

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 2020 Compensation Report of Cembra Money Bank AG (hereafter referred to as "Cembra" or "the Bank").

2020 financial performance

2020 was an unusual year, yet our business model has proven resilient in the current economic environment and our conservative risk management approach is paying off. The imposed lockdowns and restricted cross-border travel opportunities led to a significant decline in commission and fee income (-17% year on year), mainly driven by a decrease in income from credit card fees (-29% year on year) related to international transactions. While not fully compensating for lost revenues, Cembra had a robust business performance and created future growth opportunities (see Shareholders' Letter 2020 page 6-7). Despite the effects of the pandemic, total return for our shareholders was positive, at 5% in 2020.

Shareholders' and employees' experience in the context of the Covid-19 pandemic

These achievements were not possible without the extraordinary dedication of our management and employees, who helped overcome the Covid-19 crisis without needing any financial support from the government including short-time work compensation. To recognise, appreciate, and reward these achievements, the Board of Directors in assessing the performance target achievement under the STI 2020 decided to neutralise the directly measurable Covid-19-related shortfall in income from credit card fees related to international transactions. As a result, the individual STI payout percentages for members of the Management Board have increased by 28 percentage points on average compared to the result without the described neutralisation. While the performance of other business lines was also affected by the pandemic, the impact is not directly measurable. Therefore, no adjustments were made in the assessment of the performance of these businesses. In addition, although the underlying EPS performance of the outstanding LTI with performance periods 2018 to 2020 and 2019 to 2021 respectively would have been affected by the aforementioned neutralisation, to maintain alignment of management compensation and shareholders' experience, the Board of Directors decided not to make any adjustments for the LTI. The total compensation for the Group's active Management Board was TCHF 5,074 for 2020, as compared to the budget of TCHF 6,400 comprising the fixed compensation approved at the Annual General Meeting 2019 and the variable compensation approved at the Annual General Meeting 2020. The total compensation in the previous year was TCHF 5,448 compared to an approved total compensation of TCHF 6,400.

Compensation policy and framework

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.

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Regarding compensation levels, there were no changes of the Board of Directors' compensation and no increases were made to the compensation of the CEO or other members of the Management Board.

Compensation disclosure and shareholders' feedback

For this report, further efforts were made to increase levels of disclosure. We now provide more details on the targets of our short-term incentive programme under the Executive Variable Compensation Plan by enhancing the description of the targets and their weights.

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, as of 2020 we linked the compensation of our Management Board to sustainability and included sustainability related elements in the Executive Variable Compensation Plan.

Changes to the Management Board

As announced in January 2021, the Board of Directors has appointed Holger Laubenthal as new CEO of Cembra, effective 1 March 2021. Holger Laubenthal will succeed Robert Oudmayer, who has expressed his wish to step down as CEO and take early retirement in the course of 2021. Holger Laubenthal's overall target compensation is comparable to that of the previous CEO. In the financial year 2021, the departing CEO Robert Oudmayer will receive compensation in accordance with his contractual terms for the 12-month notice period. Compensation paid to Robert Oudmayer during 2021 will be disclosed in the Compensation Report 2021.

Annual General Meeting 2021

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 2021. Furthermore, we will ask you to vote on the maximum total compensation amount for the Board of Directors for the Annual General Meeting 2021 to Annual General Meeting 2022 term of office and on the maximum total compensation for the Management Board to be paid out in the business year 2022.

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

Cembra's overall objective is to build on its position as a leading Swiss provider of consumer finance products and services. The success of Cembra 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 Cembra'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 Cembra's values of customer focus, engagement, responsibility and diversity. Variable compensation of the Management Board is based on the achievements of Cembra'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, Cembra 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. For the members of the Management Board, a benchmark analysis is generally conducted every two to three years.

Good governance practice

We want to ensure that our compensation practices are transparent for Cembra'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 compensation guidelines take into consideration the rules of FINMA Circular 2010/1 "Remuneration schemes".

With regards to control functions, Cembra ensures that the remuneration structure and goals for control functions are predominantly linked to the core duties of the functions. The 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 ensures that no inappropriate incentives are created.

2 Compensation governance

2.1 Compensation and Nomination Committee

According to the Articles of Incorporation and the Organisational Regulations (available at www.cembra.ch/corporate-governance) as refined by further internal regulations, 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 or Vice 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.

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.

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The CNC holds meetings as often as required, but at least once every quarter. During 2020, the CNC held seven meetings whereas five were held as conference calls due to the safety requirements imposed by Covid-19. Furthermore, numerous informal exchanges within the CNC were held to support the intensive CEO and Board of Directors member recruitment processes and monitor the Covid-19 pandemic implications on Cembra. The table below presents a high-level overview of the activities performed.

	January	February	March	May	August	October	November
Compensation plans & principles						Review EVCP Compensation framework	
			Review EVCP document		Review Company Pension Fund arrangement		Review Equal Pay analysis
Board of Directors compensation		Determine Board compensation for next office term for shareholders vote				Review goal framework for CEO and Management Board	
CEO & Management Board performance	Set goals and objectives for upcoming year						
	Strategic look-back assessment						
	Performance review & bonus approval						
	Approval of the 2017 LTI grant vesting on 01 March 2020						Review Covid-19 implications
CEO & Management Board compensation		Determine maximum aggregated compensation amount for shareholders vote	Assess Covid-19 implications for LTI target setting	Approve EPS target for LTI 2020–2022			Review compensation benchmark analysis
Nomination & succession planning	Recruitment for new Board Members and new CEO						
			Review succession planning for MB and their direct reports		Proposal for new CEO		
	Nominate Board of Directors & CNC members for next office term				Review Board composition	Proposal for new Board members nomination	
Compliance & regulatory			Review AGM and investors feedback on Compensation Report	CNC charter review			
	Compensation report review (previous year)						

Generally, meetings are attended by the Chairman of the Board of Directors, the CEO and the Head of Human Resources 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 well as other individuals may be invited if deemed necessary. The Chairman of the CNC reports to the

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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 external advisors from time to time for specific compensation matters. In 2020, HCM International Ltd provided independent advice on compensation matters related to the Management Board. HCM International Ltd. holds no other mandate with Cembra. The compensation consulting firm Kienbaum Consultants International provided the CNC with data regarding to market trends and pay level in relation to the Management Board. Kienbaum Consultants International provides similar data and advisory work to Human Resources in relation to compensation for employees below the Management Board. In addition, support and expertise are provided by internal compensation experts such as the Head of Human Resources. For further governance-related information see the Corporate Governance Report on page 65.

2.2 Method of determination of compensation

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, Cembra's performance, the environment in which Cembra operates, individual performance of the members of the Management Board and the awards granted to them in prior years.

2.3 Involvement of shareholders

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/corporategovernance) 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

Members of the Board of Directors receive only fixed compensation to ensure their independence in their supervisory duties towards the Company'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 Company'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 Cembra, 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/ chair fee
Chairman of the Board of Directors ¹	450	
Member of the Board of Directors	100	
Vice Chairman		30
Chairperson 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

¹ 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.

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3.2 Compensation awarded to the Board of Directors for 2020

The following tables disclose the compensation awarded to the members of the Board of Directors for 2020 and 2019. For 2020, members of the Board of Directors received a total compensation of TCHF 1,355 (previous year TCHF 1,407).

For the year ended 31 December 2020 (CHF)

Name	Function	Basic fee	Committee/ chair fee	Employer social security contributions	Total	Thereof in shares in CHF ²	Number of shares
Dr Felix Weber	Chairman	450,000	–	26,269	476,269	150,019	1,413
Prof. Dr Peter Athanas	Vice Chairman, Member CNC	100,000	61,456	8,793	170,249	53,849	507
Urs Baumann	Chairman CNC	100,000	50,000	10,826	160,826	50,006	471
Thomas Buess ¹	Member Audit and Risk Committee	70,879	24,808	6,926	102,613	30,602	291
Denis Hall	Member Audit and Risk Committee	93,441	34,380	14,707	142,527	42,668	402
Katrina Machin	Member CNC	93,622	29,468	14,052	137,142	41,076	387
Dr Monica Mächler	Chairperson Audit and Risk Committee	100,000	56,264	9,532	165,796	52,153	492
Total compensation of the members of the Board of Directors		1,007,941	256,375	91,105	1,355,422	420,373	3,963

¹ Member of the Audit and Risk Committee since Annual General Meeting 2020

² Number of shares reflects shares granted 1 February 2020 for the period 1 January 2020 until Annual General Meeting 2020 and shares granted 1 February 2021 for the period Annual General Meeting 2020 until 31 December 2020. For the grant of 1 February 2020 the share price is CHF 108.96 - volume-weighted average price ("VWAP") 60 trading days before and including grant date (source: SIX). For the grant of 1 February 2021 the share price is CHF 105.05 - VWAP 60 trading days before and including grant date (source: SIX). Due to the blocking period a discount of 25.274% is applied according to the table published by the circular no 37 of the Federal Tax Administration Office.

For the year ended 31 December 2019 (CHF)

Name	Function	Basic fee	Committee/ chair fee	Employer social security contributions	Total	Thereof in shares in CHF ²	Number of shares
Dr Felix Weber	Chairman	450,000	–	25,655	475,655	150,031	1,518
Ben Tellings ¹	Vice Chairman, Member CNC	100,000	60,000	11,277	171,278	53,615	542
Prof. Dr Peter Athanas	Chairman Audit and Risk 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 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 Committee	100,000	35,000	9,573	144,573	45,088	456
Total compensation of the members of the Board of Directors		1,037,062	273,848	95,840	1,406,751	437,543	4,426

¹ Vice Chairman and member of the CNC until 31 December 2019

² 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 of 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 of 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 a discount of 25.274% is applied according to the table published by the circular no 37 of the Federal Tax Administration Office.

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The total compensation (including pre-estimated social security contributions) for the period from the Annual General Meeting 2020 to the Annual General Meeting 2021 for the Board of Directors will amount to TCHF 1,406 and is within the maximum aggregate compensation amount of TCHF 1,450 approved at the Annual General Meeting on 16 April 2020.

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) of following year (C)	Plus compensation accrued from Jan to AGM of	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 2020-AGM 2021	2020	1 Jan 2020 to 2020 AGM	1 Jan 2021 to 2021 AGM	2020 to 2021 AGM ¹	2020 AGM	2020 AGM
Board of Directors (total)	1,355,422	362,597	412,681	1,405,506	1,450,000	97%
AGM 2019-AGM 2020	2019	1 Jan 2019 to 2019 AGM	1 Jan 2020 to 2020 AGM	2019 to 2020 AGM	2019 AGM	2019 AGM
Board of Directors (total)	1,406,751	416,997	362,929	1,352,683	1,450,000	93%

¹ The difference to 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 2020 please refer to sub-chapter 6 “Loans and credits: Amounts due from members of governing bodies” on page 113 of this report.

Compensation, loans or credits to related parties

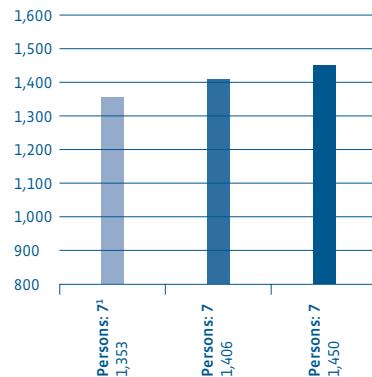
No compensation, loans or credits have been paid or granted to persons related to current or former members of the Board of Directors, which are not at arm's length.

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

in TCHF



■ Total compensation Board of Directors: AGM 2019 to AGM 2020

■ Total compensation Board of Directors: AGM 2020 to AGM 2021

■ Approved budget for AGM 2020 to AGM 2021

¹ One board member stepped down before the end of the office term.

4 Compensation of the Management Board

4.1 Compensation architecture for the Management Board in 2020

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

In 2016 the compensation structure for the Management Board was 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 Company's financial health, compensation benchmark information, market movement, economic environment, and individual performance.

The compensation benchmark analysis conducted by Kienbaum Consultants International in 2018 was used for 2019 and 2020 compensation decisions. The peer group selected comprised 23 companies from the Financial Services industry (61% of the companies) and Insurance Companies (39% of the peer group). From Financial Services, the peer group comprised Swiss-based financial institutions active in retail banking or card services. These are cantonal banks, regional Swiss banks as well as divisions of large banks based in Switzerland. 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. A list of the peer group cannot be disclosed due to non-disclosure and confidentiality agreements some of these companies have with Kienbaum Consultants International. In the reporting year, no increases were made to the compensation of the CEO or other members of the Management Board.

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.

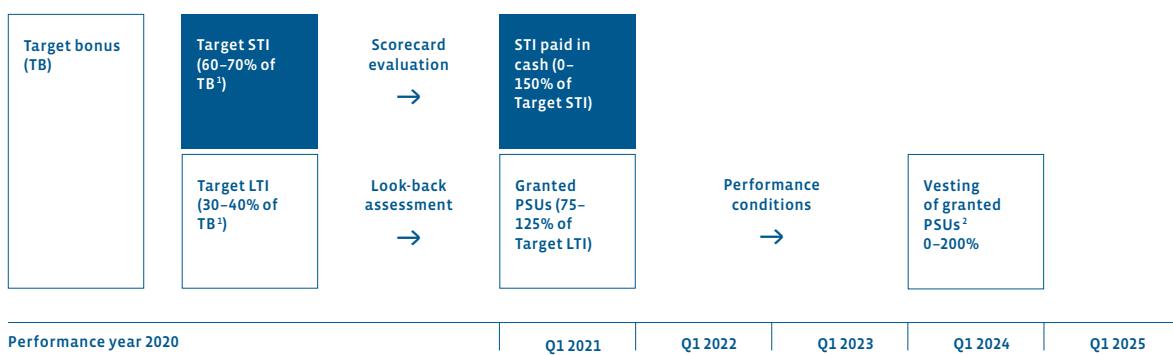
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Executive Variable Compensation Plan

The variable compensation of the Management Board is governed by the internal EVCP guideline. The purpose of the EVCP is to reward for Cembra'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



¹ 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%)

² Vesting of PSUs settled in shares

Sustainability performance in the EVCP process for short-term and long-term incentives

Sustainability is considered in the variable compensation determination process in the performance assessment and compensation amount decision. Under the Short-Term Incentive (STI) framework, sustainability related goals are included under the People and Leadership pillar. Further, under the Long-Term Incentive (LTI) plan, 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. The strategic look-back assessment considers, among others, sustainability related factors including definition of sustainability strategy and framework, achievement of sustainability goals, reputation and market perception of Cembra's sustainability commitment and performance. The look-back assessment is performed at the end of the year and affects the final Long-Term Incentive (LTI) part of the variable compensation.

The details of the STI and LTI plans mechanism are presented in the following sections.

Short-term incentive (STI)

The STI is designed to reward the individual performance over a time horizon of one year based on the Company's results. It allows the Management Board to participate in Cembra'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 2020, 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.

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At the beginning of the year, the Board of Directors, based on a recommendation by the CNC, sets objectives relative to the Bank, divisions and behaviours. The achievements versus the goals are assessed at the end of the year in the scorecard evaluation which determines the final Short-Term Incentive bonus.

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.

For 2020 the following weights were applicable:

Category	CEO/Chief Financial Officer/ Managing Director B2B	Managing Director B2C	Chief Operating Officer/ General Counsel/ Chief Risk Officer
1. Financials	60 %	40 %	30 %
2. Customer & market	15 %	10 %	10 %
3. Operational excellence	10 %	35 %	45 %
4. People & leadership	15 %	15 %	15 %

The goals and their targets are defined in the scorecard approved by the Board of Directors for the CEO and for each Management Board member. The selection of goals for each role reflect their respective responsibility and scope. The CEO's 2020 targets are Net income, Revenue growth, Revenue generated from new businesses, New business initiatives, Market share, Digitalisation, Employee satisfaction and Corporate Culture.

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 Company's performance by the Board of Directors. The look-back assessment considers, among others, the following factors:

- Overall market positioning of Cembra (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);
- Sustainability (e.g. definition of sustainability strategy and framework, achievement of sustainability goals, reputation and market perception of Cembra's sustainability commitment and performance); and
- An assessment of the individual contributions of the participants.

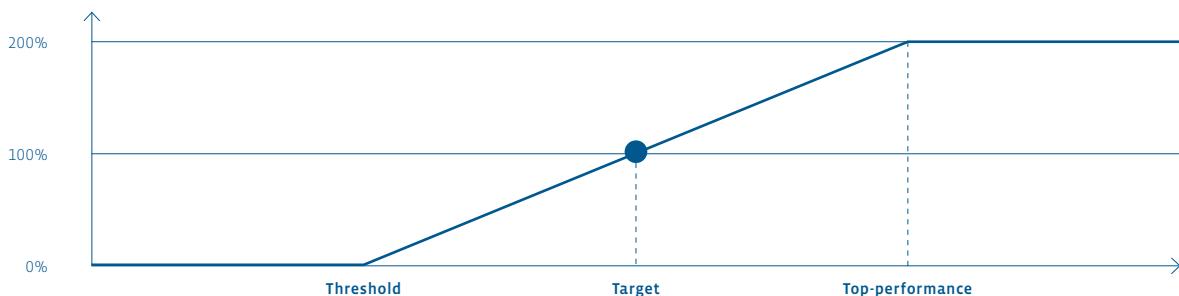
Compensation Report

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 Company'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/shareholders' 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



If Cembra's TSR exceeds the Total Return Index (TRI)-Benchmark by 20%pts or more, a payout factor of 200% applies. If Cembra's TSR falls short of the TRI-Benchmark by 20%pts or more, the payout factor is 0%. If Cembra'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 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

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

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.

Compensation Report

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:

Target bonus in % of annual base salary	CEO		Management Board	
	STI	LTI	STI	LTI
% 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% ¹	0-53%	0-38% ¹

¹ 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 107 of this report. For the grant 2020 the EPS target was approved at CHF 6.25 for the performance period 2020 until 2022.

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.

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 participate 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 Report starting on page 65.

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 2020

Compensation of active Management Board members

The total compensation paid to the active members of the Management Board for the performance year 2020, respectively 2019, is disclosed in the table below.

For the performance year ended 31 December (CHF)	2020			2019		
	CEO	Management Board	Total compensation	CEO	Management Board	Total compensation
Base salary	630,000	1,975,001	2,605,001	630,000	1,985,189	2,615,189
Social security	66,762	159,518	226,280	66,348	150,922	217,270
Pension plan	108,324	315,260	423,584	108,324	299,714	408,038
Other compensation ¹	221,841	56,471	278,312	308,286	62,878	371,164
Replacement award	-	-	-	-	-	-
Total fixed compensation	1,026,927	2,506,251	3,533,178	1,112,957	2,498,704	3,611,661
STI / EVCP paid in cash ²	318,536	666,443	984,979	345,305	735,541	1,080,846
LTI / EVCP granted in PSUs / RSUs	203,076	265,625	468,701	282,811	374,546	657,357
Number of PSUs / RSUs granted ³	2,159	2,824	4,983	2,602	3,446	6,048
Value per PSU / RSU ⁴	94.06	94.06	94.06	108.69	108.69	108.69
Social security	31,493	55,596	87,089	35,370	62,468	97,838
Total variable compensation for the performance year	553,105	987,664	1,540,769	663,487	1,172,555	1,836,042
Total compensation for the performance year	1,580,032	3,493,915	5,073,947	1,776,444	3,671,259	5,447,703
Number of persons receiving compensation			7			7
FTE receiving compensation			7.00			7.00

¹ Includes benefits for relocated employees such as school fees as well as other benefits such as company cars. Due to lower school costs in 2020 and no tax settlements from previous years the CEO's other compensation was lower compared to 2019.

² Paid out in March 2021, respectively March 2020

³ PSUs granted in 2021 and 2020 for the performance years 2020 and 2019

⁴ PSUs for 2020: Fair Market Value is based on the risk-adjusted volume-weighted average price ("VWAP") 60 trading days before grant date 1 February 2021 (CHF 105.05 – source: SIX). 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). Determination through a Monte Carlo simulation algorithm.

Highest total compensation

Robert Oudmayer, CEO, received the highest total compensation in 2020. For compensation details, please refer to the previous table.

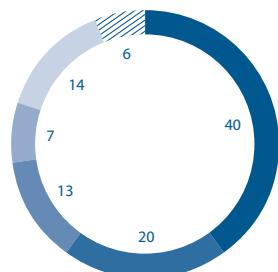
Explanation of deviations versus the previous year:

- The total compensation of the Management Board members for the performance year 2020 amounts to TCHF 5,074. This 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 2019 and the expected portion of variable compensation of TCHF 2,600 approved by the Annual General Meeting 2020).
- The total fixed compensation of the Management Board for the business year 2020 amounts to TCHF 3,533 (previous year TCHF 3,612).
- The total variable compensation including social charges for the performance year 2020 amounts to TCHF 1,541 (previous year TCHF 1,836). For the performance year 2020, the variable compensation amounted to 30% of the total compensation (previous year 34%).
- The total fixed and the total variable compensation amount is lower than in the previous year primarily because a lower achievement factor in variable compensation, which reflects our pay-for-performance philosophy.

Compensation Report

Performance year 2020 compensation structure CEO

in %

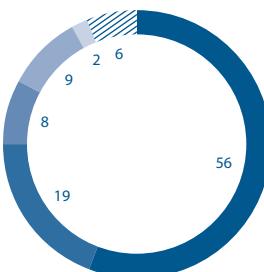


Chief Executive Officer

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

Performance year 2020 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 the Bank and divisional financial goals as well as qualitative KPIs, ranges from 76% to 107% for the performance year 2020 for the members of the Management Board including the CEO (previous year 100% to 140%). These outcomes consider neutralisation of the directly measurable Covid-19-related shortfall in income from credit card fees related to international transactions when measuring the degree of achievement of financial goals 2020, which were agreed in a stable economic business context. The effect of neutralisation on the individual overall short-term payout percentages corresponds to 28 percentage points on average representing TCHF 341 for the entire Management Board.

The long-term incentive grants for the performance year 2020 have been approved by the Board of Directors at 100% (previous year: 125%) based on the strategic look-back assessment. 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	Cap
STI	Financials	—	—	—
	Customer & Market	—	—	—
	Operational Excellence	—	—	—
	People & Leadership	—	—	—
LTI	Strategic look-back assessment	—	—	—

Compensation Report

Vesting of RSU grants

Plan	Grant year	Vesting year 1st tranche	Vesting year 2nd tranche	Vesting year 3rd tranche	Number of RSUs vested 2020	Value at vesting 2020 (in CHF) ¹
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	1,894	205,120

¹ EVCP vesting on 1 March 2020 valued with share price of CHF 108.30

Vesting of PSU grants

Plan	Grant year	Performance period	EPS target	Vesting year	EPS achievement	rTSR achievement	Vesting factor	Number of PSUs vested	Value at vesting (in CHF) ¹
EVCP 2016	2017	2017 - 2019	4.98	2020	154 %	200 %	177 %	8,349	904,197
EVCP 2017	2018	2018 - 2020	5.43	2021	95 %	200 %	147 %	5,869	569,880
EVCP 2018	2019	2019 - 2021	6.10	2022	n/a	n/a	n/a	n/a	n/a
EVCP 2019	2020	2020 - 2022	6.25	2023	n/a	n/a	n/a	n/a	n/a
EVCP 2020	2021	2021 - 2023	n/a	2024	n/a	n/a	n/a	n/a	n/a

¹ EVCP vesting on 1 March 2020 valued with share price of CHF 108.30; EVCP vesting on 1 February 2021 valued with share price of CHF 97.10

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 2020 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 2020

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 2020 and 2019, including compensation for members of the Management Board. The Bank had 899 (full-time equivalents) as of 31 December 2020 compared to 802 employees (full-time equivalents) as of 31 December 2019 respectively.

For the performance year ended 31 December	2020		2019	
	Amount (in TCHF) ²	Eligible employees (FTE)	Amount (in TCHF)	Eligible employees (FTE)
Base salaries	93,591		82,068	
Variable compensation ¹	6,567	344	6,402	303
Total	100,158	899	88,470	802

¹ Includes annual variable short-term incentive payments for Management Board, other senior management team members and middle management as well as sales incentive payments for the performance year 2020, respectively 2019.

² Covers only employees of the Bank

Despite the economic impact of the pandemic, the compensation of the Cembra employees was maintained at the same level as in the previous year and no short-time work measure was implemented. Further, Cembra conducted in 2020 an internal gender pay gap analysis, whose results were audited by an independent body (KPMG) in the first quarter of 2021. Cembra used the "Logib" tool, which is provided by the Federal Office for Gender Equality. The analysis confirmed that Cembra complies with the principle of "equal pay for work of equal value" taking into account a tolerance threshold of 5%. Cembra was also awarded the "We Pay Fair" certificate by the Competence Center for Diversity and Inclusion of the University of St Gallen, Switzerland, based on the 2020 analysis.

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 as of 31 December 2020 and 31 December 2019.

Shareholdings of the Board of Directors

Name	Function	2020		2019	
		Number of shares	Number of blocked shares	Number of shares	Number of blocked shares
Dr Felix A. Weber	Chairman	7,250	6,810	7,250	5,433
Prof. Dr Peter Athanas	Vice Chairman	-	2,498	-	1,993
Urs D. Baumann	Member	7,200	2,271	7,200	1,812
Thomas Buess	Member	-	-	-	-
Denis Hall	Member	-	1,558	-	1,166
Katrina Machin	Member	-	1,864	-	1,487
Dr Monica Mächler	Member	-	2,045	-	1,631

The members of the Board of Directors did not hold any share options at 31 December 2020 and at 31 December 2019.

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

Name	Position	2020		2019			
		Number of shares	Number of RSUs	Number of PSUs	Number of shares	Number of RSUs	Number of PSUs
Robert Oudmayer	CEO	73	-	7,849	10,859	1,069	8,214
Jörg Fohringer	Managing Director B2B	-	-	560	-	-	-
Daniel Frei	Managing Director B2C	5,735	-	1,657	4,345	292	1,717
Volker Gloe	CRO	4,245	-	1,602	4,112	290	1,631
Dr Emanuel Hofacker	General Counsel	661	-	1,472	2,162	243	1,495
Niklaus Mannhart	COO	-	3,038	869	-	3,038	266
Pascal Perritaz	CFO	-	-	818	-	-	172

The members of the Management Board do not hold any share options at 31 December 2020 and at 31 December 2019.

Loans and credits: amounts due from members of governing bodies

At 31 December (CHF in thousands)	2020	2019
Amounts due from members of governing bodies	21	28

Amounts due from members of governing bodies as of 31 December 2020 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.



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, 2020. 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, 2020 of Cembra Money Bank AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Ertugrul Tüfekçi
Licensed Audit Expert
Auditor in Charge

Malea Bourquin
Licensed Audit Expert

Zurich
March 17, 2021