and to raise awareness of the importance of sustainability among Cembra employees. This task was assigned to an internal project team as part of our junior talent programme, Radix (see page 40).

Table: Key environmental figures

|   | Unit                       | 2019       | 2018       | 2017       |
|---|----------------------------|------------|------------|------------|
| <b>Consumption</b>                        |                            |            |            |            |
| Electricity                               | kWh                        | 1,553,193  | 1,453,998  | 1,332,000  |
| Gas                                       | kWh                        | 513,900    | 679,500    | 643,500    |
| Water                                     | m <sup>3</sup>             | 3,342      | 3,284      | 3,219      |
| Lease cars (own fleet) <sup>1</sup>       | km                         | 1,756,734  | 1,787,277  | 1,808,045  |
| Lease cars (own fleet) / FTE <sup>1</sup> | km / FTE avg               | 2,258      | 2,355      | 2,579      |
| <b>Greenhouse gas emissions</b>           |                            |            |            |            |
| <b>Direct emissions (scope 1)</b>         | <b>CO<sub>2</sub> tons</b> | <b>369</b> | <b>396</b> | <b>393</b> |
| Direct emissions / FTE                    | CO <sub>2</sub> tons       | 0.51       | 0.59       | 0.62       |
| Gas                                       | CO <sub>2</sub> tons       | 104        | 137        | 130        |
| Lease cars (own fleet)                    | CO <sub>2</sub> tons       | 265        | 259        | 263        |
| <b>Indirect emissions (scope 2)</b>       | <b>CO<sub>2</sub> tons</b> | <b>0</b>   | <b>0</b>   | <b>0</b>   |
| Electricity <sup>2</sup>                  | CO <sub>2</sub> tons       | 0          | 0          | 0          |
| Number of employees (emissions scope)     | FTE avg                    | 604        | 552        | 527        |

<sup>1</sup> Excluding cashgate and Swissbilling

<sup>2</sup> Scope: Zurich headquarters (79% of employees in 2019) where Cembra uses 100% carbon neutral renewable energy sources.

### Ongoing shift towards financing of electromobility

In 2019, the share of new registered cars in Switzerland equipped with electric engines more than doubled to 4.2% (2018: 1.7%)

The Bank offers loans and leases for electric vehicles on highly favourable terms. Electric vehicle leasing is expected to generate a much larger share of the Bank's total revenues over the long term. Declining prices for electric vehicles and a larger supply of used vehicles will further increase the popularity of electromobility, as will tighter CO<sub>2</sub> requirements and regulations. Ultimately, Cembra's customers benefit from products that enable them to save energy. The strategy is to grow this business.

## 7 Business integrity

### Aim and approach

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As an independent bank that has been listed since 2013, we meet strict regulatory requirements and provide greater transparency than most of our competitors, many of which are neither listed nor have a banking license. However, as a market leader, we are convinced that strict regulatory requirements and transparent information are a good way to inspire greater confidence, particularly among customers and other key stakeholders who want to know about the Bank's financial and non-financial services and business practices. This allows us to set ourselves apart in the marketplace. We inform our regulators about potential self-identified issues openly, transparently and proactively.

Cembra operates only in Switzerland, where there are relatively low risks of corruption compared with other countries (according to Transparency International and World Bank data). However, as a financial intermediary, the Bank has to consider money laundering risks and prevent illegal transactions (see below for related policies and processes).

Responsibility, one of the Group's four values, means that employees should always act in the best interests of the Group and our customers. Employees are responsible for their actions, should ensure complete transparency and need to behave with integrity. Through our training and performance management system, we encourage employees to have outstanding knowledge of products, processes and market conditions and to stay on top of the latest trends, innovations and regulations.

In this way, we aim to have the reputation of taking a zero tolerance approach to non-compliance.

### Proven governance framework

The Bank uses the "three-lines-of-defence" framework (see Risk Management Report page 21) to manage risk and monitor compliance with legal requirements and internal policies (see the Risk Management Report on page 20 for more details). Binding, regularly updated processes likewise ensure that the Bank follows all applicable laws and regulations. Various policies are in place to ensure a high level of business integrity and compliant, responsible behaviour.

### Mandatory training for employees

Cembra has adopted a comprehensive programme of mandatory training on the Bank's regulatory requirements for all employees. Employees are required to complete this mandatory training once a year and confirm their skills by successfully completing an online test.

- **Annual mandatory training for all employees on nine topics:** general compliance, operational risk awareness, reporting obligations for employees, anti-money-laundering compliance, Bank-wide information security, business continuity management awareness, data protection and governance, insider trading, and conflicts of interest
- **Annual mandatory training for specific target groups:** credit cards directives, insurance (intermediation) directives, risk and control data management, identity and access management, and working hours regulations
- **Mandatory training for all new employees:** "Onboarding Days" comprising two days at the start and one day after two months

Cembra's HR Learning & Development department is responsible for ensuring that 100% of the targeted employees complete the training based on internal directives.

## Code of Conduct

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The Bank introduced a Code of Conduct in 2005 and it has been updated several times, most recently in 2016. The next update is planned for 2020. The Code summarises the vision, ethical principles, professional standards and company values that drive the Bank's long-term success. It describes employees' reporting rights and obligations and the process for reporting any and all suspected breaches of laws, regulations and the Code itself (whistleblowing process). It is available at [www.cembra.ch/governance](http://www.cembra.ch/governance).

### Coverage

Compliance with the Code is mandatory for all Bank employees, for the members of the Board of Directors and for subsidiaries. The Code of Conduct is an integral part of all employment contracts and is available in three languages (German, French and English).

### Implementation and training

Annual training on the Code of Conduct is mandatory for all employees and is part of the mandatory onboarding workshop for all new employees.

- All new employees are given the Code of Conduct with their employment contract and attend two compulsory workshops on the Bank's corporate values and Code of Conduct.
- All employees are required to attend annual compliance classes that cover key components of the Code of Conduct. They take annual (online) tests to demonstrate that they understand the contents of the Code of Conduct, the whistleblowing process and all related procedures.
- Regular controls based on the three-lines-of-defence model ensure that compliance risks regarding the Code of Conduct are identified and actively mitigated as needed.
- Suspected employee violations of laws, regulations or the Code of Conduct must be reported to the alleged offender's supervisor, the Compliance department, the Human Resources department or the ombudsperson (whether internal or external). Violations by the Management Board must be reported to the Chairman of the Board of Directors.
- Code violations have a negative impact on employee performance reviews and may affect performance bonuses. Code violations may also result in dismissal.
- In 2019, all employees, including all new employees, completed the mandatory online training on the Code of Conduct and pledged to comply with the provisions of the Code.
- For further details on training, see the section on people and development, page 40.

### Whistleblowing process

The Code of Conduct, various directives and the Bank's intranet provide information on the whistleblowing process for employees and on the procedures and responsibilities that apply to actual or suspected violations of laws, regulations, administrative or judicial orders, and internal policies or procedures.

- Cembra does not tolerate reprisals against anyone who reports alleged violations in good faith.
- Employees can report suspected violations internally (to their supervisor, Human Resources, Compliance, internal ombudspersons) or to an independent external ombudsperson. An anonymous form is also available on the Cembra website.
- All employees are informed about the ombudsperson and educated about what to do and whom to contact if they uncover possible violations.
- The Bank's operating subsidiaries must submit whistleblowing reports to these individuals and departments as well.
- Whistleblowers can report their concerns confidentially and anonymously. The whistleblowing process is subject to regular reviews by Compliance. Violation of the Code of Conduct by Board members, the Management Board or employees can lead to disciplinary measures. Violations amounting to criminal behaviour will be brought to the attention of the competent authorities. If suspected violations of the Code of Conduct are reported, Compliance will investigate. If a violation is confirmed, Compliance will inform the relevant supervisor and the member of the Management Board.
- In 2019, no cases were reported.



### Supplier standards and supplier management

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Cembra's supplier selection is based on comprehensive criteria, which include sustainability and risk control, as applicable. In order to safeguard the social, environmental and economic impact of our extended supply chain, we recently adopted a set of improved supplier standards and values, and in 2020 we are rolling out the corresponding enforcement actions and controls.

#### Supplier standards

Suppliers, including outsourcing service providers, are expected to comply with the supplier standards. Our supplier standards are derived from the Cembra Code of Conduct. In addition, we issued a dedicated document focusing on our specific expectations regarding suppliers. The improved standards explicitly cover integrity, anti-corruption and social and environmental standards and are aligned with the principles of the UN Global Compact. With our updated approach, we strive to embrace areas that are not comprehensively covered by law or where we need our suppliers to adhere to more stringent standards than those applicable in their respective locations.

As an example, with the improved standards, we require explicitly that our suppliers ban child labour, forced labour, discrimination, harassment and abusive behaviour and that health and safety requirements are met throughout their entire value chain (i.e. including upstream subcontractors and auxiliary staff in all geographic regions).

#### Supplier management processes

Our supplier standards are based on our values. We rely on a multi-layered enforcement system:

- In Switzerland, the European Union and many other markets, most of the requirements imposed on our suppliers are legal requirements, covered in an industry standard and widely accepted. For many aspects, compliance is independently monitored and enforced by public authorities, industry bodies, regulators and other institutions.
- Our improved supplier standards are available on our website, and suppliers will be actively and continuously made aware of our requirements throughout the procurement lifecycle.
- For our key suppliers, the supplier standards will become an integral part of the contractual framework governing the business relationship. We plan to extend coverage and successively include the supplier standards in most supplier agreements by renewing and extending existing contracts in the future, thereby making it a contractual obligation.
- Our key suppliers are obliged, and all others are expected, to report and mitigate breaches of the supplier standards upon detection of a problem.

Cembra's Sourcing and Vendor Management team is responsible for continuously raising awareness of the Cembra requirements, enforcement approach and controls among all relevant internal stakeholders.

#### Coverage

Our updated supplier standards aim to cover those suppliers that do not already have their own sustainability programmes. In 2019 our analysis revealed that the vast majority of our suppliers are Switzerland-based companies with extensive supplier standards and that implicitly already fulfil Cembra requirements.

#### Controls

We require our suppliers to have a robust control system in place in order to detect failures to comply with the standards and to ensure that corrective action is taken. This is complemented by an obligation for Cembra staff in charge of a specific service or supplier to report and escalate any observation of non-compliance as well as periodic checks of key suppliers by Cembra Sourcing and Vendor Management. In cases of non-compliance, we review the gravity of the specific case and initiate appropriate corrective actions. Additionally, all new suppliers are screened, including through a watchlist screening and further checks depending on services and depth of data sharing. The intensity of these checks depends on the type of relationship and integration with Cembra. The highest level of diligence is applied when critical or sensitive data are shared and/or an outsourcing relationship is in place. The risk assessment is reviewed periodically.

Important suppliers (those classified as "vendors" according to the Cembra Sourcing and Vendor Management directive) are assigned minimum yearly performance assessment ratings covering all critical aspects of supplier performance.

## Sustainability Report

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### Training

The Sourcing department consists of senior employees who actively drew up the Cembra directives and the supplier standards (and hence do not require training themselves). New and existing vendor management staff undergo official and department-specific onboarding processes and receive training covering corporate responsibility and sustainability requirements.

### Audits

Suppliers are contractually obliged to report (suspected) breaches without undue delay. Non-compliance is treated on a case-by-case basis, with consequences ranging from supplier development to contract termination. For our key suppliers, we undertake regular performance review meetings, and adherence to data protection and information security requirements is monitored through a risk-based approach (controls ranging from self-declaration to on-site audits depending on the circumstances).

### Privacy and data protection

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The protection of personal data and lawful and transparent data processing are important to us. We regularly review and optimise processes and controls in order to protect both personal such as customer data and business data. We have implemented a comprehensive framework to ensure data privacy, banking secrecy and information security and to adhere to applicable legislations and regulations.

- The Group has implemented this framework with the overall goal to ensure critical information, personal such as customer data and data processing relevant information technology are protected. This framework covers the protection of the data processing by service providers. Such service providers are diligently selected, instructed and controlled.
- Employee training on data protection: All employees receive regular training on data protection. For further details see the section on internal training, people and development, page 40.
- Cembra has published a Privacy Policy, a declaration about the rulings of data processing in the bank containing the enlisting of the customer rights. The Privacy Policy is published on Cembra's website ([www.cembra.ch/en/privacy-policy/](http://www.cembra.ch/en/privacy-policy/)) and informs customers about Cembra's data processing and provides all information to exercise their rights.

### Ensuring the business integrity of partners

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The Bank conducts business across Switzerland via a network of branches, as well as alternative sales channels such as online, credit card partners, independent intermediaries (personal loans) and car dealers (auto leases and loans).

### Longstanding active relationships

We maintain close, longstanding relationships with our distribution partners. In many cases, partnerships have evolved over several decades. More than 50% of business volumes are transacted through car dealers that have been Bank partners for 20 years or more. The average sales area manager has been with the Bank for 18 years. At year-end 2019, 181 independent intermediaries (including cashgate) were originating personal loans for the Bank. In the auto leases and loans segment, we partner with around 4,000 car dealers. In the credit card segment, we have longstanding relationships in Switzerland with Migros (since 2006), Conforama (since 2008), Touring Club Suisse (since 2011), and Fnac (since 2016, renewed in 2019). In 2019, new partnerships were entered into with Lipo and Migros Bank, a fully owned subsidiary of Migros.

## Sustainability Report

### Processes in place to ensure business integrity and ethical conduct

We are committed to working together with our business partners to serve the interests of our clients. Partnerships are designed to ensure service quality and product integrity. Cembra has various processes in place to ensure compliance, best governance, risk management practices, and ethical business conduct in partnerships.

- Our collaboration with independent intermediaries and car dealers is guided by standard procedures to minimise risks of non-compliant behaviour.
- Formal processes govern the selection, training, instruction and monitoring of independent intermediaries and car dealers. The precautions and requirements for independent intermediaries are particularly strict and tightly regulate the Bank's business dealings with them.
- All partners undergo anti-money-laundering (AML) screening processes (see above).

### Overview: quality assurance, training, responsibilities and monitoring of business partners.

|  | Independent intermediaries   | Car dealers  | Credit card partners   |
|--|--|--|--|
| <b>Quality assurance</b><br>We require our business partners to meet high standards of integrity.  | Quality is reviewed monthly, with more in-depth reviews conducted quarterly.   | Quality is reviewed yearly or at least every three years.  | Our credit card partners already follow very high quality and responsibility standards.  |
| <b>Training</b><br>We provide regular training to ensure business integrity.   | Training focuses on business and product strategies, products, processes and compliance.<br><br>140 independent intermediaries receive training each year.   | Training focuses on business and product strategies, products, processes and compliance.<br><br>70 to 80 car dealerships take part in a centralised one-day training session each year.  | Retailer credit card partners receive regular training and additional onboarding training for new partnerships.<br><br>30 to 40 point-of-sale training sessions are conducted every year.  |
| <b>Responsibilities and monitoring</b><br>Various departments (including compliance, underwriting and – through guidelines and escalation processes – risk management) are involved in the quality assurance processes described above.<br><br>Bank departments handle the budget calculations and underwriting processes internally. The Bank always has the ultimate responsibility for approving a loan or car lease and bears the risk for possible losses due to default. | Specific policies for independent intermediaries ensure professional delivery of services and full compliance with ethics requirements. These policies are included in every business relationship in order to minimise compliance risk. | Car dealers are regularly visited by the Bank's 25 sales area managers, who report their findings via an online tool. Abnormal findings are investigated, and in case of non-compliance of the dealer the partnership is terminated. | Credit card partners and their branches are regularly visited by three employees. They provide support and perform spot checks of customer applications. Any irregularities are investigated jointly with the partners, and are reported internally. Additional training sessions are provided where deemed necessary. |

### Other policies covering aspects of business integrity

The policies put in place by Cembra include the following. Each policy is reviewed and updated on a regular basis.

#### Anti-money-laundering policy (AML)

As a financial intermediary, the Bank is subject to the Anti-Money-Laundering Act and thus operates a programme to prevent illegal transactions.

- We systematically assess customers and partners before entering into a contract or business relationship.
- This exhaustive onboarding process protects the Bank from engaging in relationships with individuals or entities that have been placed on international sanctions lists.
- Politically exposed persons (PEPs) and high-risk relationships are thoroughly analysed.
- Customers and partners continue to be regularly reviewed after the contract or business relationship has been formed. In addition to the continuous review of customers, transactions and payment practices are constantly monitored. Suspicious transactions are flagged and reviewed by the Bank's compliance officers.
- All new Bank employees receive introductory training that covers the Bank's anti-money-laundering programme and then attend regular refresher classes in subsequent years (see section on people and development, page 40).

### **Policy on the prevention of fraudulent practices by external parties**

This directive governs the competencies, measures and controls for preventing fraudulent practices that can adversely affect the Bank.

- Cembra defines processes, roles and responsibilities to prevent suspected cases of fraud by external parties or to investigate such cases accordingly.
- Within the Bank, it is primarily the Risk business unit, together with the Risk Strategies department, that is in charge of setting up a strategy for preventing fraud and conducting further investigations.
- To ensure the timely monitoring of operating activities and because of the complexity of the credit card business, Risk is supported by other departments within the B2C business area.
- The directive applies to all employees of the Bank.

### **Policy on the acceptance and presentation of gifts**

In addition to the staff regulations and the Code of Conduct, there is also a policy on accepting and presenting gifts.

This directive sets out the standards of behaviour to be maintained by all employees when giving and receiving gifts or where business entertainment is accepted or provided. Conflicts of interest must be avoided, and the Bank's reputation protected. Furthermore, it sets out competencies regarding the administration of customer and partner gifts of any kind. It applies to all Cembra employees.

It covers receiving gifts, presenting gifts and events. In particular, the directive regulates under which circumstances gifts and invitations can be accepted, the principles that are observed when the Bank presents gifts to third parties and how the Bank acts ethically as a host of events or employees as guests at events. Further, it states that granting or accepting facilitating payments or goods is strictly forbidden. Legal and Compliance are responsible for any changes to this directive.

### **Policy on sponsoring, contributions and donations**

This directive sets out the requirements to be observed in connection with sponsoring activities and the awarding of contributions and donations. It defines criteria for sponsoring and donation purposes and corresponding review and approval processes, and applies to all employees of the Bank. When working with third parties (e.g. advertising agencies), it must be ensured that such third parties also comply with and implement the requirements of this directive.

Providing sponsoring and making contributions or donations to organisations, interest groups and associations is intended to strengthen Cembra's image. Such activities are also an opportunity to create a platform for active customer care.

In particular, the directive states that:

- Supported activities must fit within the overall sponsoring concept, to be reviewed once a year.
- Contributions may only be awarded to those institutions and organisations with which goodwill is to be created in the specific interests of the Bank or a subsidiary and its sales channels.
- No support can be given to political parties
- Attention must be paid to issues that are positively received by the wider public.
- Contributions with a strictly personal connection are not permitted. Furthermore, contributions may not be awarded in cases where an applicant's request is made solely with reference to an ongoing or terminated customer relationship.

The review and approval process is described in detail, containing the following elements:

- Each year, a certain amount can be made available for donations. Donations must be determined, on a binding basis, as part of a concept.
- All applications for sponsoring and contributions are reviewed and evaluated in accordance with the above criteria.
- Each donation and each charitable contribution must be approved by the General Counsel and the Chief Financial Officer.

### **Policy on marketing activities and external correspondence**

Cembra has a policy on marketing activities and external correspondence. This directive describes both the regulatory and internal requirements applicable to marketing and advertising activities. The regulatory requirements, such as the Consumer Credit Act, Swiss Federal Act against Unfair Competition (UCA), Data Protection Laws and Further Provisions, Price Indication Ordinance and their relevance for employees, are described in detail. Furthermore, the development of marketing and advertising activities/materials and the corresponding design requirements and approval process are outlined in this policy. The directive applies to all employees of the Bank. If third parties are hired (e.g. advertising agencies), it must be ensured that the requirements of this directive are also complied with and implemented by such third parties.

In particular, the policy states that:

- consumer credit contracts (including lease agreements as well as credit and customer cards) may not be advertised aggressively
- it must be ensured, in relation to advertising for products, that the relevant provider (company) is clearly specified and that a calculation example, including the effective interest rate and the total costs, is provided in all cases
- an over-indebtedness warning must be included, referring to the fact that any lending that would lead to the consumer taking on too much debt is prohibited
- all application forms for products offered by the Bank or its subsidiaries must contain a notice to this effect concerning data protection and processing, in particular for marketing purposes
- appropriate controls must be implemented to ensure compliance with the requirements of the directive and the related work instructions.

### **The “Flexible Work Arrangement Framework”**

By providing flexible work arrangements where it is possible, Cembra helps employees to find the right work-life balance. The directive demonstrates various working models offered by the Bank, and it is owned by Human Resources.

In particular, the directive:

- applies to all Bank employees. However, not all of the working models are appropriate for all employees; therefore, managers and employees must select the feasible option(s) for their respective business area.
- sets out the guiding principles for effective implementation of a flexible working culture (e.g. customer centricity will not be compromised) and describes different work options (part time, flex-time, job-sharing, flex-place). Management and employees can opt for an agreement that includes more than one model (hybrid), e.g. part-time with flex-time. Furthermore, the directive addresses how to deal with data protection, banking and business secrecy when working outside of the Bank's premises. Finally, the criteria, process and application for assessing ways of working requests are defined in the directive.

## 8 Community engagement

### Aim and approach

At Cembra, we take our social responsibility seriously and are committed to important social policy issues. By focusing on disadvantaged people, we want to strengthen how Cembra is perceived in the market. We see ourselves as equal partners, and we attach great importance to supporting projects and initiatives for the long term.

Our community engagement has three goals:

- **Understanding for social responsibility in general:** Our social engagement aims not only to take our responsibility towards society seriously but also to foster understanding about social responsibility.
- **Awareness of Cembra's social responsibility:** Our collaboration on social projects has a positive effect on the feeling of togetherness within the company, contributing to a greater awareness of Cembra's social responsibility.
- **Strengthening employee loyalty:** Finally, we are convinced that social engagement strengthens our employees' loyalty to the company.

### Projects and initiatives with volunteer participation

We are proud of our long-standing partnerships and the continuing engagement of our employees. Cembra employees have the right to two working days a year for their volunteer commitments.

| Partner                      | Since | Activities  | Number of participating employees (2019) | Hours spent (2019)           |
|------------------------------|-------|---|--|------------------------------|
| Theodora Foundation          | 2015  | <b>Children in hospitals</b><br>The foundation's "Giggle Doctors" bring magical moments to children in hospitals. Every year in June, a Kids' Day takes place, co-organised by Cembra employees                             | 20                                       | 130                          |
| YES                          | 2004  | <b>Business in schools</b><br>YES supports practice-oriented business training programmes for students. The Bank's employees teach business-related topics at schools to provide students with practical business knowledge | 4  | 50                           |
| Childhood Cancer Switzerland | 2006  | <b>Childhood cancer</b><br>Our employees work with affected families at the children's holiday camps in Engelberg and Lenzerheide   | 22                                       | 300                          |
| Swiss Red Cross              | 2005  | <b>Blood drives</b><br>We organise blood drives at our headquarters twice a year  | 154                                      | 85                           |
| Pink Ribbon Charity Walk     | 2010  | <b>Charity Walk</b> sponsored by Cembra for up to 100 employees with their families, partners and friends. All proceeds go to the breast cancer research done by the Zurich Cancer League                                   | 90                                       | 0<br>(outside working hours) |

# Corporate Governance Report

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### Information relating to the Corporate Governance

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Cembra Money Bank AG (“Bank”, together with its subsidiaries, “Group”) is committed to transparent and responsible corporate governance. The term “corporate governance” is being used when referring to the organisational structure of the Group as well as the operational practices of its management. The Group’s internal governance framework including the articles of incorporation (“Articles of Incorporation”) and the organisational regulations (“Organisational Regulations”) embodies the principles required in order for the business of the Bank to be managed and supervised in accordance with good corporate governance standards.

As a company having its shares listed on the SIX Swiss Exchange (SIX), the Bank is subject to – and acts in compliance with – the Directive on Information Relating to Corporate Governance and its Annex and Commentary (CGD), issued by SIX Exchange Regulation. If information required by the CGD is published in the Notes to the Consolidated Financial Statements, a reference indicating the corresponding note to the Consolidated Financial Statements is provided. The Swiss Code of Best Practice for Corporate Governance, issued by economiesuisse, has also been taken into account.

The Organisational Regulations, which are published on the website ([www.cembra.ch/governance](http://www.cembra.ch/governance)), further outline the duties, powers and regulations of the governing bodies of the Bank.

# 1 Group structure and shareholders

## 1.1 Group structure

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### 1.1.1 Description of the group’s operational structure

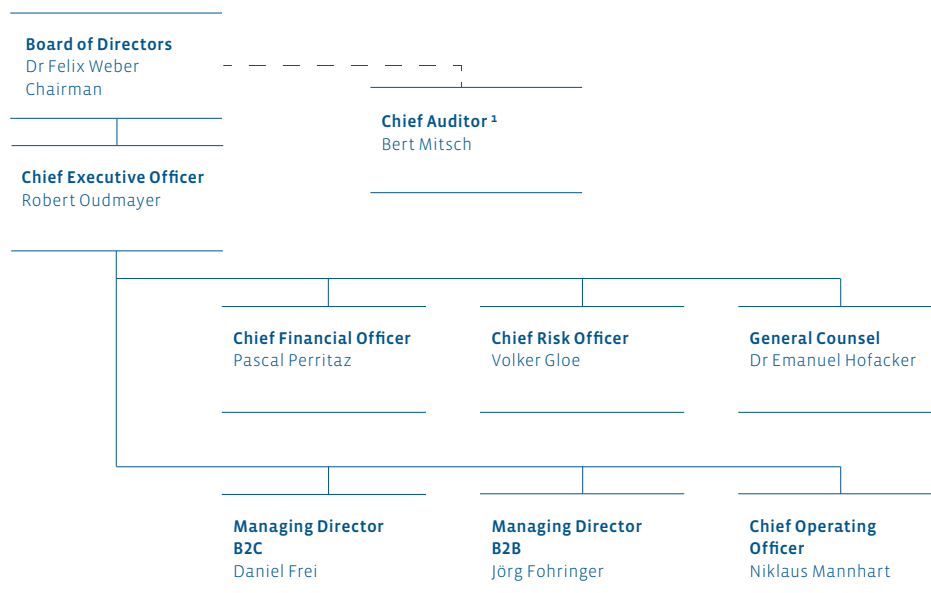
The Bank is a public limited company (Aktiengesellschaft) organised under the laws of Switzerland in accordance with art. 620 et seq. of the Swiss Code of Obligations (CO). The registered address and head office of the Bank is at Bändliweg 20, 8048 Zurich, Switzerland.

The Group’s commercial activities mainly focus on consumer finance. The Bank is subject to prudential supervision by the Swiss Financial Market Supervisory Authority (FINMA) and provides a range of financial products and services. Headquartered in Zurich, the Group operates almost entirely in Switzerland through a nationwide network of 17 branches as well as through alternative distribution channels, such as internet, credit card partners (including Migros, Conforama, Fnac and Touring Club Schweiz), independent intermediaries and auto dealers. The Group has one reportable segment. It includes all of the Group’s consumer finance products, including unsecured personal loans, auto leases and loans, credit cards and insurance products sold with these products as well as invoice financing. The corporate functions include Finance, Operations, Legal & Compliance, Communications, Risk Management, Internal Audit and Human Resources.



# Corporate Governance Report

Organisational group structure at 31 December 2019:

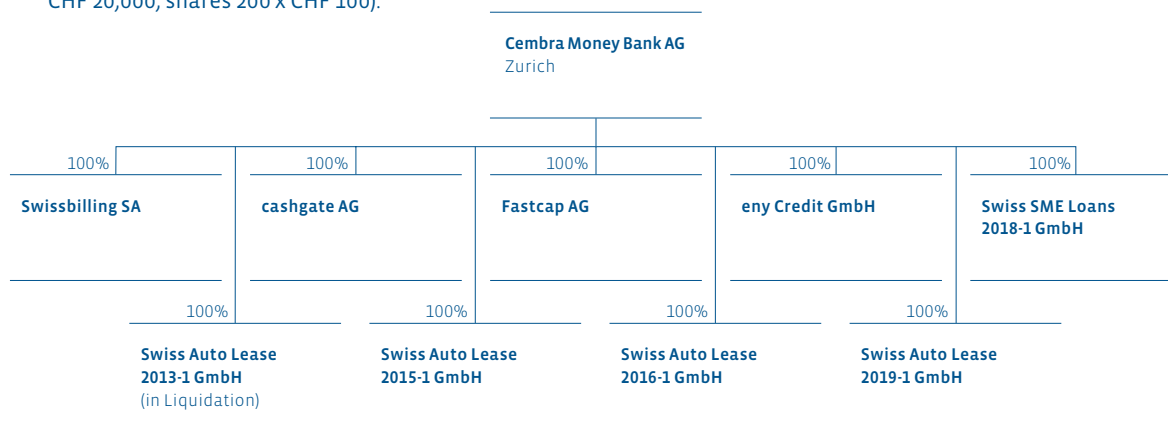


<sup>1</sup> The Internal Audit department is an independent function with a reporting line to the Board of Directors and the Audit and Risk Committee (see section 3.5)

## 1.1.2 Group entities

The Group comprises the Bank as the parent company and its wholly owned subsidiaries:

- Swissbilling SA (with registered office in Renens, Switzerland, share capital CHF 100,000, shares 10,000 x CHF 10);
- cashgate AG (with registered office in Zurich, Switzerland, share capital 35,000,000; shares 3,500,000 x CHF 10);
- Fastcap AG (with registered office in Zurich, Switzerland, share capital 100,000, shares 100,000 x CHF 1);
- eny Credit GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 1 x CHF 20,000);
- Swiss SME Loans 2018-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 1 x CHF 20,000);
- Swiss Auto Lease 2019-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100);
- Swiss Auto Lease 2016-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100);
- Swiss Auto Lease 2015-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100);
- Swiss Auto Lease 2013-1 GmbH in Liquidation (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100).



Within the Group, only the Bank is a listed company. The Bank's registered shares are listed pursuant to the International Reporting Standard of SIX (securities number: 22517316, ISIN: CH0225173167, ticker: CMBN). At 31 December 2019, the Bank's issued nominal share capital amounted to CHF 30,000,000 and the market capitalisation amounted to CHF 3,180 million.

### 1.2 Significant shareholders

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According to the rules regarding the disclosure of significant shareholdings of Swiss companies listed on the SIX, disclosure has to be made if the holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33<sup>1</sup>/<sub>3</sub>%, 50% or 66<sup>2</sup>/<sub>3</sub>% of the voting rights entered into the commercial register, whether or not the voting rights can be exercised. The percentage thresholds are calculated on the basis of the total amount of voting rights according to the number of shares issued as disclosed in the commercial register. The Bank is obliged to announce shareholdings by third parties in its shares when notification is received from a third party that a threshold has been reached. As shareholders are only required to notify the Bank and the SIX Exchange Regulation if their holding reaches, falls below or exceeds the thresholds listed above, the percentage holdings of significant shareholders of the Bank may vary at any given time compared to the date of submission of the most recent notification for these respective shareholders. As of 31 December 2019, the Bank was not aware of any person or institution, other than BlackRock Inc. (5.8%), UBS Fund Management, Switzerland AG (5.41%), Pictet Asset Management SA (4.99%) and Credit Suisse Funds AG (3%), which, directly or indirectly, had an interest as a beneficial owner in shares, option rights and/or conversion rights relating to shares of Cembra Money Bank AG exceeding the relevant thresholds prescribed by law. The announcements related to these notifications can be found via the search facility on the SIX Exchange Regulation's platform: [www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html).

### 1.3 Cross shareholdings

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The Group has not entered into any cross shareholdings that exceed 5% of the share capital or voting rights on either side.

## 2 Capital structure

### 2.1 Capital on the disclosure deadline

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At 31 December 2019, the Bank's registered share capital amounted to CHF 30,000,000, divided into 30,000,000 registered shares with a par value of CHF 1.00 each ("Shares"). The Shares are fully paid-in and non-assessable and rank *pari passu* with each other.

Further information is available in note 15 to the Consolidated Financial Statements.

### 2.2 Authorised and conditional capital in particular

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#### 2.2.1 Authorised capital

The Bank's authorised share capital of CHF 3,000,000 is available for the issuance of up to 3,000,000 Shares. The amount of CHF 3,000,000 corresponds to 10% of the existing share capital.

The Board of Directors is authorised to increase the share capital, at any time until 17 April 2021, by no more than CHF 3,000,000 by issuing up to 3,000,000 Shares with a par value of CHF 1.00 each. An increase of the share capital (i) by means of an offering underwritten by a financial institution, a syndicate of financial institutions or another third party or third parties, followed by an offer to the then existing shareholders of the Bank; and (ii) in partial amounts shall be permissible. The subscription and acquisition of the new Shares and any subsequent assignment of the Shares shall be subject to the restrictions of art. 8 of the Articles of Incorporation ([www.cembra.ch/governance](http://www.cembra.ch/governance)).

The Board of Directors will determine the time of the issuance, the issue price, the manner in which the new Shares are to be paid, the conditions for the exercise of the pre-emptive rights and the allotment of pre-emptive rights that have not been exercised, and the date from which the Shares carry dividend rights. In addition, the Board of Directors has the right to restrict or deny any trade with pre-emptive rights. It may allow pre-emptive rights that have not been exercised to expire, and it may place such rights or Shares with respect to which the pre-emptive rights have not been exercised at market conditions or may use them in another way in the interest of the Bank.

For further details please refer to art. 4 of the Articles of Incorporation under: [www.cembra.ch/governance](http://www.cembra.ch/governance).

#### 2.2.2 Conditional share capital

The Bank's conditional share capital of CHF 3,900,000 in aggregate is available for the issuance of up to 3,900,000 Shares with a nominal value of CHF 1.00 each. The amount of CHF 3,900,000 corresponds to 13% of the existing share capital.

The Bank's share capital may be increased – based on art. 5 of the Articles of Incorporation ([www.cembra.ch/governance](http://www.cembra.ch/governance)) – by no more than CHF 3,000,000 by the issuance of up to 3,000,000 Shares (a) through the voluntary or mandatory exercise of conversion rights and/or warrants granted in connection with the issuance on national or international capital markets of newly or already issued bonds or other financial market instruments by the Bank or one of its subsidiaries; and (b) through the exercise of warrant rights granted to the shareholders by the Bank or one of its subsidiaries. The Board of Directors may use warrant rights not taken up by shareholders for other purposes in the interest of the Bank. The pre-emptive rights of the shareholders are excluded in connection with the issuance by the Bank or any of its subsidiaries of bonds or other financial market instruments which are linked to conversion rights and/or the issuance of warrants. The then current owners of conversion rights and/or warrants shall be entitled to subscribe for the new Shares. The conditions of the conversion rights and/or warrants shall be determined by the Board of Directors.

In addition, the share capital may be increased – based on art. 6 of the Articles of Incorporation ([www.cembra.ch/governance](http://www.cembra.ch/governance)) – by no more than CHF 900,000 through the issuance of up to 900,000 Shares each by the issuance of new Shares to members of the Board of Directors, members of the Management Board and employees of the Bank and its subsidiaries. The pre-emptive rights of the shareholders of the Bank shall be excluded. The Shares or rights to subscribe for Shares shall be issued to members of the Board of Directors, members of the Management Board and employees of the Bank or its subsidiaries pursuant to one or more regulations to be issued by the Board of Directors. Shares or subscription rights may be issued at a price lower than that quoted on the stock exchange.

The acquisition of Shares through the voluntary or mandatory exercise of conversion rights and/or warrants or within the context of employee share ownership and each subsequent transfer of the Shares shall be subject to the restrictions of art. 8 of the Articles of Incorporation.

## Corporate Governance Report

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For further details please refer to art. 5 and 6 of the Articles of Incorporation under: [www.cembra.ch/governance](http://www.cembra.ch/governance).

### 2.3 Changes in capital

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There were no changes in the capital structure in 2017, 2018 and 2019, respectively.

### 2.4 Shares and participation certificates

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The Bank has not issued any non-voting equity securities, such as participation certificates (Partizipationsscheine) or preference shares (Vorzugsaktien).

All Shares are fully paid up and entitled to dividends. Each Share carries one vote. There are no preferential rights or similar rights attached to the Shares (Stimmrechtsaktien).

### 2.5 Profit sharing certificates

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There are no profit sharing certificates (Genussscheine) outstanding.

### 2.6 Limitations on transferability and nominee registrations

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The Shares are freely transferable.

The Bank keeps a share register ("Share Register"), in which the owners and beneficiaries of the Shares are entered with name, address and nationality and in case of legal entities place of incorporation. Any person entered in the Share Register shall be deemed to have the right to vote, provided he or she expressly declares that he or she acquired the Shares in his or her own name and for his or her own account.

Any person who does not expressly state in his or her application to the Bank that the relevant Shares were acquired for his or her own account will be regarded as a nominee ("Nominee"). A Nominee may be entered in the Share Register as a shareholder with voting rights for Shares representing up to 3% of the total outstanding share capital of the Bank. With respect to Shares in excess of this limit, a Nominee may only be entered into the Share Register as a shareholder with voting rights if he or she declares in writing that he or she is prepared to disclose the name, address and shareholding of any person for whose account he or she is holding 0.5% or more of the Bank's total outstanding share capital.

For purposes of determining if a person holds 0.5% or more of the Bank's outstanding share capital, legal entities, partnerships or groups of joint owners and other groups in which individuals or legal entities are related to one another through capital ownership or voting rights or have a common management or are otherwise interrelated, and legal entities or partnerships that act in concert (especially as a syndicate) with intent to evade the foregoing limitations are considered and treated as a single shareholder.

Amendments to the provisions regarding the restriction of the transferability of Shares require a resolution of the General Meeting passed by at least two-thirds of the votes and the absolute majority of the par value of shares, each as represented at a General Meeting.

### 2.7 Convertible bonds and options

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As of 31 December 2019, the Bank had a convertible bond listed on the SIX Swiss Exchange (security no: 48659822, ISIN: CH0486598227) outstanding with a total outstanding nominal amount of CHF 250,000,000.

| Principal amount                  | Current Conversion Ratio   | Current Conversion Price | Maturity Date | Interest                             |
|-----------------------------------|--|--------------------------|---------------|--------------------------------------|
| Nominal value of CHF 200,000 each | 1,636.6612 registered shares with a nominal value of CHF 1.00 each | CHF 122.20               | 9 July 2026   | 0%, the bonds will not bear interest |

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Upon exercise of their conversion rights, bondholders will receive (i) if the value of the Shares underlying the convertible bonds is higher than the principal amount of the convertible bonds converted, an amount in cash equal to the principal amount of the convertible bonds and any excess in Shares of the Bank ("Net Shares") or (ii) if the value of the Shares underlying the convertible bonds is lower than the principal amount, an amount in cash equal to the value of the Shares underlying the convertible bonds.

The Shares to be delivered upon conversion of convertible bonds, if any, will be, at the sole discretion of the Bank, either Shares to be issued from the conditional capital of the Bank or Shares otherwise held or acquired by the Bank. The number of Shares that would need to be issued or delivered in case of a conversion of convertible bonds (if any) depends on the value of the shares around the time of conversion and is therefore not determinable in advance. However, the Bank may, at its discretion, deliver the equivalent of the Net Shares (if any) in cash so that no shares would need to be delivered and/or issued.

The Bank may call the convertible bonds (i) at any time on or after 31 July 2023 at par if the VWAP of the Bank's Shares is equal or greater than 130% of the conversion price on at least 20 out of 30 consecutive trading days or (ii) at any time from the settlement date, at par if less than 15% in aggregate of the principal amount of the convertible bonds is outstanding.

Unless previously converted or repurchased and cancelled, the convertible bonds will be redeemed at maturity at 100% of their principal amount of CHF 200,000 per convertible bond.

## 3 Board of Directors

### 3.1 Members of the Board of Directors

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At 31 December 2019, all members of the Board of Directors were, and pursuant to Swiss law applicable to the Bank as a regulated entity, non-executive. No member of the Board of Directors has any significant business connections with any member of the Group.

The business address for the members of the Board of Directors is Bändliweg 20, 8048 Zurich, Switzerland.

The table below sets forth the name, function and committee membership of each member of the Board of Directors as of 31 December 2019, followed by a short description of each member's professional experience, education and activities.

| Name                      | Nationality | Function      | Committee membership                           | First elected     | End current period |
|---------------------------|-------------|---------------|--|-------------------|--------------------|
| Dr Felix Weber            | CH          | Chairman      |  | 2013              | 2020               |
| Prof. Dr Peter Athanas    | CH/UK       | Member        | Chairman Audit and Risk Committee              | 2013 <sup>1</sup> | 2020               |
| Urs Baumann               | CH          | Member        | Chairman Compensation and Nomination Committee | 2014              | 2020               |
| Denis Hall                | UK          | Member        | Member Audit and Risk Committee                | 2013              | 2020               |
| Katrina Machin            | UK          | Member        | Member Compensation and Nomination Committee   | 2016              | 2020               |
| Dr Monica Mächler         | CH          | Member        | Member Audit and Risk Committee                | 2015              | 2020               |
| Ben Tellings <sup>2</sup> | NL          | Vice Chairman | Member Compensation and Nomination Committee   | 2016              | 2020               |

<sup>1</sup> Effective 1 January 2014

<sup>2</sup> Resigned as per 31 December 2019



## Dr Felix Weber

Swiss national and resident, born in 1950

Dr Weber was appointed as chairman of the Board of Directors (“Chairman”) on 22 August 2013. His current term expires at the Annual General Meeting in 2020. Dr Weber holds a diploma and a PhD in Business Administration from the University of St. Gallen.

|                           |                |
|---------------------------|----------------|
| <b>Name</b>               | Dr Felix Weber |
| <b>Nationality</b>        | Swiss          |
| <b>Function</b>           | Chairman       |
| <b>First elected</b>      | 2013           |
| <b>End current period</b> | 2020           |

### Professional experience:

- Since 2014: Partner in the private investment firm BLR & Partners AG (Thalwil, Switzerland)
- 2013–2016: Senior Advisor and Managing Director Investment Banking, Nomura Bank (Switzerland) Ltd (Zurich, Switzerland)
- 2008–2013: Co-Chairman of the Management Board of Nomura Bank (Switzerland) Ltd (Zurich, Switzerland)
- 2006–2008: Managing Director of Investment Banking at Lehman Brothers Finance AG (Zurich, Switzerland)
- 1998–2004: Executive Vice President and Chief Financial Officer at Adecco SA (Chéserey, Switzerland), Redwood City (USA) and Zurich (Switzerland)
- 1984–1997: Partner and Engagement Manager of the Zurich Branch of McKinsey & Company (Zurich, Switzerland)
- 1980–1984: CEO of the South African Branch of the former Schweizerische Aluminium AG Group (headquartered in Zurich, Switzerland)

### Other board memberships and activities:

- Since 2019: Chairman of Trendcommerce AG (Gossau, Switzerland)
- Since 2019: Board Member Assepro AG (Pfäffikon, Switzerland)
- Since 2018: Chairman of BLR Capital AG (Thalwil, Switzerland)
- Since 2017: Vice Chairman Climatex AG (Altendorf, Switzerland)
- Since 2013: Board member BLR & Partners AG (Thalwil, Switzerland)

### Previous board memberships:

- 2000–2013: Member of the Board of Directors and Chairman of the Compensation Committee of Syngenta Ltd (Basel, Switzerland), listed on SIX and New York Stock Exchange
- 2011–2013: Chairman of the Board of Directors of Nomura Socrates Re (Switzerland) and Nomura Re (Guernsey)
- 2011–2012: Member of the Board of Directors of Trenkwald AG (Schwadorf, Austria)
- 2005–2009: Vice Chairman of the Board of Directors of Publigroupe SA (Lausanne, Switzerland), listed on SIX
- 2006–2008: Member of the Board of Directors and Chairman of the Audit Committee of Valora AG (Bern, Switzerland), listed on SIX



## Prof. Dr Peter Athanas

Dual Swiss and British national, Swiss resident, born in 1954

Prof. Dr Athanas was appointed as member of the Board of Directors on 2 October 2013, with effect from 1 January 2014. He is also Chairman of the Audit and Risk Committee. His current term expires at the Annual General Meeting in 2020. Prof. Dr Athanas holds a Master's degree in Law and Economics and a Doctorate in Economics from the University of St. Gallen.

|                           |                        |
|---------------------------|------------------------|
| <b>Name</b>               | Prof. Dr Peter Athanas |
| <b>Nationality</b>        | Swiss and British      |
| <b>Function</b>           | Member                 |
| <b>First elected</b>      | 2013                   |
| <b>End current period</b> | 2020                   |

### Professional experience:

- Since 1999: Professor for national and international tax law and tax accounting at the University of St. Gallen (Switzerland)
- 2014–2015: Senior Executive Vice President Corporate Development and Chairman of the audit expert group of Schindler Holding AG (Hergiswil, Switzerland)
- 2009–2010: Consultant to the Executive Committee of Schindler Holding AG (Hergiswil, Switzerland)
- 2004–2008: Chief Executive Officer of Ernst & Young Switzerland (Zurich, Switzerland)
- 2001–2002: Chief Executive Officer of Arthur Andersen Switzerland (Zurich, Switzerland)
- 1994–2001: Head of Tax and Legal Practice of Arthur Andersen Switzerland (Zurich, Switzerland)
- 1990–1994: Partner of the worldwide Arthur Andersen organisation

### Other board memberships and activities:

- Since 2017: Member of the Board of Kontivia AG (Zurich, Switzerland)
- Since 2016: Member of the Board of Skuani AG (Zurich, Switzerland)
- Since 2015: Member of the Foundation Board of the Swiss Study Foundation (Zurich, Switzerland)
- Since 2014: Member of the Board of Directors, Chairman of the Nomination and Compensation Committee and member of the Audit Committee of Also Holding AG (Emmen, Switzerland), a company listed on SIX
- Since 2014: Member of the Board of Directors of BlackRock Asset Management Schweiz AG (Zurich, Switzerland)
- Since 2008: Curator of Werner Siemens Foundation (Zug, Switzerland)

### Previous board memberships:

- 2010–2013: Member of the Board of Directors of Schindler Holding AG (Hergiswil, Switzerland), a company listed on SIX
- 2007–2008: Vice Chairman of the Central Area of Ernst & Young Global (Switzerland)



## Urs Baumann

Swiss national and resident, born in 1967

Mr Baumann was appointed as a member of the Board of Directors on 13 May 2014. He is also Chairman of the Compensation and Nomination Committee. His current term expires at the Annual General Meeting in 2020. Mr Baumann holds a Master of Arts from the University of St. Gallen and a MBA from the University of Chicago.

### Professional experience:

- Since 2015: Chief Executive Officer of PG Impact Investments AG (Baar, Switzerland)
- 2012–2015: Chief Executive Officer of Bellevue Group (Küsnacht, Switzerland)
- 2007–2010: Group Chief Executive Officer of Lindorff Group (Oslo, Norway)
- 2006–2007: Managing Director Central & Eastern Europe – Barclaycard at Barclays Bank (London, UK)
- 1998–2005: Chief Executive Officer of Swisscard AECS (Horgen, Switzerland)
- 1993–1998: Consultant and Manager at McKinsey & Company (Zurich, Switzerland)

|                           |             |
|---------------------------|-------------|
| <b>Name</b>               | Urs Baumann |
| <b>Nationality</b>        | Swiss       |
| <b>Function</b>           | Member      |
| <b>First elected</b>      | 2014        |
| <b>End current period</b> | 2020        |

### Other board memberships and activities:

- Since 2017: Member of the Board of IHFS Holding AG (Zurich, Switzerland)
- Since 2016: Member of the Board of Privatbank IHAG Zürich AG (Zurich, Switzerland)
- Since 2015: Member of the Board of PG Impact Investments AG (Baar, Switzerland)
- Since 2010: Member of the Board of Directors of 3Horizons AG (Schindellegi, Switzerland)





## Denis Hall

British national and UK resident, born in 1955

Mr Hall was appointed as a member of the Board of Directors on 24 September 2013. He is also a member of the Audit and Risk Committee. His current term expires at the Annual General Meeting in 2020. Mr Hall was educated at grammar school in the UK to A levels.

|                           |            |
|---------------------------|------------|
| <b>Name</b>               | Denis Hall |
| <b>Nationality</b>        | British    |
| <b>Function</b>           | Member     |
| <b>First elected</b>      | 2013       |
| <b>End current period</b> | 2020       |

### Professional experience:

- 2013–2016: Chief Risk Officer at GE Capital International (London, UK)
- 2011–2013: Chief Risk Officer Banking at GE Capital EMEA (London, UK)
- 2007–2011: Chief Risk Officer at GE Capital Global Banking (London, UK)
- 2001–2007: Chief Risk Officer, Private and Business Clients at Deutsche Bank AG and member of the Management Board (2004–2007) (Frankfurt am Main, Germany)
- 1985–2001: Various positions within Citigroup: Head of Risk, Citibank Consumer Bank EMEA (1999–2001); Credit and Risk Director (1997–1999); Operations Head Credit Cards (1995–1997); Head Credit Cards Germany (1990–1995); Citibank Privatkunden AG, European Credit Cards Officer (1985–1990), Citibank International Plc

### Other board memberships and activities:

- Since 2017: Non Executive Board member and Chairman of the Risk Committee of Skipton Building Society (Skipton, UK)
- Since 2016: Member of the Supervisory Board and member of both the Risk and Audit Committees of Moneta Money Bank Czech (Prague, Czech Republic), listed on the Prague Stock Exchange

### Previous board memberships:

- 2016–2019: Member of the Supervisory Board of Hyundai Capital Bank Europe (Frankfurt am Main, Germany)
- 2013–2016: Member of the Board of Directors of Hyundai Capital Card (Seoul, South Korea)
- 2013–2016: Chairman of the Board of Directors UK Home Lending (London, UK)
- 2008–2016: Member of the Supervisory Board and Chairman of the Risk Committee of Bank BPH S.A. (Krakow, Poland), a company listed on the Warsaw Stock Exchange
- 2013–2015: Member of the Board of Directors of Budapest Bank Zrt. (Budapest, Hungary)
- 2009–2011: Member of the Board of Directors of BAC Credomatic GECE Inc. (Panama, Costa Rica), in which General Electric Group held an interest
- 2008–2011: Member of the Board of Directors of Turkiye Garanti Bankasi A.S. (Istanbul, Turkey) in which General Electric Group held an interest



## Katrina Machin

British national and UK resident, born in 1966

Mrs Machin was appointed as a member of the Board of Directors on 27 April 2016. She is also a member of the Compensation and Nomination Committee. Her current term expires at the Annual General Meeting in 2020. She holds a Master's degree in Archaeology and Anthropology from the New Hall Cambridge University, UK.

|                           |                |
|---------------------------|----------------|
| <b>Name</b>               | Katrina Machin |
| <b>Nationality</b>        | British        |
| <b>Function</b>           | Member         |
| <b>First elected</b>      | 2016           |
| <b>End current period</b> | 2020           |

### Professional experience:

- 2012–2015: General Manager EMEA, Global Business Travel, American Express (London, UK)
- 2010–2012: General Manager, Global Corporate Payments, American Express (London, UK)
- 2006–2010: Vice President, Products and Partnerships, International Consumer and Small Business Services, American Express (London, UK)
- 2004–2006: Various positions within Lloyds TSB Group Plc (London, UK): Marketing Director, Consumer Banking (2006); Head of Credit Card Programmes, Consumer Banking (2004–2006)
- 2000–2003: Various positions within Centrica (Goldfish Bank Ltd) (London, UK): Director, Credit Cards and Customer Service (2001–2003); General Manager, Goldfish Credit Card (2000–2001)
- 1994–2000: Various positions within MBNA International Bank (London, UK): Senior Vice President, Head of Customer Marketing (1997–2000); Head of Business Development Operations Administration (1996–2007); Relationship Manager (1994–1996)

### Other board memberships and activities:

- Since 2019: Non Executive Board Director Naked Wines Plc (Watford, UK), member of audit committee and remuneration committee
- Since 2019: Non Executive Board Director London & Country Mortgages Ltd (Bath, UK), chair of risk committee and member of audit committee
- Since 2018: Chair as well as a member of the Audit Committee, the People Committee and the Nomination Committee of Remco at Homeserve Plc (Walsall, UK)
- Since 2017: Non Executive Board Director of Homeserve Plc (Walsall, UK) also Senior Independent Director, Chair of Remuneration Committee and member of Audit and Risk Committee, People Committee and Nomination Committee

### Previous board memberships:

- 2015–2019: Non Executive Board member of ABTA and member of the Risk Committee (formerly Association of British Travel Agents) (London, UK)
- 2014–2019: Non Executive Board member and Chair of the Credit and Operational Risk Committee at Shop Direct Finance Company Ltd (Liverpool, UK)
- 2012–2015: Chairperson of the Supervisory Board of American Express Europe Ltd (London, UK)
- 2012–2015: Chairperson of the Supervisory Board of Amex Barcelona (Madrid, Spain)
- 2012–2015: Non Executive Board member of the Supervisory Board of UVET Amex (Milan, Italy)
- 2010–2012: Non Executive Board member of the Supervisory Board of American Express Services Europe Ltd (London, UK)



## Dr Monica Mächler

Swiss national and resident, born in 1956

Dr Mächler was appointed as a member of the Board of Directors on 29 April 2015. Her current term expires at the Annual General Meeting in 2020. She is also a member of the Audit and Risk Committee. She earned her Doctorate in Law (Dr iur.) at the University of Zurich's law school, was admitted to the Zurich bar and complemented her studies by attending programmes on UK, US and private international law.

|                           |                   |
|---------------------------|-------------------|
| <b>Name</b>               | Dr Monica Mächler |
| <b>Nationality</b>        | Swiss             |
| <b>Function</b>           | Member            |
| <b>First elected</b>      | 2015              |
| <b>End current period</b> | 2020              |

### Professional experience:

- 2009–2012: Vice Chair of the Board of Directors of the Swiss Financial Market Supervisory Authority (FINMA, Bern Switzerland), serving as a member of the Executive Committee and Chair of the Technical Committee of the International Association of Insurance Supervisors (IAIS) (Basel, Switzerland)
- 2007–2008: Director of the Swiss Federal Office of Private Insurance (Bern, Switzerland)
- 1990–2006: Key positions at Zurich Insurance Group (Zurich, Switzerland): Corporate Legal Advisor (1990–1998), Group General Counsel (1999–2006) and member of the Group Management Board (2001–2006)
- 1985–1990: Attorney at Law at De Capitani, Kronauer & Wengle (Zurich, Switzerland)

### Other board memberships and activities:

- Since 2017: Member of the Board of the Europa Institut at the University of Zurich (Zurich, Switzerland)
- Since 2014: Member of the Board of the "Stiftung für schweizerische Rechtspflege" (Solothurn, Switzerland)
- Since 2013: Member of the Board of Directors of Zurich Insurance Group Ltd (Zurich, Switzerland) and Zurich Insurance Company Ltd (Zurich, Switzerland), serving as member of the Audit Committee and of the Governance, Nomination and Sustainability Committee of the respective companies, listed on SIX
- Since 2012: Member of the Advisory Board of the International Center for Insurance Regulation at the Goethe University (Frankfurt am Main, Germany), serving as Chair since 2015

### Previous board memberships:

- 2012–2018: Member of the Supervisory Board of Deutsche Börse AG (Frankfurt am Main, Germany), serving as member of the Audit Committee and the Risk Committee, a company listed on the German Stock Exchange



## Ben Tellings

Dutch national and resident, born in 1956

Mr Tellings was appointed as a member of the Board of Directors on 27 April 2016. From 1 April 2017 he was Vice Chairman. He was also a member of the Compensation and Nomination Committee. His current term expires at the Annual General Meeting in 2020. He stepped down with effect from 31 December 2019. Mr Tellings finished the programme for non executive directors and regulators at the Erasmus University in Rotterdam, The Netherlands and the programme for Executive Development (PED) at IMD, Lausanne, Switzerland.

|                           |   |
|---------------------------|---|
| <b>Name</b>               | Ben Tellings  |
| <b>Nationality</b>        | Dutch   |
| <b>Function</b>           | Vice Chairman   |
| <b>First elected</b>      | 2016  |
| <b>End current period</b> | 2020 (but resigned with effect from 31 December 2019) |

### Professional experience:

- 2006–2010: Chief Executive Officer ING-DiBa AG and Group Executive Board member (Frankfurt am Main, Germany)
- 2003–2006: Chief Executive Officer ING-DiBa AG (Frankfurt am Main, Germany)
- 2002–2003: Deputy Chief Executive Officer ING-DiBa AG/Allgemeine Deutsche Direktbank AG (Frankfurt am Main, Germany)
- 1998–2001: Deputy General Manager, ING Direct (France) and ING Direkt (Spain)
- 1997–1998: Bank Executive Director, Bank Slaski S.A. (part of ING group in Poland) (Warsaw, Poland)
- 1994–1997: Head of Commercial Affairs, Regio Bank N.V. (part of ING group in the Netherlands) (Amsterdam, The Netherlands)
- 1990–1993: Trainer in Sales and Management, Nationale Nederlanden N.V. (part of ING group in the Netherlands) (Amsterdam, The Netherlands)
- 1985–1990: Account Manager, RVS Verzekeringen N.V. (part of ING group in the Netherlands) (Amsterdam, The Netherlands)

### Other board memberships and activities:

- Since 2017: Chairman of the Investment Board of Universal Invest (Frankfurt am Main, Germany)
- Since 2010: Member of the “Kuratorium” Deutsche National Stiftung (Hamburg, Germany)

### Previous board memberships:

- 2010–2016: Chairman of the Supervisory Board of ING-DiBa AG (Frankfurt am Main, Germany), Chairman of the Credit Committee Supervisory Board of ING-DiBa AG and Chairman of the Remuneration Committee Supervisory Board of ING-DiBa AG

### 3.2 Other activities and vested interests of the Members of the Board of Directors

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Please refer to the information provided in each member's biography in section 3.1 above.

### 3.3 Rules in the Articles of Incorporation on the number of permitted activities pursuant to art. 12 para. 1 point 1 of the Ordinance against Excessive Compensation (OaEC)

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The members of the Board of Directors are entitled to be engaged in up to fifteen activities of which a maximum of five may be in listed companies. The term "activities" means memberships in the senior management or oversight bodies of legal entities obliged to register themselves in the Commercial Register in Switzerland or a foreign equivalent thereof ("Activities"). Multiple Activities in legal entities under common control or under the control of the same beneficial owner are deemed to be one Activity. The following Activities do not fall under the above restrictions:

- Activities in entities controlled by the Bank;
- Activities in entities controlling the Bank; and
- Activities in associations, charitable institutions as well as welfare and pension institutions. No member of the Board of Directors should be engaged in more than ten such Activities.

Please refer to the biographies of the members of the Board of Directors in section 3.1 above regarding the additional Activities of the members of the Board of Directors.

### 3.4 Election and term of office

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According to the Articles of Incorporation ([www.cembra.ch/governance](http://www.cembra.ch/governance)), the Board of Directors consists of at least five but not more than seven members. Each member of the Board of Directors is elected for a term of one year. For the purpose of this provision, the term "one year" refers to the time period between two ordinary Annual General Meetings, or, if a member is elected at an extraordinary General Meeting, to the time period between the extraordinary and the next ordinary Annual General Meeting. Each member of the Board of Directors, including the Chairman, is individually elected by the shareholders at the Annual General Meeting. Re-election is possible and there is no mandatory term limit for members of the Board of Directors.

As the Bank is subject to the Swiss Federal Banking Act and the Banking Ordinance, no member of the Board of Directors may also be a member of the Bank's management. In addition, in accordance with FINMA Circular 2017/1 Corporate governance – banks ("FINMA Circular 17/1"), at least one-third of the members of the Board of Directors should be independent within the meaning of the FINMA Circular 17/1. At 31 December 2019, all members of the Board of Directors met the independence criteria prescribed in the FINMA Circular 17/1.

Please refer to the biographies of the members of the Board of Directors in section 3.1 above for each initial date of election.

Shareholders individually appoint all members of the Board of Directors, the Chairman, the members of the Compensation and Nomination Committee and the independent proxy, each for a one-year term.

There are no rules differing from the statutory legal provisions with regard to the appointments of the Chairman, the members of the Compensation and Nomination Committee and the independent proxy.

### 3.5 Internal organisational structure

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#### 3.5.1 Allocation of tasks among the Members of the Board of Directors

The Board of Directors may appoint from among its members a Vice Chairman and also appoints a secretary ("Secretary"), who need not be a member of the Board of Directors. According to the Bank's Organisational Regulations which can be downloaded from [www.cembra.ch/governance](http://www.cembra.ch/governance), the Board of Directors convenes upon the invitation of the Chairman or the Secretary on the Chairman's behalf or, in the Chairman's absence, of the Vice Chairman as often as business requires, but at least once every quarter.

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Unless set out otherwise in the Organisational Regulations ([www.cembra.ch/governance](http://www.cembra.ch/governance)), the presence of the majority of the members of the Board of Directors is required for passing valid Board resolutions. Resolutions of the Board of Directors and of its committees are passed by way of the absolute majority of the votes represented. In the case of a tie of votes, the acting Chairman or committee chairperson has the deciding vote. If a committee consists of two members only, the respective chairperson's right for a casting vote shall no longer apply, and for a valid resolution unanimity is required. Resolutions passed by circular resolutions are only deemed to have passed if: (a) at least the majority of all members of the Board of Directors cast a vote or give written notice that they abstain; (b) the required majority to approve the proposed resolution is reached in accordance with the Organisational Regulations ([www.cembra.ch/governance](http://www.cembra.ch/governance)); and (c) no member of the Board of Directors requests a Board of Directors meeting in relation to the subject matter of the proposed resolution within three business days of receiving notice of the proposal. Any resolution passed by circular resolution is as binding as a resolution adopted at a Board of Directors meeting.

The composition of the Board of Directors and its committees is disclosed in section 3.1 above.

In 2019, the Board of Directors met twelve times. The meetings typically last half a day.

Board of Directors meeting dates and corresponding attendance were as follows in 2019:

| Date                         | Dr Felix Weber | Prof. Dr Peter Athanas | Urs Baumann | Denis Hall | Katrina Machin | Dr Monica Mächler | Ben Tellings |
|------------------------------|----------------|------------------------|-------------|------------|----------------|-------------------|--------------|
| 31 January 2019              | X              | X                      | X           | X          | X              | X                 | X            |
| 20 February 2019             | X              | X                      | X           | X          | E              | X                 | X            |
| 19 March 2019                | X              | X                      | X           | X          | X              | X                 | X            |
| 25 April 2019 <sup>1</sup>   | X              | X                      | X           | X          | X              | X                 | X            |
| 30 April 2019 <sup>1</sup>   | X              | X                      | X           | E          | X              | X                 | X            |
| 22 May 2019                  | X              | X                      | X           | X          | X              | X                 | X            |
| 5 June 2019 <sup>1</sup>     | X              | X                      | X           | X          | X              | X                 | X            |
| 26 June 2019 <sup>1</sup>    | X              | X                      | X           | X          | X              | X                 | X            |
| 22 July 2019 <sup>1</sup>    | X              | X                      | X           | X          | X              | X                 | X            |
| 21 August 2019               | X              | X                      | X           | X          | X              | X                 | X            |
| 23 October 2019              | X              | X                      | X           | X          | X              | X                 | X            |
| 4 December 2019 <sup>1</sup> | X              | X                      | X           | X          | X              | X                 | X            |

<sup>1</sup> Conference call  
E Excused

### 3.5.2 Committees

The Board of Directors may delegate some of its duties to committees. The standing committees are the Audit and Risk Committee and the Compensation and Nomination Committee.

Each of the committees is led by a Chairman whose main responsibility is to organise and lead the meetings.

#### Audit and Risk Committee

The Audit and Risk Committee currently consists of three members of the Board: Prof. Dr Athanas (Chairman of the Audit and Risk Committee), Mr Hall and Dr Mächler. All members of the Audit and Risk Committee are appointed by the Board of Directors.

The Audit and Risk Committee typically has a supervisory and monitoring function, particularly regarding the Bank's internal control systems, risk management and internal and external audit. It makes recommendations to the Bank's Board of Directors and proposes measures where necessary. The Audit and Risk Committee's duties include the following items: (i) the financial reporting and the integrity of the financial statements of the Group; (ii) monitoring the effectiveness of the internal control system, specifically also the Risk control, the Compliance function and Internal

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Audit; (iii) discussing the Group-wide risk management framework, assessing annually the Group-wide risk management framework and ensuring that necessary changes are made; (iv) controlling the adequacy and effectiveness of the risk management and its processes in relation to the risk situation of the Group, (v) monitoring the implementation of risk strategies, ensuring in particular that they are in line with the defined risk tolerance and risk limits defined in the Group-wide risk management framework; (vi) supervising the Group's approach to internal controls; (vii) the appreciation of the capital and liquidity planning; (viii) monitoring and assessing the effectiveness and independence of the External Auditors and their interaction with Internal Audit, including discussion of the audit reports with the lead auditor; (ix) determining the appointment, compensation, retention and oversight of the activities of the Bank's Auditors and any other registered public accounting firm hired for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Bank; (x) assessing of the regulatory audit plan, audit rhythm and audit results of Internal Audit and the External Auditors, and (xi) monitoring the Bank's compliance with regulatory and financial reporting requirements. The External Auditors report directly to the Audit and Risk Committee. The Audit and Risk Committee's duties and responsibilities are determined in compliance with FINMA Circular 17/1.

The Audit and Risk Committee holds meetings as often as required, but in any event at least once every quarter. The meetings are convened by the Chairman of the Audit and Risk Committee or are initiated by an Audit and Risk Committee member. Meetings typically last three hours and are also attended by all members of the Management Board, the Bank's Chief Auditor and the External Auditor. During 2019, the Audit and Risk Committee met seven times.

Please see details in the table below:

| Date                      | Prof. Dr Peter Athanas | Denis Hall | Dr Monica Mächler |
|---------------------------|------------------------|------------|-------------------|
| 19 February 2019          | X                      | X          | X                 |
| 18 March 2019             | X                      | X          | X                 |
| 21 May 2019               | X                      | X          | X                 |
| 22 July 2019 <sup>1</sup> | X                      | X          | X                 |
| 20 August 2019            | X                      | X          | X                 |
| 22 October 2019           | X                      | X          | X                 |
| 4 December 2019           | X                      | X          | X                 |

<sup>1</sup> Conference call

### Compensation and Nomination Committee

During the reporting period the Compensation and Nomination Committee consisted of three members of the Board of Directors: Mr Baumann (Chairman of the Compensation and Nomination Committee), Mr Tellings and Mrs Machin. Mr Tellings resigned as per 31 December 2019 as member of the Board of Directors and consequently as well as member of the Compensation and Nomination Committee. In accordance with the OaEC, the members of the Compensation and Nomination Committee are elected by the Annual General Meeting. The Compensation and Nomination Committee designates a member of the Compensation and Nomination Committee as its Chairman.

The Compensation and Nomination Committee supports the Board of Directors in fulfilling its duties to conduct a self-assessment, to establish and maintain a process for selecting and proposing new members to the Board of Directors, and to manage, in consultation with the Chairman, the succession of the Chief Executive Officer (CEO). In consultation with the CEO, it also assesses candidates for the other Management Board positions.

In addition, the Compensation and Nomination Committee serves to establish the compensation strategy for the Group, and to approve or make recommendations to the Board of Directors regarding certain compensation matters, in particular to review, on behalf of the Board of Directors and within the limits set by the Annual General Meeting, the compensation to be paid to the members of the Board of Directors and the Management Board. The Compensation and Nomination Committee also decides on guidelines for candidates for the Board of Directors and the Management Board.

Please refer to the Compensation Report on page 84 information on (i) responsibilities and procedures involved in determining the compensation, (ii) the compensation, shareholdings and loans of the members of the Board of Directors and the Management Board and (iii) the rules in the Articles of Incorporation regarding the compensation, loans and the vote on pay at the General Meeting.

## Corporate Governance Report

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The Compensation and Nomination Committee holds meetings as often as required, but in any event at least once every quarter. The meetings are convened by the Chairman of the Compensation and Nomination Committee or on the initiative of a member of the Compensation and Nomination Committee. Meetings typically last one to two hours and are also attended by the Human Resources Director and the CEO. During 2019, the Compensation and Nomination Committee met six times.

Please see details in the table below:

| Date             | Urs Baumann | Katrina Machin | Ben Tellings |
|------------------|-------------|----------------|--------------|
| 31 January 2019  | X           | X              | X            |
| 19 February 2019 | X           | E              | X            |
| 18 March 2019    | X           | X              | X            |
| 21 May 2019      | X           | X              | X            |
| 20 August 2019   | X           | X              | X            |
| 22 October 2019  | X           | X              | X            |

E Excused

### 3.6 Definition of areas of responsibility

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The Board of Directors is ultimately responsible for the Bank's management; it sets the strategic direction of the Bank and supervises its management, as well as other matters which, by law, fall under its responsibility. This includes, in particular, the establishment and regular review of the overall management, the necessary directives, the organisation and the management structure, the Organisational Regulations, financial matters, risk profiles and risk capacity.

Except as otherwise provided by Swiss law, the Articles of Incorporation and the Organisational Regulations, all other duties, especially the preparation and execution of its resolutions, the supervision of the business and the management of the Bank are delegated to the Audit and Risk Committee, the Compensation and Nomination Committee, the Chairman, the CEO and the other members of the Management Board.

Details of roles and responsibilities of the Board of Directors can be found in the Organisational Regulations of the Board of Directors, which can be downloaded from: [www.cembra.ch/governance](http://www.cembra.ch/governance).

#### CEO

The CEO is appointed by the Board of Directors upon proposal of the Chairman and the Compensation and Nomination Committee for an indefinite term of office. The CEO is the highest executive officer of the Group and is responsible and accountable for the management and performance of the Group. The Management Board acts under his leadership.

The CEO sets the business and corporate agenda, ensures high quality and timely decision-making and controls the implementation of decisions taken. He ensures alignment of the individual Management Board members to the business and corporate agenda. He supports and advises leaders of all organisational units and fosters an integrated entrepreneurial leadership spirit across the Group. The CEO assumes a leading role in preparing the Board of Directors' consideration of the Group's strategy. He is – together with the Compensation and Nomination Committee – responsible for succession planning on Management Board level and for maintaining the Group's good reputation. He represents the Group in contacts with important investors, customers and other stakeholders, as well as towards the general public.



### **Management Board**

The Management Board includes as a minimum the CEO, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the General Counsel, the Chief Operating Officer (COO) and other members who lead significant business units. These members are appointed by the Board of Directors. At 31 December 2019, in addition to the CEO, the Management Board consisted of the CFO, the CRO, the General Counsel, the COO, the Managing Director B2C and the Managing Director B2B (see also section 4.1 below).

All members of the Management Board (with the exception of the CEO) are proposed by the CEO, and the Board of Directors approves their appointments.

The Management Board, acting under the leadership of the CEO, is responsible for the management of the Group. It implements the strategy of the Group as defined by the Board of Directors and ensures the execution of resolutions by the General Meeting of shareholders and the Board of Directors in accordance with the law, the Articles of Incorporation and Organisational Regulations ([www.cembra.ch/governance](http://www.cembra.ch/governance)). The Management Board supports the CEO in the execution of his duties. It participates in all matters and decisions that are important to the Group; by doing so, it forms opinions and performs a coordinating and preparative function. It is responsible in particular for: (i) managing day-to-day business, operational revenue and risk management, including management of the balance sheet structure and liquidity and representing the Company vis-à-vis third parties in operational matters, (ii) submitting applications to the Board of Directors regarding transactions for which the Board is responsible or for which its approval is required, and issuing rules for regulating business operations, (iii) developing and maintaining effective internal processes, an appropriate management information system, an internal control system and the necessary technological infrastructure, whereas the aforementioned responsibilities of the individual Management Board members might be further specified.

### **3.7 Information and control instruments vis-à-vis the Management Board**

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The Board of Directors supervises the Management Board through various meetings with Management Board, including meetings of the Board of Directors and its committees. The Board of Directors requires that it is fully informed about all matters that materially impact the Group. It requires that it receives sufficient information from the Management Board to perform its supervisory duty and to take decisions.

The Board of Directors meets at least on a quarterly basis as specified in the Organisational Regulations ([www.cembra.ch/governance](http://www.cembra.ch/governance)); in practice, the Board of Directors holds five to ten meetings every year. All members of the Management Board attend each of the Board of Directors' meetings and are available to answer questions from the Board of Directors.

The CEO ensures that the Chairman and the Board of Directors are provided with information in a timely manner and in a form and of a quality appropriate to enable the Board of Directors to carry out its duties. The CEO regularly reports to the Board of Directors at board meetings (or outside of board meetings) as agreed with the Chairman on the business development and on important business issues, including on all matters falling within the duty and responsibility of the Board of Directors. Such reports cover in particular the current business developments including key performance indicators concerning the core business of the Group, existing and emerging risks, and updates on developments in relevant markets and of peers. The information to the Board of Directors further covers quarterly reports on the statement of income, cash flow and balance sheet development, investments, personnel and other pertinent Group data, and information on all issues which may affect the supervisory or control function of the Board of Directors, including the internal control system.

## Corporate Governance Report

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The CFO informs the Board of Directors on a quarterly basis and the CEO and the Management Board on a monthly basis of the course of the business and the financial situation of the Group – especially the income statement with a comparison to the budget – and provides information on special developments. In particular, the CFO gives immediate notice to the CEO and to the Management Board about extraordinary events or urgent financial matters regarding the Group.

The General Counsel informs the Management Board and the Board of Directors at least on a quarterly basis about the supervisory, legal and regulatory situation of the Group. He informs these bodies immediately about any extraordinary legal and regulatory developments and urgent matters.

The CRO informs the Management Board and the Audit and Risk Committee at least on a quarterly basis, and the Board of Directors if required, about the development and implementation of principles and appropriate framework for risk identification, measurement, monitoring, controls and reporting as well as the implementation of the risk control mechanisms as decided by the Board of Directors. The Group has established an internal risk management process based on the Group risk framework. The process focuses on credit, market, liquidity and operational risks within the Group. Detailed information on the management and monitoring of these risks can be found in the Risk Management Report on page 19.

The Chief Auditor is present at each meeting of the Audit and Risk Committee and informs at least on a quarterly basis about the status and progress of the annual plan, significant issues and other reporting matters as they pertain to the Audit and Risk Committee and Board of Directors. The Bank's Internal Audit Department is governed by an Internal Audit Charter duly approved by the Board of Directors. In accordance with the Organisational Regulations ([www.cembra.ch/governance](http://www.cembra.ch/governance)), the Internal Audit Department reviews in particular; (i) the compliance with applicable laws, rules and regulations as well as the internal regulations, directives and resolutions; (ii) the annual financial statements, accounting and information technology, loans and other areas approved on an annual basis by the Audit and Risk Committee; and (iii) the fitness, reliability and functioning of the operational organisation and effectiveness of the control systems. Furthermore, the members of the Board of Directors receive monthly reports about the performance of the business, specific projects and any other relevant information.

The members of the Board of Directors have regular access to the CEO, CFO and other members of the Management Board as well as to the Chief Auditor and may request information concerning the course of the business or other specific projects from the CEO.

The External Auditor prepares the regulatory audit report as well as further reports on audits addressing specific topics. Further, the External Auditor is present at the meeting of the Board of Directors in which the annual financial statements are approved by the Board of Directors as well as further meetings to the extent required, which was not the case in the reporting year.

The Chairman of the Audit and Risk Committee and the Chairman of the Compensation and Nomination Committee update the other members of the Board of Directors in the Board of Directors' meetings regarding the relevant topics discussed in the respective committee meetings.

## 4 Management Board

### 4.1 Members of the Management Board

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In accordance with Swiss law, the Articles of Incorporation and the Organisational Regulations ([www.cembra.ch/governance](http://www.cembra.ch/governance)) and subject to those matters that lie within the responsibility of the Board of Directors by law, the Articles of Incorporation and the Organisational Regulations, the Board of Directors has delegated the executive management of the Group to the CEO, who is supported by the other members of the Management Board in fulfilling this task.

Supervised by the Board of Directors, the CEO, together with the other members of the Management Board, conducts the operational management of the Group pursuant to the Organisational Regulations and reports to the Board of Directors on a regular basis.

The members of the Management Board are appointed by the Board of Directors. In accordance with the Swiss Federal Banking Act, the Banking Ordinance and the Organisational Regulations, no member of the Management Board may be a member of the Board of Directors.

The business address for each member of the Management Board is Bändliweg 20, 8048 Zurich, Switzerland.

| Name                | Nationality | Appointed         | Position                      |
|---------------------|-------------|-------------------|-------------------------------|
| Robert Oudmayer     | NL          | 2009 <sup>1</sup> | Chief Executive Officer (CEO) |
| Jörg Fohringer      | CH          | 2018              | Managing Director B2B         |
| Daniel Frei         | CH          | 1997 <sup>1</sup> | Managing Director B2C         |
| Volker Gloe         | DE          | 2013 <sup>1</sup> | Chief Risk Officer (CRO)      |
| Dr Emanuel Hofacker | CH          | 2014              | General Counsel               |
| Niklaus Mannhart    | CH          | 2018              | Chief Operating Officer (COO) |
| Pascal Perritaz     | CH          | 2018              | Chief Financial Officer (CFO) |

<sup>1</sup> Appointed in predecessor organisations prior to IPO



## Robert Oudmayer

Dutch national and Swiss resident, born in 1962

Mr Oudmayer has been the Bank's Chief Executive Officer since 2009. He holds a Bachelor of Science in Hospitality and Tourism Management from Hotel School Den Hague, Hospitality Business School, The Netherlands.

|                    |                               |
|--------------------|-------------------------------|
| <b>Name</b>        | Robert Oudmayer               |
| <b>Nationality</b> | Dutch                         |
| <b>Appointed</b>   | 2009                          |
| <b>Position</b>    | Chief Executive Officer (CEO) |

### Professional experience:

- 2005–2009: Chief Executive Officer of GE Money Portugal (Lisbon, Portugal)
- 2003–2005: P&L Leader Auto & Retail of GE Capital Bank AG (Brugg, Switzerland)
- 2001–2003: Managing Director at GE TIP and GE Capital Rail Services (Rotterdam, The Netherlands)
- 1999–2001: Multiple roles at GE TIP Trailer Services, including Chief Operating Officer, Operations & Quality Director Europe and Managing Director Benelux
- 1989–1999: PSA Peugeot Citroën Group: Chief Commercial Officer (1998–1999); Chief Financial Officer (1995–1998); Credit Manager Europe (1994–1995); Senior Credit Analyst, Credit Manager (1989–1994)

Mr Oudmayer is Chairman of the Board of Directors of the Bank's following subsidiaries: Swissbilling SA, cashgate AG and Fastcap AG.



## Jörg Fohringer

Swiss national and resident, born in 1967

Mr Fohringer has been Managing Director B2B and member of the Management Board since November 2018. He has a Master of Science in Electrical Engineering and a Master of Advanced Studies in Management from the Swiss Federal Institute of Technology in Zurich (ETH Zürich), Switzerland.

|                    |                       |
|--------------------|-----------------------|
| <b>Name</b>        | Jörg Fohringer        |
| <b>Nationality</b> | Swiss                 |
| <b>Appointed</b>   | 2018                  |
| <b>Position</b>    | Managing Director B2B |

### Professional experience:

- 2016–2018: Managing Director at Accarda AG (Wangen-Brüttisellen, Switzerland)
- 2013–2016: Head of Tactical Marketing and CRM at Migros Genossenschaftsbund (Zurich, Switzerland)
- 2010–2013: Head of CRM and Loyalty Systems at Migros Genossenschaftsbund (Zurich, Switzerland)
- 2007–2010: Director Consumer Marketing at upc Cablecom AG (Wallisellen, Switzerland)
- 2005–2007: Director Marketing Wireline & Internet at Sunrise AG (Zurich, Switzerland)
- 2004–2005: Head of Product Development at Sunrise AG (Zurich, Switzerland)
- 2002–2004: Manager (Strategic Advisor) at Accenture (Zurich, Switzerland)
- 2001: Product Developer at Sunrise AG (Zurich, Switzerland)
- 2000: Business Developer at diAx AG (Zurich, Switzerland)

Mr Fohringer is Member of the Board of Directors at Wasserwerke Zug Telekom Holding AG, Switzerland.



## Daniel Frei

Swiss national and resident, born in 1959

Mr Frei has been Managing Director B2C since February 2018 and member of the Management Board since 1997. He has a federal specialist certificate in accounting by the Swiss Business School of Zurich.

**Professional experience:**

- 2016–2018: P&L Director B2B Retail at Cembra Money Bank AG (Zurich, Switzerland)
- 2008–2016: P&L Director Cards at GE Money Bank AG (Zurich, Switzerland)
- 2005–2008: Delegate to the Board and P&L Director at Flexikredit AG (subsidiary of GE Capital Bank AG) (Zurich, Switzerland)
- 2002–2004: P&L Director Motor Solutions at GE Capital Bank AG (Brugg, Switzerland)
- 1997–2002: Chief Operations Officer at GE Capital Bank AG (Brugg, Switzerland)
- 1993–1997: Logistic Director and member of the Senior Management Team at Bank Aufina AG (Brugg, Switzerland)

|                    |                       |
|--------------------|-----------------------|
| <b>Name</b>        | Daniel Frei           |
| <b>Nationality</b> | Swiss                 |
| <b>Appointed</b>   | 1997                  |
| <b>Position</b>    | Managing Director B2C |

Mr Frei is Chairman of the Bank’s Pension Fund Board.



## Volker Gloe

German national and Swiss resident, born in 1968

Mr Gloe has been the Bank’s Chief Risk Officer since 2013. He holds a university degree in Business Administration (Diplom-Kaufmann) from the University of Kiel (Christian-Albrechts-Universität zu Kiel) in Germany.

**Professional experience:**

- 2007–2013: Chief Risk Officer at GE Money Bank Norway (Stavanger, Norway)
- 2005–2007: Risk Strategist at GE Money Bank Norway (Stavanger, Norway)
- 2002–2005: Marketing Analyst and from 2003 FBB Marketing for GE Consumer Finance (Stavanger, Norway)
- 1999–2002: Customer Intelligence Manager for Comdirect Bank AG (Quickborn, Germany)
- 1997–1999: Market Researcher for Deutsche Herold Versicherungsgruppe der Deutschen Bank (Bonn, Germany)

|                    |                          |
|--------------------|--------------------------|
| <b>Name</b>        | Volker Gloe              |
| <b>Nationality</b> | German                   |
| <b>Appointed</b>   | 2013                     |
| <b>Position</b>    | Chief Risk Officer (CRO) |

Mr Gloe is Vice Chairman of the Board of Managing Directors of the Bank’s following subsidiaries: Swiss Auto Lease 2019-1 GmbH, Swiss Auto Lease 2016-1 GmbH, Swiss Auto Lease 2015-1 GmbH, Swiss Auto Lease 2013-1 GmbH in Liquidation, eny Credit GmbH and Swiss SME Loans 2018-1 GmbH as well as member of the Board of Directors of cashgate AG and Fastcap AG.



## Dr Emanuel Hofacker

Swiss national and resident, born in 1968

Dr Hofacker has been the Bank's General Counsel since 2014. He holds a Master in Law and a Doctorate in Law (Dr iur.) both from the University of Zurich.

### Professional experience:

- 2017-2019: HR Director of Cembra Money Bank AG (Zurich, Switzerland)
- 2012-2014: Chief Compliance Officer of Cembra Money Bank AG (former GE Money Bank AG) (Zurich, Switzerland)
- 2011-2012: Senior Legal Counsel of DKSH Holding Ltd (Zurich, Switzerland)
- 2010-2011: Collections Leader of GE Money Bank AG (Zurich, Switzerland)
- 2006-2010: Senior Legal Counsel & Deputy General Counsel at GE Money Bank AG (Zurich, Switzerland)
- 2005-2006: Legal Counsel Operations at GE Money Bank AG (Zurich, Switzerland)
- 2002-2005: Associate with Prager Dreifuss AG (Zurich, Switzerland)

|                    |                     |
|--------------------|---------------------|
| <b>Name</b>        | Dr Emanuel Hofacker |
| <b>Nationality</b> | Swiss               |
| <b>Appointed</b>   | 2014                |
| <b>Position</b>    | General Counsel     |

Dr Hofacker is Chairman of the Board of Managing Directors of the Bank's following subsidiaries: Swiss Auto Lease 2019-1 GmbH, Swiss Auto Lease 2016-1 GmbH, Swiss Auto Lease 2015-1 GmbH, Swiss Auto Lease 2013-1 GmbH in Liquidation, as well as member of the Board of Directors of Swissbilling SA and cashgate AG. Furthermore, he is member of the Bank's Pension Fund Board, Board member of IKO (Information Center regarding Consumer Loans Association) as well as of KFS (Swiss Consumer Finance Association).



## Niklaus Mannhart

Swiss national and resident, born in 1967

Mr Mannhart has been Chief Operating Officer and member of the Management Board since August 2018. He has a diploma (Master) in Computer Science from the Swiss Federal Institute of Technology (ETH) in Zurich. In addition Mr Mannhart has a diploma in didactics and education from the Swiss Federal Institute of Technology (ETH) in Zurich.

### Professional experience:

- 2016-2018: COO IT & Operations Swiss Universal Bank at Credit Suisse (Schweiz) AG (Zurich, Switzerland)
- 2015-2016: COO Operations Swiss Universal Bank at Credit Suisse (Schweiz) AG (Zurich, Switzerland)
- 2012-2015: COO Operations Utilities and Operations Region Switzerland at Credit Suisse AG (Zurich, Switzerland)
- 2010-2012: Director at Credit Suisse AG (Zurich, Switzerland)
- 2001-2010: Associate Principal at McKinsey & Company (Zurich, Switzerland)
- 1995-2001: Research Associate, Teaching Assistant and System Administrator at Institute of Scientific Computing, ETH Zurich (Zurich, Switzerland)

|                    |                               |
|--------------------|-------------------------------|
| <b>Name</b>        | Niklaus Mannhart              |
| <b>Nationality</b> | Swiss                         |
| <b>Appointed</b>   | 2018                          |
| <b>Position</b>    | Chief Operating Officer (COO) |

Mr. Mannhart is member of the Board of Directors of the Bank's following subsidiaries: cashgate AG and Fastcap AG. Furthermore, he is the President of the ZEK (Central Office for Credit Information).



## Pascal Perritaz

Swiss national and resident, born in 1972

Mr Perritaz has been Chief Financial Officer and member of the Management Board since October 2018. He has a Master's Degree in Economics from the University of Fribourg and a Swiss Federal Diploma as Financial Analyst and Portfolio Manager. Furthermore, he is a graduate from the Program for Leadership Development at Harvard Business School in Boston (USA).

### Professional experience:

- 2014–2018: Chief Financial Officer, Commercial Insurance at Zurich Insurance Group AG (Zurich, Switzerland), a company listed on SIX
- 2014: Chief of Staff, Group Finance at Zurich Insurance Group Ltd. (Zurich, Switzerland)
- 2010–2013: Chief Financial Officer, Middle East / Africa at Zurich Insurance Group Ltd (Dubai, UAE)
- 2007–2010: Group Operations Manager at Zurich Insurance Group Ltd (Zurich, Switzerland)
- 1996–2006: Various roles with Zurich Insurance Group Ltd (Zurich, Switzerland and Dublin, Ireland)

|                    |                               |
|--------------------|-------------------------------|
| <b>Name</b>        | Pascal Perritaz               |
| <b>Nationality</b> | Swiss                         |
| <b>Appointed</b>   | 2018                          |
| <b>Position</b>    | Chief Financial Officer (CFO) |

Mr Perritaz is Chairman of the Board of Managing Directors of the Bank's following subsidiaries: eny Credit GmbH and Swiss SME Loans 2018-1 GmbH as well as Vice Chairman of the Board of Directors of Swissbilling SA and member of the Board of Directors of cashgate AG as well as member of the Bank's Pension Fund Board.

### 4.2 Other activities and vested interests

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There are no other Activities and vested interests of any members of the Management Board other than mentioned in the biographies above.

### 4.3 Rules in the Articles of Incorporation on the number of permitted activities pursuant to art. 12 para. 1 point 1 of the Ordinance against Excessive Compensation (OaEC)

---

The members of the Management Board may upon prior approval by the Board of Directors or the Compensation and Nomination Committee be involved in up to five Activities of which a maximum of one may be in a listed company. As with respect to the restrictions applicable to the members of the Management Board the following Activities do not fall under the above restrictions:

- Activities in entities controlled by the Group;
- Activities in entities controlling the Group; and
- Activities in associations, charitable institutions as well as welfare and pension institutions.

No member of the Management Board is entitled to exercise more than ten such Activities.

Please refer to the biographies of the members of the Management Board in section 4.1 above regarding the additional Activities of the members of the Management Board.

### 4.4 Management contracts

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The Bank has not entered into management contracts with third parties in 2019, and no such contracts are in place as per 31 December 2019.

## 5 Compensation, shareholdings and loans

Information about compensation, shareholdings and loans can be found in the Compensation Report on page 84.

## 6 Shareholders' rights of participation

### 6.1 Voting rights and representation restrictions

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There are no restrictions of the Swiss corporate law with regard to shareholders' rights of participation.

Each Share carries one vote in the General Meeting. Voting rights may be exercised only after a shareholder has been registered in the Share Register as a shareholder with voting rights up to a specific qualifying day ("Record Date") designated by the Board of Directors. Persons who acquired Shares will be recorded in the Share Register as shareholders with the right to vote, provided that they expressly declare that they acquired the registered shares in their own name and for their own account (for details, see section 2.6 above).

The Board of Directors may, with retroactive effect to the date of entry, cancel records in the Share Register that were created based on false information.

Any acquirer of Shares that is not registered in the Share Register as a shareholder with voting rights may not vote at or participate in person at any General Meeting, but will still be entitled to dividends and other rights with financial value with respect to such Shares.

Each shareholder may only be represented at a Annual General Meeting by:

- The Independent Proxy by means of a written or electronic proxy, or
- By a third party, who need not to be a shareholder, by means of a written proxy.

The Board of Directors may, in the invitation to the General Meeting or in general regulations or directives, specify or supplement the rules laid down above (including rules on electronic proxy and electronic instructions).

### 6.2 Statutory quorums

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No statutory quorums other than those defined by Swiss corporate law and the Swiss Federal Merger Act apply.

### 6.3 Convocation of the General Meeting

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The statutory rules on the convocation of the General Meeting comply with applicable Swiss corporate law. Thus, an Annual General Meeting is to be convened at least 20 calendar days prior to the date of such meeting by publishing a notice of the meeting in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) or by any other means of publication specified by the Board of Directors in a particular case. Shareholders registered in the Share Register may also be invited by written notice.

Annual General Meetings may be convened by the Board of Directors or, if necessary, by the Bank's auditors. The Board of Directors is further required to convene an extraordinary General Meeting if so resolved at an Annual General Meeting or if so requested by holders of Shares representing in aggregate, at least 10% of the Bank's share capital registered in the Commercial Register.



### 6.4 Inclusion of an item on the agenda

---

One or more shareholders holding Shares with an aggregate par value of at least CHF 1,000,000 or representing at least 10% of the Bank's share capital registered in the Commercial Register have the right to request that a specific proposal be put on the agenda for the next Annual General Meeting. The Articles of Incorporation ([www.cembra.ch/governance](http://www.cembra.ch/governance)) require that such request including details of agenda items and motions is communicated to the Board of Directors at least 45 calendar days prior to the next Annual General Meeting.

### 6.5 Registrations in the share register

---

There is no statutory rule on the deadline for registering shareholders in connection with the attendance of the Annual General Meeting. For organisational purposes, however, no shareholders will be registered in the Share Register during the period beginning 10 days prior to a General Meeting and ending immediately after the closing of the respective General Meeting.

## 7 Changes of control and defence measures

### 7.1 Duty to make an offer

---

The Articles of Incorporation do not contain any "opting-out" or "opting-up" provision with regard to mandatory public takeover offers, as defined in art. 125 of the Swiss Financial Market Infrastructure Act. Thus, an investor who acquires more than 33 ⅓% of all voting rights of the Bank (directly, indirectly or in concert with third parties), whether they are exercisable or not, is required to submit a takeover offer for all shares outstanding, according to the Swiss Financial Market Infrastructure Act.

### 7.2 Clauses on changes of control

---

The contracts of the members of the Board of Directors do not contain any change of control clauses.

The contracts of the Management Board do not make provision for any agreements in the case of a change of corporate control other than the accelerated vesting provision in the Executive Variable Compensation Plan (EVCP) as further described in the section Compensation Report on page 84.

In particular, no protection measures such as:

- Severance payments in the event of a takeover,
- Special provisions on the cancellation of contractual arrangements,
- Agreements concerning special notice periods or longer-term contracts where they exceed 12 months;
- The waiver of lock-up periods, and/or
- Additional contributions to pension funds

exist that protect the above-mentioned persons by certain contractual conditions against the consequences of takeovers.

## 8 Auditors

### 8.1 Duration of mandate and term of office of External Auditor

---

The consolidated financial statements and the individual financial statements are audited by KPMG AG, Zurich. The External Auditor is elected for a period of one year at the General Meeting. KPMG were appointed as statutory auditors and group auditors in 2005. The holder of this office changes every seven years, in accordance with the Swiss Code of Obligations. The current Lead Auditor for the Group since 2014 is Mr Cataldo Castagna, Partner.

### 8.2 Auditing fees

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Expenses related to the Group's financial and regulatory audit amounted to CHF 1,305,000 for the financial year 2019.

### 8.3 Additional fees

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Expenses related to assurance-related services amounted to CHF 60,000 for the financial year 2019.

### 8.4 Informational instruments pertaining to an External Audit

---

The Audit and Risk Committee, acting on behalf of the Board of Directors, is responsible for overseeing the activities of the External Auditor. It monitors the qualification, independence and performance of the latter. This includes reviewing external audit reports as well as examining the risk analysis. The Audit and Risk Committee receives quarterly reports from representatives of the External Auditor and it discusses these reports and assesses their quality and comprehensiveness. During 2019, the Chief Auditor as well as the auditor in charge representing the External Auditor attended all seven meetings of the Audit and Risk Committee.

The Audit and Risk Committee recommended that the Board of Directors approves the audited financial statements for the year ended 31 December 2019. The Board of Directors recommends that the the financial statements be accepted for approval by the General Meeting.

The Audit and Risk Committee regularly evaluates the performance of the External Auditor and once a year determines whether the External Auditor should be proposed to the General Meeting for election. Also once a year, the auditor in charge reports to the Audit and Risk Committee on the External Auditor's activities during the current year and on the audit plan for the coming year. To assess the performance of the External Auditor, the Audit and Risk Committee holds meetings with the CEO, the CFO and the Chief Auditor. Criteria assessments include qualifications, expertise, effectiveness, independence and performance of the External Auditor.

## 9 Information policy

### General information

The Bank informs its shareholders and the public by means of the annual and half-year reports, letters to shareholders, in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) as well as through press releases and presentations. These documents are available to the public in electronic form under: [www.cembra.ch/investors](http://www.cembra.ch/investors).

The Bank also publishes an annual report, available in English and German. Printed copies are sent to the Bank's shareholders upon request. The Bank's annual report is available under: [www.cembra.ch/financialreports](http://www.cembra.ch/financialreports).

### Ad-hoc publicity and e-mail distribution service

The Bank reports in accordance with the ad hoc publicity requirements pursuant to art. 53 of the Listing Rules of the SIX Swiss Exchange. Ad hoc announcements may be viewed at [www.cembra.ch/investors](http://www.cembra.ch/investors).

Interested parties can also subscribe to the e-mail distribution service to receive free and timely notifications of ad hoc announcements: [www.cembra.ch/investors](http://www.cembra.ch/investors).

### Important dates

The financial calendar can be downloaded from: [www.cembra.ch/investors](http://www.cembra.ch/investors).

### Contact address

Cembra Money Bank AG  
Bändliweg 20  
8048 Zurich  
Switzerland

### Investor Relations

E-mail: [investor.relations@cembra.ch](mailto:investor.relations@cembra.ch)  
Telephone: +41 44 439 85 72

# Compensation Report

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# Message from the Chairman of the Compensation and Nomination Committee to the Shareholders

## Dear Shareholders

On behalf of the Board of Directors and the Compensation and Nomination Committee (CNC), I am pleased to introduce the 2019 Compensation Report of Cembra Money Bank AG (hereafter referred to as the “Bank”, together with its subsidiaries, the “Group”).

In 2019 we again achieved a record result for the year with all products and the acquisition of cashgate contributing to the profitable growth. Net income amounted to CHF 159.2 million, which led to a return on equity of 15.7%. Net financing receivables increased by 37% to CHF 6,586 million due to the acquisition of cashgate and organic growth. The Group’s performance was reflected in the share price performance with a total shareholder return of 41% in the reporting period, following a –11% total shareholder return in 2018.

These achievements are reflected in the compensation decisions for 2019. As a result of the strong financial performance and based on the new goal framework with the four pillars Financials, Customer & Market, Operational Excellence and People & Leadership, the total compensation for the Group’s active Management Board was TCHF 5,448 for 2019, as compared to the budget of TCHF 6,400 comprising the fixed compensation approved at the Annual General Meeting 2018 and the variable compensation approved at the Annual General Meeting 2019. The total compensation in the previous year was TCHF 4,544 compared to an approved total compensation of TCHF 5,700. The total compensation for 2019 was higher than for the previous year primarily because the two additional Management Board members who joined during 2018 were compensated in 2019 for the full calendar year.

To ensure the compensation system fulfils its purpose of supporting the achievement of our long-term business objectives and to ensure alignment of executive compensation with the interests of our shareholders, we:

- Regularly review our compensation policy;
- Maintain a compensation system that is premised on pay for performance;
- Clearly define the expected performance through a robust performance management process; and
- Pay market competitive compensation levels for comparable roles and experience.

Our Executive Variable Compensation Plan consists of a short-term incentive and a separate long-term incentive programme:

- For the short-term variable compensation, the performance is predominantly tied to financial results (60% weight for the CEO) and the assessment of qualitative results.
- Awards under the long-term incentive plan are granted in the form of performance share units subject to a three-year performance-based cliff-vesting period. The performance conditions include relative total shareholder return and fully diluted earnings per share. This programme directly links the interests of the executives to those of the shareholders.

## Compensation Report

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For this report further efforts were made to increase levels of disclosure. We now provide more details on the targets of our long-term incentive programme under the Executive Variable Compensation Plan by disclosing the EPS target at time of the grant.

Regarding compensation levels, there were no changes of the Board of Directors' compensation and minimal changes in base salary for the Management Board members.

For the further development of our compensation strategy, we consider the opinion of our stakeholders as relevant and highly valuable. Therefore we engage in a regular dialogue with our investors and proxy advisors. As a result of this ongoing dialogue we will link as of 2020 the compensation of our Management Board to sustainability as well. We provide more information on how we will incorporate it in our executive remuneration framework going forward in the outlook section of this report.

You will have the opportunity to express your opinion on the compensation programmes through a non-binding, consultative shareholders' vote on this Compensation Report at the Annual General Meeting in April 2020. Furthermore, we will ask you to vote on the maximum aggregate compensation amount for the Board of Directors for the Annual General Meeting 2020 to Annual General Meeting 2021 term of office and on the maximum aggregate compensation for the Management Board to be paid out in the financial year 2021.

Looking ahead, we will continue to assess and review our compensation programmes to ensure that they are still fulfilling their purpose in the evolving context in which the Group operates and that they are aligned to the interests of our shareholders. We would like to thank you for taking the time to share your views with us during the entire year and trust that you find this report informative.



**Urs Baumann**  
Chairman of the Compensation and Nomination Committee

# 1 Compensation policy and guiding principles

The Bank's overall objective is to build on its position as a leading consumer finance provider in Switzerland. The success of the Bank largely depends on the quality and engagement of its employees.

The compensation policy is designed to align employees with the long-term interests of our stakeholders and is based on the following three main guiding principles:

## **Pay for performance in alignment with the Bank's values**

We endorse a performance-oriented approach coupled with sound risk management practices. The compensation policy supports a culture that differentiates and rewards excellent performance and recognises behaviours in line with the Bank's values of customer focus, engagement, responsibility and diversity. Variable compensation of the Management Board is based on the achievements of the Bank's objectives as well as individual performance. In order to avoid excessive risk taking, risk metrics and behaviours are included in the performance evaluation, and the variable compensation payouts are capped.

## **Market competitiveness and fairness**

We are committed to rewarding employees appropriately and competitively. The compensation guidelines ensure that compensation is based on the responsibilities and performance of the employees and is not influenced by gender or by non-performance-related criteria other than professional experience. In line with best practices, the Bank regularly benchmarks the compensation for the Bank's management to ensure that it is competitive and in line with market developments in order to be able to attract and retain talented executives.

## **Good governance practice**

We want to ensure that our compensation practices are transparent for the Bank's stakeholders and aligned with long-term shareholder interests. We adhere to the rules set by the Ordinance against Excessive Compensation in Listed Corporations (OaEC). Furthermore, the Bank's compensation guidelines take into consideration the rules of FINMA Circular 2010/1 "Remuneration schemes".

With regards to control functions, the Bank ensures that the remuneration structure and goals for control functions are predominantly linked to the core duties of the functions. Its compensation plans do not create incentives that lead to conflicts of interest with the tasks of control functions. This means in particular that the variable compensation of these individuals is not based solely or largely on financial measures and is not directly dependent on the financial performance of the business units, specific products, or transactions these individuals monitor.

Should an individual being responsible for a control function also be in charge of certain operational tasks, the compensation structure must not create inappropriate incentives.

# 2 Compensation governance

## **2.1 Compensation and Nomination Committee**

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According to the Articles of Incorporation, the Organisational Regulations (available under [www.cembra.ch/governance](http://www.cembra.ch/governance)) and the CNC Charter, the functions, responsibilities and powers of the CNC essentially comprise the following elements:

The CNC supports the Board of Directors in nominating and assessing candidates for positions to the Board of Directors and in assessing candidates for positions to the Management Board, in establishing and reviewing the compensation strategy and principles, and in preparing the respective proposals to the Annual General Meeting regarding the compensation of the members of the Board of Directors and the Management Board.

The CNC annually reviews and makes a recommendation to the Board of Directors concerning the structure and amount of the individual compensation of members of the Board of Directors and any additional compensation to be paid for service as Chairman of the Board of Directors and as Chairman or member of Board committees. The members of the Board of Directors shall abstain from voting when their own individual compensation is concerned.

## Compensation Report

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Furthermore, the CNC annually (a) reviews and assesses the objectives upon which the compensation of the CEO and the other members of the Management Board is based; and (b) evaluates the performance of the CEO and reviews, based on the assessment of the CEO, the performance of the other members of the Management Board in the light of these objectives. Based on the performance evaluation, the CNC makes a recommendation to the Board of Directors concerning the individual compensation of the CEO. With regard to the other members of the Management Board, the CNC makes a recommendation to the Board of Directors, based on the CEO's proposal, regarding appropriate individual compensation levels as to (a) the annual base salary level; (b) the annual incentive opportunity level; (c) the long-term incentive opportunity level; (d) any employment agreements and other arrangements or provisions; and (e) any special or supplementary benefits.

The following table illustrates the breakdown of decision-making authority between the CNC, the Board of Directors and the Annual General Meeting in matters related to the compensation of the Board of Directors and the Management Board:

| Decision on  | Recommendation by | Review by          | Approval by                           |
|--|-------------------|--------------------|---------------------------------------|
| Compensation policy and principles   | CNC               |                    | Board of Directors                    |
| Incentive compensation plans including share-based compensation            | CNC               |                    | Board of Directors                    |
| Aggregate compensation amount of Board of Directors                        | CNC               | Board of Directors | Annual General Meeting (binding vote) |
| Individual compensation of Chairman and members of the Board of Directors  | CNC               |                    | Board of Directors                    |
| Aggregate compensation amount of Management Board                          | CNC               | Board of Directors | Annual General Meeting (binding vote) |
| Compensation of Chief Executive Officer                                    | CNC               |                    | Board of Directors                    |
| Individual compensation of members of the Management Board (excluding CEO) | CEO               | CNC                | Board of Directors                    |

The CNC consists of at least two but not more than four members of the Board of Directors who are elected annually and individually by the Annual General Meeting for a period of one year. Re-election is possible.

The CNC holds meetings as often as required, but at least once every quarter. During 2019, the CNC held six meetings and performed the following activities:

- Determined Board of Directors compensation for following term of office;
- Nominated CNC members for following term of office;
- Determined the maximum aggregate compensation amounts of the Board of Directors and the Management Board for shareholders' vote at Annual General Meeting;
- Conducted a performance evaluation and determined variable compensation payout for previous year for Management Board;
- Conducted a strategic look-back assessment of the previous year;
- Set the 2019 goals for Management Board;
- Determined long-term incentive targets;
- Drafted and discussed the Compensation Report;
- Reviewed succession planning for Management Board and N-2 employees and evolution of organisation;
- Reviewed the Executive Variable Compensation Plan;
- Reviewed the CNC charter;
- Set the CNC agenda for the following year.

Generally, meetings are attended by the Chairman of the Board of Directors, the CEO and the HR Director in an advisory capacity. However, they do not take part in the section of the meetings where their own performance and/or compensation are discussed and have no voting rights. Other members of the Management Board and Board of Directors as



## Compensation Report

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well as other individuals may be invited if deemed necessary. The Chairman of the CNC reports to the Board of Directors after each meeting on the activities of the CNC. The minutes of the CNC meetings are available to the members of the Board of Directors. The CNC may decide to consult an external advisor from time to time for specific compensation matters. However these companies do not have other mandates with the Bank. In addition, support and expertise are provided by internal compensation experts such as the HR Director. For further governance-related information refer to the corporate governance section starting on page 55.

### 2.2 Method of determination of compensation

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To assist decision-making on the compensation of the Board of Directors and Management Board, benchmarking studies are carried out from time to time. The compensation practices of comparable companies are analysed in order to assess market practices and competitive remuneration levels and structures. The results of the benchmarking studies are taken into account in setting the fee structure and levels for the Board of Directors as well as the compensation structure and levels for the CEO and the other Management Board members. Further details of the benchmarking analyses and the peer groups of companies are provided under section 3 (Compensation of the Board of Directors) and section 4 (Compensation of the Management Board) of this report.

The CNC also considers other factors it deems relevant in its sole judgement including, without limitation, the Bank's performance, the environment in which the Bank operates, individual performance of the members of the Management Board and the awards granted to them in prior years.

### 2.3 Involvement of shareholders

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The Group's shareholders are involved and have decision-making authority on various compensation matters. First of all, shareholders annually approve the maximum aggregate compensation amounts of the Board of Directors and the Management Board. In addition, the principles of compensation are governed by the Articles of Incorporation, which have been approved by the shareholders. The provisions of the Articles of Incorporation on compensation can be found on the Corporate Governance website ([www.cembra.ch/governance](http://www.cembra.ch/governance)) and are summarised below:

- Compensation principles (art. 25c, 25d, 25h, 25i): The compensation of the Board of Directors consists of fixed compensation for services rendered as a member of the Board of Directors and – if applicable – as a committee member or a committee chairperson, which may be paid out partially in cash and partially in blocked, registered shares of the Bank. The compensation for the Management Board consists of a (i) fixed base salary paid in cash; (ii) further compensation elements such as housing allowances, school fees and the like as deemed appropriate by the CNC; and (iii) a variable compensation. Variable compensation may comprise short-term and long-term elements. Compensation may be paid in cash, shares or other benefits.
- Say-on-pay vote (art. 11a): Each year, the Annual General Meeting approves separately the aggregate maximum amounts of the compensation of the Board of Directors pursuant to art. 25c for the term of office until the next ordinary Annual General Meeting and of the compensation of the Management Board pursuant to art. 25d that is awarded or paid out in the subsequent business year following the Annual General Meeting. Further, the Annual General Meeting may express its views on the compensation architecture through a consultative vote on the Compensation Report.
- Additional amount (art. 25e): The Bank may award additional compensation to new members of the Management Board in the event that the members are appointed after the Annual General Meeting has approved the aggregate maximum compensation. The additional aggregate compensation per year for all new members of the Management Board shall not exceed 30% of the last aggregate maximum compensation amount approved by the Annual General Meeting.
- Loans, credits and pension benefits (art. 25g): Members of the Board of Directors and of the Management Board may be granted loans, credits and pension benefits in an amount which in total shall not exceed 50% of the last aggregate maximum compensation amount approved by the Annual General Meeting. The payment of bridge or interim annuities by the Bank to members of the Management Board is possible between early retirement and the statutory retirement age.

# 3 Compensation of the Board of Directors

## 3.1 Compensation architecture for the Board of Directors

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Members of the Board of Directors receive only fixed compensation to ensure their independence in their supervisory duties towards the Bank's executive management. The members of the Board of Directors do not receive any variable compensation or pension benefits.

The members of the Board of Directors are reimbursed for all reasonable cash expenses that occur in the discharge of their duties, including the reimbursement of their travel expenses to and from the meetings of the Board of Directors, meetings of the Board committees and the Annual General Meeting. Expenses are only reimbursed as they occur.

The fee structure for the Board of Directors consists of an annual fixed compensation for services on the Board of Directors and additional fees for assignments to committees of the Board of Directors.

The current pay structure (basic and committee fees), pay mix (cash or equity) and levels of compensation have been set up in 2015 and have been reviewed in a benchmarking study conducted in 2018 by the Bank's independent advisors of HCM International Ltd. based on listed financial institutions that belong to the 100 biggest companies in Switzerland in terms of market capitalisation. This market comparison group has been further refined by the exclusion of cantonal banks, real estate companies and owner-managed institutions. The final comparison group consisted of 17 companies: Baloise Group, Credit Suisse Group, EFG International, GAM Holding, Helvetia, Julius Baer, Leonteq, LLB, Pargesa, Partners Group, Swiss Life, Swiss Re, UBS, Valiant, Vaudoise Assurances, Vontobel and Zurich Insurance Group. For defining the total compensation levels at the Bank, individual company benchmark data has been size-adjusted. No adjustments of the compensation have been necessary as a result of the benchmark study conducted in 2018 by HCM International Ltd.

The guiding principles for the fee structure were defined as follows:

- For all members of the Board of Directors, total compensation shall be at or below the market benchmark; and
- The internal pay equity ratios between the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors and the ordinary Board of Directors members shall be maintained at comparable market level.

Structure of the Board of Directors compensation:

| In TCHF   | Basic fee | Committee/<br>chair fee |
|---|-----------|-------------------------|
| Chairman of the Board of Directors <sup>1</sup> | 450       |                         |
| Member of the Board of Directors                | 100       |                         |
| Vice Chairman                                   |           | 30                      |
| Chairman of the Audit and Risk Committee        |           | 65                      |
| Chairman of the CNC                             |           | 50                      |
| Member of the Audit and Risk Committee          |           | 35                      |
| Member of the CNC                               |           | 30                      |

<sup>1</sup> The Chairman of the Board of Directors is not eligible for additional committee fees

The fee structure was set in 2015 and has remained unchanged since then. Since the Annual General Meeting 2016, one-third of the compensation has been delivered in Cembra Money Bank AG shares blocked for a period of five years during which they cannot be sold, transferred or pledged. Should the Board member not stand for re-election at the Annual General Meeting, the initial blocking period will be lifted, but the shares will remain blocked until the earlier of two years after such date or the regular expiry of the blocking period. In case of death, disability or change of control, the blocking period may be lifted immediately.

## Compensation Report

### 3.2 Compensation awarded to the Board of Directors for 2019

The following tables disclose the compensation awarded to the members of the Board of Directors for 2019 and 2018. For 2019, members of the Board of Directors received a total compensation of TCHF 1,407 (previous year TCHF 1,409).

For the year ended 31 December 2019 (CHF)

| Name   | Function                             | Basic fee        | Committee/<br>chair fee | Employer<br>social security<br>contributions | Total            | Of which in<br>shares<br>in CHF <sup>1</sup> | Number of<br>shares |
|--|--------------------------------------|------------------|-------------------------|--|------------------|--|---------------------|
| Dr Felix Weber   | Chairman                             | 450,000          | –                       | 25,655                                       | 475,655          | 150,031                                      | 1,518               |
| Ben Tellings <sup>1</sup>  | Vice Chairman, Member<br>CNC         | 100,000          | 60,000                  | 11,277                                       | 171,278          | 53,615                                       | 542                 |
| Prof. Dr Peter Athanas   | Chairman Audit and Risk<br>Committee | 100,000          | 65,000                  | 10,166                                       | 175,166          | 55,034                                       | 557                 |
| Urs Baumann  | Chairman CNC                         | 100,000          | 50,000                  | 10,630                                       | 160,630          | 50,010                                       | 506                 |
| Denis Hall   | Member Audit and Risk<br>Committee   | 93,441           | 34,380                  | 14,599                                       | 142,419          | 42,690                                       | 432                 |
| Katrina Machin   | Member CNC                           | 93,622           | 29,468                  | 13,941                                       | 137,031          | 41,074                                       | 415                 |
| Dr Monica Mächler  | Member Audit and Risk<br>Committee   | 100,000          | 35,000                  | 9,573  | 144,573          | 45,088                                       | 456                 |
| <b>Total compensation of the<br/>members of the Board of<br/>Directors</b> |                                      | <b>1,037,062</b> | <b>273,848</b>          | <b>95,840</b>                                | <b>1,406,751</b> | <b>437,543</b>                               | <b>4,426</b>        |

<sup>1</sup> Vice Chairman and member of the CNC until 31 December 2019

<sup>2</sup> Number of shares reflects shares granted 1 February 2019 for the period 1 January 2019 until Annual General Meeting 2019 and shares granted 1 February 2020 for the period Annual General Meeting 2019 until 31 December 2019. For the grant 1 February 2019 the share price is CHF 82.79 - volume-weighted average price ("VWAP") 60 trading days before and including grant date (source: Bloomberg). For the grant 1 February 2020 the share price is CHF 108.96 - VWAP 60 trading days before and including grant date (source: SIX). Due to the blocking period statutory withholdings are made on discounted share value. The discount is 25.274% according to the table published by the circular no 37 of the Federal Tax Administration Office.

For the year ended 31 December 2018 (CHF)

| Name   | Function                             | Basic fee        | Committee/<br>chair fee | Employer<br>social security<br>contributions | Total            | Thereof in<br>shares<br>in CHF <sup>1</sup> | Number of<br>shares |
|--|--------------------------------------|------------------|-------------------------|--|------------------|---|---------------------|
| Dr Felix Weber   | Chairman                             | 450,000          | –                       | 25,679                                       | 475,679          | 150,049                                     | 1,777               |
| Ben Tellings   | Vice Chairman, Member<br>CNC         | 100,000          | 60,000                  | 11,354                                       | 171,354          | 53,395                                      | 632                 |
| Prof. Dr Peter Athanas   | Chairman Audit and Risk<br>Committee | 100,000          | 65,000                  | 11,688                                       | 176,688          | 55,024                                      | 652                 |
| Urs Baumann  | Chairman CNC                         | 100,000          | 50,000                  | 10,641                                       | 160,641          | 50,047                                      | 592                 |
| Denis Hall   | Member Audit and Risk<br>Committee   | 93,441           | 34,380                  | 14,700                                       | 142,520          | 42,626                                      | 505                 |
| Katrina Machin   | Member CNC                           | 93,622           | 29,468                  | 14,048                                       | 137,138          | 41,087                                      | 486                 |
| Dr Monica Mächler  | Member Audit and Risk<br>Committee   | 100,000          | 35,000                  | 9,579  | 144,579          | 45,069                                      | 533                 |
| <b>Total compensation of the<br/>members of the Board of<br/>Directors</b> |                                      | <b>1,037,062</b> | <b>273,848</b>          | <b>97,688</b>                                | <b>1,408,598</b> | <b>437,296</b>                              | <b>5,177</b>        |

<sup>1</sup> Number of shares reflects shares granted on 1 February 2018 for the period 1 January 2018 until Annual General Meeting 2018 and shares granted 1 February 2019 for the period Annual General Meeting 2018 until 31 December 2018. For the grant 1 February 2018 the share price is CHF 90.50 - volume-weighted average price ("VWAP") 60 trading days before and including grant date (source: Bloomberg). For the grant 1 February 2019 the share price is CHF 82.79 - VWAP 60 trading days before and including grant date (source: SIX). Due to the blocking period statutory withholdings are made on discounted share value. The discount is 25.274% according to the table published by the circular no 37 of the Federal Tax Administration Office.

## Compensation Report

Total compensation (including pre-estimated social security contributions) for the period from the Annual General Meeting 2019 to the Annual General Meeting 2020 for the Board of Directors will amount to TCHF 1,353 and is within the maximum aggregate compensation amount of TCHF 1,450 approved at the Annual General Meeting on 17 April 2019.

### Reconciliation between the reported compensation of the Board of Directors and the amounts approved by the shareholders at the Annual General Meeting (AGM)

|                                   | Compensation earned during financial year as reported (A) | Less compensation earned from Jan to AGM of financial year (B) | Plus compensation accrued from Jan to AGM of following year (C) | Total compensation earned for the period from AGM to AGM (A-B+C) | Amount approved by shareholders at respective AGM | Ratio of compensation earned for the period from AGM to AGM versus amount approved by shareholders |
|-----------------------------------|---|--|---|--|---|--|
| AGM 2019-AGM 2020                 | 2019  | 1 Jan 2019 to 2019 AGM   | 1 Jan 2020 to 2020 AGM  | 2019 to 2020 AGM <sup>1</sup>                                    | 2019 AGM  | 2019 AGM   |
| <b>Board of Directors (total)</b> | <b>1,406,751</b>  | <b>416,997</b>   | <b>362,929</b>  | <b>1,352,683</b>   | <b>1,450,000</b>                                  | <b>93%</b>   |
| AGM 2018-AGM 2019                 | 2018  | 1 Jan 2018 to 2018 AGM   | 1 Jan 2019 to 2019 AGM  | 2018 to 2019 AGM   | 2018 AGM  | 2018 AGM   |
| <b>Board of Directors (total)</b> | <b>1,408,598</b>  | <b>410,875</b>   | <b>420,834</b>  | <b>1,418,557</b>   | <b>1,450,000</b>                                  | <b>98%</b>   |

<sup>1</sup> The difference from the previous year results from the shorter term of office of Ben Tellings until 31 December 2019

#### Compensation of members of the Board of Directors who left the Bank during the reporting period

No such compensation was paid during the reporting period.

#### Other compensation, fees and loans to members or former members of the Board of Directors

No other compensation or fees than the amounts reported in the tables above were accrued for, or paid to, any member or former member of the Board of Directors during the reporting period.

For details related to loans outstanding at 31 December 2019, please refer to sub-chapter 6 “Loans and credits: Amounts due from members of governing bodies” of this report.

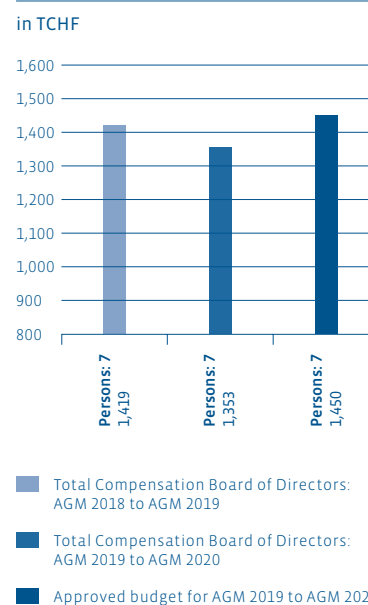
#### Compensation, loans or credits to related parties

No compensation, loans or credits have been paid or granted to persons related to current or former members of the Board of Directors, which are not at arm's length.

#### Clauses on changes of control

The contracts of the members of the Board of Directors (including the Chairman of the Board of Directors) do not contain change of control clauses other than regarding the lifting of the blocking period for shares as described in section 3.1 of this report.

#### Total Compensation Board of Directors



## 4 Compensation of the Management Board

### 4.1 Compensation architecture for the Management Board in 2019

The compensation of the Management Board is governed by the provisions in the Articles of Incorporation (available under: [www.cembra.ch/governance](http://www.cembra.ch/governance)), the individual employment contracts, the Executive Variable Compensation Plan (EVCP) and internal directives such as the Fringe Benefits Policy.

Since 2016 the compensation structure for the Management Board has been fundamentally changed in order to strengthen the alignment with shareholders' interest, the linkage between performance and pay, and to ensure competitive compensation practice.

The compensation of the Management Board consists of the following elements:

- Fixed annual compensation (base salary);
- Variable incentive compensation awarded in the form of an annual short-term incentive (STI) in cash and an equity-based long-term incentive (LTI); and
- Benefits such as pension and other benefits.

The table below provides an overview of the compensation architecture for the Management Board:

| Key Element                | Delivery  | Purpose   | Drivers   | Performance Measures   |
|----------------------------|---|---|---|--|
| Annual base salary         | Cash  | Attract and retain executives required to lead and develop the Group. | Scope and responsibilities of the role; individual's experience and performance; market competitiveness | n/a  |
| STI                        | Annual cash bonus                               | Pay for short-term performance  | Business and individual performance over a one-year period  | Bank financial goals, divisional goals and qualitative goals       |
| LTI                        | Performance share units (PSU) settled in shares | Align to shareholders' interests, pay for long-term performance       | Business performance over a three-year period, share price development                                  | Relative total shareholder return (rTSR), earnings per share (EPS) |
| Pension and other benefits | Retirement plans, insurances, perquisites       | Protection against risks for employees and their dependents           | Market practice   | n/a  |

To ensure market competitiveness, compensation of the members of the Management Board is reviewed annually taking into consideration the Bank's financial health, benchmark information, market movement, economic environment, and individual performance.

To determine the compensation levels for the members of the Management Board, a compensation analysis was conducted by Kienbaum Consultants International in 2018 for its executive functions. The following peer group was selected for this benchmark study: Financial Services, including retail banks, cantonal banks, regional Swiss banks as well as divisions of large banks and insurance companies. Only market data for positions comparable in scope and responsibilities were included. In cases of significantly larger companies, only functions below executive board level but comparable in regard of function-specific responsibilities were considered.

Only minimal changes in base salaries for a few individuals were made in 2019 to align with market benchmark. No changes were made for the CEO base salary.

#### Annual base salary

Annual base salaries are established on the basis of the following factors:

- Scope, size and responsibilities of the role, and the skills required to perform the role;
- External market value of the role; and
- Skills, experience and performance of the individual in the role.

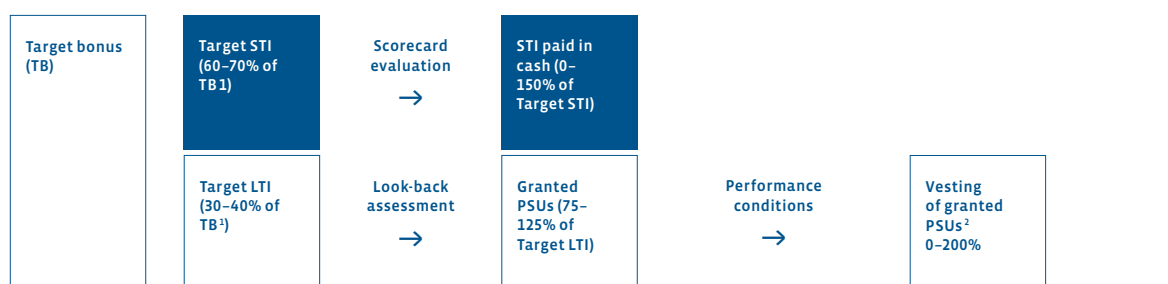
## Compensation Report

### Executive Variable Compensation Plan

The variable compensation of the Management Board is governed by the internal EVCP guideline. The purpose of the EVCP is to reward for the Bank's success and individual contributions of the participants, as well as to drive long-term shareholder value creation in a sustainable manner.

A so-called "target bonus" is determined for each participant. For the CEO, the target bonus amounts to 90% of the annual base salary, for the other members of the Management Board it amounts to 50% of the annual base salary. The target bonus is split into an annual cash incentive and an annual grant of equity. The structure of the EVCP is illustrated below:

### Executive Variable Compensation framework



| Performance year 2019<br>(Maximum amount approved at Annual General Meeting April 2019) | Q1 2020 | Q1 2021 | Q1 2022 | Q1 2023 | Q1 2024 |
|---|---------|---------|---------|---------|---------|
|---|---------|---------|---------|---------|---------|

<sup>1</sup> The target bonus is split into a target STI and a target LTI depending on function (CEO: 60%/40%, other members of the Management Board: 70%/30%)

<sup>2</sup> Vesting of PSUs settled in shares

### Short-term incentive (STI)

The STI is designed to reward the individual performance over a time horizon of one year based on the Bank's results. It allows the Management Board to participate in the Bank's success while being rewarded for individual contributions. The target STI amounts to 60% of the target bonus for the CEO and to 70% for the other Management Board members. The payout may vary between 0% and 150% of target STI depending on the performance achievement.

Performance is assessed through a scorecard evaluation. In 2019 a revised scorecard was put in place to better reflect business strategy in the targets of the goal framework and to further strengthen the alignment between shareholders and management.

In 2019 the goal framework for all Management Board members was based on the following four pillars:

- Financials;
- Customer and market;
- Operational excellence; and
- People and leadership.

Financial targets are company or divisional and purely of a quantitative nature, while targets for the other three pillars are a mix of quantitative and qualitative targets. The weights of these four pillars depend on the role assumed by members of the Management Board.

## Compensation Report

For 2019 the following weights were applicable:

| Category                  | CEO / Chief Financial Officer /<br>Managing Director B2B | Managing Director B2C | Chief Operating Officer/ General<br>Counsel/ Chief Risk Officer |
|---------------------------|--|-----------------------|---|
| 1. Financials             | 60 %   | 40 %                  | 30 %  |
| 2. Customer and market    | 15 %   | 15 %                  | 15 %  |
| 3. Operational excellence | 10 %   | 30 %                  | 40 %  |
| 4. People and leadership  | 15 %   | 15 %                  | 15 %  |

The weightings under this structure have been implemented in line with corporate governance best practice and shareholders' expectations. The STI is fully settled in cash and is usually paid in March of the following year.

Malus:

The STI is subject to a stringent malus condition in case of:

- Financial loss at group or divisional level;
- Breach of regulatory Tier 1 ratio;
- Compliance, risk, regulatory and reputational issues or incidents.

### Long-term incentive (LTI)

The LTI is a Performance Share Unit (PSU) plan that rewards the achievement of predefined performance goals over a three-year vesting period.

The target LTI amounts to 40% of the target bonus for the CEO and to 30% for the other Management Board members. The individual target LTI may be increased or decreased by up to 25%, based on a strategic look-back assessment of the Bank's performance by the Board of Directors. The look-back assessment considers, among others, the following factors:

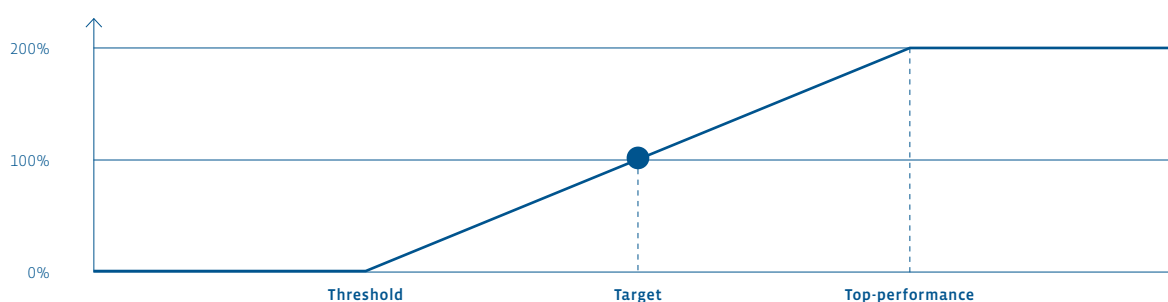
- Overall market positioning of the Bank (e.g., market share development, brand reputation);
- Quality of earnings (e.g., sustainability of income drivers and price levels, financing structure and credit rating, digitisation and unit cost efficiency, quality of compliance and risk framework);
- Future strategy (e.g., strategic roadmap for profitable growth, execution of strategic projects, strategic financial targets, quality of succession planning);
- An assessment of the individual contributions of the participants.

The LTI is granted in the form of PSUs by dividing the LTI grant value by the average of the daily volume-weighted average share price during the 60 trading days before the grant date. The PSUs are subject to a three-year cliff-vesting conditional upon the achievement of two performance conditions, both equally weighted:

- Relative total shareholder return (rTSR): The Bank's total shareholder return (TSR) is compared to the SPI Financial Services Index over a three-year period; and
- Fully diluted earnings per share (EPS): The Board of Directors sets an objective three-year target during the annual target setting process, taking into account (i) analysts' views/shareholder expectations and (ii) internal strategic plans. The cumulative EPS is calculated by giving 50% weight to the second and 50% weight to the third financial year following the grant date.

For each performance condition there is a lower threshold of performance below which there is no payout, a target level of performance which corresponds to 100% payout factor and a maximum level of performance providing for a 200% payout factor:

### Payout factor of originally granted PSUs



## Compensation Report

If the Bank's TSR exceeds the TRI-Benchmark by 20%pts or more, a payout factor of 200% applies. If the Bank's TSR falls short of the TRI-Benchmark by 20%pts or more, the payout factor is 0%. If the Bank's TSR is between -20%pts and +20%pts of the TRI-Benchmark, the payout factor is determined by linear extrapolation. The LTI vesting curves have been calibrated in a way that statistically in 2 out of 3 cases the LTI plan pays out; the "no payout" probability is kept at 33%. This calibration ensures that the plan is recognised as part of the expected variable compensation.

For EPS the maximum threshold is set at the 20% above target and the lower threshold at 20% below target.

At the end of the three-year vesting period, the achievement of the rTSR and EPS performance conditions is evaluated, and the respective payout factor for each performance condition is calculated and the payout factor is capped at 200%. The average of both payout factors provides for the overall payout factor. The number of PSUs originally granted is multiplied by the overall payout factor in order to define the number of shares vested:

### Payout factor of originally granted PSUs

$$\text{Number of shares vested} = \text{Number of PSUs originally granted} \times \text{Overall payout factor}$$

In case of voluntary resignation by a member of the Management Board or termination by the Bank for cause, the unvested PSUs forfeit on the day on which notice of termination is given. In case of termination of employment due to retirement, death, disability, termination by the Bank without cause or termination following change of control, the unvested PSUs are subject to an accelerated pro-rata vesting based on the number of full months that have expired during the actual vesting period in relation to the full vesting period.

The LTI awards are subject to clawback provisions in the case of material accounting restatement due to noncompliance with financial reporting requirements, of serious misconduct detrimental to the Bank or its reputation, of fraudulent or criminal activities, of breach of internal risk management or compliance procedures, or of noncompliance with the Swiss Banking Act.

The below table illustrates the target and maximum STI and LTI at grant and at vesting:

|  | CEO    |                     | Management Board |                     |
|--|--------|---------------------|------------------|---------------------|
|  | STI    | LTI                 | STI              | LTI                 |
| Target bonus in % of annual base salary          | 90 %   |                     | 50 %             |                     |
| % of target bonus                                | 60 %   | 40 %                | 70 %             | 30 %                |
| Target bonus as % of annual base salary          | 54 %   | 36 %                | 35 %             | 15 %                |
| Cap at grant in % of annual base salary          | 81 %   | 45 %                | 53 %             | 19 %                |
| Pay out/vesting range in % of annual base salary | 0-81 % | 0-90 % <sup>1</sup> | 0-53 %           | 0-38 % <sup>1</sup> |

<sup>1</sup> Not taking into account any increase in the underlying share price.

### Performance objectives under STI and LTI

Due to the commercial sensitivity of financial and qualitative objectives the internal individual and/or financial targets under the STI are not being disclosed ex ante in the Compensation Report. For the LTI the EPS targets are set in line with the explanations on page 95 and 96 of this report. For the grant 2019 the EPS target was approved at CHF 6.10 for the performance period 2019 until 2021.

The payout level of the variable compensation (short-term incentive programme and grant of long-term incentive programme) in the reporting year is explained and commented on in section 4.2 of this report.



## Compensation Report

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### **Benefits**

Benefits consist mainly of retirement and insurance plans that are designed to provide a reasonable level of protection for the employees and their dependents in respect to the risk of retirement, disability and death. The members of the Management Board also hold in regular pension plans offered to all employees.

Members of the Management Board may also receive certain executive benefits such as company car and other benefits in kind. For employees who have been relocated from abroad, benefits may also include schooling and tax support. The monetary value of these other elements of compensation is evaluated at fair value and is disclosed in the compensation table in section 4.2 of this report.

### **Employment contract termination clauses/ notice periods and severance agreements of the Management Board**

Employment contracts of members of the Management Board are subject to a notice period of a maximum of 12 months. The contracts concluded with the members of the Management Board do not contain any clauses relating to severance payments.

### **Clauses on changes of control**

The contracts of the Management Board do not contain change of control clauses other than the accelerated vesting provision in the EVCP as described in section 4.1. For further information refer to the corporate governance starting on page 55.

### **Share ownership guidelines**

Share ownership guidelines do not exist for the CEO or the other Management Board members.

## Compensation Report

### 4.2 Compensation awarded to the Management Board members for 2019

#### Compensation of active Management Board members

The total compensation paid to the active members of the Management Board for the performance year 2019, respectively 2018, is disclosed in the table below.

| For the performance year ended 31 December (CHF)            | 2019             |                  |                    | 2018             |                               |                    |
|---|------------------|------------------|--------------------|------------------|-------------------------------|--------------------|
|   | CEO              | Management Board | Total compensation | CEO              | Management Board <sup>7</sup> | Total compensation |
| Base salary   | 630,000          | 1,985,189        | 2,615,189          | 630,000          | 1,534,504                     | 2,164,504          |
| Social security   | 66,348           | 150,922          | 217,270            | 60,780           | 118,629                       | 179,408            |
| Pension plan  | 108,324          | 299,714          | 408,038            | 108,324          | 218,397                       | 326,721            |
| Other compensation <sup>1</sup>                             | 308,286          | 62,878           | 371,164            | 200,588          | 33,873                        | 234,461            |
| Replacement award <sup>2</sup>                              | -                | -                | -                  | -                | 248,122                       | 248,122            |
| <b>Total fixed compensation</b>                             | <b>1,112,957</b> | <b>2,498,704</b> | <b>3,611,661</b>   | <b>999,692</b>   | <b>2,153,525</b>              | <b>3,153,216</b>   |
| STI/ EVCP paid in cash <sup>3</sup>                         | 345,305          | 735,541          | 1,080,846          | 475,023          | 494,630                       | 969,653            |
| LTI/ EVCP granted in PSUs/ RSUs                             | 282,811          | 374,546          | 657,357            | 196,951          | 147,642                       | 344,593            |
| Number of PSUs/ RSUs granted <sup>4</sup>                   | 2,602            | 3,446            | 6,048              | 2,740            | 2,054                         | 4,794              |
| Value per PSU/ RSU <sup>5</sup>                             | 108.69           | 108.69           | 108.69             | 71.88            | 71.88                         | 71.88              |
| Social security   | 35,370           | 62,468           | 97,838             | 39,478           | 37,374                        | 76,852             |
| <b>Total variable compensation for the performance year</b> | <b>663,487</b>   | <b>1,172,555</b> | <b>1,836,042</b>   | <b>711,452</b>   | <b>679,646</b>                | <b>1,391,098</b>   |
| <b>Total compensation for the performance year</b>          | <b>1,776,444</b> | <b>3,671,259</b> | <b>5,447,703</b>   | <b>1,711,144</b> | <b>2,833,170</b>              | <b>4,544,314</b>   |
| Number of persons receiving compensation <sup>6</sup>       |                  |                  | 7                  |                  |                               | 8                  |
| FTE receiving compensation                                  |                  |                  | 7.00               |                  |                               | 5.83               |

<sup>1</sup> Includes benefits for relocated employees such as school fees as well as other benefits such as company cars. Due to higher school costs in 2019 and tax settlements from previous years the CEO's other compensation was higher compared to 2018.

<sup>2</sup> Replacement Award for the COO for forfeiture of deferred equity awards with previous employer. Award is granted in RSUs in August 2018 with a vesting period of 3 years after grant date.

<sup>3</sup> Paid out in March 2020, respectively March 2019.

<sup>4</sup> PSUs granted in 2020 and 2019 for the performance years 2019 and 2018.

<sup>5</sup> PSUs for 2019: Fair Market Value is based on the risk-adjusted volume-weighted average price ("VWAP") 60 trading days before grant date 1 February 2020 (CHF 108.96 - source: SIX). PSUs for 2018: Fair Market Value is based on the risk-adjusted volume-weighted average price ("VWAP") 60 trading days before grant date 1 February 2019 (CHF 82.79 - source: SIX). Determination through a Monte Carlo simulation algorithm.

<sup>6</sup> 8 persons end of 2018 because of new Management Board structure with 7 Management Board members in total plus the new hire of the CFO function effective 1 October 2018 and the paid leave of absence of the previous CFO until 31 March 2019.

<sup>7</sup> Includes compensation paid to the former CFO in 2018 after his withdrawal from the Management Board.

## Compensation Report

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### Highest total compensation

Robert Oudmayer, CEO, received the highest total compensation in 2019. For compensation details, please refer to the previous table.

### Compensation of Management Board members who left the Bank during the reporting period

The total compensation for the year 2019 paid to former members of the Management Board is disclosed in the table below.

| For the performance year ended 31 December (CHF)            | 2019  |
|---|---|
|   | Former Management Board member <sup>1</sup> |
| Base salary   | 87,500                                      |
| Social security   | 11,983                                      |
| Pension plan  | 12,068                                      |
| Other compensation  | 2,518                                       |
| <b>Total fixed compensation</b>                             | <b>114,069</b>                              |
| <b>Total variable compensation for the performance year</b> | <b>-</b>                                    |
| <b>Total compensation for the performance year</b>          | <b>114,069</b>                              |
| Number of persons receiving compensation                    | 1   |

<sup>1</sup> Leave of absence as of 1 October 2018, exit date 31 March 2019

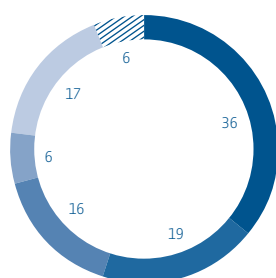
### Explanation of deviations versus the previous year:

- The total compensation of the Management Board members for the performance year 2019 amounts to TCHF 5,448. In addition TCHF 114 were paid to a former Management Board member on leave of absence during 2019. The combined total amount is within the approved maximum aggregate compensation amount of TCHF 6,400 (consisting of the sum of the expected portion of fixed compensation of TCHF 3,800 approved by the Annual General Meeting 2018 and the expected portion of variable compensation of TCHF 2,600 approved by the Annual General Meeting 2019).
- The total fixed compensation of the active members of the Management Board for the business year 2019 amounts to TCHF 3,612 (previous year TCHF 3,153).
- The total variable compensation for the performance year 2019 amounts to TCHF 1,836 (previous year TCHF 1,391). For the performance year 2019, the variable compensation amounted to 34% of the total compensation (previous year also 31%).
- The total fixed and the total variable compensation amount is higher than in the previous year primarily because two additional Management Board members joined during 2018 which increased the total number of Management Board members from five to seven. In 2019 seven Management Board members have been compensated for the full year whereas in 2018 the two additional Management Board members have been compensated pro-rata based on their start date.

# Compensation Report

## Performance year 2019 compensation structure CEO

in %

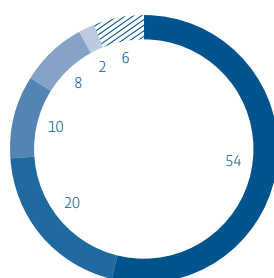


### Chief Executive Officer

- Base salary
- Bonus in cash
- Grant value of PSUs
- Pension
- Other compensation
- Social security

## Performance year 2019 compensation structure Management Board excl. CEO

in %



### Management Board (excl. CEO)

- Base salary
- Bonus in cash
- Grant value of PSUs
- Pension
- Other compensation
- Social security

## Assessment compared to plan

The individual overall short-term incentive payout percentage, which is based on the achievement of Bank and divisional financial goals as well as qualitative KPIs, ranges from 88% to 118% for the performance year 2019 for the members of the Management Board including the CEO (previous year 100% to 140%).

The long-term incentive grant for the performance year 2019 has been approved by the Board of Directors at 125% (previous year: 100%) based on the strategic look-back assessment considering the major achievements realised with the cashgate acquisition and the go live of Cembra Business. The final value of this grant will be determined by the performance conditions outlined in the sub-chapter Long-term Incentive (LTI) of this report.

| Assessment compared to plan |                                |                                  |        |
|-----------------------------|--------------------------------|----------------------------------|--------|
|                             | Goal                           | Threshold                        | Target |
|                             | Financials                     | <div style="width: 80%;"></div>  |        |
|                             | Customer & Market              | <div style="width: 90%;"></div>  |        |
|                             | Operational Excellence         | <div style="width: 95%;"></div>  |        |
| STI                         | People & Leadership            | <div style="width: 90%;"></div>  |        |
| LTI                         | Strategic look-back assessment | <div style="width: 100%;"></div> |        |

## Compensation Report

### Vesting of RSU grants

| Plan      | Grant year | Vesting year<br>1st tranche | Vesting year<br>2nd tranche | Vesting year<br>3rd tranche | Number of RSUs<br>vested 2019 | Value at vesting<br>2019<br>(in CHF) <sup>1</sup> |
|-----------|------------|-----------------------------|-----------------------------|-----------------------------|-------------------------------|---|
| EVCP 2013 | 2014       | 2015                        | 2016                        | 2017                        | n/a                           | n/a   |
| EVCP 2014 | 2015       | 2016                        | 2017                        | 2018                        | n/a                           | n/a   |
| EVCP 2015 | 2016       | 2018                        | 2019                        | 2020                        | 1,893                         | 181,160   |

<sup>1</sup> EVCP vesting on 1 March 2019 valued with share price of CHF 95.70

### Vesting of PSU grants

| Plan      | Grant year | Performance period | EPS target | Vesting year | EPS<br>achievement | rTSR<br>achievement | Vesting factor   | Number of<br>PSUs vested | Value at<br>vesting<br>(in CHF) |
|-----------|------------|--------------------|------------|--------------|--------------------|---------------------|------------------|--------------------------|---------------------------------|
| EVCP 2016 | 2017       | 2017 - 2019        | 4.98       | 2020         | n/a <sup>1</sup>   | n/a <sup>1</sup>    | n/a <sup>1</sup> | n/a <sup>1</sup>         | n/a <sup>1</sup>                |
| EVCP 2017 | 2018       | 2018 - 2020        | 5.43       | 2021         | n/a                | n/a                 | n/a              | n/a                      | n/a                             |
| EVCP 2018 | 2019       | 2019 - 2021        | 6.10       | 2022         | n/a                | n/a                 | n/a              | n/a                      | n/a                             |
| EVCP 2019 | 2020       | 2020 - 2022        | n/a        | 2023         | n/a                | n/a                 | n/a              | n/a                      | n/a                             |

<sup>1</sup> EVCP vesting on March 1 2020. Due to performance measurement period for total shareholder return ending by the fifth trading day before the grant day 1 March 2020, it is not possible to disclose the final vesting factor in the Compensation Report 2019. The vesting factor is currently estimated to be 177% considering the EPS achievement and the rTSR for the period until 27 January 2020. Information about final vesting factor, number of PSUs vested, and value at vesting (in CHF) will be published in the Compensation Report 2020.

### Other compensation, fees and loans to members or former members of the Management Board

No other compensation or fees than the amounts reported in the tables above were accrued for or paid to the members or a former member of the Management Board during the reporting period.

For details related to loans outstanding as of 31 December 2019 please refer to sub-chapter 6 “Loans and Credits: Amounts due from Members of Governing Bodies” of this report.

### Compensation or loans to related parties

No compensation or loans have been paid or granted, respectively, to persons related to current or former members of the Management Board which are not at arm's length.

## 5 Compensation awarded to all Bank employees in 2019

The structure of compensation of all employees is as follows:

- Annual base salary determined based on the scope and responsibilities of the role, the market value of the role and the individual's level of experience and performance;
- Annual variable incentive compensation for middle management employees paid fully in cash. For the Management Board, the variable incentive compensation is paid under the terms and conditions of the EVCP described above for the Management Board;
- Sales incentives for sales employees are paid quarterly in cash based on the performance against pre-approved goals;
- Incentive payments for employees in operations functions are paid semi-annually or annually in cash.

The following table includes information regarding the aggregated compensation awarded to all employees for the business years 2019 and 2018, including compensation for members of the Management Board. The Bank had 802 (full-time equivalents) as of 31 December 2019 compared to 754 employees (full-time equivalents) as of 31 December 2018 respectively.

| For the performance year ended 31 December | 2019                             |                             | 2018                |                             |
|--|----------------------------------|-----------------------------|---------------------|-----------------------------|
|  | Amount<br>(in TCHF) <sup>2</sup> | Eligible employees<br>(FTE) | Amount<br>(in TCHF) | Eligible employees<br>(FTE) |
| Base salaries                              | 82,068                           |                             | 75,025              |                             |
| Variable compensation <sup>1</sup>         | 6,402                            | 303                         | 5,998               | 253                         |
| <b>Total</b>                               | <b>88,470</b>                    | <b>802</b>                  | <b>81,023</b>       | <b>754</b>                  |

<sup>1</sup> Includes annual variable incentive payments for Management Board, senior and middle management as well as sales incentive payments for the performance year 2019, respectively 2018.

<sup>2</sup> Covers only employees of the Bank

## 6 Shareholdings and loans

As required by art. 663c of the Code of Obligations, the Bank discloses the shareholdings of the members of the Board of Directors and the Management Board.

### Shareholdings of the Board of Directors

| At 31 December         |               | 2019             |                          | 2018             |                          |
|------------------------|---------------|------------------|--------------------------|------------------|--------------------------|
| Name                   | Function      | Number of shares | Number of blocked shares | Number of shares | Number of blocked shares |
| Dr Felix A. Weber      | Chairman      | 7,250            | 5,433                    | 7,250            | 3,621                    |
| Ben Tellings           | Vice Chairman | -                | 1,802                    | -                | 1,157                    |
| Prof. Dr Peter Athanas | Member        | -                | 1,993                    | -                | 1,328                    |
| Urs Baumann            | Member        | 7,200            | 1,812                    | 7,200            | 1,208                    |
| Denis Hall             | Member        | -                | 1,166                    | -                | 651                      |
| Katrina Machin         | Member        | -                | 1,487                    | -                | 991                      |
| Dr Monica Mächler      | Member        | -                | 1,631                    | -                | 1,087                    |

The members of the Board of Directors did not hold any share options at 31 December 2019 and at 31 December 2018.

### Shareholdings and unvested Performance Share Unit and Restricted Stock Unit ownership of the Management Board

| At 31 December      |                       | 2019             |                |                | 2018             |                |                |
|---------------------|-----------------------|------------------|----------------|----------------|------------------|----------------|----------------|
| Name                | Position              | Number of shares | Number of RSUs | Number of PSUs | Number of shares | Number of RSUs | Number of PSUs |
| Robert Oudmayer     | CEO                   | 10,859           | 1,069          | 8,214          | 9,790            | 2,138          | 5,474          |
| Jörg Fohringer      | Managing Director B2B | -                | -              | -              | -                | -              | -              |
| Daniel Frei         | Managing Director B2C | 4,345            | 292            | 1,717          | 4,053            | 584            | 1,144          |
| Volker Gloe         | CRO                   | 4,112            | 290            | 1,631          | 3,823            | 579            | 1,087          |
| Dr Emanuel Hofacker | General Counsel       | 2,162            | 243            | 1,495          | 1,919            | 486            | 996            |
| Niklaus Mannhart    | COO                   | -                | 3,038          | 266            | -                | 3,038          | -              |
| Pascal Perritaz     | CFO                   | -                | -              | 172            | -                | -              | -              |
| Rémy Schimmel       | former CFO            | -                | -              | -              | 282              | 927            | -              |

The members of the Management Board do not hold any share options at 31 December 2019 and at 31 December 2018.

### Loans and credits: amounts due from members of governing bodies

| At 31 December (CHF in thousands)            | 2019 | 2018 |
|--|------|------|
| Amounts due from members of governing bodies | 28   | 22   |

Amounts due from members of governing bodies as of 31 December 2019 are in connection with credit card balances. Due to the insignificance of the amounts involved, there was no disclosure by name for members of the Board of Directors and the Management Board.

## 7 Compensation outlook: Inclusion of sustainability

In 2019, the CNC reviewed and further developed the Management Board's remuneration framework consisting of the short-term incentive compensation and the long-term incentive compensation to drive sustainability by including a link to the Management Board's compensation.

Such efforts were mainly triggered by the aim to include a focus on long-term sustainable growth and to respond to the feedback and expectations of various stakeholders such as shareholders and proxy advisors.

As of 2020 the strategic look-back assessment criteria will be expanded. In addition to market positioning, quality of earnings and future strategy, it will also include sustainability, with the following performance indicators:

- Definition of sustainability strategy and framework (incl. priorities, goals and measurements);
- Achievement of sustainability goals, and
- Reputation and market perception of the Bank's sustainability commitment and performance.

We believe that sustainability is an important factor for the Group's long-term financial performance and that it will contribute to the overall success of Cembra.





# Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

We have audited the compensation report of Cembra Money Bank AG for the year ended December 31, 2019. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 3.2, 4.2 and 6 of the compensation report.

## Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

## Auditor's Responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the compensation report for the year ended December 31, 2019 of Cembra Money Bank AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Cataldo Castagna  
Licensed Audit Expert  
Auditor in Charge

Malea Bourquin  
Licensed Audit Expert

Zurich  
March 18, 2020



Your Swiss Bank

# Financial Report 2019

# Consolidated Financial Statements

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## Consolidated statements of income

| For the years ended 31 December (CHF in thousands)   | Notes    | 2019            | 2018            |
|--|----------|-----------------|-----------------|
| Interest income                                      | 22       | 359,775         | 329,955         |
| Interest expense                                     | 23       | -27,791         | -20,771         |
| <b>Net interest income</b>                           |          | <b>331,984</b>  | <b>309,184</b>  |
| Commission and fee income                            | 24       | 147,721         | 129,646         |
| <b>Net revenues</b>                                  |          | <b>479,705</b>  | <b>438,830</b>  |
| <b>Provision for losses on financing receivables</b> | <b>4</b> | <b>-45,066</b>  | <b>-50,056</b>  |
| Compensation and benefits                            |          | -120,487        | -105,850        |
| General and administrative expenses                  | 25       | -111,277        | -87,177         |
| <b>Total operating expenses</b>                      |          | <b>-231,764</b> | <b>-193,026</b> |
| <b>Income before income taxes</b>                    |          | <b>202,875</b>  | <b>195,748</b>  |
| Income tax expense                                   | 17       | -43,676         | -41,622         |
| <b>Net income</b>                                    |          | <b>159,199</b>  | <b>154,126</b>  |
| <b>Earnings per share</b>                            |          |                 |                 |
| Basic  | 15       | 5.53            | 5.47            |
| Diluted  | 15       | 5.53            | 5.46            |

See accompanying notes to the consolidated financial statements

## Consolidated statements of comprehensive income

| For the years ended 31 December (CHF in thousands)             | 2019           | 2018           |
|--|----------------|----------------|
| Net income   | 159,199        | 154,126        |
| Net prior service cost, net of tax                             | -1,353         | -1,182         |
| Actuarial gain/(loss), net of tax                              | -736           | -5,130         |
| Unrealised gains/(losses) on investment securities, net of tax | -              | 6              |
| Total other comprehensive gain/(loss), net of tax              | -2,089         | -6,306         |
| <b>Comprehensive income</b>                                    | <b>157,110</b> | <b>147,820</b> |

See accompanying notes to the consolidated financial statements

# Consolidated statements of financial position

| At 31 December (CHF in thousands)                 | Notes | 2019             | 2018             |
|---|-------|------------------|------------------|
| <b>Assets</b>                                     |       |                  |                  |
| Cash and cash equivalents                         |       | 542,579          | 499,323          |
| Financing receivables, net                        | 4     | 6,585,555        | 4,806,759        |
| Investment securities                             | 5     | 5,668            | 10,558           |
| Property, plant and equipment, net                | 6     | 28,822           | 7,413            |
| Thereof operating lease - right-of-use assets     | 6     | 19,773           | n/a              |
| Intangible assets, net                            | 7     | 93,021           | 33,152           |
| Goodwill  | 8     | 156,828          | 15,877           |
| Other assets                                      | 9     | 72,740           | 62,586           |
| Deferred tax assets, net                          | 17    | -                | 4,564            |
| <b>Total assets <sup>1</sup></b>                  |       | <b>7,485,213</b> | <b>5,440,231</b> |
| <b>Liabilities and equity</b>                     |       |                  |                  |
| Deposits  | 10    | 3,495,152        | 2,827,254        |
| Accrued expenses and other payables               |       | 202,158          | 156,566          |
| Short-term debt                                   | 11    | 325,063          | 300,015          |
| Long-term debt                                    | 11    | 2,313,541        | 1,197,749        |
| Other liabilities                                 | 13    | 57,964           | 25,197           |
| Thereof operating lease - lease liability         | 6     | 19,663           | n/a              |
| Deferred tax liabilities, net                     | 17    | 788              | -                |
| <b>Total liabilities <sup>1</sup></b>             |       | <b>6,394,667</b> | <b>4,506,780</b> |
| Common shares                                     |       | 30,000           | 30,000           |
| Additional paid in capital (APIC)                 |       | 259,447          | 209,590          |
| Retained earnings                                 |       | 859,685          | 816,069          |
| Treasury shares                                   |       | -35,260          | -100,972         |
| Accumulated other comprehensive loss (AOCI)       |       | -23,325          | -21,235          |
| <b>Total shareholders' equity</b>                 |       | <b>1,090,547</b> | <b>933,451</b>   |
| <b>Total liabilities and shareholders' equity</b> |       | <b>7,485,213</b> | <b>5,440,231</b> |

<sup>1</sup> The Group's consolidated assets as at 31 December 2019 and 2018 include total assets of TCHF 627,362 and TCHF 609,644, respectively, of consolidated variable interest entities (VIEs) that can only be used to settle the liabilities of the VIEs. The Group's consolidated liabilities as at 31 December 2019 and 2018 include liabilities of the VIEs of TCHF 474,787 and TCHF 403,814, respectively, for which the VIE creditors do not have recourse to Cembra Money Bank AG

See accompanying notes to the consolidated financial statements

## Consolidated statements of changes in shareholders' equity

| CHF in thousands   | Common shares | APIC           | Retained earnings | Treasury shares  | AOCI            | Total equity     |
|--|---------------|----------------|-------------------|------------------|-----------------|------------------|
| <b>Balance at 1 January 2018</b>   | <b>30,000</b> | <b>294,544</b> | <b>677,451</b>    | <b>- 101,004</b> | <b>- 15,530</b> | <b>885,460</b>   |
| Net income   | -             | -              | 154,126           | -                | -               | 154,126          |
| Dividends paid   | -             | - 84,589       | - 15,508          | -                | -               | - 100,097        |
| Change due to share-based compensation   | -             | 237            | -                 | 879              | -               | 1,115            |
| Treasury shares  | -             | -              | -                 | - 847            | -               | - 847            |
| Reclassifications from accumulated other comprehensive loss net of deferred tax of -593 <sup>1</sup> | -             | - 601          | -                 | -                | 2,243           | 1,642            |
| Unrealised gains / (losses) on available for sale debt securities, net of deferred tax of 2          | -             | -              | -                 | -                | 6               | 6                |
| <b>Balance at 31 December 2018</b>   | <b>30,000</b> | <b>209,590</b> | <b>816,069</b>    | <b>- 100,972</b> | <b>- 21,235</b> | <b>933,451</b>   |
| <b>Balance at 1 January 2019</b>   | <b>30,000</b> | <b>209,590</b> | <b>816,069</b>    | <b>- 100,972</b> | <b>- 21,235</b> | <b>933,451</b>   |
| Net income   | -             | -              | 159,199           | -                | -               | 159,199          |
| Dividends paid   | -             | -              | - 105,734         | -                | -               | - 105,734        |
| Change due to share-based compensation   | -             | 471            | -                 | 816              | -               | 1,287            |
| Treasury shares  | -             | 45,161         | - 9,852           | 64,896           | -               | 100,204          |
| Movements related to the Group's benefit plan obligation, net of deferred tax of 643                 | -             | -              | -                 | -                | - 5,034         | - 5,034          |
| Reclassifications from accumulated other comprehensive loss net of deferred tax of -695 <sup>1</sup> | -             | -              | -                 | -                | 2,945           | 2,945            |
| Change due to convertible bonds  | -             | 4,200          | -                 | -                | -               | 4,200            |
| Other  | -             | 26             | 4                 | -                | -               | 30               |
| <b>Balance at 31 December 2019</b>   | <b>30,000</b> | <b>259,447</b> | <b>859,685</b>    | <b>- 35,260</b>  | <b>- 23,325</b> | <b>1,090,547</b> |

<sup>1</sup> Reclassifications from accumulated other comprehensive loss related to the Group's benefit plan obligation are classified in the income statement under compensation and benefits

See accompanying notes to the consolidated financial statements

## Consolidated statements of cash flows

| For the years ended 31 December (CHF in thousands)                                       | Notes | 2019            | 2018            |
|--|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>  |       |                 |                 |
| Net income   |       | 159,199         | 154,126         |
| Adjustments to reconcile net income to cash provided from operating activities:          |       |                 |                 |
| Provision for losses on financing receivables  |       | 45,066          | 50,056          |
| Deferred income taxes  |       | 5,041           | 776             |
| Depreciation   |       | 3,532           | 2,910           |
| Amortisation of intangible assets  |       | 15,926          | 10,093          |
| Decrease (-)/Increase in accrued expenses  |       | 23,523          | 14,093          |
| Decrease/Increase (-) in tax receivables   |       | 2,189           | 1,032           |
| Decrease/Increase (-) in other receivables   |       | -679            | -4,107          |
| All other operating activities   |       | -1,404          | -5,096          |
| <b>Net cash provided by operating activities</b>   |       | <b>252,391</b>  | <b>223,884</b>  |
| <b>Cash flows from investing activities</b>  |       |                 |                 |
| Net change in financing receivables  | 27    | -337,324        | -297,332        |
| Proceeds from maturity of investment securities  |       | 4,890           | -               |
| Additions to property, plant and equipment   |       | -4,654          | -4,505          |
| Additions to intangible assets   |       | -12,519         | -16,711         |
| Investments in subsidiaries and other investments  | 3     | -255,216        | -1,369          |
| All other investing activities   |       | -1,023          | 3,081           |
| <b>Net cash used in investing activities</b>   |       | <b>-605,846</b> | <b>-316,835</b> |
| <b>Cash flows from financing activities</b>  |       |                 |                 |
| Net change in deposits   |       | 667,899         | 200,467         |
| Issuance of short-term and long-term debt  |       | 1,723,699       | 175,561         |
| Repayments of short-term and long-term debt  |       | -1,984,853      | -100,000        |
| Dividends paid   |       | -105,734        | -100,097        |
| Purchase of treasury shares  |       | -1,704          | -847            |
| Net proceeds from sale of treasury shares  |       | 101,908         | -               |
| All other financing activities   |       | -2,327          | -654            |
| <b>Net cash used in financing activities</b>   |       | <b>398,889</b>  | <b>174,429</b>  |
| <b>Net increase/ decrease (-) in cash and cash equivalents</b>                           |       | <b>45,433</b>   | <b>81,478</b>   |
| <b>Cash and cash equivalents, including restricted cash classified in "Other assets"</b> |       |                 |                 |
| Beginning of the period  |       | 528,113         | 446,634         |
| thereof restricted cash  |       | 28,790          | 28,213          |
| <b>End of period</b>   |       | <b>573,546</b>  | <b>528,113</b>  |
| thereof restricted cash  |       | 30,967          | 28,790          |
| <b>Supplemental disclosure</b>   |       |                 |                 |
| Interest paid  |       | -21,834         | -18,683         |
| Income taxes paid  |       | -41,454         | -40,215         |

See accompanying notes to the consolidated financial statements



# Notes to the consolidated financial statements

## 1. Basis of presentation and summary of significant accounting policies

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Cembra Money Bank, which is headquartered in Zurich, Switzerland, comprises of Cembra Money Bank AG (“the Bank” or the parent company) and its subsidiaries Swiss Auto Lease 2013-1 GmbH in Liquidation, Swiss Auto Lease 2015-1 GmbH, Swiss Auto Lease 2016-1 GmbH, Swiss Auto Lease 2019-1 GmbH, Swissbilling SA, eny Credit GmbH, Swiss SME Loans 2018-1 GmbH, cashgate AG and Fastcap AG (collectively “the Group”). The Group is a leading provider of financing solutions and services in Switzerland. The main products comprise consumer finance products such as personal loans, auto leases and loans, credit cards as well as saving products.

The consolidated financial statements reflect the Group’s financial position, results of operations, shareholders’ equity and cash flows and have been prepared in accordance with accounting principles generally accepted in the US (US GAAP) and in compliance with the Swiss law. The Group’s financial year ends on 31 December. The consolidated financial statements are stated in Swiss francs (CHF) and have been derived from the historical accounting records. The abbreviation TCHF within these financial statements refers to thousands of Swiss francs. The numbers published in the notes in thousands of Swiss francs are rounded, therefore rounding differences can occur.

### Consolidation

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The consolidated financial statements represent the Bank and all of its majority-owned or controlled subsidiaries. All significant transactions and balances among the Group’s consolidated subsidiaries have been eliminated.

An entity is referred to as a variable interest entity (VIE) if it meets the criteria outlined by the Financial Accounting Standards Board (FASB), in the Accounting Standards Codification (ASC) 810, Consolidation, which are: (a) the entity has insufficient equity to allow it to finance its activities without additional subordinated financial support from other parties; or (b) the entity has equity investors that as a group cannot make significant decisions about the entity’s operations or that do not absorb the expected losses or receive the expected returns of the entity. The Group is involved with VIEs through its lease securitisation and lending activities.

In accordance with ASC Topic 810, the Group consolidates a VIE when it has both the power to direct the activities that most significantly impact the VIE’s economic performance and an obligation to absorb losses, or a right to receive benefits from the entity that could be potentially significant to the VIE, i.e. when the Group is determined to be the primary beneficiary of the VIE.

VIEs are continually monitored by the Group to determine if any events have occurred that could cause its primary beneficiary status to change. These events include:

- Additional purchases or sales of variable interests by the Bank or an unrelated third party, which cause the Bank’s overall variable interest ownership to change;
- Changes in contractual arrangements in a manner that reallocates expected losses and residual returns among the variable interest holders;
- Changes in the party that has the power to direct the activities of a VIE that most significantly impact the entity’s economic performance; and
- Providing support to an entity that results in an implicit variable interest.

## Consolidated Financial Statements

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### Use of estimates

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Preparing financial statements in conformity with US GAAP requires the management to make estimates based on assumptions about future economic and market conditions that affect the reported amounts and the related disclosures in the financial statements. Although the Group's current estimates take into account current conditions and how management expects them to change in the future, as appropriate, it is reasonably possible that in 2020 and beyond actual conditions could be worse than anticipated in those estimates, which could materially affect the Group's results of operations and financial position. Among other effects, such changes could result in future impairments of goodwill, intangible, long-lived and right-of-use assets, incremental losses on financing receivables, and establishment of additional valuation allowances on deferred tax assets. Such changes may also have an impact on the residual values of leased objects and on the actuarial valuation of the projected benefit obligations (PBO) of the pension fund.

### Revenues (earned income)

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#### Interest income on loans and credit cards

The Group uses the interest method to recognise income on loans and credit cards. Interest income includes amortisation of direct loan origination costs, as well as nonrefundable origination and annual fees.

The Group stops interest recognition at the earlier of the time at which collection on an account becomes doubtful or at the time at which the account becomes 90 days past due. The Group resumes interest recognition on nonaccrual, nonrestructured commercial loans only when (a) payments are received that bring the account to earning status according to the loan's original terms; and (b) future payments are reasonably assured. The Group resumes interest recognition on nonaccrual consumer loans when the customer's account cures to less than 90 days past due as a result of payments received.

#### Interest income on leases

Financing lease income is recognised using the interest method to produce a level yield on the outstanding principal. Interest on leases also includes amortisation of initial direct costs. Estimated residual values at the date of lease inception are based upon the Group's initial best estimates of the value of the leased asset at the end of the lease term. The Group uses various data sources in determining this estimate, including information obtained from third parties which is adjusted for the attributes of the specific asset being evaluated. Full amount of residual values guaranteed by third party dealers are included in fixed lease payments when evaluating lease classification under ASC 842-10-25-2.

#### Other revenues

In accordance with ASC Topic 606, revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. The Group recognises revenue when it satisfies a contractual performance obligation. These performance obligations are typically satisfied as the services in the contract are rendered. The contract terms are generally such that they do not result in any contract assets. The contracts generally do not include a significant financing component or obligations for refunds or other similar obligations. The contracts generally do not include variable consideration, therefore there is no significant judgement required in this respect.

The Group offers insurance products to its customers. Those products are complementary to the Group's lending products and the Group acts as an agent to insurance companies. For arranging between the customer and the insurer, the Group is entitled to keep a part of the insurance premium as its commission, which is recognised on a net basis as the services are rendered. The premiums are charged monthly, the Group recognises the commission income as earned; revenue from cards insurance products due annually is amortised over 12 months. Fee revenues primarily comprise credit card fees, such as interchange and other fees, including reminder fees. Interchange and other card fees are recognised when earned, except for the origination and annual fees described under the sub-chapter "Interest Income on Loans and Credit Cards" above. Fee revenue is reduced by the costs of any applicable reward programme.

### Depreciation and amortisation

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Depreciation of property, plant and equipment is recorded on a straight-line basis over the estimated useful lives of the assets by type of fixed assets.

The cost of intangible assets is generally amortised on a straight-line basis over the asset's estimated useful life. The Group reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

## Consolidated Financial Statements

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### Allowance for losses

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The allowance for losses on financing receivables represents the Group's estimate of future probable losses inherent in the portfolio. Losses on financing receivables are recognised when they are incurred. The method of calculating estimated losses depends on the size, type and risk characteristics of the related financing receivables. The Group's loan portfolio consists of smaller-balance, homogenous loans, including mainly credit card receivables, personal loans, auto leases and loans. Each portfolio is evaluated for impairment on a quarterly basis. The allowance for losses on these financing receivables is established through a process that estimates the probable losses inherent in the portfolio based upon statistical analyses of portfolio data. These analyses include migration analysis, in which historical delinquency and credit loss experience is applied to the current ageing of the portfolio, together with other analyses that reflect current trends and conditions. Management also considers the Group's historical loss experience to date based on actual defaulted loans and overall portfolio indicators including nonaccrual loans, trends in loan volume and lending terms, credit policies and other observable environmental factors such as the unemployment rate or interest rate movements as well as future client payment behaviour which is subject to management judgement.

Nonaccrual financing receivables are those on which the Group has stopped accruing interest.

Delinquent receivables are those that are 30 days or more past due based on their contractual terms.

Troubled debt restructurings (TDRs) are loans or leases where the customer has experienced financial difficulties and is unable to meet the contractual obligations, and as a result the Group has granted concessions to the customer that it would not otherwise consider. The Group has minimal exposure to TDRs as this type of restructuring only would be granted in exceptional individual cases.

### Write-offs and recoveries

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For personal loans and auto leases and loans, the Group maintains a single write-off date within each month, which ensures that at each reporting date all accounts meeting the relevant criteria have been written off. Unsecured closed-end instalment loans originated by the Bank or cashgate with term duration less than 60 months and consumer auto finance leases are written off on the monthly write-off date after the contract reaches 120 days contractually past due. Unsecured closed-end instalment loans originated by the Bank or cashgate with term duration of 60 months or greater and commercial auto finance leases are written off on the monthly write-off date after the contract reaches 180 days contractually past due. For credit cards, the Group writes off the account on the date the account becomes 180 days contractually past due. Unsecured consumer loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within the defined write-off periods, whichever occurs earlier.

As a response to market demand, the Group offers personal loans with a contractual duration up to 84 months. In order to allow for all reasonable and effective collection efforts, and in light of the Swiss Consumer Credit Act requirements, effective in 2019, the write-off date for unsecured closed-end instalment loans originated by the Bank or cashgate with term duration of 60 months or greater changed from 120 days to 180 days. This process facilitates an appropriate time frame for collection activities to effectively deal with delinquent closed-end loans given their duration.

This synchronisation of write-off and collection processes is considered a change in accounting estimate as per ASC Topic 250, where changes are made prospectively. The change in estimate led to a decrease of write-off in an amount of approximately CHF 10.6 million. As a consequence of not writing-off, there are two new delinquency buckets introduced, leading to an increase of the receivables 30 days as well as 90 days past due in the same amount. A build-up of allowance for losses in an amount of approximately CHF 4.5 million was accounted for related to these new delinquency buckets. The net impact on income before tax was approximately CHF 6.1 million.

Recoveries are defined as any cash collected after a loan or lease has been written off. Recoveries include the receipt of principal, interest, fees and proceeds from realisation of collateral, debt sales and claims against insurance policies.

Write-offs are deducted from the allowance for losses when the Group judges the principal to be uncollectable and subsequent recoveries are added to the allowance for losses at the time cash is received on a written-off account.

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As part of its business activities, the Group periodically sells previously written-off financing receivables to external parties. These transactions are recorded in accordance with ASC Topic 860-20 Sales of Financial Assets.

### Provision for losses

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Provision for losses on financing receivables is the expense related to maintaining the allowance for losses at an appropriate level to absorb the estimated probable future losses on financing receivables as at each period end date. Factors that could influence the provision for losses on financing receivables include:

- The impact of general economic conditions on consumers, including unemployment levels, bankruptcy trends and interest rate movements;
- Changes in consumer spending and payment behaviours;
- Changes in the Group's financing receivables portfolio, including the overall mix of accounts, products and loan balances within the portfolio;
- The level and direction of historical and anticipated loan/lease delinquencies and write-offs;
- The credit quality of the financing receivables portfolio, which reflects, among other factors, the Group's underwriting practices and effectiveness of collection efforts; and
- Regulatory changes or new regulatory guidance.

### Cash and cash equivalents

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Cash and cash equivalents consist of cash on hand, demand deposits with the Swiss National Bank or other banks and cash equivalents. Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less. Restricted cash, which is not available for use in the ordinary course of operations and is restricted in terms of withdrawal or usage, is classified in "Other assets".

### Leases

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The Group offers leases for both new and used vehicles (primarily cars but also other auto vehicles including light commercial vehicles, motorcycles and caravans) to private and self-employed individuals and small businesses. These lease transactions are considered and accounted for as direct financing leases as they fulfil the relevant criteria set out in ASC Topic 842. Direct financing leases are carried at the aggregate of lease payments receivable plus the guaranteed residual value of the leased object less unearned income.

For the periods beginning 1 January 2019 under ASC Topic 842, right-of-use assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease.

Operating lease right-of-use assets and liabilities are recognised at the commencement date of a lease based on the present value of lease payments over the lease term. The Group determines if an arrangement is a lease at inception. Operating lease right-of-use assets are included in property, plant and equipment whereas operating lease liabilities are recognised in accrued expenses and other payables and other liabilities in the Group's consolidated statements of financial position. No material finance leases have been recognised.

As most of the Group's leases do not provide an implicit rate, the Group uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Group uses the implicit rate when readily determinable. The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate leases. When it is reasonably certain that the Group will exercise an option to extend or terminate a lease, the amended term is included in the lease calculation. Lease expense for lease payments is recognised on a straight-line basis over the lease term. Variable lease payments are expensed in the period in which they occur.

The Group has lease agreements with lease and non-lease components. For real estate leases, the Group has elected to account for the lease and non-lease components as a single lease component. For automobile and IT asset leases, the Group has elected to account for the lease and non-lease components as separate components.

## Consolidated Financial Statements

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The Group accounts for all short-term leases by recognising lease payments in net income on a straight-line basis over the lease term and will not recognise any right-of-use assets and lease liabilities in the Group's consolidated statements of financial position. For the periods prior to 1 January 2019, the Group accounted for leases in accordance with ASC Topic 840.

### Investment securities

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Investment securities include debt securities classified as available-for-sale. Regular-way security transactions are recorded on a trade-date basis. Debt securities classified as available-for-sale are carried at fair value. Unrealised gains and losses, which represent the difference between fair value and amortised cost, are recorded in accumulated other comprehensive income (AOCI). Amounts reported in AOCI are net of income taxes. Amortisation of premiums or discounts is recorded in interest income using the effective interest method through the maturity date of the security.

Impairment on debt securities is recorded in the consolidated statements of income if a decline in fair value below amortised cost is considered other-than-temporary, that is, amounts due according to the contractual terms of the security are considered uncollectable, typically due to the deterioration in the creditworthiness of the issuer. No impairment is recorded in connection with declines resulting from changes in interest rates to the extent the Group does not intend to sell the investments, nor it is more likely than not that the Group will be required to sell the investments before the recovery of their amortised cost bases, which may be at maturity.

Unrealised losses on available-for-sale securities are recognised in the consolidated statements of income when a decision has been made to sell a security.

### Goodwill

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Goodwill arises on the acquisition of subsidiaries. It is measured as the excess of the fair value of the consideration transferred, the fair value of any noncontrolling interest in the acquiree and the fair value of any previously held equity interest in the acquired subsidiary, over the net fair values of the identifiable assets acquired less the liabilities assumed at the acquisition date. Goodwill is not amortised, instead it is tested for impairment annually, or if events or changes in circumstances happen which indicate that goodwill may be impaired. Goodwill is allocated to the Group's reporting units for the purposes of the impairment test. The measurement periods for the valuation of assets acquired and liabilities assumed end as soon as information on the facts and circumstances that existed as of the acquisition dates becomes available, but do not exceed 12 months. Adjustments in purchase price allocations may require a change in the amounts allocated to goodwill during the periods in which the adjustments are determined within this 12 month period. Please refer to note 8 for further details.

### Intangible assets

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The cost of intangible assets is amortised on a straight-line basis over their estimated useful lives. The remaining useful life of an intangible asset that is being amortised is evaluated each reporting period to determine whether the events and circumstances warrant a revision to the remaining period of amortisation. If the estimate of an intangible asset's remaining useful life is changed, the remaining carrying amount of the intangible asset shall be amortised prospectively over that revised remaining useful life. Amortisable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets include internally developed and capitalised software, customer relationships and trademarks. Please refer to note 7 for further details.

### Income taxes

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Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the date of the balance sheets and their respective tax bases. Deferred tax assets and liabilities are computed using currently enacted tax rates and are shown on the face of the balance sheet. Income tax expense or benefit is recorded in income tax expense/benefit, except to the extent that

## Consolidated Financial Statements

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the change relates to transactions recorded directly in total shareholders' equity. Deferred tax assets are reduced by a valuation allowance, if necessary, to the amount that management believes will more likely than not be realised. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates in the period in which changes are enacted by the relevant authority. Deferred tax assets and liabilities are presented on a net basis for the same tax-paying component within the same tax jurisdiction. The Group determines whether it is more likely than not that an income tax position will be sustained upon examination based on the technical merits of the position. Sustainable income tax positions are then measured to determine the amount of benefit eligible for recognition in the financial statements. Each such sustainable income tax position is measured at the largest amount of benefit that is more likely than not to be realised upon ultimate settlement.

### Share-based compensation

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The Group has share-based compensation programmes in place. It accounts for the compensation cost from share-based payment transactions according to the fair-value-based method. The compensation cost is measured based on the grant-date fair value of the shares and is recognised over the requisite service period with a corresponding credit to equity. The compensation cost for an award with only service conditions that has a graded vesting schedule is recognised on a straight-line basis over the requisite service period for each separate vesting portion of the award. The programmes are described in detail in note 26.

### Debt

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Loans that the Bank intends to hold to maturity are carried at amortised cost as the outstanding principal balance plus accrued interest, net of the following items: unamortised discounts, deferred loan origination fees. Interest income is accrued on the unpaid balance, and net deferred discounts and fees are amortised as an adjustment to the loan yield over the term of the related loans. For capital management purposes, the Bank issued hybrid capital instruments, either with a Tier 1 capital trigger or a write-off or contingent share conversions features. The embedded conversion option as linked to the Bank's shares is bifurcated for accounting purposes as measured separately via equity. The host contract is accounted for under the amortised cost method.

### Treasury shares

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The Group holds own shares which are recorded at cost and reported as treasury shares, resulting in a reduction to total shareholders' equity. Dividends received on own shares are excluded from the consolidated statements of income and are recorded in shareholders' equity.

### Pension obligation

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Pension assumptions are significant inputs to the actuarial models that measure the Group's pension benefit obligation and related effects on operations. The two assumptions regarding the discount rate and expected return on assets are important elements of pension plan expense and asset/liability measurement. The Group evaluates these critical assumptions at least once a year. The measurement date used to perform the actuarial valuation is 31 December. The Group periodically evaluates other assumptions involving demographic factors, such as retirement age, mortality, employee turnover, and updates them to reflect its experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors. Accumulated and projected benefit obligations are measured using the present value of expected payments. The Group discounts the cash payments using the weighted average of market-observed yields for high-quality corporate bonds with maturities that correspond to the expected payment of benefits. To determine the expected long-term rate of return on pension plan assets, the Group considers current asset allocations, as well as historical and expected returns on various categories of plan assets. In developing future long-term return expectations for its benefit plan assets, the Group formulates views on the future economic environment. The Group evaluates general market trends and historical relationships among a number of key variables that impact asset class returns, such as expected earnings growth, inflation, valuations, yields and spreads, using both internal and external sources. The Group also takes into account expected volatility by asset class and diversification across classes to determine expected overall portfolio results given current allocations.

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### Fair value measurements

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For financial assets and liabilities measured at fair value, fair value is the price the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on observable market data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that would occur at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

- Level 1 Quoted prices for identical instruments in active markets.
- Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 Significant inputs to the valuation model are unobservable.

The Group maintains policies and procedures to value instruments using the best and most relevant data available. Shares in investment companies and units in mutual funds which are not directly quoted on a public stock exchange and/or for which fair value is not readily determinable are measured at fair value using net asset value. With regard to Level 3 valuations, the Group performs a variety of procedures to assess the reasonableness of the valuations. Such reviews take into account any changes in the current interest rate and credit environment, as well as any other available published market data.

### Off-balance sheet arrangements

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The Group is party to certain financial instruments that present the Group with off-balance sheet risk, primarily relating to credit, in the normal course of business. These financial instruments are commitments to extend credit and involve, to varying degrees, elements of both credit and interest rate risk in excess of the balances recognised in the Group's consolidated statements of financial position.

The Group's consolidated maximum exposure to credit losses under these commitments is represented by their total contractual amount. The Group follows the same credit and underwriting policies in making such commitments as it does for on-balance-sheet instruments.

### 2. Accounting changes

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#### Recently adopted accounting standards

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In February 2016, the FASB issued ASU 2016-02 and subsequent amendments, collectively known as ASC Topic 842 Leases, which require lessees to recognize most leases on their balance sheets for the rights and obligations created by those leases. The guidance requires enhanced disclosures regarding the amount, timing and uncertainty of cash flows arising from leases that will be effective for periods beginning after 15 December, 2018, including interim periods within that fiscal year. Early adoption is permitted.

Effective 1 January, 2019, the Group adopted the new lease accounting standard using the modified retrospective transition option of applying the new standard at the adoption date while electing not to recast comparative periods in the transition. In addition, the Group elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Group to carry forward the historical lease classification. In adopting the new lease accounting standard, the Group elected to not apply the recognition requirements of ASC Topic 842 to leases with duration of 12 months or less. The Group chose to not separate non-lease components from the associated lease components by class of underlying assets. Variable lease payments are recognized in the period in which the obligation is incurred. Adoption of the new standard resulted in the recording of additional lease assets and lease liabilities of TCHF 17,835 at 1 January, 2019. The adoption of this standard did not have a material impact related to existing leases and as a result, the Group did not have any cumulative-effect adjustments to retained earnings.

#### Recently issued accounting standards to be effective in future periods

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On 16 June 2016, the FASB issued ASU 2016-13 “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”, which amends the guidance on the impairment of financial instruments. The ASU adds to US GAAP an impairment model, known as the current expected credit loss (CECL) model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognises as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The ASU is also intended to reduce the complexity of US GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments.

Subsequently, the FASB has issued several additional amendments to ASU 2016-13, which affect certain aspects related to clarification and updates to a variety of topics, as well as allowing for an irrevocable election of the fair value option for certain financial assets previously measured on an amortised cost basis upon transition. Additionally, the amendments also deferred the effective date to annual periods beginning after 15 December 2022, and interim periods therein. The Group is evaluating the effect of adoption of the new standard on its financial statements.

On 26 January 2017, the FASB issued ASU 2017-4 “Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment”, which amends goodwill impairment test by eliminating step two, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. Instead, under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The guidance is effective for fiscal years beginning after 15 December 2020, including interim periods therein. The Group does not expect there to be a material impact from the adoption of the new standard on its financial statements.

On 28 August 2018, the FASB issued ASU 2018-13 “Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement”, which simplifies required fair value disclosures. Under the new guidance, the disclosure requirements on fair value measurements are modified. Certain disclosure requirements regarding transfers between Level 1 and 2, as well as the valuation processes for Level 3 measurements, have been removed. Other modifications relate to the Level 3 disclosures or specific disclosures on investments in assets using net asset values. New disclosures will also be required for unrealised gains or losses and unobservable inputs related to Level 3 assets. The guidance is effective for fiscal years beginning after 15 December 2019, including interim periods therein. The Group does not expect there to be a material impact from the adoption of the new standard on its financial statements.



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On 29 August 2018, the FASB issued ASU 2018-15 “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract”, which aligns the requirements for capitalising implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalising implementation costs incurred to develop or obtain internal-use software. Accordingly, the amendments in this update require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalise as an asset related to the service contract and which costs to expense. The amendments in this update are effective for public business entities for fiscal years beginning after 15 December 2019, and interim periods within those fiscal years. Early adoption of the amendments in this update is permitted, including adoption in any interim period, for all entities. The amendments in this update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Group is evaluating the impact of this ASU on its financial statements.

On 25 April 2019, the FASB issued ASU 2019-04 “Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and hedging, and Topic 825, Financial Instruments”, which affects certain aspects of the guidance issued in the amendments in the ASU 2016-13 related to clarification and updates to a variety of topics. The effective date and transition requirements issued in this update will be the same as the effective date and transition requirements in Topic 326 (ASU 2016-13). The Group is evaluating the impact of this ASU on its financial statements.

On 18 December 2019, the FASB issued ASU 2019-12 “Simplifying the Accounting for Income Taxes”. The amendments in the update simplify the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify GAAP for other areas of ASC 740 by clarifying and amending existing guidance. The new guidance is effective for the Group starting in fiscal years beginning after December 2020, including interim periods within those fiscal years. The Group plans to adopt the guidance as of 1 January 2021 and is currently assessing the impact of this guidance on its financial statements.

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### 3. Business developments

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On 3 January 2019, the liquidation process for Swiss Auto Lease 2012-1 GmbH in Liquidation was completed with the cancellation of the company from the register of commerce of Zurich.

On 6 March 2019, the Group launched its fifth auto lease asset-backed security (ABS) transaction (Swiss Auto Lease 2019-1 GmbH) and issued fixed-rate senior notes of TCHF 250,000 on the Swiss capital market with a legal maturity of ten years and an optional redemption date of three years from the date of issuance. Most of the proceeds from this issuance were used to refinance the third ABS issued in 2015. On 23 March 2019, the TCHF 200,000 outstanding senior notes issued in 2015 were fully repaid with no further amounts due to noteholders.

With effect from 31 May 2019, the Group closed two branches in Baden and Biel.

On 2 September 2019, the Group acquired 100% of shares of cashgate AG, a leading consumer finance provider in Switzerland, for total consideration of CHF 277 million in cash without any earn-out. The addition of cashgate AG's personal loan and vehicle leasing business strengthens Cembra's position as a leading consumer finance provider within Switzerland.

The Group determined that this acquisition constitutes a business combination as defined by ASC Topic 805, Business Combinations. Accordingly, as of the date of the acquisition, the Group recorded the assets acquired and liabilities assumed at fair value. The Group determined fair values in accordance with the guidance provided in ASC Topic 820, Fair Value Measurements and Disclosures. Fair value was established using a combination of market, income or cost approaches. The determination of fair values involve high degree of judgement and complexity. The estimation of expected future cash flows, market conditions, and other future events and actual results could differ materially.

The following table summarises preliminary allocation of the cashgate AG purchase price, which is based on the estimated fair values of the assets acquired and liabilities assumed on the close date. Transaction costs of CHF 7.9 million were expensed as incurred.

CHF in thousands

|   |                |
|---|----------------|
| <b>Purchase price</b>   | <b>277,023</b> |
| Cash and cash equivalents   | 21,867         |
| Receivables from consumer loans and leasing                                     | 1,472,314      |
| Intangible assets   | 62,253         |
| Other current and non-current assets including operating lease assets           | 27,244         |
| Term debt   | -1,409,838     |
| Employee benefits obligations   | -13,798        |
| Other current and non-current liabilities including operating lease liabilities | -22,069        |
| Deferred tax liability  | -1,901         |
| <b>Net assets acquired</b>  | <b>136,072</b> |
| <b>Goodwill</b>   | <b>140,951</b> |

The allocation of the purchase price was based upon a preliminary valuation, and the estimates and assumptions are subject to refinement within the measurement period (up to one year from the acquisition close date). Adjustments to the purchase price allocation may require adjustments to goodwill prospectively. The primary areas of the preliminary purchase price allocation that are not yet finalized relate to certain tax matters.

Preliminary goodwill of CHF 141.0 million arising from the acquisition is attributed to the expected synergies, includ-

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ing future cost efficiencies, and other benefits that are expected to be generated by combining Cembra and cashgate. Goodwill recognised is not expected to be deductible for tax purposes. See note 8 for more information on goodwill.

In addition, the Group has paid TCHF 1,410 for the reimbursement of a loan granted to cashgate AG by the previous shareholder.

On 23 October 2019, the subsidiary Fastcap AG was founded. The purpose of the company is to provide IT, e-commerce and web-based services as well as B2B services, particularly in the areas of financing, administration, customer service, debt collection and digital communication.

### 4. Financing receivables and allowance for losses

At 31 December 2019 and 2018, respectively, the Group's financing receivables included lending to private customers, vehicle lease financing and credit card financing as follows:

| At 31 December (CHF in thousands)                        | 2019             | 2018             |
|--|------------------|------------------|
| Loans  | 4,021,306        | 3,130,931        |
| Deferred costs, net                                      | 46,500           | 33,424           |
| <b>Total loans, including deferred costs, net</b>        | <b>4,067,806</b> | <b>3,164,354</b> |
| Investment in financing leases, net of deferred income   | 2,580,392        | 1,686,124        |
| Other <sup>1</sup>                                       | 17,631           | 8,294            |
| <b>Financing receivables before allowance for losses</b> | <b>6,665,829</b> | <b>4,858,772</b> |
| Less allowance for losses                                | -80,274          | -52,013          |
| <b>Financing receivables, net</b>                        | <b>6,585,555</b> | <b>4,806,759</b> |

<sup>1</sup> Other include Swissbilling SA

The majority of the investment in financing leases is related to auto leases. Components of the Group's net investment in financing leases, which are included in financing receivables above, are shown below:

| At 31 December (CHF in thousands)                | 2019             | 2018             |
|--|------------------|------------------|
| Total minimum lease payments receivable          | 2,785,042        | 1,826,088        |
| Deferred income <sup>1</sup>                     | -204,650         | -139,964         |
| <b>Investment in direct financing leases</b>     | <b>2,580,392</b> | <b>1,686,124</b> |
| Less allowance for losses                        | -9,140           | -7,365           |
| <b>Net investment in direct financing leases</b> | <b>2,571,252</b> | <b>1,678,759</b> |

<sup>1</sup> Included TCHF 25,298 and TCHF 16,881 of initial direct costs on direct financing leases as at 31 December 2019 and 31 December 2018, respectively

The subsidiaries held TCHF 595,581 and TCHF 580,854 of net financing receivables as at 31 December 2019 and 2018, respectively, as collateral to secure third-party debt in securitisations. See note 20 to the consolidated financial statements for further details of securitisations.

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As at 31 December 2019, the Group's contractual maturities for loans and financing leases were:

| Due in (CHF in thousands) | Loans            | Minimum lease payments receivable |
|---------------------------|------------------|-----------------------------------|
| 2020                      | 89,605           | 240,719                           |
| 2021                      | 244,207          | 410,940                           |
| 2022                      | 417,856          | 683,690                           |
| 2023                      | 580,224          | 825,663                           |
| 2024                      | 694,945          | 578,883                           |
| 2025 and later            | 928,039          | 45,146                            |
| Consumer revolving loans  | 1,066,430        | -                                 |
| <b>Total</b>              | <b>4,021,306</b> | <b>2,785,042</b>                  |

Actual maturities may differ from contractual maturities.

The following table provides further information about financing receivables:

| At 31 December (CHF in thousands)                         | 2019             | 2018             |
|---|------------------|------------------|
| Personal loans  | 2,685,349        | 1,918,898        |
| Auto leases and loans                                     | 2,927,204        | 1,984,277        |
| Credit cards  | 1,035,645        | 947,303          |
| Other <sup>1</sup>  | 17,631           | 8,294            |
| <b>Financing receivables, before allowance for losses</b> | <b>6,665,829</b> | <b>4,858,772</b> |
| Allowance for losses                                      | -80,274          | -52,013          |
| <b>Financing receivables, net</b>                         | <b>6,585,555</b> | <b>4,806,759</b> |

<sup>1</sup> Other include Swissbilling SA

A summary of activity in the allowance for losses is shown below:

| At 31 December (CHF in thousands)          | Balance at 1 January 2019 | Provision for losses | Amounts written off | Recoveries    | Other         | Balance at 31 December 2019 |
|--|---------------------------|----------------------|---------------------|---------------|---------------|-----------------------------|
| Personal loans <sup>1</sup>                | 33,779                    | 24,363               | -58,557             | 44,426        | 16,521        | 60,532                      |
| Auto leases and loans                      | 10,262                    | 10,352               | -27,968             | 16,453        | 2,701         | 11,800                      |
| Credit cards                               | 7,342                     | 9,111                | -19,638             | 10,236        | -             | 7,051                       |
| Other <sup>2</sup>                         | 629                       | 1,240                | -1,316              | 337           | -             | 891                         |
| <b>Total<sup>3</sup></b>                   | <b>52,013</b>             | <b>45,066</b>        | <b>-107,479</b>     | <b>71,453</b> | <b>19,222</b> | <b>80,274</b>               |
| As a % of total financing receivables, net |                           |                      |                     |               |               | 1.2%                        |

<sup>1</sup> Excluding the non-recurring impact personal loans provision for losses at TCHF 30,469 and amounts written off at TCHF -69,114, ending in personal loan balance as at 31 December 2019 at TCHF 56,082

<sup>2</sup> Other include Swissbilling SA

<sup>3</sup> Excluding the non-recurring impact total provision for losses at TCHF 51,172 and amounts written off at TCHF -118,036, ending in total balance as at 31 December 2019 at TCHF 75,823

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| At 31 December (CHF in thousands)          | Balance at<br>1 January 2018 | Provision<br>for losses | Amounts<br>written off | Recoveries    | Other      | Balance at<br>31 December<br>2018 |
|--|------------------------------|-------------------------|------------------------|---------------|------------|-----------------------------------|
| Personal loans                             | 32,822                       | 29,550                  | -70,713                | 42,120        | -          | 33,779                            |
| Auto leases and loans                      | 9,888                        | 11,181                  | -24,442                | 13,364        | 273        | 10,262                            |
| Credit cards                               | 6,665                        | 8,366                   | -17,800                | 10,111        | -          | 7,342                             |
| Other <sup>1</sup>                         | 302                          | 959                     | -698                   | 66            | -          | 629                               |
| <b>Total</b>                               | <b>49,676</b>                | <b>50,056</b>           | <b>-113,653</b>        | <b>65,661</b> | <b>273</b> | <b>52,013</b>                     |
| As a % of total financing receivables, net |                              |                         |                        |               |            | <b>1.1%</b>                       |

<sup>1</sup> Other include Swissbilling SA

### Credit quality of financing receivables

The Group describes the characteristics of the financing receivables and provides information about payment performance, credit quality indicators and impairment. The Group manages these portfolios using delinquency and nonaccrual data as key performance indicators. The categories used within this section such as nonaccrual financing receivables are defined by the authoritative guidance, and the Group bases the categorisation on the related scope and definitions contained in the related standards. The category of delinquent customer accounts is defined by the Group and is used in the process of managing the financing receivables. Definitions of these categories are provided in note 1.

### Past due financing receivables

The following table displays payment performance of financing receivables as a percentage of loans and investment in direct financing leases:

| At 31 December              | 2019                     |                          | 2018                     |                          |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                             | Over 30 days<br>past due | Over 90 days<br>past due | Over 30 days<br>past due | Over 90 days<br>past due |
| Personal loans <sup>1</sup> | 3.0%                     | 1.2%                     | 2.8%                     | 0.7%                     |
| Auto leases and loans       | 0.9%                     | 0.2%                     | 1.2%                     | 0.2%                     |
| Credit cards                | 1.1%                     | 0.4%                     | 1.2%                     | 0.5%                     |
| <b>Total<sup>2 3</sup></b>  | <b>1.8%</b>              | <b>0.6%</b>              | <b>1.8%</b>              | <b>0.4%</b>              |

<sup>1</sup> Excluding the non-recurring impact personal loans 30+% and 90+% at 2.5% and 0.7%, respectively, as at 31 December 2019

<sup>2</sup> Does not include Swissbilling SA. There is no material impact on the Group's past due financing receivables

<sup>3</sup> Excluding the non-recurring impact total 30+% and 90+% at 1.6% and 0.4%, respectively, as at 31 December 2019

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### Non-accrual financing receivables

The following table provides further information about financing receivables that are classified as non-accrual:

| At 31 December (CHF in thousands)          | 2019          | 2018          |
|--|---------------|---------------|
| Personal loans <sup>1</sup>                | 32,804        | 12,971        |
| Auto leases and loans                      | 4,497         | 3,354         |
| Credit cards                               | 4,228         | 4,447         |
| <b>Total<sup>2 3</sup></b>                 | <b>41,530</b> | <b>20,772</b> |
| Nonperforming loan coverage <sup>4 5</sup> | 193.3 %       | 250.4 %       |

<sup>1</sup> Excluding the non-recurring impact, personal loans nonaccrual receivables in 2019 at TCHF 18,799

<sup>2</sup> Does not include Swissbilling SA. There is no material impact on the Group's nonaccrual financing receivables

<sup>3</sup> Excluding the non-recurring impact, Total nonaccrual receivables in 2019 at TCHF 27,525

<sup>4</sup> Calculated as allowance for losses divided by nonaccrual financing receivables

<sup>5</sup> Excluding the non-recurring impact, Nonperforming coverage at 275.0 %

### Credit quality indicators

For its lending products, the Group uses consumer ratings (CR) to assess overall credit quality. There are five consumer ratings, each having an implied probability of default based on historical default experience, with a default definition of 90 days past due. The five ratings and their associated probabilities of default are:

- CR1 0.00% – 1.20%;
- CR2 1.21% – 2.97%;
- CR3 2.98% – 6.99%;
- CR4 7.00% – 13.16%; and
- CR5 13.17% and greater.

For private customers, the consumer rating is derived from an application credit score that is calculated through one of the Group's internal scorecards. Each credit score translates into one of the consumer ratings. For commercial customers, an obligor rating (OR) is assigned. The obligor rating can be translated into the grades of the consumer rating.

In addition to regular scorecard monitoring, a parity test is run on a quarterly basis to monitor at portfolio level whether the consumer ratings adequately reflect the credit quality. The parity tests confirm that although a consumer rating may have been assigned more than 12 months ago and so the initial 12-month window for probability of default has passed, the rating still accurately reflects the probability of default.

| At 31 December (CHF in thousands)  | 2019             |                  |                |                |               |
|--|------------------|------------------|----------------|----------------|---------------|
|  | CR1              | CR2              | CR3            | CR4            | CR5           |
| Personal loans   | 1,243,149        | 802,966          | 404,483        | 120,161        | 7,915         |
| Auto leases and loans  | 1,485,086        | 920,142          | 412,579        | 72,980         | 36,418        |
| Credit cards   | 761,584          | 196,319          | 70,194         | 7,509          | 39            |
| <b>Total<sup>1</sup></b>   | <b>3,489,818</b> | <b>1,919,427</b> | <b>887,255</b> | <b>200,650</b> | <b>44,373</b> |
| As a % of total financing receivables before allowance for losses <sup>1</sup> | 53.3 %           | 29.3 %           | 13.6 %         | 3.1 %          | 0.7 %         |

<sup>1</sup> Does not include any Credit GmbH, Swissbilling SA and Swiss SME Loans 2018-1 GmbH. There is no material impact on the Group's consumer ratings

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| At 31 December (CHF in thousands)  | 2018             |                  |                |               |               |
|--|------------------|------------------|----------------|---------------|---------------|
|  | CR1              | CR2              | CR3            | CR4           | CR5           |
| Personal loans   | 916,726          | 529,832          | 292,926        | 47,424        | 5,520         |
| Auto leases and loans  | 1,024,359        | 649,064          | 254,591        | 42,530        | 13,733        |
| Credit cards   | 703,049          | 178,358          | 59,999         | 5,857         | 40            |
| <b>Total<sup>1</sup></b>   | <b>2,644,134</b> | <b>1,357,254</b> | <b>607,516</b> | <b>95,812</b> | <b>19,293</b> |
| As a % of total financing receivables before allowance for losses <sup>1</sup> | 56.0%            | 28.7%            | 12.9%          | 2.0%          | 0.4%          |

<sup>1</sup> Does not include eny Credit GmbH, Swissbilling SA and Swiss SME Loans 2018-1 GmbH. There is no material impact on the Group's consumer ratings

### 5. Investment securities

Investment securities are comprised of debt securities available for sale.

| At 31 December (CHF in thousands)  | 2019         | 2018          |
|------------------------------------|--------------|---------------|
| Debt securities available for sale | 5,668        | 10,558        |
| <b>Total investment securities</b> | <b>5,668</b> | <b>10,558</b> |

All investment securities are Level 1 instruments in the fair value hierarchy. The following table summarises amortised cost, fair value and unrealised gains and losses of debt securities available for sale by category.

|   | 2019           |                        |                         |              | 2018           |                        |                         |               |
|---|----------------|------------------------|-------------------------|--------------|----------------|------------------------|-------------------------|---------------|
|   | Amortised cost | Gross unrealised gains | Gross unrealised losses | Fair value   | Amortised cost | Gross unrealised gains | Gross unrealised losses | Fair value    |
| Debt securities issued by Swiss cantons               | -              | 25                     | -25                     | -0           | 2,016          | 24                     | -21                     | 2,018         |
| Debt securities issued by Swiss municipal authorities | -              | -                      | -                       | -            | -              | 4                      | -4                      | -             |
| Debt securities issued by Swiss mortgage institutions | 5,659          | 177                    | -168                    | 5,668        | 8,533          | 145                    | -138                    | 8,540         |
| <b>Debt securities available for sale</b>             | <b>5,659</b>   | <b>202</b>             | <b>-193</b>             | <b>5,668</b> | <b>10,549</b>  | <b>173</b>             | <b>-164</b>             | <b>10,558</b> |

The maturity of debt securities available for sale is presented in the table below:

| At 31 December (CHF in thousands) | Amortised cost | Fair value   |
|-----------------------------------|----------------|--------------|
|                                   | 2019           | 2019         |
| Within 1 year                     | 5,659          | 5,668        |
| From 1 to 5 years                 | -              | -            |
| From 5 to 10 years                | -              | -            |
| After 10 years                    | -              | -            |
| <b>Total debt securities</b>      | <b>5,659</b>   | <b>5,668</b> |

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### 6. Property, plant and equipment

| At 31 December (CHF in thousands) | Estimated useful lives (years) | 2019           | 2018           |
|-----------------------------------|--------------------------------|----------------|----------------|
| <b>Original cost</b>              |                                |                |                |
| Buildings and improvements        | (5-40)                         | 8,847          | 7,878          |
| Office equipment                  | (3-10)                         | 15,553         | 11,097         |
| <b>Total</b>                      |                                | <b>24,400</b>  | <b>18,975</b>  |
| <b>Accumulated depreciation</b>   |                                |                |                |
| Buildings and improvements        |                                | -5,565         | -4,044         |
| Office equipment                  |                                | -9,786         | -7,518         |
| <b>Total</b>                      |                                | <b>-15,351</b> | <b>-11,562</b> |
| <b>Net carrying value</b>         |                                |                |                |
| Buildings and improvements        |                                | 3,282          | 3,834          |
| Office equipment                  |                                | 5,767          | 3,579          |
| <b>Total</b>                      |                                | <b>9,049</b>   | <b>7,413</b>   |

Depreciation expense was TCHF 3,532 in 2019 and TCHF 2,910 in 2018, respectively. The Group did not recognise any impairment losses in both 2019 and 2018.

The Group holds operating leases primarily related to real estate and automobiles.

| At 31 December (CHF in thousands)                  | 2019   | 2018 |
|--|--------|------|
| <b>Components of the lease liability</b>           |        |      |
| Operating lease - right-of-use assets              | 19,773 | n/a  |
| Operating lease - lease liability                  | 19,663 | n/a  |
| Short-term classification                          | 7,006  | n/a  |
| Long-term classification                           | 12,658 | n/a  |
| <b>Supplemental information</b>                    |        |      |
| ROU assets obtained for new lease liabilities      | 2,743  | n/a  |
| Weighted average remaining lease term (in years)   | 3.48   |      |
| Weighted average discount rate                     | 0.23 % |      |
| For the years ended 31 December (CHF in thousands) | 2019   | 2018 |
| <b>Components of the lease expense</b>             |        |      |
| Operating lease expense                            | 7,164  | n/a  |
| <b>Supplemental information</b>                    |        |      |
| Operating cash flows paid for operating leases     | 6,556  | n/a  |
| Operating cash flows paid for short term           | 1,021  | n/a  |



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At 31 December (CHF in thousands) 2019

### Maturities table

|                             |               |
|-----------------------------|---------------|
| 2020                        | 7,522         |
| 2021                        | 6,168         |
| 2022                        | 3,122         |
| 2023                        | 2,059         |
| Thereafter                  | 1,352         |
| <b>Total lease payments</b> | <b>20,222</b> |
| Less: imputed interest      | -77           |
| <b>Total</b>                | <b>20,145</b> |

The Group did not recognise any impairment losses on operating leases under ASC Topic 842 in the current year.

## 7. Intangible assets

At 31 December (CHF in thousands) Estimated useful lives (years)      2019      2018

### Original cost

|                        |           |                |               |
|------------------------|-----------|----------------|---------------|
| Capitalised software   | (1-5)     | 79,168         | 62,143        |
| Customer relationships | (5 - 5.5) | 48,087         | 282           |
| Trademarks             | (5)       | 10,964         | -             |
| <b>Total</b>           |           | <b>138,220</b> | <b>62,425</b> |

### Accumulated amortisation

|                        |                |                |
|------------------------|----------------|----------------|
| Capitalised software   | -41,401        | -29,160        |
| Customer relationships | -3,066         | -113           |
| Trademarks             | -731           | -              |
| <b>Total</b>           | <b>-45,199</b> | <b>-29,273</b> |

### Net carrying value

|                        |               |               |
|------------------------|---------------|---------------|
| Capitalised software   | 37,767        | 32,983        |
| Customer relationships | 45,021        | 169           |
| Trademarks             | 10,233        | -             |
| <b>Total</b>           | <b>93,021</b> | <b>33,152</b> |

Amortisation expense related to intangible assets was TCHF 15,926 in 2019 and TCHF 10,093 in 2018. As at 31 December 2019, the Group estimates the annual pre-tax amortisation for intangible assets over the next five years to be as follows:

|                                |        |        |        |        |                |
|--------------------------------|--------|--------|--------|--------|----------------|
| CHF in thousands               | 2020   | 2021   | 2022   | 2023   | 2024 and later |
| Estimated pre-tax amortisation | 23,721 | 20,154 | 18,393 | 16,189 | 14,564         |

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### 8. Goodwill

On 16 February 2017, the Group acquired 100% of the shares of Swissbilling SA, a Swiss invoice financing company with operations mainly in the French-speaking region of Switzerland. On 30 November 2017, the Group acquired 100% of outstanding shares of EFL Autoleasing AG, a Swiss auto leasing company domiciled in Winterthur. On 2 September 2019, the Group acquired 100% of the shares of cashgate AG, a leading consumer finance provider in Switzerland, for total consideration of CHF 277 million. Goodwill related to these acquisitions is presented below.

The Group continually assesses whether or not there has been a triggering event requiring a review of goodwill. In estimating the fair value of the reporting units, the Group applied the income approach. This approach is based on a discount rate which reflects the relevant risks and projected cash flows determined from the Group's updated five-year strategic business plan that included significant management assumptions and estimates based on its view of current and future economic conditions.

Based on its goodwill impairment analysis at 31 December 2019, the Group concluded that the estimated fair value for all of the reporting units with goodwill substantially exceeded their related carrying values and no impairment was necessary at 31 December 2019. There are no deferred taxes booked related to goodwill.

| CHF in thousands         | Balance at<br>1 January 2019 | Goodwill acquired<br>during the period | Other    | Balance at<br>31 December 2019 |
|--------------------------|------------------------------|--|----------|--------------------------------|
| Gross amount of goodwill | 15,877                       | 140,951                                | -        | 156,828                        |
| Accumulated impairment   | -                            | -                                      | -        | -                              |
| <b>Net book value</b>    | <b>15,877</b>                | <b>140,951</b>                         | <b>-</b> | <b>156,828</b>                 |

### 9. Other assets

| At 31 December (CHF in thousands) | 2019          | 2018          |
|-----------------------------------|---------------|---------------|
| Restricted cash                   | 30,967        | 28,790        |
| Tax receivables                   | 24,637        | 19,195        |
| Other receivables                 | 11,869        | 11,190        |
| Deferred expenses                 | 3,403         | 1,471         |
| Other                             | 1,865         | 1,940         |
| <b>Total other assets</b>         | <b>72,740</b> | <b>62,586</b> |

Restricted cash is not available for use in the ordinary course of operations and is restricted in terms of withdrawal or usage. The Group had TCHF 30,967 and TCHF 28,790 of restricted cash related to the consolidated VIEs (see note 20) as at 31 December 2019 and 2018, respectively.

The tax receivables at 31 December 2019 consisted of VAT input tax.

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### 10. Deposits

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The following table shows the maturities of the Group's customers' saving deposits, term deposits and prepaid cards as at 31 December 2019 and 2018, respectively:

| At 31 December (CHF in thousands) | 2019             | 2018             |
|-----------------------------------|------------------|------------------|
| On demand                         | 158,755          | 194,503          |
| Less than 3 months                | 443,843          | 225,085          |
| 3 to less than 6 months           | 306,284          | 316,471          |
| 6 to less than 12 months          | 856,601          | 570,452          |
| 12 months plus, thereof           | 1,729,669        | 1,520,743        |
| due in 2020                       | -                | 508,403          |
| due in 2021                       | 518,143          | 282,357          |
| due in 2022                       | 412,346          | 220,247          |
| due in 2023                       | 312,718          | 224,456          |
| due in 2024                       | 247,620          | 140,475          |
| due in 2025 and later             | 238,843          | 144,805          |
| <b>Total</b>                      | <b>3,495,152</b> | <b>2,827,254</b> |

There is no term maturity for on-demand saving deposits. All deposits are denominated in CHF. The weighted average interest rate on all deposits was approximately 0.37% as at 31 December 2019 and was comparable to that of the prior year.

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### 11. Short-term and long-term debt

Short-term and long-term debt is shown below:

| At 31 December (CHF in thousands)                    | Maturity | 2019             |  | 2018             |  |
|--|----------|------------------|--|------------------|--|
|  |          | Amount           | Contractual interest rate <sup>2</sup> | Amount           | Contractual interest rate <sup>2</sup> |
| <b>Short-term portion</b>                            |          |                  |  |                  |  |
| Non-recourse borrowings (Auto ABS) <sup>1</sup>      | 2019     | -                | -                                      | 200,000          | 0.23%                                  |
| External debt (unsecured bond)                       | 2019     | -                | -                                      | 100,015          | 0.75%                                  |
| Non-recourse borrowings (Auto ABS) <sup>1</sup>      | 2020     | 200,000          | 0.22%                                  | -                | -                                      |
| External debt (floating rate note)                   | 2020     | 50,063           | 0.00%                                  | -                | -                                      |
| External debt (bridge facility)                      | 2020     | 75,000           | -                                      | -                | -                                      |
| <b>Long-term portion</b>                             |          |                  |  |                  |  |
| Non-recourse borrowings (Auto ABS) <sup>1</sup>      | 2020     | -                | -                                      | 200,000          | 0.22%                                  |
| External debt (floating rate note)                   | 2020     | -                | -                                      | 50,316           | 0.00%                                  |
| External debt (unsecured bond)                       | 2021     | 175,000          | 0.50%                                  | 175,000          | 0.50%                                  |
| External debt (senior unsecured floating rate notes) | 2021     | 50,383           | 0.00%                                  | -                | -                                      |
| External debt (senior unsecured floating rate notes) | 2021     | 50,337           | 0.00%                                  | -                | -                                      |
| Non-recourse borrowings (Auto ABS) <sup>1</sup>      | 2022     | 250,000          | 0.15%                                  | -                | -                                      |
| External debt (unsecured bond)                       | 2022     | 99,980           | 1.25%                                  | 99,973           | 1.25%                                  |
| External debt (unsecured bond)                       | 2023     | 200,000          | 0.18%                                  | 200,000          | 0.18%                                  |
| External debt (unsecured bond)                       | 2023     | 250,000          | 0.00%                                  | -                | -                                      |
| External debt (unsecured bond)                       | 2024     | 200,175          | 0.25%                                  | 200,215          | 0.25%                                  |
| External debt (perpetual tier 1 capital bond)        | 2024     | 150,000          | 2.50%                                  | -                | -                                      |
| External debt (unsecured bond)                       | 2025     | 150,652          | 0.38%                                  | 150,770          | 0.38%                                  |
| External debt (unsecured bond)                       | 2026     | 125,213          | 0.88%                                  | 125,246          | 0.88%                                  |
| External debt (senior convertible bonds)             | 2026     | 247,978          | 0.00%                                  | -                | -                                      |
| External debt (unsecured bond)                       | 2026     | 200,000          | 0.15%                                  | -                | -                                      |
| External debt (unsecured bond)                       | 2027     | 175,000          | 0.29%                                  | -                | -                                      |
| Debt issuance costs                                  |          | -11,178          |  | -3,771           |  |
| <b>Total short-term and long-term debt</b>           |          | <b>2,638,604</b> |  | <b>1,497,764</b> |  |

<sup>1</sup> Related to consolidated VIEs, refer to note 20 for further details

<sup>2</sup> Rounded to two decimal places

The contractual rate represents the interest due on the relevant debt at the reporting date, whereas the effective interest (all-in) rate reflects, in addition to the contractual interest rate, fees and debt issuance costs that are amortised over the expected life of the instrument. As per 31 December 2019, the Group had mostly fixed rate funding, except of three floating rate notes over TCHF 50,000 each, which were issued in February 2018, August 2019 and November 2019.

The Group defers the debt issuance costs and amortises them over the expected lifetime of the relevant debt instrument. As per 31 December 2019 and 2018, unamortised debt issuance costs amounted to TCHF 11,178 and TCHF 3,771, respectively. Commitment fees are recognised as incurred over the commitment period.

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On 23 January 2019, the Group signed a revolving credit facility with an international bank with a committed term until 2022. The facility consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

On 22 November 2018, the Group signed a revolving credit facility with a Swiss bank with a committed term until 2022. The facility consists of a TCHF 50,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.20% per annum.

In July 2018, the Group signed a revolving credit facility with a Swiss bank for a three-year term. The facility matures in 2021 and consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

On 4 December 2017, the Group signed a revolving credit facility with a Swiss bank with a committed term until end of 2020. The facility consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

As at 31 December 2019, the Group maintained TCHF 350,000 of undrawn committed facilities. The weighted average contractual commitment fee for all facilities was 0.24% at 31 December 2019 and 2018, respectively.

On 30 June 2019, the Group signed a bridge facility and term facility with a bank syndicate of three banks with committed terms of up to three years. The facilities consisted of a TCHF 1,450,000 respectively of a TCHF 150,000 unsecured commitment. As at 31 December 2019 the bridge facility was canceled and the term facility was drawn by TCHF 75,000 expiring in January 2020.

On 14 November 2019, the Group issued a TCHF 50,000 floating rate note at 100.70% with a maturity of two years and a quarterly coupon of 0.0% floored respectively 0.05% capped for the entire period depending on the Libor fixings.

On 14 August 2019, the Group issued a TCHF 50,000 floating rate note at 100.99% with a maturity of one and half years and a quarterly coupon of 0.0% floored for the entire period depending on the Libor fixings.

On 1 October 2019, the Group issued a TCHF 200,000 senior unsecured bond at 100% with a maturity of seven years and a coupon of 0.15%.

On 8 July 2019, the Group issued a TCHF 250,000 senior unsecured bond at 100% with maturity of three and three quarter years and a coupon of 0.0% and a TCHF 175,000 senior unsecured bond at 100% with a maturity of eight years and a coupon of 0.29%.

On 4 July 2019, the Group issued a TCHF 150,000 additional tier1 bond at 100% with perpetual maturity (earliest call in November 2024) and a coupon of 2.5%. The bond is eligible for tier1 capital, and will be written-off if a pre-specified trigger event occurs in relation to the regulatory capital adequacy ratio (>5.125% Common Equity Tier 1). If capital triggering occurs, the investor receives a write-down of the outstanding amount of the debt, which may be defined as either fixed or variable (depending upon the point of conversion). Given the extremely low likelihood of conversion, no separate derivative was recorded related to the value of the conversion option.

On 2 July 2019, the Group issued a TCHF 250,000 convertible bond at 100.88% with a maturity of seven years and a coupon of 0.0%. The conversion right allows the bondholders to convert their bonds any time 41 days after settlement up to and including 40 days before maturity. When conversion rights are exercised, holders who convert their bonds will receive a) if the conversion value is lower than or equal to the aggregate principal amount of the bonds converted by the same holder at any one time, the cash conversion amount; or b) if the conversion value is greater than the aggregate principal amount of the bonds converted by the same holder at any one time the cash conversion amount and the net shares. Upon conversion, it is at the discretion of Cembra Money Bank AG to deliver net shares or its equivalent in cash. The convertible bond has an initial conversion price of CHF 122.20. The embedded conversion option met the criteria for a cash conversion option via ASC Topic 470 and is measured separate via equity at TCHF 4,200.

On 6 March 2019, the Group launched its fifth auto lease asset backed security ("ABS") transaction and issued a fixed-rate senior notes of TCHF 250,000 on the Swiss capital market with a legal maturity of ten years and an optional redemption date of 3 years from the date of issuance. Most of the proceeds from this issuance were used to refinance the third ABS issued in 2015. On 23 March 2019, the TCHF 200,000 outstanding senior notes issued in 2015 were fully repaid with no further amounts due to noteholders.

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The Group has a total outstanding of TCHF 2,425,000 of senior unsecured bonds (including ABS and Convertible) and TCHF 150,000 subordinated additional tier 1 bond issued as at 31 December 2019. These bonds have been issued in 2014 (maturing in 2022), 2015 (maturing in 2021), 2016 (maturing in 2020 and 2023), 2017 (maturing in 2024 and 2025) and 2018 (maturing in 2020 and 2026) and 2019 (maturing in 2021, 2022, 2023, 2026 and 2027). All debt instruments are repayable at full at maturity or at the earliest possible redemption date.

### 12. Pension plans

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The Bank and its subsidiaries (collectively “the Group”) participate in pension plans that provide benefits in accordance with the requirements of the Swiss Occupational Pension Act (BVG). The Group’s participation in these pension plans has been accounted for as defined benefit plans in the consolidated financial statements. The funding policy of the Group’s pension plans is compliant with the local government and tax requirements.

For the plans the Group recognises an asset for the overfunded status or a liability for the underfunded status in the consolidated statements of financial position. The Group records annual amounts relating to its pension plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality rates, assumed rates of return, compensation increases and employee turnover rates. The Group reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The Group believes that the assumptions utilised in recording its obligations under its plans are reasonable based on its experience and market conditions. The net periodic costs are recognised as employees render the services necessary to earn the postretirement benefits.

Apart from temporary staff with an expected duration of employment of less than three months and people receiving a disability pension whose degree of incapacity to perform day-to-day tasks is greater than 70%, all employees aged at least 17 and with an annual base salary exceeding 75% of the applicable maximum single old-age state pension are insured. As a general rule, the statutory retirement age is 65; however, early retirement, starting from the age of 58, is possible. The pension plans insure both mandatory occupational benefits and extra mandatory benefits. The Group uses a 31 December measurement date for the plans.

The Group’s pension plan participants as at 31 December 2019 and 2018, respectively, were as follows:

| At 31 December               | 2019         | 2018       |
|------------------------------|--------------|------------|
| Active employees             | 1,016        | 822        |
| Beneficiaries and pensioners | 142          | 126        |
| <b>Total</b>                 | <b>1,158</b> | <b>948</b> |

The cost of the pension plans is presented below:

| For the years ended 31 December (CHF in thousands) | Consolidated statements of income line item | 2019         | 2018         |
|--|---|--------------|--------------|
| Service cost for benefits earned                   | Compensation and benefits                   | 6,746        | 6,286        |
| Prior service credit amortisation                  | General and administrative expenses         | -1,675       | -1,500       |
| Expected return on plan assets                     | General and administrative expenses         | -6,052       | -5,789       |
| Interest cost on benefit obligations               | General and administrative expenses         | 1,864        | 1,231        |
| Net actuarial loss amortisation                    | General and administrative expenses         | 5,315        | 4,336        |
| <b>Pension plan cost</b>                           |   | <b>6,198</b> | <b>4,564</b> |

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The actuarial assumptions at 31 December are used to measure the year-end benefit obligations and the pension costs for the subsequent year. Actuarial assumptions are presented below:

| At 31 December            | 2019   | 2018   |
|---------------------------|--------|--------|
| Discount rate             | 0.20 % | 0.75 % |
| Compensation increases    | 2.12 % | 2.15 % |
| Expected return on assets | 2.50 % | 2.50 % |

To determine the expected long-term rate of return on pension plan assets the Group considers current asset allocations and historical and expected returns on various categories of plan assets. In developing future return expectations for the pension plan's assets, the Group formulates a view on the future economic environment. Furthermore, the Group evaluates general market trends and historical relationships among a number of key variables that impact asset class returns such as expected earnings growth, inflation, valuations, yields and spreads, using both internal and external sources. The Group also takes into account expected volatility by asset class and diversification across classes to determine expected overall portfolio returns given current allocations. Based on the analysis of future expectations of asset performance, past return results and the current asset allocations, the Group assumed a 2.5% long-term-expected return on the assets. For the pension plan, the Group applies the expected rate of return to the market value of assets. The Group amortises experienced gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over the average expected years of service of the employees.

The funding policy of the pension plan is aimed to contribute an amount sufficient to meet minimum funding requirements, as set forth in employee benefit and tax laws, plus any additional amounts which may be determined appropriate by the management. The management expects to contribute approximately TCHF 9,943 to the pension plan in 2020.

Benefit obligations are described in the following tables. Accumulated and projected benefit obligations (ABO and PBO, respectively) represent the obligations of the pension plan for past service as at the measurement date. ABO is the present value of benefits earned to date with benefits computed on the basis of current compensation levels. PBO is ABO increased to reflect expected future compensation. In 2019, the Group committed to the transfer of employees from the pension plan acquired as part of the cashgate acquisition to the existing Cembra plan, which resulted to an adjustment as a plan change to the accumulated benefit obligation.

The accumulated benefit obligation was TCHF 318,272 and TCHF 251,044 for 31 December 2019 and 2018, respectively. The changes in the projected benefit obligation are presented below:

| CHF in thousands                     | 2019           | 2018           |
|--------------------------------------|----------------|----------------|
| <b>Balance at 1 January</b>          | <b>258,702</b> | <b>251,696</b> |
| Service cost for benefits earned     | 6,746          | 6,286          |
| Interest cost on benefit obligations | 1,864          | 1,231          |
| Participant contributions            | 6,005          | 5,273          |
| Actuarial loss/gain (-), net         | 26,824         | -7,742         |
| Benefits paid (-)/received, net      | -4,714         | 1,958          |
| Business combinations                | 35,129         | -              |
| Plan change                          | -2,057         | -              |
| <b>Balance at 31 December</b>        | <b>328,499</b> | <b>258,702</b> |

Plan assets are reported at fair value. The inputs and valuation techniques used to measure the fair value of the assets are consistently applied and described in note 1.

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The changes in the fair value of plan assets are presented below:

| CHF in thousands                | 2019           | 2018           |
|---------------------------------|----------------|----------------|
| <b>Balance at 1 January</b>     | <b>236,248</b> | <b>233,177</b> |
| Actual return on plan assets    | 25,141         | - 12,136       |
| Employer contributions          | 9,055          | 7,976          |
| Participant contributions       | 6,005          | 5,273          |
| Benefits paid (-)/received, net | - 4,714        | 1,958          |
| Business combinations           | 22,097         | -              |
| <b>Balance at 31 December</b>   | <b>293,832</b> | <b>236,248</b> |

The asset allocations are described below:

| At 31 December              | 2019<br>Target allocation | 2019<br>Actual allocation |
|-----------------------------|---------------------------|---------------------------|
| <b>Equity securities</b>    |                           |                           |
| Swiss equity securities     | 13 %                      | 15 %                      |
| Non-Swiss equity securities | 23 %                      | 26 %                      |
| <b>Debt securities</b>      |                           |                           |
| Swiss bonds                 | 18 %                      | 19 %                      |
| Non-Swiss bonds             | 17 %                      | 19 %                      |
| Real estate funds           | 19 %                      | 20 %                      |
| Other investments           | 10 %                      | 2 %                       |

The pension fund board sets investment policies and strategies and oversees the investment allocation, which includes selecting investment managers, commissioning periodic asset-liability studies and setting long-term strategic targets. Long-term strategic investment objectives take into consideration a number of factors, including the funded status of the plan, a balance between risk and return and the plan's liquidity requirements. Target allocation percentages are established at an asset class level by the pension fund board. Target allocation ranges are guidelines, not limitations, and occasionally the pension fund board will approve allocations above or below a target range. The pension fund board monitors the plan's liquidity position in order to meet the near-term benefit payment and other cash commitments.

The pension fund assets are invested subject to the following additional guidelines:

- Investment in the following assets may not exceed the maximum % of total assets in the plan: Swiss bonds 22%, non-Swiss bonds 21%, Swiss equity securities 16%, non-Swiss equity securities 30%, real estate funds 29% and alternative funds 20%;
- No single bond may exceed more than 10% of total assets; and
- No single equity security or real estate investment can exceed more than 5% of total assets.



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The pension fund did not hold direct investments, but indirect investments through funds. The fair values of the pension plan investments are presented below:

| At 31 December (CHF in thousands) | 2019           |               |          | Total          |
|-----------------------------------|----------------|---------------|----------|----------------|
|                                   | Level 1        | Level 2       | Level 3  |                |
| <b>Equity securities</b>          |                |               |          |                |
| Swiss equity securities           | 40,706         | -             | -        | 40,706         |
| Non-Swiss equity securities       | 69,748         | -             | -        | 69,748         |
| <b>Debt securities</b>            |                |               |          |                |
| Swiss bonds                       | 50,059         | -             | -        | 50,059         |
| Non-Swiss bonds                   | 51,342         | -             | -        | 51,342         |
| Real estate funds                 | -              | 53,738        | -        | 53,738         |
| Other investments <sup>1</sup>    | 2,573          | 2,301         | -        | 4,875          |
| <b>Total investments</b>          | <b>214,428</b> | <b>56,039</b> | <b>-</b> | <b>270,467</b> |
| <b>Other</b>                      |                |               |          | <b>23,365</b>  |
| <b>Total assets</b>               |                |               |          | <b>293,832</b> |

<sup>1</sup> Primarily includes infrastructure funds and cash.

| At 31 December (CHF in thousands) | 2018           |               |          | Total          |
|-----------------------------------|----------------|---------------|----------|----------------|
|                                   | Level 1        | Level 2       | Level 3  |                |
| <b>Equity securities</b>          |                |               |          |                |
| Swiss equity securities           | 26,315         | -             | -        | 26,315         |
| Non-Swiss equity securities       | 54,803         | -             | -        | 54,803         |
| <b>Debt securities</b>            |                |               |          |                |
| Swiss bonds                       | 35,521         | -             | -        | 35,521         |
| Non-Swiss bonds                   | 44,166         | -             | -        | 44,166         |
| Real estate funds                 | -              | 50,810        | -        | 50,810         |
| Other investments <sup>1</sup>    | 13,590         | 9,880         | -        | 23,470         |
| <b>Total investments</b>          | <b>174,395</b> | <b>60,690</b> | <b>-</b> | <b>235,085</b> |
| <b>Other</b>                      |                |               |          | <b>1,163</b>   |
| <b>Total assets</b>               |                |               |          | <b>236,248</b> |

<sup>1</sup> Primarily includes commodity funds, insurance-linked funds and cash.

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The amounts recognised in the statement of financial position were as follows:

| At 31 December (CHF in thousands)                                 | 2019           | 2018           |
|---|----------------|----------------|
| Funded status   | -34,667        | -22,454        |
| Pension liability recorded in the statement of financial position |                |                |
| Other liabilities   |                |                |
| Due after one year  | -34,667        | -22,454        |
| <b>Net amount recognised</b>                                      | <b>-34,667</b> | <b>-22,454</b> |
| Amounts recorded in shareholders' equity (unamortised)            |                |                |
| Prior service credit  | -5,935         | -5,553         |
| Net actuarial loss  | 34,805         | 32,385         |
| <b>Total</b>  | <b>28,870</b>  | <b>26,832</b>  |

In 2020, the Group estimates that it will amortise TCHF 1,748 of prior service credit and TCHF 5,726 of net actuarial loss for the pension plan from shareholders' equity into pension cost.

The estimated future benefit payments are described below:

| CHF in thousands | 2020   | 2021   | 2022   | 2023   | 2024   | 2025-2029 |
|------------------|--------|--------|--------|--------|--------|-----------|
| Pension plan     | 21,176 | 21,634 | 21,510 | 20,784 | 19,669 | 81,166    |

### 13. Other liabilities

This section primarily reflects the pension plans funded status of TCHF 34,667 and TCHF 22,454 as at 31 December 2019 and 2018, respectively. It also comprises deferred compensation related to the Group's jubilee plan amounting to TCHF 3,634 and TCHF 2,743 as at 31 December 2019 and 2018, respectively. The jubilee plan is a voluntary benefit provided by the Group to its employees based on their years of service.

For detailed information on operating lease - lease liability please refer to note 6.

### 14. Capital adequacy

The Group is subject to FINMA regulations. The capital levels of the Group are subject to quantitative requirements and qualitative judgements by the regulators, including FINMA, about the components of capital, risk weightings and other factors.

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).

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The total eligible regulatory capital of the Group comprises Tier 1, Common Equity Tier 1 (CET1), additional Tier 1 capital (AT1) and consists of shareholders' equity including net income for the current year. Deductions from Tier 1 include, among other items, anticipated but non-declared dividends, own shares, goodwill and deferred tax assets. Risk-weighted assets include consolidated balance sheet assets, off-balance sheet transactions converted into credit equivalents, non-counterparty risk, market risk and operational risk from processes, people, systems and external events.

As of 31 December 2019, the Group adheres to the applicable regulatory requirements for a category 4 bank set by FINMA. The Group aims to consistently operate with a capital base that is well above this mark. The Group was adequately capitalised under the regulatory provisions outlined by FINMA and the Bank for International Settlements.

Further information on capital adequacy is contained in the separate document "Basel III Pillar 3 disclosures 2019" published on the Cembra website ([www.cembra.ch/financialreports](http://www.cembra.ch/financialreports)).

| At 31 December (CHF in thousands)  | 2019             | 2018             |
|------------------------------------|------------------|------------------|
| <b>Eligible regulatory capital</b> |                  |                  |
| Tier 1 capital                     | 962,297          | 833,830          |
| of which CET1 capital              | 812,297          | 833,830          |
| of which additional Tier 1 capital | 150,000          | -                |
| <b>Total eligible capital</b>      | <b>962,297</b>   | <b>833,830</b>   |
| <b>Risk-weighted assets</b>        |                  |                  |
| Credit risk                        | 5,100,663        | 3,702,608        |
| Non counterparty risk              | 56,642           | 37,835           |
| Market risk                        | 5,482            | 7,409            |
| Operational risk                   | 745,326          | 598,263          |
| <b>Total risk-weighted assets</b>  | <b>5,908,114</b> | <b>4,346,114</b> |
| <b>Capital ratios</b>              |                  |                  |
| CET1 ratio                         | 13.7 %           | 19.2 %           |
| Tier 1 ratio                       | 16.3 %           | 19.2 %           |
| Total capital ratio                | 16.3 %           | 19.2 %           |

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### 15. Earnings per share and additional share information

Basic earnings per share ("EPS") is calculated based on the weighted average number of common shares outstanding during the period. Diluted EPS is computed based on the weighted average number of common shares plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding restricted stock units ("RSUs") and performance share units ("PSUs").

The components of basic and dilutive EPS are as follows:

| For the years ended 31 December (CHF in thousands)  | 2019              | 2018              |
|---|-------------------|-------------------|
| Net income attributable to shareholders for basic earnings per share (CHF in thousands)     | 159,199           | 154,126           |
| Net income attributable to shareholders for diluted earnings per share (CHF in thousands)   | 159,199           | 154,126           |
| <b>Weighted-average number of common shares</b>   |                   |                   |
| Weighted-average number of common shares issued   | 30,000,000        | 30,000,000        |
| Less weighted-average number of treasury shares   | 1,219,496         | 1,812,016         |
| <b>Weighted-average numbers of common shares outstanding for basic earnings per share</b>   | <b>28,780,504</b> | <b>28,187,984</b> |
| Dilution effect number of shares  | 22,473            | 19,770            |
| <b>Weighted-average numbers of common shares outstanding for diluted earnings per share</b> | <b>28,802,977</b> | <b>28,207,754</b> |
| <b>Basic earnings per share (in CHF)</b>  | <b>5.53</b>       | <b>5.47</b>       |
| <b>Diluted earnings per share (in CHF)</b>  | <b>5.53</b>       | <b>5.46</b>       |

The amount of common shares outstanding has changed as follows:

|                                       | 2019              | 2018              |
|---------------------------------------|-------------------|-------------------|
| Common shares issued                  |                   |                   |
| <b>Balance at beginning of period</b> | <b>30,000,000</b> | <b>30,000,000</b> |
| Issuance of common shares             | -                 | -                 |
| <b>Balance at end of period</b>       | <b>30,000,000</b> | <b>30,000,000</b> |
| Treasury shares                       |                   |                   |
| <b>Balance at beginning of period</b> | <b>1,813,249</b>  | <b>1,814,170</b>  |
| Sale                                  | -1,200,000        | -                 |
| Share-based compensation              | -9,605            | -10,921           |
| Purchase                              | 18,000            | 10,000            |
| <b>Balance at end of period</b>       | <b>621,644</b>    | <b>1,813,249</b>  |
| <b>Common shares outstanding</b>      | <b>29,378,356</b> | <b>28,186,751</b> |

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### 16. Revenue recognition

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Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Group from a customer, are excluded from revenue. The Group recognises revenue when it satisfies a contractual performance obligation.

These performance obligations are typically satisfied as the services in the contract are rendered. The contract terms are generally such that they do not result in any contract assets. The contracts generally do not include a significant financing component or obligations for refunds or other similar obligations. The contracts generally do not include variable consideration, therefore there is no significant judgement required in this respect.

#### Nature of services

The Group provides finance solutions to its customers. The main revenue streams of the Group arise from personal loans, leases and credit cards as well as from insurance products. Certain credit card related fees and insurance commissions are in the scope of ASC Topic 606.

Commission and fee income related to credit cards include certain transaction-based and service fees. Those fees are recognised as the services are rendered, which is when the transaction happens and is processed. In case of credit cards, the Group additionally earns interchange fees calculated as a percentage of total credit card transaction volume. Those fees are recognised when the transactions are processed.

The Group also offers insurance products to its customers. Those products are complementary to the Group's lending products, and the Group acts as an agent to insurance companies. For arranging between the customer and the insurer, the Group is entitled to keep a part of the insurance premium as its commission, which is recognised on a net basis as the services are rendered.

#### Disaggregation of revenues

| For the years ended 31 December (CHF in thousands) | 2019           | 2,018          |
|--|----------------|----------------|
| Insurance  | 21,638         | 20,473         |
| Credit cards                                       | 101,117        | 92,560         |
| <b>Total</b>                                       | <b>122,755</b> | <b>113,033</b> |

The table above differs from note 24 – Commissions and Fee Income as it includes only contracts with customers that are in scope of ASC Topic 606 – Revenue from Contracts with Customers.

### 17. Income tax expense

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The provision for income taxes is summarised in the table below:

| For the years ended 31 December (CHF in thousands)          | 2019          | 2018          |
|---|---------------|---------------|
| Current tax expense   | 38,635        | 40,845        |
| Deferred tax expense/benefit (-) from temporary differences | 5,041         | 776           |
| <b>Income tax expense</b>                                   | <b>43,676</b> | <b>41,622</b> |

Deferred income tax balances reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the carrying amounts for income tax purposes.

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Under Swiss law, a resident company is subject to income tax at the federal, cantonal and communal levels. The federal statutory tax rate is 8.5%. The cantonal and communal corporation tax rates vary. The Group's effective tax rates for each of the two years ended 31 December were approximately 21%, including the impact of tax law changes in 2019.

Principal components of the Group's deferred tax assets and liabilities are as follows:

| At 31 December (CHF in thousands)              | 2019            | 2018           |
|--|-----------------|----------------|
| <b>Assets</b>                                  |                 |                |
| Pension plans                                  | 5,740           | 4,667          |
| Operating lease - lease liability              | 3,754           | -              |
| Loss carried forward                           | 1,569           | 415            |
| Other  | 711             | 601            |
| <b>Total deferred tax assets</b>               | <b>11,774</b>   | <b>5,683</b>   |
| <b>Liabilities</b>                             |                 |                |
| Deferred loan origination fees and costs       | - 773           | - 661          |
| Intangibles                                    | - 8,011         | - 456          |
| Operating lease - right-of-use assets          | - 3,775         | -              |
| Other  | - 2             | - 2            |
| <b>Total deferred tax liabilities</b>          | <b>- 12,562</b> | <b>- 1,120</b> |
| <b>Net deferred tax assets / (liabilities)</b> | <b>- 788</b>    | <b>4,564</b>   |

Management believes that the realisation of the recognised deferred tax assets is more likely than not, based on expectations regarding future taxable income. In assessing the realisability of deferred tax assets, the management considers whether it is more likely than not that a portion or all of the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realise the benefits of these deductible differences. The amount of the deferred tax assets is considered realisable, however, it could be reduced in the near term if estimates of future taxable income during the carry-forward period are significantly reduced.

The Group has no unrecognised tax benefits. Management believes that there are no uncertain tax positions that would require a reserve.

### 18. Commitments and guarantees

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The Group's guarantees are provided in the ordinary course of business and are underwritten by considering the economic, liquidity and credit risk of the counterparty.

Swiss banking law and the deposit insurance system require Swiss banks and securities dealers to jointly guarantee an amount of up to CHF 6 billion for privileged client deposits in the event that a Swiss bank or securities dealer becomes insolvent. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate, the Group's share in the deposit insurance guarantee programme was TCHF 6,838 and TCHF 6,884 as at 31 December 2019 and 2018, res-

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pectively. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 31 December 2019, the Group considers the probability of a material loss from this obligation to be remote.

For details on rental commitments under non-cancellable operating leases refer to note 6.

### 19. Financial instruments

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The following table provides information about the assets and liabilities not carried at fair value in the statement of financial position.

The table excludes finance leases and non-financial assets and liabilities and convertible bonds. For the most part, the assets and liabilities discussed below are considered to be Level 3.

| At 31 December (CHF in thousands) | 2019                |                      | 2018                |                      |
|-----------------------------------|---------------------|----------------------|---------------------|----------------------|
|                                   | Carrying amount net | Estimated fair value | Carrying amount net | Estimated fair value |
| <b>Assets</b>                     |                     |                      |                     |                      |
| Loans                             | 3,995,022           | 4,080,186            | 3,120,336           | 3,187,017            |
| <b>Liabilities</b>                |                     |                      |                     |                      |
| Deposits                          | -3,495,152          | -3,535,302           | -2,827,254          | -2,864,107           |
| Borrowings                        | -2,638,604          | -2,423,790           | -1,497,763          | -1,506,002           |

Fair values are estimated as follows:

#### Loans

Fair value calculation is based on a discounted future cash flows methodology, using current market interest rate data adjusted for inherent credit risk or quoted market prices and recent transactions, if available.

#### Deposits and borrowings

If no market quotes are available, the fair value calculation is based on a discounted future cash flows methodology, using current effective interest rate data or current market interest rate data that is available to the Group for similar financial instruments.

Asset and liabilities that are reflected in the accompanying financial statements at a carrying value deemed to represent fair value are not included in the above disclosures; such items include cash and cash equivalents, investment securities, other assets, accrued expense and other liabilities.

#### Pension fund

Refer to note 12 for further details on pension fund.

### 20. Variable interest entities

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The Group primarily uses variable interest entities to securitise auto lease financing receivables. The financing receivables are originated by the Bank in the ordinary course of business and transferred to the VIEs. The financing receivables in the VIEs have similar risks and characteristics to the Bank's other lease financing receivables and were underwritten to the same standard. Accordingly, the performance of these assets has been similar to the Bank's other lease financing receivables.

The Group completed five securitisations, all through consolidated VIEs, to obtain funding backed by its auto lease receivables. Three transactions of TCHF 200,000 each, issued between March 2012 and March 2015 were all fully repaid at their optional redemption dates. In June 2016, the Group issued TCHF 200,000 fixed-rate senior notes through the

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fourth securitisation transaction (Swiss Auto Lease 2016-1 GmbH), with a coupon of 0.22% per annum and an optional redemption date of 3¾ years from the date of issuance. In March 2019, the Group launched its fifth securitisation transaction (Swiss Auto Lease 2019-1 GmbH) and issued fixed-rate senior notes of TCHF 250,000 with a coupon of 0.15% per annum and an optional redemption date of three years from the date of issuance.

Third-party holders of the debt issued by the VIEs only have recourse to the financing receivables owned by the VIEs and not to the Bank's general credit. Contractually, the cash flows from these financing receivables must first be used to pay third-party debt holders and other expenses of the VIEs. Excess cash flows are available to the Bank.

The Bank is the servicer of the VIEs and holds the subordinated interests issued by the VIEs. The Bank is considered primary beneficiary of the VIEs as it has both the power to direct the activities that most significantly impact the VIEs' economic performance and an obligation to absorb losses, or a right to receive benefits from the VIEs. Hence the VIEs are being consolidated.

On 21 July 2017, the Group signed an agreement to refinance a CHF 42 million personal loan portfolio from eny Finance AG, a Swiss online personal loan provider. The Group has also agreed to partially refinance future personal loan volume from this provider. The deal was structured through a VIE that is fully owned, controlled and consolidated by the Group. The Bank is the co-servicer of the VIE and holds the subordinated interests issued by the VIE that were used to refinance the loan portfolio from eny Finance AG. The Bank is considered the primary beneficiary of the VIE as it has both the power to direct the activities that most significantly impact the VIE's economic performance and an obligation to absorb losses, or a right to receive benefits from the VIE.

The table below summarises the assets and liabilities of the consolidated VIEs described above:

| At 31 December (CHF in thousands)   | 2019           | 2018           |
|-------------------------------------|----------------|----------------|
| <b>Assets</b>                       |                |                |
| Financing receivables, net          | 595,581        | 580,854        |
| Financing leases                    | 497,869        | 459,364        |
| Loans                               | 97,712         | 121,489        |
| Other assets                        | 31,781         | 28,790         |
| <b>Total assets</b>                 | <b>627,362</b> | <b>609,644</b> |
| <b>Liabilities</b>                  |                |                |
| Accrued expenses and other payables | 25,776         | 4,320          |
| Non-recourse borrowings             | 449,010        | 399,494        |
| <b>Total liabilities</b>            | <b>474,787</b> | <b>403,814</b> |

Revenues from the consolidated VIEs amounted to TCHF 29,143 in 2019 and TCHF 28,869 in 2018, respectively. Related expenses consisted primarily of provisions for losses of TCHF 4,455 and TCHF 4,176 and interest expense of TCHF 1,685 and TCHF 1,543 for the years ended 31 December 2019 and 2018, respectively. These amounts did not include inter-company revenues and costs, principally fees and interest between the Bank and the VIEs, which are eliminated for consolidation purposes.

### 21. Related-party transactions

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The Group had no related-party transactions in 2019 and 2018 outside of intercompany.



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### 22. Interest income

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The details of interest income are shown below:

| For the years ended 31 December (CHF in thousands) | 2019           | 2018           |
|--|----------------|----------------|
| Personal loans                                     | 172,646        | 161,333        |
| Auto leases and loans                              | 110,607        | 98,437         |
| Credit cards                                       | 79,437         | 71,654         |
| Other  | -2,916         | -1,469         |
| <b>Total</b>                                       | <b>359,775</b> | <b>329,955</b> |

### 23. Interest expense

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The details of interest expense are shown below:

| For the years ended 31 December (CHF in thousands) | 2019          | 2018          |
|--|---------------|---------------|
| Interest expense on ABS                            | 1,864         | 1,808         |
| Interest expense on deposits                       | 13,092        | 12,596        |
| Interest expense on debt                           | 12,835        | 6,367         |
| <b>Total</b>                                       | <b>27,791</b> | <b>20,771</b> |

### 24. Commission and fee income

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The details of commission and fee income are shown below:

| For the years ended 31 December (CHF in thousands) | 2019           | 2018           |
|--|----------------|----------------|
| Insurance  | 21,638         | 20,473         |
| Credit cards                                       | 101,117        | 92,560         |
| Loans and leases                                   | 14,530         | 13,384         |
| Other  | 10,436         | 3,229          |
| <b>Total</b>                                       | <b>147,721</b> | <b>129,646</b> |

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### 25. General and administrative expenses

The details of general and administrative expenses are shown below:

| For the years ended 31 December (CHF in thousands) | 2019           | 2018          |
|--|----------------|---------------|
| Professional services                              | 22,352         | 18,629        |
| Marketing <sup>1</sup>                             | 11,823         | 8,521         |
| Collection fees                                    | 10,857         | 10,916        |
| Postage and stationery                             | 11,198         | 9,864         |
| Rental expense under operating leases              | 7,164          | 4,873         |
| Information technology                             | 31,352         | 24,909        |
| Depreciation and amortisation                      | 19,457         | 13,004        |
| Other  | -2,928         | -3,538        |
| <b>Total</b>                                       | <b>111,277</b> | <b>87,177</b> |

<sup>1</sup> Marketing includes advertising costs, which are expensed as incurred

### 26. Share-based compensation

Under the Executive Variable Compensation Plan (EVCP) that was set up for the senior management team in 2013 each member of the Group's senior management team received at grant a number of restricted stock units (RSUs) as part of their annual variable compensation. Vesting for the RSUs takes place in three equal tranches. The last grant of RSUs as part of the EVCP was in 2016 for the performance year 2015. For further details related to this plan, please refer to the Compensation Report in the Annual Report 2015.

The total number of RSUs under this plan was 9,911 based on the share price of CHF 59.50 at the grant date 1 March 2015 and 9,839 with a share price of CHF 65.58 at the grant date 1 March 2016. The fair value used for each RSU was calculated as the market price of the Bank's stock on the date of the grant. RSUs issued under this plan will be settled out of shares acquired by the Group for such purpose. Participants will pay no consideration for the receipt of RSUs or the shares in which those RSUs will be settled.

The following table summarises RSUs outstanding as at 31 December 2019 and 2018, respectively:

|                                 | 2019           |  | 2018           |  |
|---------------------------------|----------------|--|----------------|--|
|                                 | Number of RSUs | Weighted average grant date fair value (CHF) | Number of RSUs | Weighted average grant date fair value (CHF) |
| RSUs outstanding at 1 January   | 8,439          | 599,726                                      | 12,250         | 786,052                                      |
| Granted <sup>1</sup>            | -              | -  | 3,038          | 248,122                                      |
| Vested                          | -2,864         | -186,446                                     | -6,734         | -426,444                                     |
| Forfeited                       | -23            | -1,497                                       | -115           | -8,004                                       |
| RSUs outstanding at 31 December | 5,552          | 411,783                                      | 8,439          | 599,726                                      |
| <b>RSUs expected to vest</b>    | <b>5,552</b>   | <b>411,783</b>                               | <b>8,439</b>   | <b>599,726</b>                               |

<sup>1</sup> In 2018, the Group granted 3,038 RSUs as replacement award at the grant date 2 August 2018 with a share price of CHF 81.67

The total recognised compensation cost was TCHF 132 and TCHF 196 for the years 2019 and 2018, respectively. The

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remaining unrecognised cost of TCHF 138 is expected to be recognised over a weighted-average period of 18 months. In 2016, the EVCP plan was adapted, and since the performance year 2016 the senior management team receives under the long-term incentive programme (LTI), which is one part of the EVCP, a part of their variable compensation in performance share units (PSUs). The PSUs vest after a three-year period depending on the achievement of performance conditions which include relative total shareholder return (TSR) and cumulative fully diluted earnings per share (EPS). The actual LTI bonus of each participant is determined in the first quarter after each performance year in a range of 75% to 125% of the target LTI bonus based on a look-back assessment in a guided discretion by the Board of Directors. The actual LTI bonus is granted in PSUs. The first grant took place in March 2017. For details regarding the plan, please refer to the Compensation Report on page 84.

|                                 | 2019           |  | 2018           |  |
|---------------------------------|----------------|--|----------------|--|
|                                 | Number of PSUs | Weighted average grant date fair value (CHF) | Number of PSUs | Weighted average grant date fair value (CHF) |
| PSUs outstanding at 1 January   | 11,844         | 964,123                                      | 6,760          | 499,226                                      |
| Granted                         | 5,925          | 475,778                                      | 5,953          | 538,747                                      |
| Vested                          | - 533          | - 42,459                                     | - 282          | - 22,990                                     |
| Forfeited                       | - 235          | - 20,119                                     | - 587          | - 50,859                                     |
| PSUs outstanding at 31 December | 17,001         | 1,377,323                                    | 11,844         | 964,123                                      |
| <b>PSUs expected to vest</b>    | <b>26,509</b>  | <b>2,044,886</b>                             | <b>14,210</b>  | <b>1,165,470</b>                             |

The fair value of a PSU was calculated as the arithmetic average of the daily volume weighted average price (VWAP) of a Bank's share during the 60 trading days ending on the last trading day (inclusive) before the grant date, risk-adjusted for the performance condition. A PSU was calculated at CHF 80.30 and CHF 90.50 at the grant date of 1 March 2019 and 2018, respectively, and one PSU was equal to one ordinary share of the Bank.

At 31 December 2019, the weighted-average conversion ratio of one PSU was 156% based on performance conditions. The total recognised compensation cost was TCHF 708 and TCHF 501 for the years 2019 and 2018, respectively. The remaining unrecognised cost of TCHF 746 is expected to be recognised over a weighted-average period of 20 months.

## 27. Supplemental cash flow information

Certain supplemental information related to cash flows is shown below:

| For the years ended 31 December (CHF in thousands)      | 2019             | 2018             |
|---|------------------|------------------|
| Increase in loans to customers                          | - 1,904,242      | - 1,810,780      |
| Principal collections from customers – loans            | 1,849,887        | 1,667,709        |
| Investment in equipment for financing leases            | - 1,225,533      | - 950,159        |
| Principal collections from customers – financing leases | 1,050,703        | 917,676          |
| Net change in credit card receivables and other         | - 108,139        | - 121,778        |
| <b>Net change in financing receivables</b>              | <b>- 337,324</b> | <b>- 297,332</b> |

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### 28. Off-balance sheet arrangements

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At 31 December 2019 and 2018, the Group was party to the following off-balance sheet financial instruments. The balances represent the Group's maximum contractual exposure to credit risk resulting from off-balance sheet arrangements:

| For the years ended 31 December (CHF in thousands) | 2019      | 2018      |
|--|-----------|-----------|
| Ordinary course of business lending commitments    | 99,422    | 59,449    |
| Unused revolving loan facilities                   | 68,684    | 67,349    |
| Unused credit card facilities                      | 3,453,582 | 3,141,538 |

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Loan commitments are most often uncollateralised and may be drawn up to the total amounts to which the Group is committed. Total commitment amounts do not necessarily represent future cash requirements as the lines of credit may expire or be terminated without being fully drawn upon. No additional allowance for losses was deemed necessary for these unused commitments since the Group can terminate the lines of credit at any time unilaterally.

### 29. Subsequent events

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The Group has evaluated subsequent events from the financial position date through 18 March 2020, the date at which the financial statements were available to be issued.

On 3 March 2020, the Group launched its sixth lease asset backed security (ABS) transaction and issued a fixed-rate senior note of TCHF 250,000 on the Swiss capital market with a contractual maturity of ten years and optional redemption date of four years from the date of issuance. The transaction was executed through the newly founded subsidiary Swiss Auto Lease 2020-1 GmbH.

The recent emergence of the coronavirus is having an adverse impact on the global and the Swiss economy and it may affect the Group's performance and results in the first half of 2020 and going forward.

Besides that, there were no other subsequent events at that date.



# Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

## Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Cembra Money Bank AG and subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows, and notes thereto (pages 106 to 148) for the years ended December 31, 2019 and 2018.

### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Swiss law and Swiss Auditing Standards as well as Auditing Standards Generally Accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements as of and for the years ended December 31, 2019 and 2018 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with U.S. Generally Accepted Accounting Principles and comply with Swiss law.



### Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



#### Valuation of allowance for losses on financing receivables



#### Valuation of goodwill

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



#### Valuation of allowance for losses on financing receivables

##### Key Audit Matter

As per December 31, 2019 gross financing receivables (smaller-balance, homogenous loans, including credit card receivables, personal loans as well as auto leases and loans) amount to CHF 6,665.8 million (representing 89% of total assets). At the same time, the Group has recorded an allowance for losses on financing receivables of CHF 80.3 million.

The valuation of collective allowance for losses on financing receivables relies on the application of significant management judgment in determining the methodology and parameters in calculating the allowance and requires specific knowledge of developments in the Group's financing receivables portfolio. The use of different modelling techniques and assumptions (e.g. current trends, conditions and macroeconomic factors) could result in significantly different estimates of allowances for losses on financing receivables.

In particular, the valuation of the collective allowance for losses on financing receivables is based on significant estimates, such as future client payment behavior, which is subject to management judgment and requires specific knowledge and competencies in determining allowances.

##### Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of the allowance for losses on financing receivables. This included controls over the calculation, approval, recording and monitoring of allowances. This also included controls over model approval, validation and approval of key data inputs and qualitative considerations for potential impairment that were not captured by management's models.

For a sample of allowances for losses on financing receivables calculated on a collective basis, we tested the underlying models including the model approval and validation process. We also tested the reasonableness of the inputs to those models, such as delinquency and payment behavior, by comparing data and assumptions made to historical accuracy of estimates.

For a sample of financing receivables, and with the use of our own valuation specialists, we critically examined and challenged the assumptions and models used or we re-performed an independent assessment of the valuation allowance.

For further information on valuation of allowance for losses on financing receivables refer to the following:

- Note 1 (Basis of presentation and summary of significant accounting policies, Allowance for losses)
- Note 4 (Financing receivables and allowance for losses)



### Valuation of goodwill

#### Key Audit Matter

As at December 31, 2019 the Group reports goodwill of CHF 156.8 million arising from two acquisitions in the previous periods and the acquisition of cashgate AG in the reporting period.

Due to the inherent uncertainty of forecasting and discounting future cash flows in relation with the Group's recognized goodwill, this is deemed a significant area of judgment.

Goodwill impairment testing is performed at the Reporting Unit (RU) level and involves a comparison of the estimated fair value of each RU to its carrying amount. The estimates of fair values are determined by discounting future projected cash flows.

#### Our response

Our procedures included, amongst others, the assessment of the Group's processes and key controls for testing of goodwill impairment, including the assumptions used.

We tested the key assumptions and methodologies forming the Group's fair value calculations, including the cash flow projections and discount rates. We assessed the reasonableness of cash flow projections and compared key inputs, such as the discount rates and growth rates, to externally available industry, economic and financial data and the Group's own historical data and performance.

With the assistance of our own valuation specialists, we critically assessed the assumptions and methodologies used to determine the fair value for those RUs where goodwill was found sensitive to changes in those assumptions. On an overall basis, we also evaluated the aggregate fair values determined by the Group to its market capitalization.

Additionally, we considered whether the Group's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with the goodwill impairment.

For further information on valuation of goodwill refer to the following:

- Note 1 (Basis of presentation and summary of significant accounting policies, Goodwill)
- Note 8 (Goodwill)



### Report on Other Legal and Regulatory Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

A handwritten signature in blue ink, appearing to read 'C. Castagna', written over a light blue grid background.

Cataldo Castagna  
Licensed Audit Expert  
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'M. Bourquin', written over a light blue grid background.

Malea Bourquin  
Licensed Audit Expert

Zurich  
March 18, 2020



# Individual Financial Statements

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## Balance sheet

| At 31 December (CHF in thousands)                   | Notes | 2019             | 2018             |
|---|-------|------------------|------------------|
| <b>Assets</b>                                       |       |                  |                  |
| Liquid assets                                       |       | 526,858          | 487,141          |
| Amounts due from banks                              |       | 4,856            | 7,740            |
| Amounts due from customers                          | 7.1   | 6,093,571        | 4,359,842        |
| Financial investments                               | 7.2   | 20,706           | 48,106           |
| Accrued income and prepaid expenses                 |       | 80,784           | 50,970           |
| Participations                                      |       | 282,384          | 4,861            |
| Tangible fixed assets                               |       | 42,102           | 37,477           |
| Intangible assets                                   | 7.3   | 6,662            | 8,903            |
| Other assets  | 7.4   | 22,614           | 18,393           |
| <b>Total assets</b>                                 |       | <b>7,080,537</b> | <b>5,023,433</b> |
| Total subordinated claims                           |       | 78,043           | 58,990           |
| <b>Liabilities</b>                                  |       |                  |                  |
| Amounts due to banks                                |       | 115,000          | 42,000           |
| Amounts due in respect of customer deposits         |       | 1,557,527        | 1,041,223        |
| Cash bonds  |       | 2,026,897        | 1,757,971        |
| Bond issues and central mortgage institution loans  |       | 2,124,782        | 1,101,535        |
| Accrued expenses and deferred income                |       | 83,832           | 57,827           |
| Other liabilities                                   | 7.4   | 75,099           | 72,453           |
| Provisions  | 7.7   | 7,683            | 2,753            |
| Bank's capital                                      | 7.8   | 30,000           | 30,000           |
| Statutory capital reserves                          |       | 171              | 171              |
| of which reserve from tax-free capital contribution |       | 171              | 171              |
| Statutory retained earnings reserves                |       | 15,000           | 15,000           |
| Voluntary retained earnings reserves                |       | 932,877          | 853,796          |
| Own shares  | 7.12  | -35,260          | -100,972         |
| Profit carried forward                              |       | 177              | 131              |
| Profit (result of the period)                       |       | 146,753          | 149,546          |
| <b>Total liabilities</b>                            |       | <b>7,080,537</b> | <b>5,023,433</b> |
| Total subordinated liabilities                      |       | 150,000          | -                |
| <b>Off-Balance-Sheet Transactions</b>               |       |                  |                  |
| Contingent liabilities                              | 7.1   | 99,422           | 59,449           |
| Irrevocable commitments                             | 7.1   | 6,838            | 6,884            |

# Income statement

| For the years ended 31 December (CHF in thousands)   | Notes | 2019            | 2018            |
|--|-------|-----------------|-----------------|
| <b>Result from interest operations</b>   |       |                 |                 |
| Interest and discount income   | 8.1   | 383,041         | 346,330         |
| Interest and dividend income from financial investments  |       | 2,948           | 2,604           |
| Interest expense   | 8.1   | -26,106         | -19,243         |
| <b>Gross result from interest operations</b>   |       | <b>359,884</b>  | <b>329,691</b>  |
| Changes in value adjustments for default risks and losses from interest operations                                   |       | -29,618         | -40,123         |
| <b>Subtotal net result from interest operations</b>  |       | <b>330,265</b>  | <b>289,568</b>  |
| <b>Result from commission business and services</b>  |       |                 |                 |
| Commission income from other services  |       | 165,585         | 150,906         |
| Commission expense   |       | -75,792         | -64,466         |
| <b>Subtotal result from commission business and services</b>   |       | <b>89,793</b>   | <b>86,441</b>   |
| <b>Other result from ordinary activities</b>   |       |                 |                 |
| Income from participations   |       | 257             | -               |
| Other ordinary income  |       | 2,456           | 7,252           |
| <b>Subtotal other result from ordinary activities</b>  |       | <b>2,713</b>    | <b>7,252</b>    |
| <b>Operating expenses</b>  |       |                 |                 |
| Personnel expenses   | 8.2   | -121,106        | -108,877        |
| General and administrative expenses  | 8.3   | -95,651         | -69,078         |
| <b>Subtotal operating expenses</b>   |       | <b>-216,757</b> | <b>-177,955</b> |
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets |       | -16,382         | -14,365         |
| Changes to provisions and other value adjustments, and losses  |       | -1,060          | -989            |
| <b>Operating result</b>  |       | <b>188,572</b>  | <b>189,951</b>  |
| Extraordinary income   | 8.4   | 146             | 2,008           |
| Taxes  | 8.5   | -41,965         | -42,413         |
| <b>Profit (result of the period)</b>   |       | <b>146,753</b>  | <b>149,546</b>  |

## Appropriation of profit

| For the years ended 31 December (CHF in thousands)  | 2019           | 2018           |
|---|----------------|----------------|
| Profit  | 146,753        | 149,546        |
| Profit carried forward                              | 177            | 131            |
| <b>Distributable profit</b>                         | <b>146,929</b> | <b>149,677</b> |
| <b>Appropriation of profit</b>                      |                |                |
| Allocations to voluntary retained earnings reserves | - 36,600       | - 43,757       |
| Dividends declared                                  | - 110,243      | - 105,743      |
| <b>New profit carried forward</b>                   | <b>86</b>      | <b>177</b>     |

## Statement of changes in equity

| CHF in thousands                     | Bank's capital | Statutory capital reserves | Statutory retained earnings reserves | Voluntary retained earnings reserves and profit carried forward | Own Shares       | Result of the period | Total            |
|--------------------------------------|----------------|----------------------------|--------------------------------------|---|------------------|----------------------|------------------|
| <b>Equity at 1 January 2019</b>      | <b>30,000</b>  | <b>171</b>                 | <b>15,000</b>                        | <b>853,927</b>  | <b>- 100,972</b> | <b>149,546</b>       | <b>947,672</b>   |
| Appropriation of profit 2018         |                |                            |                                      |   |                  |                      |                  |
| Allocation to legal reserves         | -              | -                          | -                                    | -   | -                | -                    | -                |
| Allocation to voluntary reserves     | -              | -                          | -                                    | 149,500   | -                | - 149,500            | -                |
| Dividends                            | -              | -                          | -                                    | - 105,734   | -                | -                    | - 105,734        |
| Net change in profit carried forward | -              | -                          | -                                    | 46  | -                | - 46                 | -                |
| Change of own shares                 | -              | -                          | -                                    | 35,315  | 65,712           | -                    | 101,026          |
| Profit (result of the period)        | -              | -                          | -                                    | -   | -                | 146,753              | 146,753          |
| <b>Equity at 31 December 2019</b>    | <b>30,000</b>  | <b>171</b>                 | <b>15,000</b>                        | <b>933,054</b>  | <b>- 35,260</b>  | <b>146,753</b>       | <b>1,089,717</b> |

# Notes to the individual financial statements

## 1. The company, legal form and domicile of the Bank

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Cembra Money Bank AG (the “Bank”) is a public company under the Swiss law. The Bank is headquartered in Zurich and operates across Switzerland through a network of branches, online distribution, as well as credit card partners, independent intermediaries and car dealers.

## 2. Accounting and valuation principles

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### General principles

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Accounting and valuation principles for the statutory individual financial statements are based on the Swiss Code of Obligations, the Banking Law, its relevant regulation and the Circular 15/1 of the Swiss Financial Market Supervisory Authority FINMA. The individual financial statements with reliable assessment describe the economic situation of the Bank in the way that enables third parties to make a reliable opinion. The individual financial statements can contain hidden reserves.

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

### General valuation principles

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The financial statements are prepared under the going concern assumption. Assets result from past business transactions or events. They are tangible or intangible assets under the control of the Bank, from which the Bank is likely to benefit or future cash inflow is probable. Asset values must be determined in a reliable manner. If no sufficient reliable estimate is possible, then the asset is considered as contingent.

Liabilities result from past business transactions or events where future cash outflow is probable (e.g. due to the purchase of goods or services, liabilities resulting from the provision of guarantees, or liability claims for services rendered). The amount required to meet the liability (settlement value) must be determined or estimated reliably. Where this is not possible, liabilities are considered as contingent liabilities.

The balance sheet line items are valued on an individual basis. The transitional provision requiring implementation of individual valuation for participations, tangible fixed assets and intangible assets by 1 January 2020, is not applied.

Offsetting of assets and liabilities as well as income and expense is generally not permitted. The exceptions are made for: offsetting value adjustments that are directly attributable to individual assets against the respective assets; for receivables and payables as long as they are related to similar transactions with the same counterparty, in the same currency and the same or earlier maturity of the receivables that do not result in counterparty risk.

### Liquid assets

Liquid assets are recorded at nominal value.

## Individual Financial Statements

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### **Amounts due from banks, amounts due from customers**

Amounts due from banks and customers are recorded at nominal value less value adjustments.

The allowance for losses on financing receivables represents the Bank's estimate of future probable losses inherent in the portfolio. Losses on financing receivables are recognised when they are incurred. The method of calculating estimated losses depends on the size, type and risk characteristics of the related financing receivables. The Bank's loan portfolio consists of smaller-balance, homogenous loans, including credit card receivables, personal loans, auto leases and loans. Each portfolio is evaluated for impairment quarterly. The allowance for losses on these financing receivables is established through a process that estimates the probable losses inherent in the portfolio based upon statistical analyses of portfolio data. These analyses include migration analysis, in which historical delinquency and credit loss experience is applied to the current ageing of the portfolio, together with other analyses that reflect current trends and conditions. Management also considers the Bank's historical loss experience to date based on actual defaulted loans and overall portfolio indicators including nonaccrual loans, trends in loan volume and lending terms, credit policies and other observable environmental factors such as the unemployment rate or interest rate movements as well as future client payment behaviour which is subject to management judgement.

Nonaccrual financing receivables are those on which the Bank has stopped accruing interest.

Delinquent receivables are those that are 30 days or more past due based on their contractual terms.

For personal loans and auto leases and loans, the Bank maintains a single write-off date within each month, which ensures that at each reporting date all accounts meeting the relevant criteria have been written off. The Bank writes off unsecured closed-end instalment loans and consumer auto finance leases on the monthly write-off date after the contract reaches 120 days contractually past due and unsecured open-end revolving loans and commercial auto finance leases on the monthly write-off date after the contract reaches 180 days contractually past due. For credit cards, the Bank writes off the account on the date the account becomes 180 days contractually past due. Unsecured consumer loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within the defined write-off periods, whichever occurs earlier.

Recoveries are defined as any cash collected after a loan or lease has been written off. Recoveries include the receipt of principal, interest, fees and proceeds from realisation of collateral, debt sales and claims against insurance policies.

Write-offs are deducted from the allowance for losses when the Bank judges the principal to be uncollectable and subsequent recoveries are added to the allowance for losses at the time cash is received on a written off account.

Changes in value adjustments for default risks and losses from interest operations is the expense related to maintaining the allowance for losses at an appropriate level to absorb the estimated probable future losses on financing receivables as at each period end date.

Delinquent receivables are classified as regular when outstanding instalments and interest are paid in a timely manner according to contractual terms and when further credit worthiness criteria are fulfilled as well. The release of allowance is recorded through the Income Statement position "Change in value adjustments for default risks from interest operations".

### **Amounts due to banks, amounts due to customers in savings and deposit accounts**

These items are recorded at nominal value.

### **Financial investments**

Financial assets comprise debt securities and vehicles that have been acquired as a result of credit transactions and are designated for resale. Financial investments valued according to the principle of the lower of cost or market value: an upwards revaluation to the acquisition cost at maximum is required where the market value has fallen below the acquisition cost and then recovers. The balance of adjustments in the book value is to be recorded under the position "Other ordinary income" or "Other ordinary expenses", as applicable.

## Individual Financial Statements

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Debt securities held to maturity are valued at acquisition cost with premium or discount amortised to maturity under the accrual method. Value adjustments for default risks are recorded in the Income Statement position “Change in value adjustments for default risks from interest operations”.

Debt securities without intent to hold to maturity are valued according to the principle of lower of cost or market value. Value adjustments from subsequent measurement are recorded in the income statement under the position “Other ordinary income” or “Other ordinary expenses”, as applicable. Value adjustments for default risks are recorded in the Income Statement under position “Change in value adjustments for default risks and losses from interest operations”.

### Participations

Participations are equity securities owned by the Bank in undertakings, where those securities are held with the intention of a permanent investment irrespective of the percentage of voting shares held. Participations are valued individually at acquisition cost less economically necessary value adjustments. At every balance sheet date, participations are tested for impairment. This test results from indicators that individual assets may be impaired. In such case realisable value of the asset is determined, which is the higher of net market value and utility value. An asset is impaired if the book value is higher than realisable value. In case of impairment, the book value is written down to realisable value, and the impairment charge is recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”.

### Tangible fixed assets

Investments in tangible fixed assets are capitalised when they are used for more than one accounting period and exceed a threshold of CHF 3,000. Tangible fixed assets are recorded at acquisition cost less accumulated depreciation. Depreciation is recognised in accordance with a schedule on a straight line over the useful life of the asset and recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. On every balance sheet date, fixed assets are tested on impairment. This test results from indicators that individual assets may be impaired. In such case, realisable value of the asset is determined, which is the higher of net market value and utility value. An asset is impaired if the book value is higher than the realisable value. In case of an impairment, the book value is reduced to the realisable value, and the value adjustment is recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. The estimated useful life of the fixed asset categories is as follows:

|                        |            |
|------------------------|------------|
| Buildings              | 40 years   |
| Leasehold improvements | 5–10 years |
| Office equipment       | 5–10 years |
| Hardware               | 3 years    |
| Software               | 5 years    |

### Intangible assets

Intangible assets are of a non-monetary nature and without any physical substance. They can be either acquired or generated internally. Intangible assets may also originate from acquisitions of business units and companies. The intangible asset reported is goodwill.

Intangible assets are recognised as assets and are valued at no more than the acquisition cost. Amortisation is recognised in accordance with a schedule on a straight line over the useful life of the asset and recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. On every balance sheet date, intangible assets are tested on impairment. In case of an impairment, the book value is reduced to the realisable value, and the value adjustment is recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. The estimated useful life of goodwill is five years.



## Individual Financial Statements

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### Provisions

Legal and factual obligations are valued on a regular basis. When a value outflow is probable and can be measured reliably, a corresponding provision is established.

Existing provisions are assessed at every balance sheet date. Provisions are recorded in the Income Statement position "Changes in provisions and other impairments and losses". Based on the new assessment, provisions are increased, retained or released. Provisions are released through Income Statement in case they are not economically necessary anymore and cannot be used to cover for similar exposures.

### Taxes

Current taxes are recurring annual income and capital taxes. Transaction-based taxes are not included in current taxes. Liabilities resulting from current income and capital taxes are disclosed under "Accrued expenses". The current income and capital tax expense is disclosed under "Taxes" in the Income Statement.

### Off-balance sheet

Off-balance sheet items are recorded at nominal value. For foreseeable risk provisions are built in the balance sheet.

### Own shares

Acquired own shares are recorded initially at cost value on the purchase date under "Own shares" as a negative position in the shareholders' equity. There is no subsequent measurement.

Realised gain from the sale of own shares is recorded under "Statutory retained earnings reserve". The position "Own shares" is reduced for the sale at acquisition cost value.

### Pension liability

The employees of the Bank are insured by the pension fund of the Bank. The pension liabilities as well as pension assets to cover these liabilities are held in a legally independent foundation. The organisation, management and financing of the pension plan are done in accordance with applicable regulations, the articles of the foundation as well as the valid pension regulations. The entire pension and post-retirement benefit plans of the Bank are based on a defined contribution principle.

The Bank pays over-mandatory contributions to the Bank's pension fund, which insures personnel against the financial consequences of old age, death and disability. The employer contributions to the pension plans are recorded under "Personnel expenses" of the corresponding reporting period.

The Bank assesses at every balance sheet date if there is an economic benefit or an economic liability against the pension plan. It is based on the contractual agreements and annual reports of the pension fund prepared under FER 26 in Switzerland, as well as other calculations relevant to the assessment of financial situation as well as existing over/underfunding of the plan.

### Share-based compensation

The Bank has share-based compensation programmes in place. The Bank accounts for the compensation cost from share-based payment transactions according to the fair-value-based method. The compensation cost is measured based on the fair value of the shares at grant date and is recognised over the requisite service period with a corresponding credit to equity. Any differences at settlement are recorded as "Personnel expenses". For details to share-based compensation please refer to the Compensation Report.

### Changes in the accounting and valuation principles as compared to the previous year

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There were no significant changes in the accounting and valuation principles in 2019 compared to previous year.

## Individual Financial Statements

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### Recording of transactions

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All transactions concluded by the balance sheet date are recorded at trade date in the books and valued according to the valuation principles as described above.

### Treatment of overdue interest

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Overdue interest and corresponding commissions are not recorded as interest income. As such are considered interest and commissions that are due for more than 90 days, but not paid. From this point of time, the future interest and commissions are no longer recorded as "Interest and discount income" until there is no overdue interest outstanding. Overdue interest is not cancelled retroactively. The interest due from the period up to 90 days (due, unpaid and accrued interest) is written off through the position "Changes in value adjustments for default risks and losses from interest operations".

### Foreign currency translation

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Transactions in foreign currencies are booked using daily exchange rates. At the balance sheet date, assets and liabilities are translated at closing exchange rates. Foreign currency translation gains and losses are recorded in the Income Statement. As of balance sheet date, the Bank had no significant foreign exchange exposures.

## 3. Risk management

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Risk is broadly defined as the possibility that an uncertain event or outcome results in adverse variations of profitability or in losses. Risks might also negatively impact the strength of the Bank's balance sheet, its market capitalisation or its brand and reputation. In the process of performing its function as a financial intermediary, the Bank is exposed to various categories of risk, such as credit risk, asset and liability management risk (including market and liquidity risk), operational risk and other risks.

Within the risk appetite and tolerance limits and in accordance with its strategic objectives, the Bank takes on and manages risks, and controls and monitors them prudently. The Bank actively, comprehensively and systematically manages risk and promotes a strong risk and control culture across all business areas. The established risk management process comprises four core elements:

- Identification of risks across all business activities
- Assessment and measurement of risks, including stress testing
- Limitation and mitigation of risks; and
- Effective controls, monitoring and reporting.

The Board of Directors is ultimately responsible for determining the risk strategy, risk appetite and corresponding tolerance levels. It has established an effective internal control system that: (i) ensures that material risks are assessed and controlled; (ii) oversees the risk profile to ensure it is correctly monitored and managed; and (iii) ensures that the risk management framework and strategies are correctly implemented.

The Bank has put in place regulations that govern the risk management and control processes to ensure that all material risks are recorded and supervised. These processes are supported by a framework of approved policies and directives, which set out the the principles guiding the Bank's attitude to risk and the amount of risk it is willing to take on.

The Bank has set up a risk appetite framework, which includes integrated tolerance limits to control overall risk taking. It contains a diverse set of quantitative metrics and qualitative statements covering various risk categories and serves as a decision-making tool for the Management Board. As part of the Group Risk Policy, it is reviewed annually by the Board of Directors and takes into account strategic objectives and business plans. The risk profile is assessed relative to the Bank's risk appetite, and risk exposures are monitored relative to risk tolerance limits on a regular basis. Summary reports are reviewed by the Audit and Risk Committee and reported to the Board of Directors.

## Individual Financial Statements

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Three working committees have been set up. Members of the Management Board are required to attend regular committee meetings:

| Committee                                     | Risk category   |
|---|---|
| Credit Committee                              | Credit risk   |
| Asset & Liability Management Committee (ALCO) | Asset & liability management, market & liquidity risk, capital management   |
| Risk & Controllershship Committee (RCC)       | Risk framework, internal control system, compliance & operational risk management, information security, data privacy, business continuity management |

The Bank's risk and control framework operates along three lines of defence:

- First Line: business functions are responsible for ensuring that a risk and control environment is in place and maintained as part of day-to-day operations
- Second Line: control functions provide independent control and oversight of risks, and
- Third Line: the Internal Audit function evaluates the overall effectiveness of the control environment and provides additional independent assurance.

This three-lines-of-defence model ensures that direct accountability for risk decisions, implementation and oversight of risk management, and the independent control of the effectiveness of risk management are segregated. Internal policies and directives further detail the expected principles of risk management and control for each risk category.

### Credit risk

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Credit risk is the risk to earnings or capital that may arise from the potential that a borrower or counterparty may fail to honour their contractual obligations. The obligations include, for example, principal repayment, interest and fees. A consequent loss may be partial or complete and may arise at any time from a number of isolated or interlinked circumstances. The Bank is exposed to credit risk on all its lending products.

The Credit Committee serves as the main decision-making body concerning credit strategies and exposures and regularly reviews the Bank's credit risk performance. The Credit Committee is responsible for making lending decisions on individual counterparties and lending programmes that are not under the authority of the Chief Risk Officer (CRO) or specific subsidiaries, but under the authority of the Board of Directors. The Credit Committee is chaired by the CRO.

The guidelines for the approval of lending programmes, as well as the individual counterparty lending approvals are set out in the credit risk policy. Lending authority that has been delegated is actively monitored and reviewed regularly.

The Bank maintains stringent underwriting processes, which are continually monitored and optimised to ensure that credit risk is adequately and responsibly managed. Prior to granting credit, the customer's creditworthiness, credit capacity and, where applicable, collateral are assessed. The customer's creditworthiness is evaluated by an automated credit risk rating system, which includes the use of scorecards and leverages available information about the customer. This ensures consistent and systematic decision-making across all lending products.

Where applicable, the credit capacity of consumers is also evaluated in accordance with the legal requirements of the Swiss Consumer Credit Act. Internal models determine the credit amount based on the customer's risk profile. Segments that are particularly exposed to credit risk are actively restricted beyond the requirements of the Swiss Consumer Credit Act through specific internal rules that aim to effectively implement and ensure responsible lending to customers. Manual underwriting complements the automated system decision in cases where additional information may be required.

The quality of portfolios and specific customer segments are thoroughly and periodically assessed. Specifically in the area of vehicle leasing the Group is exposed to risks related to the valuation of underlying assets or objects. Contractual residual values might differ from actual values of lease objects and distribution partners might fail to honour their contractual obligations. In addition to the consistent setting of residual values at lease origination the Group regularly monitors its exposure to this type of risk and makes use of external data sources to verify results. The quality

## Individual Financial Statements

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and performance of new business are monitored to ensure that the credit approval process continues to effectively mitigate credit risk, and underwriting procedures are being correctly followed. Scorecards are regularly monitored and backtested to ensure their performance remains within expected levels and, if required, changes are made to the models. Segmented collection strategies are implemented to tailor activities to customer groups with different payment behaviours and to ensure optimal resource allocation and effective mitigation of credit risk. The regular monitoring of process and performance metrics ensures diligent and responsible execution and supports the fair treatment of customers across a variety of servicing processes.

The Bank's customer base comprises primarily of natural persons and small- and medium-sized enterprises. Concentration risks are regularly assessed and monitored. The large number of borrowers naturally results in a broad credit risk diversification.

Credit risk metrics, portfolio and collection performance reports, as well as macroeconomic trends, are reviewed on a monthly basis by the Credit Committee. Summary reports of the Bank's credit risk profile are reviewed by the Audit and Risk Committee quarterly and reported to the Board of Directors.

### **ALM, market and liquidity risk**

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Asset and liability management (ALM) forms part of the Bank's risk management framework and can be considered as the coordinated management of various inherent risk types, such as liquidity, funding and market risk, in order to achieve the Bank's objectives whilst operating within prudent and predetermined risk limits and concentrations. The ALCO is the decision-making committee for asset and liability management activities and has overall responsibility for the administration of respective policies, their monitoring and reporting. The ALCO is chaired by the CFO.

### **Liquidity and funding risk**

Liquidity risk is defined as the risk of the Bank not having sufficient funds to meet its contractual obligations when they fall due and support normal business activities, or only being able to secure such funds at excessive costs. The Bank recognises that liquidity risks are often consequential rather than isolated in nature and arise from the materialisation of other risk types such as strategic, reputational, credit, regulatory or macroeconomic risks.

The Bank's liquidity risk appetite is defined by the Board of Directors and forms the basis for the Bank-internal liquidity risk management strategy, the liquidity-related directives and the risk steering and control process.

As it is headed by a listed entity, the Bank aims to maintain a highly conservative liquidity profile; this approach is viewed as an essential safeguard in protecting the reputation of the Bank as a stable institution. The Management Board ensures that adequate liquidity levels are maintained in order to meet operational and regulatory requirements under normal and stressed conditions. Excess liquidity can be invested with two principal objectives in mind: principal preservation and liquidity management.

The Bank maintains a robust stable funding structure. In order to withstand an extended period of limited access to the wholesale funding markets, the Bank proactively seeks to reduce reliance on short term, potentially volatile, sources of funding. The Bank actively averts building up concentration risk and strategically diversifies its investor base across different business sectors, by individual counterparty, by maturity buckets and across various categories of debt instruments.

For effective risk controlling, the overall condition of funding markets is regularly monitored and assessed against market-wide and Bank-specific early warning indicators to ensure the Bank ability to access funding. This approach is designed to provide management with timely warning of events that might have a potentially unfavourable impact on its access to funding in the near future and, in turn, increase liquidity risk. Consequently, the Bank has developed a comprehensive liquidity stress testing process to ensure it can adequately manage its liquidity during times of market stress of differing, yet plausible, magnitudes. This ensures the Bank has sufficient controls and mitigation procedures in place to prevent or alleviate the consequences of stressed market conditions. The Bank contingency funding plan is based on the results of stress-testing scenarios and integrated into the Business Continuity Management (BCM) framework. The plan is tested annually, and results are reviewed within ALCO and reported to the RCC. Stress-testing results, along with other regulatory liquidity measures, such as the minimum reserve, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), are essential components of the Bank's liquidity management approach and are reviewed

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regularly by the ALCO and the Board of Directors.

Further information on capital adequacy is contained in the separate document "Basel III Pillar 3 disclosures 2019" published on the Cembra website ([www.cembra.ch/financialreports](http://www.cembra.ch/financialreports)).

### Market risk

Market risk encompasses the risk of financial losses due to adverse movements in market prices. The Bank's business model leads to limited exposure to market risk factors. The Bank's main source of market risk is interest rate risk in the banking book (IRRBB). IRRBB is the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates. Movements in interest rates might change the underlying value of assets, liabilities and off-balance-sheet items and hence their economic value. They might also affect net interest income and earnings by altering interest-rate-sensitive income and expenses. Excessive IRRBB can pose a significant threat to a group's current capital base and/or future earnings if not managed appropriately. The Bank has implemented an effective interest rate risk management framework to limit the potential effects on the Bank's current capital base or future earnings and to keep interest rate risk at an acceptable level.

Given the Bank's predominantly fixed interest rate assets and liabilities, it is mainly exposed to repricing risk. This is the risk of there being adverse consequences of increasing or decreasing interest rates because of time differences in when these rate changes affect the Bank's assets and liabilities. The Bank faces relatively low option and basis risk. Consequently, the Bank focuses IRRBB monitoring on repricing risk.

The Bank actively manages and monitors IRRBB performance. As per the regulatory requirement, the Bank applies different interest rate shock scenarios and reports the impact on the economic value of equity (lifetime) and net interest income (next 12 months) on a monthly basis. At 31 December 2019, the Bank did not use any hedging instruments to manage IRRBB.

Another type of market risk is foreign exchange (FX) risk, which is defined as the financial risk from adverse movements in the exchange rate on transactions denominated in a currency other than the base currency of the institution. The Bank operates predominantly in the Swiss consumer lending market, and borrows and lends exclusively in Swiss francs. Therefore, the Bank's exposure to FX risk is minimal and limited to supplier invoices denominated in foreign currencies. FX exposure is monitored closely against internally set triggers, and the Bank takes immediate corrective action if limits are exceeded. At 31 December 2019, the Bank did not use any hedging instruments to manage its FX risk.

Further quantitative information is provided in the separate document "Basel III Pillar 3 disclosures 2019" published on the Cembra website ([www.cembra.ch/financialreports](http://www.cembra.ch/financialreports)).

### Operational risk and other risks

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Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Bank recognises the importance of the effective management of operational risks and has implemented a robust framework and appropriate processes to manage them. Key instruments include:

- Operational risk assessments: regular identification and assessment of the likelihood and potential impact of operational risks
- Control catalogue: execution of a set of documented controls aligned with business processes and their inherent risks
- Key risk indicators: regularly monitored risk metrics that serve as early warning indicators for potentially material operational risks
- Loss data collection: historical dataset of loss events used to identify operational risks deriving from process inefficiencies or control gaps, and
- Analysis of external events: analysis of external operational risk events applicable to the Group's risk profile to identify emerging risks and evaluate controls.

The Bank is exposed to a wide variety of operational risks, including technology and cyber-security risk that stem from dependencies on information technology and third-party suppliers. The Bank acknowledges the evolving cyber risk landscape and has therefore developed a comprehensive information security framework to effectively manage and

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control this type of risk. This framework addresses regulatory requirements, is based on international standards and is supported by a cyber-security strategy that ensures continuous improvements. Relevant cyber threats are regularly identified and assessed, and corresponding measures are considered. Specific response plans are maintained. The Bank has implemented this framework with the overall goal to ensure the Bank's critical information, client identifying data and related information technology are protected. These defined technical and organisational measures include specifically training relevant staff, assessing data confidentiality and privacy risks, and making use of vulnerability and penetration tests to protect sensitive data and systems.

The Bank is aware that severe events beyond its control (such as natural disasters) may result in an inability to fulfil some or all of its business obligations, particularly where its physical, telecommunications or IT infrastructure would be damaged or made inaccessible. In compliance with the Recommendation for Business Continuity Management (BCM) issued by the Swiss Bankers Association, the Bank has implemented a BCM programme, which involves identifying critical processes and their dependency on systems, applications and external vendors. The Bank's BCM framework encompasses planning, testing and other related activities. The framework aims to ensure that business-critical functions will either continue to operate in spite of a serious incident, or will be recovered to an operational state within a reasonably short period of time after such an incident occurs. Comprehensive crisis management plans are in place and define the processes to be followed in case of a business emergency. The aim is to safeguard the continuity of the Bank's business-critical activities and to keep major damage under control in the event of a significant business interruption. The status of the BCM programme and the status of the operational risk, cyber and information security control framework are regularly reviewed by the RCC and a summary report provided to the Audit and Risk Committee.

The Bank has chosen to use external service providers to support its business activities. With the implementation of directives governing this area and an ongoing monitoring process, the Bank ensures compliance with relevant regulatory requirements.

Compliance risk is the risk of legal or regulatory sanctions, reputational damage and financial forfeiture or material loss deriving from violations of laws and regulations, internal policies, prescribed best practice, or professional and ethical standards. The Bank is exposed to this type of risk as a consequence of being a market participant in the financial services industry, with its legal and regulatory requirements and the changes made to them. To ensure operational independence, the Bank has a separate Legal & Compliance function. This function effectively manages, controls, monitors and reports on legal and compliance risks and ensures that the Bank's business activities adhere to all relevant legal requirements, regulatory standards and requirements for effective corporate governance. The Bank acknowledges the increasing importance of behavioural compliance related to conduct risk in the banking sector and addresses this within the provisions of the Bank's Code of Conduct.

Strategic risk is defined as possible losses that arise from uncertainties or untapped opportunities inherent in the Bank's strategic goals. This context includes risks that the environment and climate change might pose on the Bank's business model. Environmental risks are generally considered to be rather low due to being a financial services provider operating exclusively in Switzerland (see also chapter Our approach to sustainability page 29). Reputational risk is the risk of losses resulting from damages to the Bank's reputation. The Management Board directly manages and supervises strategic risk, business risk and reputational risk. Recognising the fact that reputational risk can be difficult to quantify and arises as a consequence of another materialised risk, the Bank manages reputational risk jointly with other risks by assessing the inherent reputational impact of those risks.

### 4. Methods used for identifying default risks and determining the need for value adjustments

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For its lending products, the Bank uses consumer ratings (CR) to assess overall credit quality. There are five consumer ratings, each having an implied probability of default based on historical default experience, with a default definition of 90 days past due.

For private customers, the consumer rating is derived from a credit score application that is calculated through one of the Bank's internal scorecards. Each credit score translates into one of the consumer ratings. For commercial customers, an obligor rating (OR) is assigned. The obligor rating can be translated into the grades of the consumer rating. In addition to regular scorecard monitoring, a parity test is run on a quarterly basis to monitor at portfolio level whether the consumer ratings adequately reflect the credit quality. The parity tests confirm that although a consumer rating may have been assigned more than 12 months ago and so the initial 12-month window for probability of default has passed, the rating still accurately reflects the probability of default.

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### 5. Events after the balance sheet date

The Bank has evaluated subsequent events from the financial statements date through 18 March 2020, the date at which the financial statements were available to be issued. The recent emergence of the coronavirus is having an adverse impact on the global and the Swiss economy and it may affect the Bank's performance and results in the first half of 2020 and going forward. Besides that, there were no other subsequent events at that date.

### 6. Reasons that led to the premature resignation of the auditor

The External Auditor is elected for a period of one year at the General Meeting. The General Meeting has elected KPMG AG, Zurich as the statutory auditor of the Bank. KPMG AG was first appointed as statutory auditor in 2005. The auditors have not prematurely resigned from their function.

### 7. Notes to the balance sheet

#### 7.1 Collateral for financing receivables and off-balance sheet and impaired financing receivables

The collateral for financing receivables and off-balance sheet is as follows:

| At 31 December 2019 (CHF in thousands)                                     | Secured by mortgage | Other collateral | Unsecured | Total     |
|--|---------------------|------------------|-----------|-----------|
| <b>Financing receivables</b>   |                     |                  |           |           |
| Amounts due from customers (before netting with value adjustments)         | -                   | 540,478          | 5,624,208 | 6,164,687 |
| <b>Total financing receivables (before netting with value adjustments)</b> | -                   | 540,478          | 5,624,208 | 6,164,687 |
| Prior year   | -                   | 500,785          | 3,904,287 | 4,405,072 |
| Amounts due from customers (after netting with value adjustments)          | -                   | 537,776          | 5,555,794 | 6,093,571 |
| <b>Total financing receivables (after netting with value adjustments)</b>  | -                   | 537,776          | 5,555,794 | 6,093,571 |
| Prior year   | -                   | 498,281          | 3,861,561 | 4,359,842 |
| <b>Off-balance sheet</b>   |                     |                  |           |           |
| Contingent liabilities   | -                   | -                | 99,422    | 99,422    |
| Irrevocable commitments  | -                   | -                | 6,838     | 6,838     |
| <b>Total off-balance sheet</b>   | -                   | -                | 106,260   | 106,260   |
| Prior year   | -                   | -                | 66,333    | 66,333    |

Impaired financing receivables are as follows:

| At 31 December 2019 (CHF in thousands) | Gross debt amount | Estimated liquidation value of collateral | Net debt amount | Individual value adjustments <sup>1</sup> |
|--|-------------------|---|-----------------|---|
| <b>Impaired loans/receivables</b>      | 30,796            | 2,659                                     | 28,137          | -   |
| Prior year                             | 14,057            | 888                                       | 13,169          | -   |

<sup>1</sup> The Bank has only allowance for losses that is calculated on the total of financing receivables. See note 7.7. for details.

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### 7.2 Financial investments

| At 31 December (CHF in thousands)  | Book value    |               | Fair value    |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2019          | 2018          | 2019          | 2018          |
| Debt securities held to maturity   | 14,600        | 37,200        | 14,600        | 37,200        |
| Debt securities available for sale | 5,659         | 10,548        | 5,659         | 10,548        |
| Repossessed vehicles held for sale | 447           | 358           | 447           | 358           |
| <b>Total</b>                       | <b>20,706</b> | <b>48,106</b> | <b>20,706</b> | <b>48,106</b> |

The breakdown of counterparties by rating is following:

| At 31 December 2019 (CHF in thousands) | AAA to AA-   | A+ to A-      | BBB+ to BBB- | Lower than B- | Not rated  |
|--|--------------|---------------|--------------|---------------|------------|
| <b>Book value of debt securities</b>   | <b>5,659</b> | <b>14,600</b> | <b>-</b>     | <b>-</b>      | <b>447</b> |

The Bank uses the rating classes of Fitch, Moody's and Standard & Poor's.

### 7.3 Intangible assets

| CHF in thousands               | Cost Value    | Accumulated amortisation | Book value as per 31 December 2018 | Current Year |           |               | Book value as per 31 December 2019 |
|--------------------------------|---------------|--------------------------|------------------------------------|--------------|-----------|---------------|------------------------------------|
|                                |               |                          |                                    | Additions    | Disposals | Amortisation  |                                    |
| Goodwill                       | 11,103        | -2,200                   | 8,903                              | -            | -         | -2,241        | 6,662                              |
| <b>Total intangible assets</b> | <b>11,103</b> | <b>-2,200</b>            | <b>8,903</b>                       | <b>-</b>     | <b>-</b>  | <b>-2,241</b> | <b>6,662</b>                       |

### 7.4 Other assets and liabilities

| At 31 December (CHF in thousands)               | 2019          |                   | 2018          |                   |
|---|---------------|-------------------|---------------|-------------------|
|   | Other assets  | Other liabilities | Other assets  | Other liabilities |
| Indirect taxes                                  | 3,861         | 1,003             | 1,410         | 971               |
| Settlement accounts                             | 7,001         | 72,955            | 4,758         | 71,088            |
| Amounts due from the sale of insurance products | 1,282         | -                 | 872           | -                 |
| Various assets and liabilities                  | 10,469        | 1,141             | 11,354        | 393               |
| <b>Total other assets and liabilities</b>       | <b>22,614</b> | <b>75,099</b>     | <b>18,393</b> | <b>72,453</b>     |

### 7.5 Liabilities to own pension plans

| At 31 December (CHF in thousands)           | 2019     | 2018     |
|---|----------|----------|
| Amounts due in respect of customer deposits | -        | -        |
| <b>Total due to own pension plans</b>       | <b>-</b> | <b>-</b> |

The pension fund does not directly hold any equity instruments of the Bank.



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### 7.6 Economic position of own pension plans

| At 31 December (CHF in thousands)                 |               |               | 2019         | 2018         | Influence of ECR on personnel expenses |          |
|---|---------------|---------------|--------------|--------------|--|----------|
|   | Nominal value | Waiver of use | Net amount   | Net amount   | 2019                                   | 2018     |
| Employer contribution reserves (ECR) <sup>1</sup> |               |               |              |              |  |          |
| Pension plan                                      | 2,915         | -             | 2,915        | 2,915        | -                                      | -        |
| <b>Total due to own pension plans</b>             | <b>2,915</b>  | <b>-</b>      | <b>2,915</b> | <b>2,915</b> | <b>-</b>                               | <b>-</b> |

<sup>1</sup> Based on audited financial statements 2018 and 2017 of Employer Pension Plan of Cembra Money Bank AG in accordance with FER 26 and material changes during the reporting period

The employer contribution reserves are recorded at nominal value according to pension plan statement under the position "Other assets" in the balance sheet. The nominal value of the employer contribution reserve is not discounted. Ordinary interest rate is currently not applied to employer contribution reserve. There are no unrecognised employer contribution reserves.

| Economic benefit/obligation and pension expense <sup>1</sup> | Overfunding/underfunding at 31.12.2019 | Economic interest of the bank | Change in economic interest versus prior year | Contributions paid 2019 | Pension expense in personnel expense |       |
|--|--|-------------------------------|---|-------------------------|--------------------------------------|-------|
| CHF in thousands   | 2019                                   | 2018                          |   |                         | 2019                                 | 2018  |
| Employer sponsored funds/schemes                             | -                                      | -                             | -   | -                       | -                                    | -     |
| Pension plans without overfunding/underfunding               | -                                      | -                             | -   | -                       | -                                    | -     |
| Pension plans with overfunding                               | 17,917                                 | -                             | -   | 8,494                   | 12,413                               | 7,930 |
| Pension plans with underfunding                              | -                                      | -                             | -   | -                       | -                                    | -     |

<sup>1</sup> Based on audited financial statements 2018 and 2017 of Employer Pension Plan of Cembra Money Bank AG in accordance with FER 26 and material changes during the reporting period

All regular employees of the Bank are insured in the pension fund of the Bank. Temporary employees are exempt. The plan is a defined contribution plan. The accounting of the pension plan follows the guidelines of Swiss GAAP FER 26. There are no further obligations of the employer.

### 7.7 Value adjustments and provisions

| CHF in thousands                                   | Balance as per 31 December 2018 | Use in conformity with designated purpose | Reclassifications | Recoveries, past due interest | New provisions charged to income | Releases to income | Balance as per 31 December 2019 |
|--|---------------------------------|---|-------------------|-------------------------------|----------------------------------|--------------------|---------------------------------|
| Value adjustments and provisions for default risks | 45,230                          | -102,275                                  | 19,222            | 69,171                        | 63,816                           | -24,049            | 71,116                          |
| Provision for pension benefit obligations          | -                               | -   | -                 | -                             | 3,917                            | -                  | 3,917                           |
| Other provisions                                   | 2,753                           | -   | -                 | -                             | 1,069                            | -56                | 3,766                           |
| <b>Total value adjustments and provisions</b>      | <b>47,983</b>                   | <b>-102,275</b>                           | <b>19,222</b>     | <b>69,171</b>                 | <b>68,802</b>                    | <b>-24,105</b>     | <b>78,799</b>                   |

Value adjustments and provisions for default risks are related to financing receivables. Please refer to the Risk Management section for details. Other provisions contain provisions for litigation, reconstruction costs and others.

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### 7.8 Bank's capital

| Bank's capital                        | 2019                   |                   |                                      | 2018                   |                   |                                      |
|---------------------------------------|------------------------|-------------------|--------------------------------------|------------------------|-------------------|--------------------------------------|
|                                       | Total par value in CHF | Number of shares  | Capital eligible for dividend in CHF | Total par value in CHF | Number of shares  | Capital eligible for dividend in CHF |
| Share capital                         | 30,000,000             | 30,000,000        | 29,378,356                           | 30,000,000             | 30,000,000        | 28,186,751                           |
| <b>Total</b>                          | <b>30,000,000</b>      | <b>30,000,000</b> | <b>29,378,356</b>                    | <b>30,000,000</b>      | <b>30,000,000</b> | <b>28,186,751</b>                    |
| Authorised capital                    | 3,000,000              | 3,000,000         | -                                    | 3,000,000              | 3,000,000         | -                                    |
| of which, capital increases completed | -                      | -                 | -                                    | -                      | -                 | -                                    |
| Conditional capital                   | 3,900,000              | 3,900,000         | -                                    | 3,900,000              | 3,900,000         | -                                    |
| of which, capital increases completed | -                      | -                 | -                                    | -                      | -                 | -                                    |

Share capital is fully paid in. There are no special rights related to share capital.

### 7.9 Share and option holdings of the members of the Board of Directors, the Management Board and the employees

|                                   | Equity shares            |               |                            |                  | Options (RSUs/PSUs)      |               |   |                  |
|-----------------------------------|--------------------------|---------------|----------------------------|------------------|--------------------------|---------------|---|------------------|
|                                   | Number as of 31 December |               | Value (CHF) at 31 December |                  | Number as of 31 December |               | Value (CHF) at 31 December <sup>1</sup> |                  |
|                                   | 2019                     | 2018          | 2019                       | 2018             | 2019                     | 2018          | 2019                                    | 2018             |
| Members of the Board of Directors | 29,774                   | 24,493        | 3,156,044                  | 1,906,780        | -                        | -             | -                                       | -                |
| Members of the Management Board   | 21,478                   | 19,867        | 2,276,668                  | 1,546,646        | 18,427                   | 16,453        | 1,387,843                               | 1,259,173        |
| Employees                         | 4,639                    | 5,056         | 491,734                    | 393,610          | 4,126                    | 4,757         | 401,262                                 | 304,677          |
| <b>Total</b>                      | <b>55,891</b>            | <b>49,416</b> | <b>5,924,446</b>           | <b>3,847,036</b> | <b>22,553</b>            | <b>21,210</b> | <b>1,789,106</b>                        | <b>1,563,849</b> |

<sup>1</sup> Weighted yearly average price since grant date

Under the Executive Variable Compensation Plan (EVCP) that was set up for the senior management team in 2013, each member of the Group's senior management team received at grant a number of restricted stock units (RSUs) as part of their annual variable compensation. Vesting for the RSUs takes place in three equal tranches. The last grant of RSUs was in 2016 for the performance year 2015. For further details related to this plan, please refer to the Compensation Report in the Annual Report 2015.

In 2016, the EVCP plan was adapted and since the performance year 2016 the senior management team receives under the long-term incentive programme (LTI), which is one part of the EVCP, a part of their variable compensation in performance share units (PSUs). The PSUs vest after a three-year period depending on the achievement of performance conditions which include relative total shareholder return (TSR) and cumulative fully diluted earnings per share (EPS). The actual LTI bonus of each participant is determined in the first quarter after each performance year in a range of 75% to 125% of the target LTI bonus based on a look-back assessment in a guided discretion by the Board. The actual LTI bonus is granted in PSUs. The first grant took place in March 2017. For details regarding the plan, please refer to the Compensation Report on page 84.

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### 7.10 Related parties

| At 31 December (CHF in thousands)  | 2019    | 2018    |
|------------------------------------|---------|---------|
| Amounts due from related companies | 185,697 | 185,233 |
| Amounts due to related companies   | 127,805 | 12,290  |

There are no off-balance-sheet items from related parties. Related-party transactions are concluded at arm's length conditions.

There are following transactions with governing bodies:

| At 31 December (CHF in thousands)            | 2019  | 2018  |
|--|-------|-------|
| Amounts due from members of governing bodies | 28    | 22    |
| Amounts due to members of governing bodies   | 1,898 | 1,061 |

The governing bodies conclude usual banking transactions at personnel conditions.

### 7.11 Holders of significant participations

The following parties hold participations with more than 5% of voting rights:

| Significant shareholders with voting rights | 2019                   |                  |            | 2018                   |                  |            |
|---|------------------------|------------------|------------|------------------------|------------------|------------|
|   | Total par value in CHF | Number of shares | Share as % | Total par value in CHF | Number of shares | Share as % |
| Black Rock Inc.                             | 1,740,271              | 1,740,271        | 5.8        |                        |                  |            |
| UBS Fund Management                         | 1,623,913              | 1,623,913        | 5.4        | 1,623,913              | 1,623,913        | 5.4        |
| Cembra Money Bank AG                        |                        |                  |            | 1,813,249              | 1,813,249        | 6.0        |

### 7.12 Own shares

| Treasury shares (number)      | 2019       | Average transaction price (CHF) |
|-------------------------------|------------|---------------------------------|
| <b>Balance at 1 January</b>   | 1,813,249  |                                 |
| Purchase                      | 18,000     | 94.67                           |
| Sale                          | -1,200,000 | 93.25                           |
| Share based compensation      | -9,605     | 84.95                           |
| <b>Balance at 31 December</b> | 621,644    |                                 |

Own shares were purchased at fair value during the reporting period.

### Non-distributable reserves

| At 31 December (CHF in thousands)                      | 2019   | 2018   |
|--|--------|--------|
| Non-distributable statutory capital reserves           | -      | -      |
| Non-distributable statutory retained earnings reserves | 15,000 | 15,000 |
| <b>Total non-distributable reserves</b>                | 15,000 | 15,000 |

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The statutory retained earnings reserves and the statutory capital reserves, to the extent they do not exceed one-half of the share capital, may be used only to cover losses or for measures designed to sustain the Bank through difficult times, to prevent unemployment or to mitigate its consequences.

### 7.13 Holdings of the governing bodies and compensation report

#### Board of Directors

| At 31 December         |               | 2019             |                          | 2018             |                          |
|------------------------|---------------|------------------|--------------------------|------------------|--------------------------|
| Name                   | Function      | Number of shares | Number of blocked shares | Number of shares | Number of blocked shares |
| Dr Felix A. Weber      | Chairman      | 7,250            | 5,433                    | 7,250            | 3,621                    |
| Ben Tellings           | Vice Chairman | -                | 1,802                    | -                | 1,157                    |
| Prof. Dr Peter Athanas | Member        | -                | 1,993                    | -                | 1,328                    |
| Urs D. Baumann         | Member        | 7,200            | 1,812                    | 7,200            | 1,208                    |
| Denis Hall             | Member        | -                | 1,166                    | -                | 651                      |
| Katrina Machin         | Member        | -                | 1,487                    | -                | 991                      |
| Dr Monica Mächler      | Member        | -                | 1,631                    | -                | 1,087                    |

#### Management Board

| At 31 December      |                       | 2019             |                |                | 2018             |                |                |
|---------------------|-----------------------|------------------|----------------|----------------|------------------|----------------|----------------|
| Name                | Position              | Number of shares | Number of RSUs | Number of PSUs | Number of shares | Number of RSUs | Number of PSUs |
| Robert Oudmayer     | CEO                   | 10,859           | 1,069          | 8,214          | 9,790            | 2,138          | 5,474          |
| Jörg Fohringer      | Managing Director B2B | -                | -              | -              | -                | -              | -              |
| Daniel Frei         | Managing Director B2C | 4,345            | 292            | 1,717          | 4,053            | 584            | 1,144          |
| Volker Gloe         | CRO                   | 4,112            | 290            | 1,631          | 3,823            | 579            | 1,087          |
| Dr Emanuel Hofacker | General Counsel       | 2,162            | 243            | 1,495          | 1,919            | 486            | 996            |
| Niklaus Mannhart    | COO                   | -                | 3,038          | 266            | -                | 3,038          | -              |
| Pascal Perritaz     | CFO                   | -                | -              | 172            | -                | -              | -              |
| Rémy Schimmel       | former CFO            | n/a              | n/a            | n/a            | 282              | 927            | -              |

For details, refer to the Compensation Report.

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### 8. Notes to the income statement

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#### 8.1 Negative interest revenue

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Negative interest on assets is recorded as a reduction of interest income. Negative interest on liabilities is recorded as a reduction of interest expense.

| For the years ended 31 December (CHF in thousands)               | 2019  | 2018  |
|--|-------|-------|
| Negative interest on assets (reduction of interest income)       | 2,681 | 1,464 |
| Negative interest on liabilities (reduction of interest expense) | 507   | 381   |

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#### 8.2 Personnel expenses

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| For the years ended 31 December (CHF in thousands)                               | 2019           | 2018           |
|--|----------------|----------------|
| Salaries   | 95,950         | 88,541         |
| of which share-based compensation and alternative forms of variable compensation | 852            | 709            |
| Social security benefits   | 19,779         | 14,446         |
| Other compensation   | 5,378          | 5,890          |
| <b>Compensation and benefits</b>   | <b>121,106</b> | <b>108,877</b> |

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#### 8.3 General and administrative expenses

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| For the years ended 31 December (CHF in thousands)    | 2019          | 2018          |
|---|---------------|---------------|
| Office space expenses                                 | 7,138         | 6,330         |
| Expenses from furniture and fixtures                  | 1,470         | 1,436         |
| Expenses for information and communication technology | 29,960        | 27,811        |
| Audit fees  | 1,039         | 948           |
| Other operating expense                               | 56,043        | 32,554        |
| <b>Total</b>  | <b>95,651</b> | <b>69,078</b> |

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#### 8.4 Explanatory notes on extraordinary income and value adjustments and provisions no longer required

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| For the years ended 31 December (CHF in thousands) | 2019       | 2018         |
|--|------------|--------------|
| Sale of a portfolio of loss certificates           | -          | 1,680        |
| Other income                                       | 146        | 329          |
| <b>Total</b>                                       | <b>146</b> | <b>2,008</b> |

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## Individual Financial Statements

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### 8.5 Current and deferred taxes

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| For the years ended 31 December (CHF in thousands) | 2019          | 2018          |
|--|---------------|---------------|
| Current tax expense                                | 41,965        | 42,413        |
| <b>Income tax expense</b>                          | <b>41,965</b> | <b>42,413</b> |

The effective tax rates of the Bank for each of the two years ended 31 December were approximately 21%. There were no deferred taxes.



# Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

## Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Cembra Money Bank AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 153 to 174) for the year ended December 31, 2019.

### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended December 31, 2019 comply with Swiss law and the company's articles of incorporation.



### Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



#### Valuation of allowance for losses on amounts due from customers (financing receivables)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



#### Valuation of allowance for losses on amounts due from customers (financing receivables)

##### Key Audit Matter

As per December 31, 2019 amounts due from customers (smaller-balance, homogenous loans, including credit card receivables, personal loans as well as auto leases and loans) amount to CHF 6,093.6 million (representing 86% of total assets) and includes an allowance for losses of CHF 70.4 million.

The valuation of collective allowance for losses on amounts due from customers relies on the application of significant management judgment in determining the methodology and parameters in calculating the allowance and requires specific knowledge of developments in the Bank's amounts due from customers. The use of different modelling techniques and assumptions (e.g. current trends, conditions and macroeconomic factors) could result in significantly different estimates of allowances for losses on amounts due from customers.

In particular, the valuation of the collective allowance for losses on amounts due from customers is based on significant estimates, such as future client payment behavior, which is subject to management judgment and requires specific knowledge and competencies in determining allowances.

##### Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of the allowance for losses on amounts due from customers. This included controls over the calculation, approval, recording and monitoring of allowances. This also included controls over model approval, validation and approval of key data inputs and qualitative considerations for potential impairment that were not captured by management's models.

For a sample of allowances for losses on amounts due from customers calculated on a collective basis, we tested the underlying models including the model approval and validation process. We also tested the reasonableness of the inputs to those models, such as delinquency and payment behavior, by comparing data and assumptions made to historical accuracy of estimates.

For a sample of amounts due from customers, and with the use of our own valuation specialists, we critically examined and challenged the assumptions and models used or we re-performed an independent assessment of the valuation allowance.

For further information on valuation of allowance for losses on amounts due from customers (financing receivables) refer to the following:

- Note 2 (Accounting and valuation principles, Amounts due from banks/customers)
- Note 7.7 (Value adjustments and provisions)





### Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

A handwritten signature in blue ink, appearing to read 'C. Castagna', written over a light blue horizontal line.

Cataldo Castagna  
Licensed Audit Expert  
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'M. Bourquin', written over a light blue horizontal line.

Malea Bourquin  
Licensed Audit Expert

Zurich  
March 18, 2020

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# Information for Shareholders

## Cembra Money Bank AG registered shares

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|                        |  |
|------------------------|--|
| Stock exchange listing | SIX Swiss Exchange                             |
| ISIN                   | CH0225173167                                   |
| Security number        | 22517316                                       |
| Par value              | CHF 1.00                                       |
| Number of shares       | 30,000,000                                     |
| Major indices          | SPI®, Swiss All Share Index, STOXX® Europe 600 |

## Ticker symbols

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|           |         |
|-----------|---------|
| Bloomberg | CMBN SW |
| Reuters   | CMBN.S  |

## Credit ratings

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|                      |                  |
|----------------------|------------------|
| Standard & Poor's    | A- (long-term)   |
| Standard & Poor's    | A-2 (short-term) |
| Bank Vontobel        | A-               |
| Zürcher Kantonalbank | A-               |

## Financial calendar

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|                                       |               |
|---------------------------------------|---------------|
| Annual General Meeting                | 16 April 2020 |
| Publication of half-year 2020 results | 23 July 2020  |

## Contacts

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|                    |  |
|--------------------|--|
| Investor Relations |  |
| E-mail:            | <a href="mailto:investor.relations@cembra.ch">investor.relations@cembra.ch</a> |
| Telephone:         | + 41 44 439 85 72  |

|                 |  |
|-----------------|--|
| Media Relations |  |
| E-mail:         | <a href="mailto:media@cembra.ch">media@cembra.ch</a> |
| Telephone:      | + 41 44 439 85 12                                    |

Cembra Money Bank AG  
Bändliweg 20  
8048 Zurich  
Switzerland

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# Where to find us

## Branches

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### Aarau

Bahnhofstrasse 8  
5001 Aarau  
062 832 30 50

### Geneva

Rue du Cendrier 17  
1201 Genève 1  
022 908 65 90

### Neuchâtel

Place des Halles 6  
2000 Neuchâtel  
058 958 19 70

### Zurich City

Löwenstrasse 52  
8001 Zurich  
044 227 70 40

### Basel

Freie Strasse 39  
4001 Basel  
061 269 25 80

### Langenthal<sup>1</sup>

Murgenthalstrasse 7  
4900 Langenthal  
058 958 19 30

### Solothurn

Hauptbahnhofstrasse 12  
4501 Solothurn  
032 626 57 70

### Zurich Oerlikon

Schaffhauserstrasse 315  
8050 Zurich-Oerlikon  
044 315 18 88

### Bern

Schwanengasse 1  
3001 Bern  
031 328 51 10

### Lausanne

Place Chauderon 18  
1003 Lausanne  
058 958 13 80

### Sion

Av. des Mayennets 5  
1951 Sion  
027 329 26 40

### Chur

Alexanderstrasse 18  
7001 Chur  
081 257 13 90

### Lugano

Via E. Bossi 1  
6901 Lugano  
091 910 69 10

### St. Gallen

Oberer Graben 3  
9001 St. Gallen  
071 227 19 19

### Fribourg

Rue de la Banque 1  
1701 Fribourg  
026 359 11 11

### Lucerne

Weggisstrasse 1  
6002 Lucerne  
041 417 17 17

### Winterthur

Schmidgasse 7  
8401 Winterthur  
052 269 23 40

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## Subsidiary

Swissbilling SA  
Rue du Caudray 4  
1020 Renens  
058 226 10 50

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## Headquarters

Cembra Money Bank AG  
Bändliweg 20  
8048 Zurich  
044 439 81 11

<sup>1</sup> cashgate branch at 31 December 2019, from April 2020 branch by Cembra