# Annual Report 2013

Cembra
MoneyBank

## A Bank with a new brand identity

Cembra Money Bank takes its name from the Swiss stone pine (Pinus cembra), which grows in the Swiss mountains at an altitude of 2,850 m and can live for up to 1,000 years at temperatures as low as –45°C. A strong tree for a strong brand. It symbolises our values and shows where our roots are, what we stand for and what we strive towards.

# Group Report

# Key Figures

| *For the years ended 31 December* | 2013 | 2012 |
|---|---|---|
| Net revenues (CHF in millions) | 354.5 | 355.7 |
| Net interest income (CHF in millions) | 282.6 | 282.3 |
| Net income (CHF in millions) | 132.9 | 133.1 |
| Cost / income ratio | 50 % | 46 % |
| Net interest margin | 7.0 % | 6.9 % |
| Total assets (CHF in millions) | 4,590 | 4,439 |
| Net financing receivables (CHF in millions) | 3,993 | 4,011 |
| Shareholders' equity (CHF in millions) | 799 | 1,081 |
| Return on average shareholders' equity (ROE) | 14.1 % | 13.1 % |
| Return on average assets (ROA) | 2.9 % | 3.1 % |
| Tier 1 capital ratio | 19.7 % | 26.6 % |
| Employees (FTE) | 700 | 710 |
| Rating (S & P) | A – | – |
| Dividend per share (CHF) | 2.85 | – |
| Basic earnings per share (CHF) | 4.43 | 4.44 |
| Share price (CHF) | 58.55 | – |
| Market capitalisation (CHF in millions) | 1,757 | – |

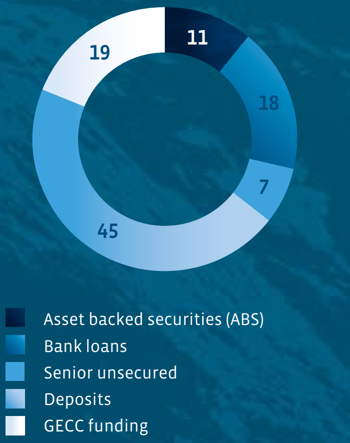
## Share price: Cembra Money Bank AG


A–

In October 2013 Cembra Money Bank was rated for the first time by Standard & Poor's and was assigned an "A–" long-term rating.

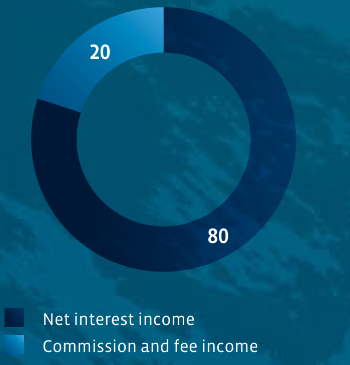
## Funding Structure

*in %*



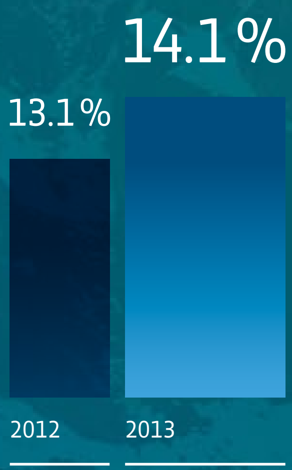

## Revenue Structure

*in %*

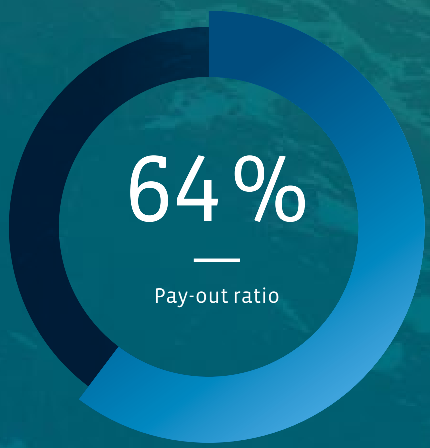


# 624,000

customers entrust Cembra Money bank as their preferred bank for services in the areas of personal loans, auto leases and loans, cards and saving products.




Return on average shareholders' equity (ROE)




# >40 Nationalities

Our corporate culture is based on strong values. With more than 40 nationalities among our staff we offer a highly diverse working environment. Flexible work programmes and a comprehensive health programme make us an attractive employer in the Swiss market.

# Dear Shareholders

## 2013 was an eventful year for Cembra Money Bank. With its initial public offering (IPO) on 30 October 2013 on the SIX Swiss Exchange and the associated change in the brand identity from GE Money Bank to Cembra Money Bank, the Bank reached an important milestone in its long history.

There was strong interest in the offered shares, both in Switzerland and internationally, and at CHF 51 per share the offer was oversubscribed several times.

### Net Income of CHF 132.9 million

From a financial perspective, 2013 was also a successful year. Cembra Money Bank recorded net income of CHF 132.9 million. Net revenues remained virtually unchanged compared to the previous year, at CHF 354.5 million, most of which came from net interest income of CHF 282.6 million, while commissions and fees contributed CHF 71.9 million. Our prudent risk management approach was reflected in low provisions for losses on financing receivables, at CHF 7.0 million, driven by a sale of loss certificates executed in the first half of the year and low delinquency metrics on our portfolio with a non-performing loan ratio of 0.4 %. We maintained solid operating efficiency with expenses at CHF 178.9 million, including IPO-related one-off costs amounting to CHF 23.3 million. The cost/income ratio was 50 % and 44 %, adjusting for one-off costs, which is a 2 percentage points improvement over the last year.

Net financing receivables (loans and leasing) remained stable at CHF 4.0 billion, and our cash position reached CHF 492 million. In 2013 the funding of the bank became even more diversified, with GE Capital now accounting for less than 20% of the overall mix. This was primarily due to an increase in our deposit base, in particular in the area of institutional clients, which was up 53%, helping the overall deposit balance to reach CHF 1,660 million. The bank was also active on the debt capital markets. First of all, in June 2013, it issued a second ABS bond for CHF 200 million, which was rated Aaa/AAA by Moody's and Fitch. Secondly, following the assignment of an A– rating by Standard & Poor's, Cembra Money Bank issued its first senior unsecured bond for CHF 250 million with a maturity of four years. Both transactions were very well received by the market.

At the end of the year, Cembra Money Bank's shareholders' equity amounted to CHF 799 million and the return on average equity (ROE) was 14.1%. This was achieved while retaining a very solid capital base with a Tier 1 capital ratio of 19.7%.

Personal loans had a good performance in 2013. Receivables stood at CHF 1,861 million, down 2% compared with the previous year, as a result of a product transition. We have continued to invest in our online offering, such as the optimisation of our website and in online affiliate partnerships.

Auto leases and loans was able to maintain its position in a challenging market environment. Receivables ended the year at CHF 1,647 million, 3% lower than the previous year, due to the negative performance of the Swiss automotive market and intense competition.

Cards once again recorded strong growth of 19% of its receivables portfolio, reaching CHF 485 million. The existing long-term partnerships with Migros and Conforama were successfully extended. The Migros Cumulus-MasterCard, TCS MasterCard and Cosy MasterCard Conforama programmes performed well. In customer satisfaction surveys, all the card programmes received top ratings (5.2) from Comparis[1] and Bonus[1]. Besides, both the Cumulus-MasterCard and the Cosy MasterCard Conforama were equipped with contactless payment functionalities.

Finally we have also been able to extend insurance offerings to our customers through our partnerships with CSS Versicherung, Europäische Reiseversicherungs AG and MasterCard World, which offer Cumulus-MasterCard clients attractive travel insurance conditions.

### Corporate Social Responsibility

Voluntary engagement has always played an important role in the Bank's culture, and this was true in 2013 too. More than 280 employees dedicated around 900 working hours participating in different volunteering events and projects across Switzerland, in close cooperation with Blutspende SRK Schweiz, Kinderkrebshilfe Schweiz, Young Enterprises Switzerland (YES) and other Swiss charitable organisations.

[1] *www.comparis.ch; www.bonus.ch*

## Capital Allocation

Given the solid results achieved in 2013 and our strong capital base, the Board of Directors will propose to the General Meeting of Shareholders on 13 May 2014 that a dividend of CHF 2.85 per share be distributed from reserves from capital contributions. The distribution will not be subject to Swiss withholding tax and, for Swiss individual investors who hold their shares as private assets, it will not be subject to income taxes. Based on earnings per share of CHF 4.43, the dividend corresponds to a high pay-out ratio of 64 % of our consolidated US GAAP net income.

## Outlook

We are currently anticipating a stable economic and regulatory environment in 2014. Interest rates will probably remain at a historically low level, exerting continuous price pressure on our personal loans and auto products. In cards we expect the growth trend to continue. Medium-term targets remain unchanged including a dividend pay-out ratio of 60–70 % of net income. For the financial year 2014, we are currently expecting earnings per share to be between CHF 4.40 and CHF 4.60, assuming an unchanged economic and regulatory environment.

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 have made a major contribution to the success of our Bank with their dedication and loyalty.

**Dr. Felix A. Weber**
Chairman of the Board of Directors

**Robert Oudmayer**
Chief Executive Officer

# 1

## A Bank makes history

We have been operating in
Switzerland for more than 100 years.
Each financial year has shaped
our Bank in some way.
A tree's rings reflect the conditions
in which it has grown.

In the same way, our culture,
values and strategy have made us
what we are today: a Bank
with a history, which offers financial
performance in the present and
is focused on a sustainable
future for our customers, partners,
employees and investors.

# Corporate Governance

# Corporate Governance

## Information Relating to Corporate Governance

Cembra Money Bank AG ("Bank", together with its subsidiaries, "Group") has 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 Bank's internal governance framework including the articles of incorporation ("Articles of Incorporation") and the organisational regulations ("Organisational Regulations") embodies the principles required that the Bank's business is managed und supervised in accordance with good corporate governance standards.

As a company having its shares listed on the SIX Swiss Exchange AG (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 for the year ended 31 December 2013 is provided. The Swiss Code of Best Practice for Corporate Governance has also been taken into account, in particular Appendix 1 regarding the recommendations for remuneration levels.

The Group's corporate governance structure was adapted following the Bank's initial public offering and listing of its shares on SIX ("IPO"), which took place on 30 October 2013 (first day of trading of the shares).

The following information corresponds to the post-IPO situation as of 31 December 2013, unless indicated otherwise.

## 1. Group Structure and Shareholders

### 1.1 Group Structure

#### 1.1.1 Description of the Operational Group Structure

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

The Bank focuses on consumer finance. It 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 Bank operates almost entirely in Switzerland through a nationwide network of 25 branches as well as through alternative distribution channels, such as the internet, credit card partners (including Migros, Conforama and Touring Club Schweiz (TCS)), independent agents and more than 3,200 auto dealers. The Bank has one reportable segment. It includes all of the Bank's consumer finance products, including unsecured personal loans, auto leases and loans, credit cards and insurance products.

Organisational Group structure as of 31 December 2013:

**Robert Oudmayer** [1]
Chief Executive Officer

- **Roland Brändli** – Sales Leader Auto
- **Heinz Hofer** – Sales Leader Branches
- **Daniel Frei** [1] – Sales Leader Cards
- **Peter Schnellmann** – Sales Leader Institutional and Commercial
- **Regis Lehmann** – Sales Leader Online & Insurance
- **Volker Gloe** [1] – Chief Risk Officer
- **Michael Marek** – Chief Operating Officer
- **Antoine Boublil** [1] – Chief Financial Officer
- **Dr. Alain P. Röthlisberger** [1] – General Counsel
- **Dr. Emanuel C. Hofacker** – Chief Compliance Officer
- **Brigitte Kaps** – PR & Communications Leader
- **Dr. Roland Lüthi-Oetterli** – Chief Information Officer
- **Bert Mitsch** [2] – Chief Auditor
- **Open Position** [3] – Human Resources Leader

[1] *Member of the Management Board (see section 3.5)*
[2] *The internal audit department is an independent function with a reporting line to the Board of Directors and the Audit Committee (see section 3.5)*
[3] *Acting Head of Human Resources in place*

### 1.1.2 Group Entities

The Group comprises the Bank as the parent company and its wholly owned subsidiaries Swiss Auto Lease 2012-1 GmbH (registered at Bändliweg 20, 8048 Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100.00) and Swiss Auto Lease 2013-1 GmbH (registered at Bändliweg 20, 8048 Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100.00):

**Cembra Money Bank AG**
Zurich

- 100 % – **Swiss Auto Lease 2012-1 GmbH**, Zurich
- 100 % – **Swiss Auto Lease 2013-1 GmbH**, Zurich

Within the Group, only the Bank is a listed company. The Bank's registered shares are listed pursuant to the main standard of SIX (securities number: 22517316, ISIN: CH0225173167, ticker: CMBN). As of 31 December 2013, the Bank's issued nominal share capital amounted to CHF 30,000,000 and the Bank's market capitalisation was CHF 1,756,500,000.

## 1.2 Significant Shareholders

The shareholding structure of the Bank as of 31 December 2013 is shown in the table below:

| Shareholder | Number of registered shares | % of voting rights |
|---|---:|---:|
| GE Capital Swiss Funding AG [1,2] | 9,500,000 | 31.67 % |
| UBS Fund Management (Switzerland) AG [3] | 923,279 | 3.08 % |
| Other Shareholders | 19,576,721 | 65.26 % |
| **Total** | **30,000,000** | **100.00 %** |

*[1] GE Capital Swiss Funding AG, Bändliweg 20, 8048 Zurich, Switzerland, is a direct wholly-owned subsidiary of GE Capital Global Financial Holdings, Inc., One Corporate Center, Hartford, CT 06103, United States. The following company holds a participation in GE Capital Global Financial Holdings, Inc.: General Electric Capital Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801 Delaware, United States (holding a 97.2 % participation). General Electric Capital Corporation is a wholly-owned subsidiary of General Electric Company, 3135 Easton Turnpike, Fairfield, CT 06828, United States ("General Electric Company", together with its affiliates "General Electric Group"). For further details, see SIX disclosure notification.*

*[2] By virtue of the relationship agreement between GE Capital Swiss Funding AG and the Bank, General Electric Group and the Bank constitute an organised group within the meaning of art. 10 of the Stock Exchange Ordinance-FINMA (SESTO-FINMA). See section "Relationship Agreement" below.*

*[3] See SIX disclosure notification.*

For disclosure notifications received by the Bank, see the published reports on the Disclosure Office's publication platform of SIX: www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

As of 31 December 2013, the Bank held 39,215 treasury shares.

### Lock-up Arrangements

In connection with the IPO, the Bank, its main shareholder GE Capital Swiss Funding AG and the members of the management board ("Management Board") have agreed to the following lock-ups:

**The Bank:** During the period ending 180 days after 30 October 2013, the Bank shall not, (a) without prior consultation with all the joint bookrunners and (b) without the prior written consent of the global coordinator and at least one other joint bookrunner (i) issue, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, pledge, grant instruction rights (Weisungsrechte, see art. 25 of the Swiss Federal Intermediated Securities Act; FISA) or otherwise transfer or dispose of (or publicly announce any such issuance, offer, sale or disposal), directly or indirectly, or file a registration statement under any securities regulation relating to, any other shares or any securities convertible into or exchangeable or exercisable for shares or warrants or other rights to purchase any shares, except for options granted to the Bank's employees, management and directors pursuant to its stock option plan and shares issued upon the exercise of options granted pursuant to such stock option plan, (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the shares, or (iii) announce its intention to do any of the foregoing whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of shares or other securities, in cash or otherwise.

**GE Capital Swiss Funding AG:** During the period ending 12 months after 30 October 2013, GE Capital Swiss Funding AG shall not, (a) without prior consultation with all the joint bookrunners and (b) without the prior written consent of the global coordinator and at least one other joint bookrunner (i) issue, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, pledge, grant instruction rights (Weisungsrechte, see art. 25 FISA) or otherwise transfer or dispose of (or publicly announce any such issuance, offer, sale or disposal), directly or indirectly, or file a registration statement under any securities regulation relating to, any other shares or any securities convertible into or exchangeable or exercisable for shares or warrants or other rights to purchase any shares, (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the shares, or (iii) announce its intention to do any of the foregoing whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of shares or other securities, in cash or otherwise; provided, however, that transfers of shares that are subject to this lock-up undertaking shall be permitted to other members of General Electric Capital Corporation, Norwalk, Connecticut, USA or any of its affiliates (together "GECC") to the extent such transferee is bound by the same lock-up obligation as set out herein. GE Capital Swiss Funding AG's lock-up obligation shall not apply (i) to the sale of the offer shares and transactions relating to shares or other securities acquired by GE Capital Swiss Funding AG in open market transactions after the closing date which took place on 4 November 2013, (ii) to the intention of GE Capital Swiss Funding AG to sell further shares after expiry of the lock-up obligation contained in the underwriting agreement as publicly announced, (iii) to the sale of shares in connection with a tender offer (Öffentliches Kaufangebot) for all publicly held shares within the meaning of art. 22 et seq. of the Swiss Federal Stock Exchange Act (SESTA) launched by a third party that is not member of GECC, (iv) to disposals of shares in connection with a merger within the meaning of the Swiss Act on Merger, Demerger, Conversion or Transfer of Assets (Merger Act) involving the Bank as transferring entity, (v) to disposals of preemptive rights (Bezugsrechte) for the acquisition of new shares in a rights issue (Bezugsrechtsemission), (vi) to disposals of shares in accordance with the terms of the underwriting agreement and its ancillary agreements, (vii) to disposals of shares in accordance with any order made by a court of competent jurisdiction or required by law or regulation and (viii) any disposal of shares required by any regulatory authority to which the Bank or GE Capital Swiss Funding AG is subject.

**Management Board:** During the period ending 180 days after 30 October 2013, the members of the Management Board shall not (i) offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, pledge, grant instruction rights

(Weisungsrechte, see art. 25 FISA) or otherwise dispose of or publicly announce any such offer, sale or disposal, directly or indirectly of any shares, or any securities convertible into or exercisable or exchangeable for any shares or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the shares or (iii) announce their intention to do any of the foregoing without the prior written consent of the global coordinator. This lock-up undertaking does not relate to shares or other securities acquired by the respective member of the Management Board in open market transactions after the completion of the IPO.

### Relationship Agreement

By virtue of their entrance into the relationship agreement on 15 October 2013 ("Relationship Agreement"), GE Capital Swiss Funding AG and the Bank constitute an organised group within the meaning of art. 10 SESTO-FINMA. The principal purpose of the Relationship Agreement is to govern the relationship between the Bank and General Electric Group after the IPO and to ensure that the Bank is capable at all times of carrying on its business independently of General Electric Group.

The Relationship Agreement took effect on 30 October 2013 and will continue until the earlier of (i) the shares ceasing to be listed on SIX according to the main standard or certain other circumstances, or (ii) GE Capital Swiss Funding AG (and any other member of General Electric Group) ceasing to be a significant shareholder of the Bank. For the purpose of the Relationship Agreement only, a "significant shareholder" is any person (or persons acting jointly by agreement whether formal or otherwise) who is entitled to exercise, or to control the exercise of, 5% or more of the rights to vote at a general meeting of shareholders of the Bank ("General Meeting").

Under the Relationship Agreement, GE Capital Swiss Funding AG undertakes that it will conduct all transactions and relationships with the Bank on arm's length terms and on a normal commercial basis, not take any action which precludes or inhibits the Bank from carrying on its business independently of GE Capital Swiss Funding AG, and not engage in, cause or authorise any conduct which prejudices the Bank's status as a listed company or the Bank's suitability for listing.

The board of directors of the Bank ("Board of Directors") undertakes that, for so long as GE Capital Swiss Funding AG is a significant shareholder of the Bank, the Board of Directors shall not issue shares or propose any resolution to the Bank's shareholders in relation to any such issuance except if the Board of Directors has adopted a respective resolution in accordance with the supermajority requirements pursuant to the Organisational Regulations (i.e. the majority of the Board of Directors and the consent from at least one representative of General Electric Group on the Board of Directors) provided that no supermajority approval (but the generally applicable majority approval) shall be required for this purpose, for example, in relation to the issue of shares under any employee share scheme or share-based incentive plan; any issue of shares which the Board of Directors believes, based on a legal opinion received from external legal counsel, it is required to make pursuant to its fiduciary duties; any issue of shares to any independent member of the Board of Directors in accordance with their terms of appointment; and any equity capital raising required by applicable law regulation or a government authority.

The Relationship Agreement provides General Electric Group with the right to select for recommendation by the Bank's compensation and nomination committee ("Compensation and Nomination Committee") and subsequent nomination by the Board of Directors for election to the Board of Directors by the Bank's shareholders (i) up to two persons to be members of the Board of Directors provided that General Electric Group holds 20 % or more of the voting rights exercisable at a General Meeting, and (ii) one person to be a member of the Board of Directors provided that General Electric Group holds 5 % or more, but less than 20 % of the voting rights, exercisable at a General Meeting.

### 1.3 Cross Shareholdings

The Bank 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

As of 31 December 2013, the Bank's outstanding share capital amounts 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 and non-assessable and rank pari passu with each other.

The authorised capital amounts to CHF 3,000,000 and the conditional share capital amounts to CHF 3,900,000.

Further information is available in note 12 to the consolidated financial statements.

#### 2.2.1 Conditional Share Capital

The Bank's total conditional share capital of CHF 3,900,000 is available for the issuance of up to 3,900,000 shares.

The Bank's total conditional share capital may be increased – based on art. 5 of the Articles of Incorporation – by no more than CHF 3,000,000 by issuing no more than 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 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 the issuance of warrants are set by the Board of Directors.

In addition, the share capital may be increased – based on art. 6 of the Articles of Incorporation – 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 are excluded. The shares or rights to subscribe for shares are 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.

For further details refer to art. 5 and 6 of the Articles of Incorporation under: www.cembra.ch/en/investor → Corporate Governance.

### 2.2.2 Authorised Capital

The Bank's total authorised share capital of CHF 3,000,000 is available for the issuance of up to 3,000,000 shares.

The Board of Directors is authorised to increase the share capital, at any time until 26 September 2015, by no more than CHF 3,000,000 by issuing no more than 3,000,000 shares. 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 is permissible.

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 refer to art. 4 of the Articles of Incorporation under: www.cembra.ch/en/investor → Corporate Governance.

## 2.3 Changes in Capital

There have been no changes in the capital structure of the Bank since the IPO. In preparation for the IPO, on 24 September 2013, the extraordinary General Meeting resolved to split each of its registered shares with a par value of CHF 1,000 into 1,000 registered shares with a par value of CHF 1.00. As a consequence of this share split, the Bank's share capital of CHF 30,000,000 is divided into 30,000,000 registered shares with a par value of CHF 1.00 each.

There were no other changes in the capital structure in 2013, 2012 and 2011, respectively.

## 2.4 Shares and Participation Certificates

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

The Bank's share capital amounts to CHF 30,000,000, divided into 30,000,000 registered shares with a par value of CHF 1.00 each. The Bank does not have any participation certificates outstanding.

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

There are no profit sharing certificates (Genussscheine) outstanding.

### 2.6 Limitations on Transferability and Nominee Registrations

Apart from the Shares subject to a lock-up undertaking as described in section 1.2 above, the Shares are freely transferable.

The Bank keeps a share register ("Share Register"), in which the owners and usufructuaries of the Shares are entered with name, address and nationality, respectively, place of incorporation in case of legal entities. 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 registered Shares in his or her own name and for his or her own account.

Any person that does not expressly state in his or her application to the Bank that the relevant Shares were acquired for his or her own account (any such person, 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 Nominee holds 0.5 % or more of the Bank's outstanding share capital, (i) 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 (ii) legal entities or partnerships that act in concert (especially as a syndicate) with intent to evade the foregoing limitations are regarded as a single shareholder.

### 2.7 Convertible Bonds and Options

There are no outstanding convertible bonds or options issued by the Bank or any of its subsidiaries on the Bank's securities.

## 3 Board of Directors

### 3.1 Members of the Board of Directors

The table below sets forth the name, function and committee membership of each member of the Board of Directors as of 31 December 2013, followed by a short description of each member's nationality, birth year, business experience, education and activities. On 2 October 2013, Dr. Peter Athanas was elected as a member of the Board of Directors effective 1 January 2014 and he was appointed chairperson of the audit committee of the Bank ("Audit Committee") with effect from 1 January 2014.

As of 31 December 2013, all members of the Board of Directors are, and pursuant to Swiss law applicable to the Bank as a regulated entity must be, non-executive. None of the members of the Board of Directors has any significant business connections with any members of the Group except two members of the Board of Directors who hold management positions within General Electric Group: Mr. Hall and Mr. Laxer.

The business address for Mr. Hall and Mr. Laxer is The Ark, 201 Talgarth Road, Hammersmith, London W6 8BJ, United Kingdom. The business address for the other members of the Board of Directors is Bändliweg 20, 8048 Zurich, Switzerland.

| Name | Function | Committee Membership | First elected | End current period |
|---|---|---|---|---|
| Dr. Felix A. Weber | Chairperson | Compensation and Nomination Committee | 2013 | 2014 |
| Christopher M. Chambers | Vice-Chairperson | Chairperson Compensation and Nomination Committee; Interim Chairperson Audit Committee [1] | 2010 | 2014 |
| Denis Hall | Member | Audit Committee | 2013 | 2014 |
| Richard Laxer | Member | Compensation and Nomination Committee | 2013 | 2014 |
| Prof. Dr. Peter Athanas | Member | Chairperson Audit Committee [2] | 2013 [3] | 2014 |

*[1] Until 31 December 2013*
*[2] As from 1 January 2014*
*[3] Effective 1 January 2014*

**Dr. Felix A. Weber**
Swiss national and resident,
born in 1950

Dr. Weber was appointed chairman of the Board of Directors ("Chairperson") on 22 August 2013. He is also member of the Compensation and Nomination Committe. His current term expires at the General Meeting in 2014. Dr. Weber holds a diploma and a PhD in Business Administration from the University of St. Gallen, Switzerland.

Since 2013, Dr. Weber has been a partner in the investment firm BLR & Partners AG (Thalwil, Switzerland) and acts as a senior adviser to Nomura International (London, UK). From 2008 to 2013, Dr. Weber served as co-chairman of the management board of Nomura Bank (Switzerland) Ltd (Zurich, Switzerland). From 2006 to 2008, he was Managing Director of Investment Banking at Lehman Brothers Finance AG (Zurich, Switzerland) and from 1998 to 2004, he held the position of Executive Vice President and Chief Financial Officer at Adecco SA (Chéseraux, Switzerland) in Redwood City (USA) and Zurich (Switzerland). Previously, Dr. Weber was a partner of the Zurich Branch of McKinsey & Company (Zurich, Switzerland) and CEO of the South African Branch of the former Schweizerische Aluminium AG Group (headquartered in Zurich, Switzerland). Dr. Weber began his career at Brown, Boveri & Cie (Baden, Switzerland), now part of the ABB Group.

Previous board memberships: Member of the board of directors and chairman of the compensation committee of Syngenta Ltd (Basel, Switzerland), a company listed on SIX and New York Stock Exchange, (2000–2013); chairman of the board of Nomura Socrates Re (Switzerland) and Nomura Re (Guernsey) (2011–2013); member of the board of directors of Trenkwalder AG (Schwadorf, Austria) (2011–2012); vice-chairman of the board of directors of Publigroupe SA (Lausanne, Switzerland), listed on SIX, (2005–2009); and member of the board of directors and chairman of the audit committee of Valora AG (Bern, Switzerland), a company listed on SIX, (2006–2008).

**Christopher M. Chambers**
Dual Swiss and British national,
UK resident, born in 1961

Mr. Chambers was appointed as a member of the Board of Directors in 2010. His current term expires at the General Meeting in 2014. Mr. Chambers is also the vice-chairperson ("Vice-Chairperson") of the Board of Directors and the chairperson of the Compensation and Nomination Committee, and interim chairperson of the Audit Committee until 31 December 2013. Mr. Chambers was educated in the UK.

Since June 2011, Mr. Chambers has held the position of senior advisor at Lone Star Europe (Real Estate), London.

From 2002 to 2005, he was Chief Executive Officer of Man Investments Ltd (London, UK) and executive member of group management (main board director) of Man Group plc (London, UK). From 1997 to 2002, Mr. Chambers was managing director and head of European Equity Capital Markets at Credit Suisse First Boston.

Mr. Chambers is also a member of the board of directors and audit committee of Swiss Prime Site AG (Zurich, Switzerland), a company listed on SIX, (since 2009); a member of the supervisory board of Berenberg Bank (Switzerland) Ltd (Zurich, Switzerland) (since 2012); a member of the board of directors of Pendragon plc, a UK automotive retailer listed on the London Stock Exchange, (since 2013), and executive chairman of the board of directors of Lonrho Ltd (London, UK), an African Conglomerate, (since 2013).

Previous board memberships: Member of the board of directors of Evolution Group plc (London, UK) (2009–2011); and chairman of the board of directors of Jelmoli Holding AG (Zurich, Switzerland) (2007–2010).

**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. His current term expires at the General Meeting in 2014. Mr. Hall is also a member of the Audit Committee. Mr. Hall was educated in the UK.

Since 2013, Mr. Hall has held the position of Chief Risk Officer at GE Capital International. From 2011 to 2013, he was Chief Risk Officer Banking at GE Capital EMEA. From 2007 to 2011, he was Chief Risk Officer at GE Capital Global Banking.

Prior to joining General Electric Group, Mr. Hall was Chief Risk Officer, Private and Business Clients at Deutsche Bank AG from 2001 to 2007, where he was also a member of the management board from 2004 to 2007. From 1985 to 2001, Mr. Hall held various positions within Citigroup: he was employed by Citibank Consumer Bank EMEA as Head of Risk until 2001, by Citibank Privat Kunden AG as Credit and Risk Director until 1999, as Operations Head, Credit Cards until 1997, as Credit Cards, Head Germany until 1995, and by Citibank International plc as European Credit Cards Officer until 1990.

Mr. Hall is also a member of the board of directors of Budapest Bank Zrt. (Budapest, Hungary), and a member of the supervisory board and the chairman of the risk committee of Bank BPH S.A. (Krakow, Poland), a company listed on the Warsaw Stock Exchange, positions he has held since January 2013 and June 2008, respectively. Budapest Bank Zrt. is wholly owned and Bank BPH S.A. is majority owned by General Electric Group.

Previous board memberships: Member of the board of directors of BAC Credomatic GECF Inc., a Central American banking group in which General Electric Group held an interest, (March 2009–June 2011); deputy chairman of SCHUFA Holdings AG (Wiesbaden, Germany) (2006–2007); and member of the board of directors of Turkiye Garanti Bankasi A.S. (Istanbul, Turkey) in which General Electric Group held an interest, (June 2008–March 2011).

**Richard Laxer**
U.S. national and UK resident,
born in 1961

Mr. Laxer was appointed as a member of the Board of Directors on 24 September 2013. His current term expires at the General Meeting in 2014. Mr. Laxer is also a member of the Compensation and Nomination Committee. Mr. Laxer holds a Bachelor of Science in Business from Skidmore College.

Since 2013, Mr. Laxer has held the position of President and Chief Executive Officer at GE Capital International. From 2009 to 2013, Mr. Laxer was President and Chief Executive Officer of GE Capital EMEA. Mr. Laxer joined General Electric Group in 1984 as a member of the Financial Management Programme. From 1986 to 2008, Mr. Laxer held various positions at GE Commercial Finance, including President and Chief Executive Officer of GE Commercial Finance, Corporate Financial Services (2008), President and Chief Executive Officer of GE Commercial Finance, Capital Solutions (2006–2008), and President and Chief Executive Officer Europe of GE Commercial Finance, Corporate Financial Services (2004–2006).

Mr. Laxer is a member of the supervisory board of Bank BPH S.A. (Krakow, Poland) (since 2011), and a member of the board of directors of Mubadala GE Capital PJSC (Abu Dhabi, United Arab Emirates) (since 2010). He is also a member of the board of directors of GE Capital Interbanca S.p.A. (Milan, Italy) since 2009, and Heller Bank AG (Mainz, Germany) since 2008, both of which are wholly owned by General Electric Group.

Previous board memberships: Member of the boards of Turkiye Garanti Bankasi A.S. (Istanbul, Turkey) (2005–2006); GE Corporate Finance Bank SAS, a wholly owned French subsidiary of General Electric Group, (2009–2012); and GE Capital International Financing Corporation (New York, USA) ("GECIFC") (2011–2013, as well as during the years 2008 and 2009). GECIFC was dissolved in 2013.

**Prof. Dr. Peter Athanas**
Dual Swiss and British national,
Swiss resident, born in 1954

Dr. Athanas was appointed as member of the Board of Directors on 2 October 2013, with effect from 1 January 2014. His term will expire at the General Meeting in 2014. Dr. Athanas will be appointed chairperson of the Audit Committee with effect from 1 January 2014. Dr. Athanas has served as a professor for national and international tax law and tax accounting at the University of St. Gallen since 1999.

He holds a PhD in law and economics and a master's degree in economics and law from the University of St. Gallen.

Since April 2013, Dr. Athanas has held the position of Senior Executive Vice President Corporate Development and Chairman of the audit expert group of Schindler Holding AG (Hergiswil, Switzerland), a company listed on SIX. Dr. Athanas joined Schindler Holding AG in 2009, first serving as a consultant to its executive committee (2009–2010), and thereafter as a member of its executive committee and board of directors (2010–2013).

Since 2008, Dr. Athanas has also served as curator of Werner Siemens Foundation (Zug, Switzerland), a family and charitable organisation focused on education and schooling in the techno-scientific domain.

Prior to his time at Schindler Holding AG, Dr. Athanas held various positions at Ernst & Young, including the position as Chief Executive Officer of Ernst & Young Switzerland (2004–2008), vice-chairman of the Central Area of Ernst & Young Global (2007–2008), member of the global executive board of Ernst & Young Global (2005–2008), and chairman of the board of directors of Ernst & Young Switzerland (2002–2004).

### 3.2 Other Activities and Vested Interests of the Members of the Board of Directors

Refer to the information provided in each Board of Director's biography in section 3.1 above.

### 3.3 Elections and Terms of Office

According to the Articles of Incorporation, the Board of Directors consists of at least three but not more than seven members. Each member of the Board of Directors is elected for a term of one year. For these purposes, one year refers to the time period between two ordinary General Meetings, if a member is elected at an extraordinary General Meeting, to the time period between the extraordinary and the next ordinary General Meeting. Each member of the Board of Directors, including the Chairperson, shall be individually elected by the General Meeting.

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 08 / 24 Supervision and Internal Control at Banks ("FINMA Circular 08 / 24"), at least one-third of the members of the Board of Directors should be independent within the meaning of the circular.

As of 31 December 2013, the following members of the Board of Directors of the Bank met the independence criteria prescribed in the FINMA Circular 08 / 24 mn. 20-24: Dr. Weber and Mr. Chambers.

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

### 3.4 Internal Organisational Structure

#### Board of Directors

The Board of Directors elects from among its members a Vice-Chairperson and also appoints a secretary ("Secretary"), who need not be a member of the Board of Directors. According to the Bank's Organisational Regulations enacted by the Board of Directors on 24 September 2013 (which can be downloaded from www.cembra.ch/en/investor → Corporate Governance), the Board of Directors meets at the invitation of the Chairperson or the Secretary on the Chairperson's behalf or, in the Chairperson's absence, of the Vice-Chairperson as often as business requires, but at least four times per year and normally once every quarter. Unless set out otherwise in the Organisational Regulations, resolutions of the Board of Directors are passed by way of the absolute majority of the votes represented. In the case of a tie, the acting Chairperson has the deciding vote. Resolutions passed by circular letter are only deemed to have passed if: (a) at least the majority of all Board of Directors members 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; and (c) no Board of Directors member 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 letter is as binding as a Board of Directors resolution adopted at a Board of Directors meeting.

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

The Board of Directors met nine times in 2013. The meetings typically last between two hours and half a day.

See the details in the table below:

| **Date** | **Peter Küpfer [1]** | **Brendan Gilligan [2]** | **Christopher M. Chambers [3]** | **Dr. Felix A. Weber [4]** | **Denis Hall [5]** | **Richard Laxer [5]** |
|---|---|---|---|---|---|---|
| 27 March | X | XT | X | | | |
| 28 May | X | XT | X | | | |
| 22 August | X | X | X | | | |
| 24 September* | | | X | X | X | X |
| 15 October* | | | XT | E | XT | XT |
| 29 October* | | | XT | XT | XT | XT |
| 7 November | | | X | X | X | X |
| 9 December* | | | XT | X | XT | XT |
| 17 December | | | XT | X | XT | XT |

*[1] Member and Chairperson until 22 August 2013*
*[2] Member until 24 September 2013*
*[3] Vice-Chairperson since 24 September 2013*
*[4] Member and Chairperson since 22 August 2013*
*[5] Member since 24 September 2013*
** Extraordinary meetings*
*XT = Attendance per telephone*
*E = Excused*

In accordance with Swiss law, the Articles of Incorporation and the Organisational Regulations, the Board of Directors has delegated the Bank's management to the Management Board acting under the leadership of the chief executive officer of the Bank ("CEO").

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

## Audit Committee

The Audit Committee consists of Mr. Chambers (interim chairperson of the Audit Committee until 31 December 2013) and Mr. Hall. On 1 January 2014, Dr. Athanas will be appointed chairperson of the Audit Committee ("Chairperson of the Audit Committee"), with Mr. Chambers remaining a member. The Chairperson and the other members of the Audit Committee are appointed by the Board of Directors.

The function of the Audit Committee is to serve as an independent and objective body with oversight and evaluation responsibility for (i) the Group's accounting policies, financial reporting and procedures, (ii) the Group's approach to internal controls, (iii) the quality, adequacy and scope of external and internal audit functions, including the appointment, compensation, retention and oversight of the work of the Bank's auditors and any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Bank and (iv) the Bank's compliance with regulatory and financial reporting requirements. The Bank's auditors report directly to the Audit Committee. The Audit Committee's duties and responsibilities are set out in detail in FINMA Circular 08 / 24.

The Audit Committee holds meetings as often as required, but in any event at least once every quarter. The meetings are called by the Chairperson of the Audit Committee or are initiated by an Audit Committee member. Meetings typically last one to two hours and are also attended at minimum by members of the Management Board, the Bank's Chief Auditor and the external auditor. During 2013, the Audit Committee met five times.

See details in the table below:

| Date | Brendan Gilligan [1] | Eric Anliker [2] | Christopher M. Chambers [3] | Denis Hall [4] |
|---|---|---|---|---|
| 27 March | XT | E | X | |
| 28 May | XT | X | X | |
| 22 August | X | X | X | |
| 24 September | | | X | X |
| 6 November | | | X | X |

*[1] Member and Chairperson until 24 September 2013*
*[2] Member until 24 September 2013*
*[3] Chairperson since 24 September 2013*
*[4] Member since 24 September 2013*
*XT = Attendance per telephone*
*E = Excused*

### Compensation and Nomination Committee

In view of the IPO, a Compensation and Nomination Committee was established on 24 September 2013 and consists of Mr. Chambers (chairperson, "Chairperson of the Compensation and Nomination Committee"), Mr. Laxer and Dr. Weber. The Chairperson and the other members of the Nomination and Compensation Committee are appointed by the Board of Directors.

The function of the Compensation and Nomination Committee is to support the Board of Directors in fulfilling its duty to conduct a self-assessment (review and assess the corporate goals and objectives upon which the compensation of the members of the Board of Directors is based and evaluate their performance in light of these goals and objectives), establish and maintain a process for appointing new members to the Board of Directors, and manage, in consultation with the Chairperson of the Compensation and Nomination Committee, the succession of the CEO. In addition, the function of the Compensation and Nomination Committee is 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 General Meeting, the amount of 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. The Compensation and Nomination Committee holds meetings as often as required, but in any event at least once every quarter. The meetings are called by the Chairperson 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 Leader and the CEO. During 2013, the Compensation and Nomination Committee met two times.

See details in the table below:

| Date | Dr. Felix A. Weber | Christopher M. Chambers | Richard Laxer |
|---|---|---|---|
| 24 September | x | x | x |
| 6 November | x | x | x |

### 3.5 Definition of Areas of Responsibility

The Board of Directors is ultimately responsible for supervision of the management of the Bank; it sets the strategic direction of the Bank and supervises its management.

Details of powers 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/en/investor → Corporate Governance.

#### CEO

The CEO is appointed by the Board of Directors upon proposal of the Chairperson and the Compensation and Nomination Committee for an indeterminate term of office. The CEO is the highest executive officer of the Group and has responsibility and accountability for the management and performance. 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 as established in the Organisational Regulations 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 planning succession at the 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 to 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 ("GC"), and such other members as may be appointed by the Board of Directors from time to time.

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.

As of 31 December 2013, in addition to the CEO, the Management Board consisted of the CFO, the CRO, the GC and the Sales Leader Cards whose responsibilities can be summarised as follows (see also section 4.1 below):

#### Chief Financial Officer

Subject to the competences of the Board of Directors and the CEO, the CFO is responsible for the finances of the Group.

#### Chief Risk Officer

Subject to the competences of the other executive bodies of the Bank, the CRO is responsible for the development and implementation of principles and appropriate independent control frameworks for credit, market, liquidity and operational risks within the Group.

#### General Counsel

Subject to the competences of the other executive bodies of the Bank, the GC is responsible for legal and regulatory matters of the Group.

### Sales Leader Cards

Subject to the competences of the other executive bodies of the Bank, the Sales Leader Cards is responsible for the credit cards business of the Group.

### 3.6 Information and Control Instruments vis-à-vis the Management Board and the Senior Management Team

The Board of Directors supervises the Management Board and the senior management team ("Senior Management Team") through various meetings with management, including meetings of the Board of Directors and its committees.

Members of the Management Board attend each of the Board of Directors meetings during the year and are available to answer questions from the Board. Members of the Senior Management Team may attend as guests where relevant.

The CEO ensures that the Chairperson and the Board of Directors are kept informed in a timely manner with information in a form and of a quality appropriate to enable the Board of Directors to discharge its duties. The CEO regularly reports to the Board of Directors at board meetings (or outside of board meetings) in a manner agreed with the Chairperson on the current business development and on important business issues, including on all matters falling within the duties and responsibilities of the Board of Directors. Such reports cover in particular (a) the current business developments including (i) key performance indicators on the core business of the Group; (ii) existing and emerging risks; and (iii) updates on developments in important markets and of peers; (b) quarterly reports on the profit and loss situation, cash flow and balance sheet development, investments, personnel and other pertinent data of the Group; and (c) information on all issues which may affect the supervisory or control function of the Board of Directors, including the internal control system.

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

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

The CRO has the following duties (i) to formulate and implement the framework for risk identification measurement, monitoring, controls and reporting; (ii) to implement the risk control mechanisms as decided by the Board; (iii) to decide on transactions, positions, exposures, portfolio limits and provisions in accordance with the delegated risk control authorities; and (iv) to monitor and challenge the Group's risk-taking activities. The Chief Auditor informs the Audit Committee at least on a quarterly basis and the Board of Directors, as required, on the status and progress of the annual plan, significant issues and other reporting matters as they pertain to the Audit 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, 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 Committee and (iii) the fitness, reliability and functioning of the operational organisation and effectiveness of the control systems.

## 4 Management Board

### 4.1 Members of the Management Board

In accordance with Swiss law, the Articles of Incorporation and the Organisational Regulations and subject to those affairs 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.

Under the control of 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, and, 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 | Appointed | Position |
|---|---|---|
| Robert Oudmayer | 2009 | Chief Executive Officer |
| Antoine Boublil | 2011 | Chief Financial Officer |
| Daniel Frei | 1997 | Sales Leader Cards |
| Volker Gloe | 2013 | Chief Risk Officer |
| Dr. Alain P. Röthlisberger | 2007 | General Counsel |

**Robert Oudmayer**
Dutch national and Swiss resident, born in 1962

Mr. Oudmayer has been the Bank's Chief Executive Officer since 2009. He joined the General Electric Group in 1999, serving as Chief Executive Officer of GE Money Portugal from 2005 to 2009; as P&L Leader Auto & Retail at the Bank from 2003 to 2005; as Managing Director TIP and GE Capital Rail Services from 2001 to 2003; and in multiple roles at TIP Trailer Services, including Chief Operating Officer, Operations & Quality Director Europe and Managing Director, Benelux from 1999 to 2001.

Prior to joining General Electric Group, Mr. Oudmayer held various positions at PSA Peugeot Citroën (1985–1999), including Director Sales & Marketing (1998–1999); Director Finance, Credit & HR (1995 to 1998); Peugeot Finance International Managing Director (1995–1999); European Risk Manager (1994–1995) and Manager Financial Services (1991–1994). Mr. Oudmayer holds a Bachelor of Science of Hospitality and Tourism Management from Hotel School The Hague, Hospitality Business School. He does not hold any external board memberships.

**Antoine Boublil**
French national and Swiss resident, born in 1975

Mr. Boublil has been the Bank's Chief Financial Officer since 2011. Mr. Boublil joined General Electric Group in 1998 as a participant in the Financial Management Programme. Subsequently, he worked five years in the Corporate Audit Staff at General Electric Company's global headquarters, specialising in mergers and acquisitions. In 2005, he returned to Europe as Chief Financial Officer of GE Healthcare Diagnostic Imaging Equipment for Europe Middle East & Africa, where he spent three years. In 2008, he became Chief Financial Officer of GE Money Bank France, where he launched General Electric Group's first covered bond programme. In July 2011, he became CFO of the Bank.

Mr. Boublil holds a B.A. in Mathematics and a Masters in Economics and Corporate Strategy from Paris Dauphine University. He also graduated from Sciences Po Paris in Finance in 1998.

Mr. Boublil holds membership in the board of directors of the Bank's two subsidiaries, Swiss Auto Lease 2012-1 GmbH and Swiss Auto Lease 2013-1 GmbH.

**Daniel Frei**
Swiss national and resident, born in 1959

Mr. Frei has been the Bank's Sales Leader Cards since 2008 and member of the Management Board since 1997. He joined General Electric Group in 1997, serving as P & L Director at Flexikredit AG (Zurich, Switzerland) from 2005 to 2008, as P&L Director Motor Solutions at the Bank, from 2002 to 2004, and as Chief Operations Officer of the Bank, from 1997 to 2002.

Prior to its acquisition by General Electric Group in 1997, Mr. Frei worked as the Logistic Director and member of the senior management team in charge of IT, collections, central project management, sourcing and facility management (1993–1997) and as Assistant Logistics Director (1989–1992) at Bank Aufina AG (Brugg, Switzerland).

Mr. Frei is an accountant with a federal specialist certificate and received his degree from the Swiss Business School in Zurich.

Mr. Frei is chairperson of the Bank's pension fund board. He holds no other board memberships.

**Volker Gloe**
German national and Swiss resident, born in 1968

Mr. Gloe has been the Bank's Chief Risk Officer since 2013. He joined General Electric Group in 2002, serving as the Chief Risk Officer from 2007 to 2013 for General Electric Money Bank Norway and, prior thereto, as a Risk Strategist from 2005 to 2007 for the same company; as FBB Marketing for GE Consumer Finance (Norway) from 2003 to 2005; and as a Marketing Analyst for GE Consumer Finance (Norway) from 2002 to 2003.

Prior to joining General Electric Group, Mr. Gloe worked as a Customer Intelligence Manager for Comdirect Bank AG (Quickborn, Germany), a majority owned subsidiary of Commerzbank, from 1999 to 2002; as a Market Researcher for Deutscher Herold Versicherungsgruppe der Deutschen Bank (Bonn, Germany), an insurance company that was purchased by Zurich Insurance Group in 2002, from 1997 to 1999; and as a Business Development Manager for Raab Karcher (Frankfurt am Main, Germany), a trading company for building materials that was integrated into Compagnie de Saint-Gobain in 2008, from 1995 to 1997.

Mr. Gloe holds a university degree in Business Administration (Diplom-Kaufmann) from the University of Kiel (Christian-Albrechts-Universität zu Kiel) in Germany. He does not hold any board memberships.

**Dr. Alain P. Röthlisberger**
Swiss national and resident, born in 1967

Dr. Röthlisberger has been the Bank's GC and General Electric's Country GC since 2007. He stepped down as General Electric's Country GC upon listing of the Bank's Shares.

Prior to joining the Bank, Dr. Röthlisberger served as Head Legal & Compliance at Swiss and German banking institutions from 2002 to 2007. Dr. Röthlisberger was Corporate Counsel for two different SIX listed companies from 1998 to 2002. Prior to that, he was in private practice in law firms in Switzerland.

In addition to his role as GC at the Bank, Dr. Röthlisberger is counsel at the law firm Röthlisberger-Fischer Rechtsanwälte, which he joined in 2003. Dr. Röthlisberger is a member of the board of directors of the Bank's two subsidiaries, Swiss Auto Lease 2012-1 GmbH and Swiss Auto Lease 2013-1 GmbH, as well as of the Bank's pension fund. Dr. Röthlisberger's previous board membership includes the board of directors of GE Capital Switzerland AG, a member of General Electric Group.

Dr. Röthlisberger holds a Master in Business Administration (MBA) from the University of Zurich, a Master of Laws (LL.M.) in International Business Law from the London School of Economics and Political Science (LSE) and a Doctorate in Law (Dr. iur.) from the University of Bern. He is also admitted to the Bar by the High Court of the Canton of Bern.

### 4.2 Other Activities and Vested Interests

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

### 4.3 Management Contracts

The Bank has not entered into management contracts with third parties except the Relationship Agreement as further described on section 1.2 above.

## 5 Compensation, Shareholdings and Loans

### 5.1 Methodology of the Determination of Compensation and Share-Ownership Programmes

#### General

The Bank's success depends on the abilities and dedication of its employees. Thus, appropriate compensation principles are key for the future success of the Bank. The Management Board shall be incentivised to deliver its assigned annual goals and objectives and, in doing so, help the Bank achieve its annual strategic operating goals while simultaneously ensuring the Bank's long-term safety and soundness.

The Group has generally implemented the principles of the FINMA Circular 2010/1 Remuneration schemes, which is applicable to the Bank as a recommendation only, since 2011, defining minimum standards for remuneration schemes applicable to financial institutions.

#### Board of Directors

The Board of Directors was newly formed in connection with the IPO and, consequently, there are no historical compensation figures available for the Board of Directors. Each member of the Board of Directors who was not nominated by General Electric Group will receive a non-performance-related annual fixed base fee for his services, all of which are being paid in cash. A member of the Board of Directors that has been nominated by General Electric Group does not receive any compensation for his services.

When proposing the maximum total annual compensation for the members of the Board of Directors in 2013, the Bank did not ask for third-party support. The total annual compensation for the members of the Board of Directors has been set by General Electric Group.

As at the IPO, there were four members of the Board of Directors, with a fifth member (Dr. Athanas), elected as a member of the Board of Directors on 2 October 2013, with effect from 1 January 2014. Two of the four members of the Board of Directors at the IPO were nominated by General Electric Group (Mr. Hall and Mr. Laxer).

In addition, the members of the Board of Directors, except the members nominated by General Electric Group, have been reimbursed for all reasonable cash expenses that incurred by them in the discharge of their duties, including reasonable expenses for travelling to and from the meetings of the Board of Directors, meetings of the board committees and the General Meetings.

For further details regarding the compensation of members of the Board of Directors in 2013, see note 8 of the individual financial statements.

### Management Board

In view of the IPO, the salaries of the Management Board have been compared with other financial services, both public and non-public companies. An external consulting firm assisted the Bank and General Electric Group in performing market comparisons and compared with 13 companies (Axa Winterthur, Bank Julius Bär Holding, Bank Vontobel, Banque Cantonale Vaudoise, UBS, Zurich Financial Services, Obwaldner Kantonalbank, SIX Group, Südleasing, Swisscanto, Swisscard AECS, Urner Kantonalbank, Zürcher Kantonalbank). The benchmarking served as a basis for the base salary, the compensation and for the localisation of the expat contracts.

The compensation paid to the Management Board in 2013 was based on the GECC executive incentive compensation plan ("EIC") and consisted of

- A fixed compensation stipulated under the relevant employment contract; and
- An annual variable incentive compensation paid in cash ("EIC award").

For the annual variable incentive compensation paid in cash, the following plan design was applicable until the IPO: Pool funding was calculated and expressed as a percentage variance ("V %"), either positive or negative, to the sum of all prior year EIC awards for continuing plan participants ("Continuing EIC"). Continuing EIC plan participants were those who had and will receive a full-year EIC award (non-prorated) for both prior and current performance years. Participants receiving either their first full-year award or pro rata award for the current performance year were not included in the Continuing EIC V % calculation and were funded separately based on estimated spend.

Each year, General Electric Group determined the Continuing EIC V % awarded to each General Electric business within the funding limits of the overall General Electric EIC pool, as approved by the management development and compensation committee of the General Electric board of directors. For GECC, the Continuing EIC V % was based on a quantitative and qualitative assessment of GECC's overall business performance relative to its strategic operating goals in the context of economic market factors and competitive landscape. Consideration was also given to GECC's governance, and in particular adverse outcomes, in the areas of audit, compliance and risk. Once the GECC Continuing EIC V % was known, the GECC compensation committee allocated a portion to each GECC business unit based on an assessment of business unit performance similar to that outlined above. Once a Continuing EIC V % had been allocated to a given GECC Business Unit or Control Function, the senior most leader of that organisation then further allocated his or her assigned Continuing EIC % across their respective sub-organisations. The allocation process continued until ultimately the managers of all plan participants are given a Continuing EIC V % guideline for use in determining individual awards.

Managers were responsible for recommending individual EIC award amounts within the funding limits of their Continuing EIC V % allocation. Individual award recommendations were based on each participant's achievement of his or her annual goals and objectives, the participant's demonstration of General Electric Group growth values, and other relevant factors. Based on this assessment, managers applied a V %, either positive or negative, to each continuing participant's prior year EIC payment / award to determine his or her recommended award. Participants were not guaranteed to receive an award or an award of any particular amount.

All individual EIC award recommendations were subject to review and amendment by successively higher levels of senior management up to and including GECC Chairman & Chief Executive Officer.

Awards were reviewed and approved in the first quarter, following the end of the plan year. Awards were then communicated and paid as soon thereafter as was practical.

In the fiscal year 2013, the variable pay according to GE Capital Executive Incentive Compensation Plan for members of the Management board amounted to an average of 28.8 % of the base salary.

In view of the IPO, retention agreements have been put in place with respect to four members of the Management Board. Three members received a first partial pay-out in November 2013 and a second pay-out is planned for November 2014. One member will receive one full pay-out in November 2015.

For further details regarding the compensation paid to members of the Management Board in 2013 see note 8 of the individual financial statements.

### Description of New Executive Variable Compensation Plan (Outlook)

The below overview refers to the compensation plan for members of the Management Board including the CEO ("Executive Variable Compensation Plan") applicable as of 1 January 2014; it also applies for the executive variable compensation for 2013 with payout in the first quarter of 2014.

Under the Executive Variable Compensation Plan, the compensation payable to the Management Board will consist of:

- A fixed compensation stipulated under the relevant employment contract; and
- An annual variable incentive compensation, consisting of a component paid in cash and a component paid in restricted stock units (RSU component, "RSU"), which units will be settled in shares of the Bank.

The ratio between the cash component and the restricted stock unit component will be determined by the Compensation and Nomination Committee on annual basis.

Furthermore, compared to the EIC plan, under the Executive Variable Compensation Plan, the participants are assigned a target percentage of their gross fixed annual salary pursuant to their employment contract ("Target Percentage") for funding purposes. The individual target percentage is as follows: (a) for the CEO, 80 % of his annual fixed compensation, and (b) for the other members of the Management Board, 50 % of their respective annual fixed compensation. Overall, the maximum individual annual variable compensation is capped as follows: (a) for the CEO, 120 % of his annual fixed compensation, and (b) for the other members of the Management Board, 75 % of their respective annual fixed compensation.

The sum of all participants' Target Percentage multiplied by each participant's gross fixed annual salary pursuant to their employment contract with the Bank shall provide the target pool ("Target Pool") which serves as a basis from which actual pool funding may be established. The Target Pools is a pool funding mechanism only and does not guarantee an actual variable incentive compensation payout.

The Board of Directors, based on the recommendation of the Compensation and Nomination Committee (which has been formed on 24 September 2013) is responsible for determining the actual pool funding on an annual basis. The pool funding is based on a quantitative and qualitative assessment of taking into account the following criteria: net income, assets, return on shareholders' equity ratio, cost / income ratio of the Bank; and additional discretionary pool modifiers such as industry index and governance objectives, including compliance, audit and risk. Based on these criteria, the Board of Directors can make a discretionary adjustment, either positive (› sum of all participants' target percentage) or negative (‹ sum of all participants' target percentage), to the Target Pool to determine and approve the final actual pool funding ("Approved Pool").

The individual variable compensation for each participant is defined within (a) the funding limits of the Approved Pool as well as (b) the applicable cap of individual variable compensation and is based on an assessment of each participant's overall performance. The participants' overall performance is assessed based on (i) the participant's achievement of the goals and objectives set forth by the Board of Directors for the CEO and by the CEO for the other participants, and (ii) the demonstration of Bank values and other relevant factors.

The overall performance for the Management Board members is established by the CEO and for the CEO by the Compensation and Nomination Committee.

Based on this assessment, the CEO for the Management Board and the Compensation and Nomination Committee for the CEO apply a discretionary adjustment ("Individual Contribution Factor"), either positive or negative, to each participant's target funding ("Target Funding") percentage to determine his or her individual variable compensation within the funding limits of the Approved Pool as well as the applicable individual cap (see above). Participants' Individual Contribution Factors, and subsequently their actual variable compensation, may vary from their target funding percentage and participants are not guaranteed to receive any variable compensation or an individual variable compensation.

The Compensation and Nomination Committee needs to approve the individual variable compensation of the Management Board including the CEO. The Board of Directors needs to approve the CEO's individual variable compensation and needs to acknowledge the individual variable compensation of the Management Board.

The Compensation and Nomination Committee, at least once a year, (a) reviews and assesses the corporate goals and 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 the other members of the Management Board in light of these goals and objectives (performance review).

After the performance evaluation of the CEO, the Compensation and Nomination Committee makes a recommendation to the Board of Directors of appropriate individual compensation levels or other terms of employment for the CEO. The Compensation and Nomination Committee considers all factors it deems relevant in its sole judgment including, without limitation, the Bank's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies and the awards given to the CEO in prior years.

With regard to the other members of the Management Board the Compensation and Nomination Committee at least annually reviews and makes a recommendation to the Board of Directors regarding appropriate compensation levels or other terms of employment for the other members of the Management Board, 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 supplemental benefits. As part of such review, the Compensation and Nomination Committee shall take account of the levels and forms of compensation at comparable companies.

With regard to the setting of individual compensation of the Board of Directors members and members of the Board Committees, the Compensation and Nomination Committee reviews at least annually and make a recommendation to the Board of Directors of the form and amount of the compensation of members of the Board of Directors and any additional compensation to be paid for service as Chairperson, for service on Board committees and for service as a chairperson of a committee.

In making its recommendation, the Compensation and Nomination Committee will give due consideration to what is customary compensation for directors of comparable companies and any other factors it deems appropriate that are consistent with the policies and principles set forth in the compensation and nomination charter ("Compensation and Nomination Charter"). The Board member concerned abstains from the decision.

## 6 Shareholders' Rights of Participation

### 6.1 Voting Rights and Representation Restrictions

Each Share carries one vote at a General Meeting. Voting rights may be exercised only after a shareholder has been entered into 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 entered into 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, after having heard the concerned registered holder of Shares or Nominee, cancel entries in the Share Register that were based on false information with retroactive effect to the date of entry.

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 any General Meeting, but will still be entitled to dividends and other rights with financial value with respect to such Shares.

Until 31 December 2013, shareholders of the Bank could be represented by proxy at General Meetings , any person who was so authorised (such person did not need to be a shareholder of the Bank), a representative by law, a Bank representative (Organvertreter), a specially designated independent shareholder representative (unabhängiger Stimmrechtsvertreter) or a depositary representative (Depotvertreter).

### 6.2 Statutory Quorums

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

### 6.3 Convocation of the General Meeting

The statutory rules on the convocation of the General Meeting correspond with legal provisions. Thus, a General Meeting is convened at least 20 calendar days prior to such meeting by publishing a notice of the meeting in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) or any other means of publication specified by the Board of Directors in particular cases. Shareholders entered into the Share Register may also be invited in writing.

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 a General Meeting or if so requested by holders of Shares representing in the aggregate at least 10 % of the Bank's share capital registered in the commercial register.

### 6.4 Inclusion of Item in 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 General Meeting. The Articles of Incorporation require that such request is communicated to the Board of Directors at least 45 calendar days prior to the next 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 General Meeting. For organisational reasons, however, no shareholders will be entered into the Share Register during the period beginning 10 days prior to a General Meeting and ending immediately after the close of the 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. 22 SESTA. Thus, an investor who acquired more than 33 1/3% of all voting rights of the Bank (directly, indirectly or in concert with third parties), whether they are exercisable or not, could be required to submit a takeover offer for all shares outstanding, according to the Swiss Stock Exchange Act.

The Bank does not have any specific defences in place to prevent hostile takeovers.

### 7.2 Clauses on Changes of Control

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

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;
- Shorter vesting 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 Lead 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. Mr. Michael Schneebeli took up office as lead auditor in 2007. The holder of this office changes every seven years, in accordance with banking law.

### 8.2 Auditing Fees

Expenses related to KPMG's audit of the Group amounted to CHF 602,500.

### 8.3 Additional Fees

KPMG rendered additional services related to the foundation of Swiss Auto Lease 2013-1 GmbH and the execution of a lease-asset backed security transaction amounting to CHF 66,126.

### 8.4 Informational Instruments Pertaining to an External Audit

The Board of Directors is responsible for the supervision and control of the external audit process. Its remit includes reviewing internal and external audit reports; it is assisted by the Audit Committee when discharging this duty. The Audit Committee receives regular reports from representatives of the external auditor and it discusses these reports and evaluates their quality and comprehensiveness. The auditor in charge who represents the external auditor attended all meetings of the Audit Committee in the year under review. The Chief Auditor attended all meetings of the Audit Committee in the year under review.

## 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 as well as press releases and presentations. These documents are available to the public in electronic form under: www.cembra.ch/en/investor.

### Email Distribution Service

Interested parties can subscribe to the email distribution service to receive free and timely notifications of potentially price-sensitive facts: www.cembra.ch/en/investor → Contact.

### Important Dates

The financial calendar can be downloaded from: www.cembra.ch/en/investor → Financial Calendar.

### Contact Address

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### Investor Relations

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### Non-Applicability/Negative Disclosure

It is expressly noted that any information not contained or mentioned herein is non-applicable or its omission is to be construed as a negative declaration (as provided in the CGD and Commentary thereto).

From left to right:

**Michael Marek**
Chief Operating Officer

**Regis Lehmann**
Sales Leader Online & Insurance

**Dr. Roland Lüthi-Oetterli**
Chief Information Officer

**Brigitte Kaps**
PR & Communications Leader

**Peter Schnellmann**
Sales Leader Institutional and Commercial

**Dr. Emanuel C. Hofacker**
Chief Compliance Officer

**Heinz Hofer**
Sales Leader Branches

**Bert Mitsch**
Chief Auditor

**Robert Oudmayer ***
Chief Executive Officer

**Roland Brändli**
Sales Leader Auto

**Volker Gloe ***
Chief Risk Officer

**Dr. Alain P. Röthlisberger ***
General Counsel

**Antoine Boublil ***
Chief Financial Officer

**Daniel Frei ***
Sales Leader Cards

** Member of the Management Board*

# 2

## With commitment, flexibility and simplicity – for our customers

The needs of our customers are our top priority. Our advisory services are backed by commitment and many years' experience and flexibility, and we offer tailored, simple solutions that meet the financial needs of our customers, protect their privacy and help them reach their individual objectives. That applies not just to our private customers and institutional investors, but also to self-employed individuals.

# Risk Management

# Risk Management

## Risk Management

Risks are broadly defined as uncertainties potentially resulting in adverse variations of profitability or in losses. The fundamental nature of financial intermediation inherently exposes the Group to various categories of risk such as Credit Risk, Asset and Liability Management Risks, Operational Risks, and Other Risks.

The Group prudently takes, monitors, and manages its risks in accordance with its strategic objectives, risk profile, risk appetite and tolerance levels, and ensures relevant legal and regulatory requirements are complied with at all times. Risks are managed primarily at Group level and in addition at Bank level if deemed necessary by the management or the regulator.

Risks are managed systematically, comprehensively and actively. The Group promotes a strong risk culture and has established a risk management process consisting of the following core elements:
- Identification of risks across all business activities;
- Assessment, measurement of risks, including stress testing;
- Limitation, mitigation of risks; and
- Effective risk controls and monitoring.

## Risk Appetite and Limits

The Group has established a risk appetite framework, including setting up a sound system of integrated risk limits to control overall risk taking. The risk appetite statement serves as a decision making tool for the Management Board. It is reviewed annually by the Board of Directors and takes into account strategic objectives and business plans.

## Risk Governance Structure

The Group has set regulations governing the risk management, with separate policies and directives introduced to manage the detailed risk management process.

The risk management organisation in the Group reflects the principle of segregation of duties.

Four working committees have been established:

| Committee | Risk Category |
|---|---|
| Credit Committee | Credit Risk |
| Asset & Liability Management Committee (“ALCO”) | Asset & Liability Management (“ALM”) Risk |
| Enterprise Risk Management Committee & Controllership Council (“ERMC & CCO”) | Corporate Governance, Compliance & Operational Risk Management |
| Security Council | Physical Security, Business Continuity Management, Disaster Recovery & IT Security |

## Credit Risk

Credit risk refers to the risk that a counterparty may fail to honour its contractual obligations. A consequent loss may include principal, interest and fees, may be complete or partial and can arise from a number of circumstances. The Group is exposed to credit risk on all its lending products.

Delegated by the Board of Directors, the Credit Committee is the decision-making body for managing credit risk. The Chief Risk Officer is the chairperson of the Credit Committee. The CEO and CFO are mandatory attendees of the meeting. Within its competency level, the Credit Committee makes credit decisions for individual counterparties and existing programme renewals where the credit limit exceeds the authority delegated to the CRO. Credit risk metrics and portfolio performance reports are reviewed monthly by the Credit Committee.

The Group maintains a credit competency policy that describes its credit approval competency. It sets a guideline that the Group must follow when making credit decisions for new product introductions, existing programme renewals, as well as the individual counterparty credit approvals. Delegated credit competency authorities are monitored and reviewed regularly to ensure alignment with the risk appetite.

The Group has a stringent underwriting process in place, which is continually monitored and optimised to ensure that credit risk is adequately mitigated. Prior to granting credit, the counterparty's creditworthiness, credit capacity and, where applicable, the collateral are assessed. Creditworthiness is evaluated by an automated internal credit risk rating system (scorecard) by leveraging available information about the customer. The credit capacity of consumers is further evaluated according to the legal regulations of the Swiss Consumer Credit Act. The amount of credit is calculated in accordance with internal models based on the risk profile of the customer. The automated system decision is complemented with manual underwriting in cases where more information is required.

Periodic assessments of the quality of portfolios and specific customer segments are undertaken. Quality and performance of new business is monitored to ensure that the credit approval process continues to adequately mitigate credit risk and that underwriting procedures are being correctly followed. Scorecards are regularly monitored to ensure performance remains at the expected level and, if required, model changes are implemented. Segmented collection strategies are implemented to tailor activities to customer groups with different payment behaviors and to ensure optimal resource allocation and effective mitigation of credit risk.

The customer base of the Group primarily comprises natural persons and small and medium enterprises. Concentration risks are regularly assessed. The large number of borrowers naturally results in a broad credit risk diversification.

## Assets and Liabilities Management Risk

As part of its risk management framework, the Group monitors and manages its asset and liability management ("ALM") risks such as liquidity and funding risks, as well as market risks.

As per delegation from the Board of Directors, ALCO is the decision-making body for all ALM related matters. ALCO is chaired by the CFO and requires the mandatory attendance of the CEO and CRO.

### Liquidity and Funding Risks

Liquidity risk is defined as the risk of the Group not having sufficient funds, or being able to secure them only at excessive costs, to meet its contractual obligations as they fall due and support the normal business activities. 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, reputation, credit, regulatory, or macroeconomic.

The Group's liquidity risk management strategy, processes and controls are guided by the Principles for Sound Liquidity Risk Management and Supervision issued by the Basel Committee on Banking Supervision ("BCBS") and are compliant with FINMA circulars.

As an independent listed entity, the Group has elected to maintain a highly conservative liquidity policy; 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 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 Group does not engage in trading for profit nor does it perform trading activities on behalf of any of its customers.

The Group maintains a robust stable funding structure on an ongoing basis. It actively seeks to reduce reliance on short term, potentially volatile sources of funding in order to be able to withstand an extended period of limited access to the wholesale funding markets. 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.

The Group monitors regularly the overall condition of funding markets and its ability to access funding via several market-wide and Group-specific early warning indicators. These are intended to provide management with timely warning of events that might have a potential unfavourable impact on its access to funding in the near future and, in turn, increase its liquidity risk. The Group has developed a comprehensive process for managing its liquidity in case of stress situations with the primary goal of preventing further escalation and mitigating contagion of the stress events. The contingency funding plan covers the decision-making process that should be followed, possible actionable measures that can be implemented in order to strengthen the liquidity position of the Group, as well as a strategy of proactive communication to key stakeholders.

As per FINMA requirement, the Group reports Liquidity Coverage Ratios ("LCR") on a monthly basis to the Swiss regulator. As of 31 December 2013, the Group's LCR was 985 %, well above the regulatory requirement of 100 %.

In January 2014, BCBS revised its guidance on the Net Stable Funding Ratio ("NSFR"). Under the new rules the Group's NSFR as of 31 December 2013 was above the recommended limit of 100 %.

## Market Risks

The exposure to market risk factors is very limited. The Group has very limited foreign currency ("FX") risk since it predominantly operates in the Swiss Consumer Lending market, and underwrites exclusively in Swiss francs. The main source of market risk is interest rate risk ("IRR").

The Group predominantly has fixed interest rate assets and liabilities; therefore it does not face risk from basis mismatches. The primary source of IRR stems from timing mismatches between the expected time of repricing of assets and liabilities respectively. As of 31 December 2013, the Group does not use any hedging instruments to manage its IRR.

The Group monitors IRR by conducting a repricing gap analysis, assuming historically observed repayment behaviour for assets and contractual due dates for liabilities. The interest rate risk shock applied to the repricing gaps is one of a parallel shift in prevailing interest rates of +/–100 basis points and +/–200 basis points, taking into account relevant caps and floors for the "shocked" curve.

The Group reports the forecasted values of economic value of equity (lifetime) and earnings at risk (next 12 months) on a weekly basis, as per FINMA circular requirement, and monitors actual IRR performance against the internally defined triggers.

The following table shows the interest rate repricing gaps by expected time to repricing for its interest rate-sensitive financial instruments as of 31 December 2013:

### Interest Rate Repricing Gaps

| *At 31 December 2013 (CHF in millions)* | **Non-interest bearing** | **On Sight** | **0–3 months** | **4–6 months** | **7–9 months** | **10–12 months** | **13–18 months** | **19–24 months** | **2–3 years** | **3–4 years** | **4–5 years** | **5+ years** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rate-sensitive Assets | 780 | 63 | 497 | 455 | 399 | 345 | 554 | 434 | 555 | 252 | 48 | 197 |
| Rate-sensitive Liabilities | 944 | 0 | 544 | 329 | 230 | 348 | 322 | 541 | 860 | 338 | 104 | 16 |
| **Net gap** | **– 165** | **63** | **– 47** | **125** | **169** | **– 4** | **231** | **– 107** | **– 305** | **– 86** | **– 56** | **181** |
| **Cumulative gap** | | **63** | **15** | **141** | **310** | **306** | **537** | **431** | **126** | **40** | **– 16** | **165** |

The Group borrows and lends exclusively in Swiss francs. Its exposure to FX fluctuations is limited to that derived from supplier invoices denominated in foreign currencies. The Group monitors such FX exposure closely, and takes immediate action if it exceeds internally set triggers. As at 31 December 2013, the Group does not use hedging instruments to manage its FX risk.

## Operational Risk

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 is exposed to a wide variety of operational risks, including technology risk that stems from dependencies on information technology, third-party suppliers and the telecommunications infrastructure. Information security, data confidentiality and integrity are of critical importance.

The Group recognises the importance of the effective management of operational risks and has implemented appropriate processes to minimise them. Various instruments and methods, such as a loss data collection, self-assessments and monitoring of key risk indicators are used to identify, measure and monitor operational risks.

The operational risk reports are reviewed monthly by the ERMC & CCO. A summary report is reviewed by Board of Directors quarterly.

### Business Continuity Management

The Group is aware that severe events beyond its control (such as natural disaster) may result in an inability to fulfil some or all of its business obligations, particularly where its physical, telecommunications or IT infrastructure has been damaged or made inaccessible.
In compliance with the Recommendation for Business Continuity Management ("BCM") issued by Swiss Bankers Association, the Group has implemented a BCM programme, including identification of critical processes and their dependency on systems, applications and external vendors.

The Group maintains a crisis management plan that defines processes that need to be followed in case of a business emergency. The status of the BCM programme and results of annual disaster recovery and business continuity test are reviewed by the Security Council.

### Outsourcing

The Group has chosen to use external service providers to support its business activities. With the implementation of an outsourcing policy and a monitoring process, the Group ensures compliance with requirements set by the FINMA Circular 2008 / 7 Outsourcing – Banks. At least annually, the results of the assessment on material outsourcing counterparties are reviewed by the ERMC & CCO.

## Other Risk

The Group has dedicated Legal and Compliance functions for managing, monitoring and reporting legal and compliance risks and material litigations to ensure that it meets relevant legal requirements and regulatory standards in the conduct of the Group's activities.

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 or be a consequence of another risk, the Group manages reputational risk jointly with other risks by assessing the reputational impact of its decisions.

## Capital Management

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

### Methodology for Calculating Minimum Required Capital

The Group uses a "SA-BIS" approach to calculate the minimum requirement for covering credit risk. It is entitled to use the standardised approach to calculate the capital charge for market risk. The Group uses a standardised approach for operational risk management and fulfills the qualitative and quantitative requirements of Capital Adequacy Ordinance (CAO 952.03).

### Capital Adequacy Ratio (CAR)

As of 31 December 2013 the applicable regulatory requirements for a Category IV bank are set by FINMA at 11.2 %. The Group aims to consistently operate at a capital base that is well above this mark, defining an internal trigger of a minimum Tier 1 capital ratio of 18 % on a Group basis. Compliance with this trigger is monitored at the monthly ALCO meeting. As of 31 December 2013, the Group's Tier 1 capital ratio was 19.7 %.

### 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 (including off-balance sheet items) without any risk adjustment. As of 31 December 2013, the Group's leverage ratio was 14.6 %, well above the recommended 3 %.

### Capital Planning

The Group prepares a three year capital plan annually and performs several stress scenarios.

As per FINMA requirement, the Group assesses its resilience to adverse macroeconomic conditions. In the 2013 stress test, the Group forecasted 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 presented to the Board of Directors.

# 3

## A powerful step into the future

There has been strong interest in our shares, both in Switzerland and internationally, which is a clear sign that the decision to list on the stock exchange was correct. We differentiate ourselves with our products, services and operational excellence, and aim to further strengthen our market position as the leading Swiss provider of consumer credit – for the benefit of our investors and employees.

# Management Discussion and Analysis of Financial Condition and Results of Operations

## Significant Developments

2013 was an eventful year for Cembra Money Bank. On 3 October 2013, the Group announced its intention to apply for the listing of all of the Bank's issued and outstanding registered shares in accordance with the main standard on the SIX and to offer the majority of the shares in an IPO. In this transaction, the former sole shareholder GE Capital Swiss Funding AG, whose ultimate parent is the General Electric Company, placed 20,500,000 shares (after exercising the over-allotment option), representing 68.3 % of the Bank's shares, with a nominal value of CHF 1.00 each. The shares commenced trading on the SIX Swiss Exchange on 30 October 2013. In association with the IPO, the Group also changed its brand identity from GE Money Bank to Cembra Money Bank. These two significant events represent an important milestone in the long history of the Group.

Prior to the IPO, the Group made two dividend payments to its former sole shareholder. In June 2013, an extraordinary dividend of CHF 270 million was paid out of the other reserves. In August 2013, an additional interim dividend of CHF 200 million was paid out of the reserves from capital contributions.

In June 2013, the Group sold to two third parties a portfolio of loss certificates corresponding to previously written off financing receivables, generating recoveries of CHF 33.1 million. The sale accelerated the timing of recoveries with respect to those written off financing receivables compared with the normal recovery timeline.

The Group was also active on the debt capital markets. First of all, in June 2013, the Group issued its second lease asset backed security ("ABS") of CHF 200 million, which was rated Aaa/AAA by Moody's and Fitch respectively. Secondly, following the assignment of an A– rating for the Bank by Standard & Poor's, the Group issued its first senior unsecured bond of CHF 250 million. Both transactions were very well received by the market.
The Group has also continued to reduce its reliance on the General Electric Group by further diversifying its funding structure and by starting to decouple from the infrastructure of the former sole shareholder.

## Market Environment

The overall environment in which the Group is operating was strongly influenced by historically low interest rates. On the one hand, it enabled the Group to raise new funds at very favourable conditions and to reduce its overall cost of funds. On the other hand, this led to further price pressure in the auto and personal loans business.

The unemployment rate remained low, at approximately 3.5 %, which helped to maintain the provision for losses at a strong level.

While Switzerland's gross domestic product ("GDP") grew by around 2% in 2013, the consumer loan market decreased slightly by 2% according to statistics produced by the central bureau for credit information ("ZEK"). The Group was able to maintain its strong position in the consumer loans market and continued to invest in its growing online presence.

After a strong 2012, the auto market was more challenging in 2013, which was mainly attributable to lower numbers of new car registrations (–6%) as a result of the new carbon tax implemented in July 2012, and the fact that auto captives continued to offer campaigns with very low interest rates. Despite the challenging environment in the auto market, the Group was able to offer best-in-class service and retain its market share. Credit cards continued to grow and to outperform the overall market. The Group increased the number of issued credit cards by 17% to 553,000. In 2013, according to Swiss National Bank statistics, the number of issued credit cards in Switzerland grew by 7% to 6.1 million and transaction volume increased by 6% to CHF 32.7 billion in 2013. The contracts with partners Migros and Conforama were successfully renewed. Furthermore, both the Cumulus-MasterCard and Cosy MasterCard Conforama were equipped with contactless payment functionalities.

## Results of Operations

### Key Figures

| *For the years ended 31 December* | **2013** | **2012** |
|---|---|---|
| Net revenues (CHF in millions) | 354.5 | 355.7 |
| Net interest income (CHF in millions) | 282.6 | 282.3 |
| Net income (CHF in millions) | 132.9 | 133.1 |
| Cost / income ratio | 50% | 46% |
| Net interest margin | 7.0% | 6.9% |
| | | |
| Dividend per share (CHF) [1] | 2.85 | – |
| Earnings per share (CHF) | 4.43 | 4.44 |
| | | |
| Total assets (CHF in millions) | 4,590 | 4,439 |
| Net financing receivables (CHF in millions) | 3,993 | 4,011 |
| Total shareholders' equity (CHF in millions) | 799 | 1,081 |
| Return on average equity (ROE) | 14.1% | 13.1% |
| Return on average assets (ROA) | 2.9% | 3.1% |
| Tier 1 capital ratio | 19.7% | 26.6% |
| | | |
| Employees (FTEs) | 700 | 710 |

[1] *Proposal to the General Meeting*

From a financial perspective, 2013 was another successful year. Net revenues remained virtually unchanged compared to the previous year, at CHF 354.5 million, most of which came from net interest income of CHF 282.6 million. The Group recorded net income of CHF 132.9 million versus CHF 133.1 million in 2012. Return on average shareholders' equity was 14.1 % and 13.1 % in the years ended 31 December 2013 and 2012, respectively, despite a high Tier 1 capital ratio of 19.7 % and 26.6 % in those periods. On the basis of the level of shareholders' equity as at 31 December 2013, the return on shareholders' equity was 16.6 %.

## Balance Sheet Analysis

| *At 31 December (CHF in millions)* | **2013** | **2012** | **Variance** | **in %** |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 492 | 368 | 124 | 34 |
| Net financing receivables | 3,993 | 4,011 | – 18 | 0 |
| Personal loans | 1,861 | 1,902 | – 41 | – 2 |
| Auto leases and loans | 1,647 | 1,703 | – 56 | – 3 |
| Credit cards | 485 | 406 | 79 | 19 |
| Other assets | 105 | 60 | 45 | 75 |
| **Total assets** | **4,590** | **4,439** | **151** | **3** |
| **Liabilities and equity** | | | | |
| Deposits and long-term debt | 2,960 | 1,680 | 1,280 | 76 |
| Deposits | 1,660 | 1,280 | 380 | 30 |
| Long-term debt | 1,300 | 400 | 900 | 225 |
| Due to affiliates (GECC funding) | 700 | 1,504 | – 804 | – 53 |
| Other liabilities | 131 | 174 | – 43 | – 25 |
| **Total liabilities** | **3,790** | **3,358** | **432** | **– 13** |
| Shareholders' equity | 799 | 1,081 | – 282 | – 26 |
| **Total liabilities and shareholders' equity** | **4,590** | **4,439** | **151** | **3** |

## Net Financing Receivables

Net financing receivables amounted to CHF 3,993 million as at 31 December 2013, which was barely unchanged compared with CHF 4,011 million as at 31 December 2012. At the end of 2013, the Group's personal loans accounted for 47 % of its net financing receivables, its auto leases and loans accounted for 41 % of its net financing receivables and its credit card business accounted for 12 % of its net financing receivables.

Personal loans performed well in 2013. Receivables amounted to CHF 1,861 million, down 2 % compared with the previous year, as a result of a product transition and overall personal loan market development. The Group has continued to invest in its online offering, such as the optimisation of the website, and in online affiliate partnerships.

Auto leases and loans maintained its market position despite the challenging market environment. Receivables ended the year at CHF 1,647 million, 3 % lower than the previous year, due to the intense competition and overall performance of the Swiss automotive market.

Credit cards once again recorded strong growth of 19 % on its receivables portfolio, reaching CHF 485 million as at 31 December 2013, and contributed to the further diversification of the Group's income. The existing long-term partnerships with Migros and Conforama were successfully extended. The Migros Cumulus-MasterCard, TCS MasterCard and Cosy MasterCard Conforama programmes performed well. Both the Cumulus-MasterCard and the Cosy MasterCard Conforama were equipped with contactless payment functionalities.

## Funding

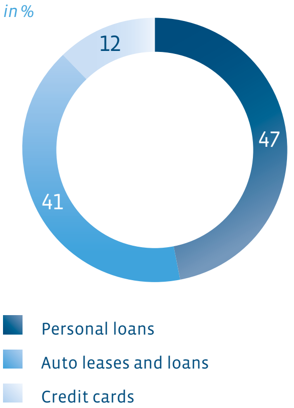
The Group continued to diversify its funding structure in 2013, reducing its reliance on the General Electric Group by obtaining new funding from a diverse range of sources. The Group's deposits increased by CHF 380 million, driven mainly by institutional investors. Long-term debt increased by CHF 900 million, reflecting various capital market transactions including an ABS issuance amounting to CHF 200 million in June 2013, an unsecured bond issuance amounting to CHF 250 million in November 2013, and a fixed-term facility from a syndicate of banks amounting to CHF 450 million in October 2013. The Group has also reduced funding from affiliates by repaying its CHF 1,504 million subordinated loan and signing a new funding facility with the General Electric Group at market rates in October 2013. The new facility amounts to CHF 1,000 million, of which CHF 700 million was drawn as at 31 December 2013. The Group has significantly increased its total funding from sources other than the General Electric Group from 53 % as at 31 December 2012 to 81 % as at 31 December 2013. As a standalone business, the Group will continue to reduce its reliance on General Electric Group funding.

## Equity

Total shareholders' equity decreased by CHF 282 million in 2013. This reduction was mainly driven by two dividend payments prior to the IPO amounting to CHF 270 million and CHF 200 million in June 2013 and August 2013 respectively. The overall decrease was partially offset by the current year income of CHF 132.9 million, the impact of the tax goodwill amortisation benefit of CHF 36 million, which was booked through equity, and the movement of the other comprehensive income ("AOCI") of CHF 21 million.

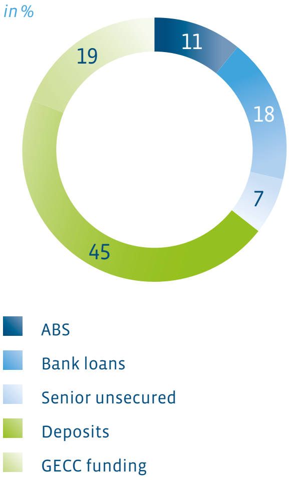
### Net Financing Receivables

*in %*




### Funding Structure

*in %*



## Profit and Loss Analysis

| *For the years ended 31 December (CHF in millions)* | 2013 | 2012 | Variance | in % |
|---|---|---|---|---|
| Interest income | 343.7 | 352.3 | – 8.6 | – 2 |
| Interest expense | – 22.1 | – 20.5 | – 1.6 | 8 |
| Affiliated interest expense | – 38.9 | – 49.5 | 10.5 | – 21 |
| **Net interest income** | **282.6** | **282.3** | **0.3** | **0** |
| Commission and fee income | 71.9 | 73.4 | – 1.5 | – 2 |
| **Net revenues** | **354.5** | **355.7** | **– 1.2** | **0** |
| **Provision for losses on financing receivables** | **– 7.0** | **– 22.3** | **15.3** | **– 69** |
| Compensation and benefits | – 100.3 | – 102.7 | 2.4 | – 2 |
| General and administrative expenses | – 78.6 | – 61.6 | – 17.0 | 28 |
| **Total operating expenses** | **– 178.9** | **– 164.4** | **– 14.5** | **9** |
| **Income before income taxes** | **168.6** | **169.0** | **– 0.4** | **0** |
| Income tax expense | – 35.7 | – 35.9 | 0.2 | 0 |
| **Net income** | **132.9** | **133.1** | **– 0.2** | **0** |
| Other comprehensive income / loss (–) | 20.7 | – 4.4 | 25.0 | – 574 |
| **Comprehensive income** | **153.6** | **128.8** | **24.8** | **19** |

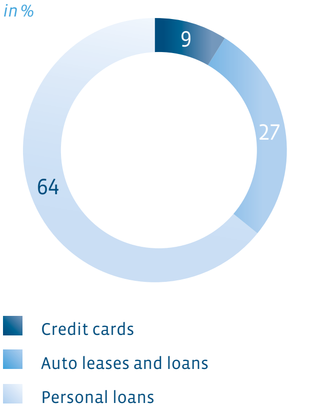
## Interest Income

| *For the years ended 31 December (CHF in millions)* | 2013 | 2012 | Variance | in % |
|---|---|---|---|---|
| Personal loans | 218.5 | 225.1 | – 6.6 | – 3 |
| Auto leases and loans | 92.9 | 101.6 | – 8.7 | – 9 |
| Credit cards | 32.3 | 25.6 | 6.7 | 26 |
| Cash and cash equivalents | 0.0 | 0.0 | 0.0 | 49 |
| **Total** | **343.7** | **352.3** | **– 8.6** | **– 2** |

The Group's primary source of interest income is personal loans, which accounted for 64 % of interest income in the years ended 31 December 2013 and 2012 respectively. Auto leases and loans accounted for 27 % and 29 % of interest income in the years ended 31 December 2013 and 2012 respectively. Credit cards accounted for 9 % and 7 % of interest income in the years ended 31 December 2013 and 2012 respectively.

### Interest Income

*in %*



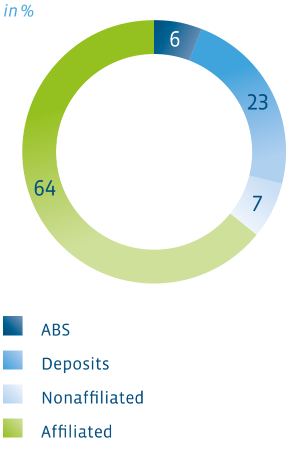
The Group's interest income decreased by CHF 8.6 million, or 2%, from CHF 352.3 million in 2012 to CHF 343.7 million in 2013, primarily due to a reduction in interest income from auto leases and loans. Interest income from personal loans decreased by CHF 6.6 million, or 3%, from CHF 225.1 million in 2012 to CHF 218.5 million in 2013. This decrease was primarily due to an increase of CHF 1.5 million in amortisation of origination costs, lower other interest income of CHF 1.8 million and a CHF 3.4 million reduction in interest income from personal loans, resulting largely from a product transition. Interest income from the Group's auto leases and loans decreased by CHF 8.7 million, or 9%, from CHF 101.6 million in 2012 to CHF 92.9 million in 2013. The decrease was due to lower new business volumes in 2013 as a result of the overall business environment and the introduction of a carbon tax in Switzerland in July 2012. Lower interest rates resulting from competitive pressure from auto captives also contributed to the decrease in interest income. Interest income from credit cards increased by CHF 6.7 million, or 26%, from CHF 25.6 million in 2012 to CHF 32.3 million in 2013. This increase was primarily due to higher levels of credit card receivables as a result of an increase in credit card volumes.

## Cost of Funds

| *For the years ended 31 December (CHF in millions)* | **2013** | **2012** | **Variance** | **in %** |
|---|---|---|---|---|
| Interest expense on ABS | 3.7 | 2.1 | 1.5 | 72 |
| Interest expense on deposits | 14.3 | 16.1 | – 1.7 | – 11 |
| Interest expense on other nonaffiliated debt | 4.1 | 2.4 | 1.8 | 75 |
| Affiliated interest expense | 38.9 | 49.5 | – 10.5 | – 21 |
| **Total** | **61.1** | **70.0** | **– 8.9** | **– 13** |

Cost of Funds

*in %*




The Group's overall cost of funds decreased by CHF 9.0 million, or 13%, from CHF 70.0 million in 2013 to CHF 61.1 million in 2012. This decrease was mainly driven by the Group's affiliated interest expense, which was reduced by CHF 10.5 million, or 21%, from CHF 49.5 million in 2012 to CHF 38.9 million in 2013. This was achieved by the full repayment of the subordinated debt and the signing of a new contract with the General Electric Group at market rates in November 2013. The interest rate on the new contract is significantly lower than the 3.25% per annum previously due on the subordinated debt. The interest on deposits was also reduced due to favourable market conditions. This overall decrease was partially offset by the additional interest due on the second ABS transaction of CHF 1.5 million and the higher interest due on the debt to nonaffiliates of CHF 1.8 million driven by new funding related to the unsecured bond of CHF 250 million and the CHF 450 million contract with a syndicate of banks.

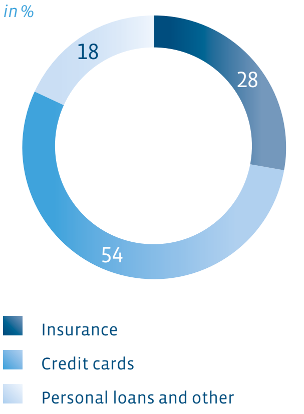
## Commission and Fee Income

| *For the years ended 31 December (CHF in millions)* | 2013 | 2012 | Variance | in % |
|---|---|---|---|---|
| Insurance | 19.8 | 26.4 | – 6.6 | – 25 |
| Credit cards | 38.9 | 32.1 | 6.8 | 21 |
| Personal loans and other | 13.3 | 15.0 | – 1.7 | – 11 |
| **Total** | **71.9** | **73.4** | **– 1.5** | **– 2** |

The Group's commission and fee income decreased by CHF 1.5 million, or 2 %, from CHF 73.4 million in 2012 to CHF 71.9 million in 2013. This decrease was due to lower insurance commissions of CHF 6.6 million, primarily driven by a lower insurance profit share and a decrease in personal loans and other fees of CHF 1.7 million, which was mainly attributable to a product transition. This decrease was partially offset by increased credit card fees of CHF 6.8 million in the overall level of credit card fees.

Commission and Fee Income

*in %*




## Provision for Losses on Financing Receivables

| *For the years ended 31 December (CHF in millions)* | 2013 | 2012 | Variance | in % |
|---|---|---|---|---|
| Provision for losses on personal loans | – 1.4 | 8.7 | – 10.1 | – 117 |
| Provision for losses on auto leases and loans | 4.1 | 7.4 | – 3.3 | – 45 |
| Provision for losses on credit cards | 4.4 | 6.2 | – 1.8 | – 30 |
| **Total** | **7.0** | **22.3** | **– 15.3** | **– 69** |

The Group's provision for losses on financing receivables decreased by CHF 15.3 million, or 69 %, from CHF 22.3 million in 2012 to CHF 7.0 million in 2013. This decrease was primarily due to a reduction of CHF 33.1 million in the provision for losses on financing receivables resulting from the sale of a portfolio of loss certificates with respect to previously written off financing receivables, offset in part by an increase of an estimated CHF 12.0 million in the provision for losses, predominantly on personal loans.

## Compensation and Benefits

| *For the years ended 31 December (CHF in millions)* | 2013 | 2012 | Variance | in % |
|---|---|---|---|---|
| **Compensation and benefits** | **100.3** | **102.7** | **– 2.4** | **– 2** |

The Group's compensation and benefits decreased by CHF 2.4 million, or 2 %, from CHF 102.7 million in 2012 to CHF 100.3 million in 2013. The decrease in 2013 was primarily due to a reduction in workforce in 2012, which was partially offset by salary inflation.

## General and Administrative Expenses

| *For the years ended 31 December (CHF in millions)* | 2013 | 2012 | Variance | in % |
|---|---|---|---|---|
| GECC assessment / TSA | 8.9 | 17.3 | – 8.5 | – 49 |
| Professional services | 15.2 | 8.9 | 6.4 | 72 |
| Marketing | 13.3 | 7.6 | 5.7 | 75 |
| Collection fees | 7.2 | 7.4 | – 0.2 | – 3 |
| Postage and stationary | 10.1 | 7.3 | 2.8 | 39 |
| Rental expense under operating leases | 6.0 | 5.5 | 0.5 | 9 |
| Depreciation and amortisation | 3.2 | 3.1 | 0.1 | 3 |
| Other | 14.7 | 4.5 | 10.2 | 228 |
| **Total** | **78.6** | **61.6** | **17.0** | **28** |

The Group's general and administrative expenses increased by CHF 17.0 million, or 28 %, from CHF 61.6 million in 2012 to CHF 78.6 million in 2013. This increase is primarily due to one-off expenses in connection with becoming a standalone business, including costs related to the separation from the former sole shareholder and rebranding costs. In particular, the Group incurred one-off expenses in 2013 of CHF 10.4 million in rebranding costs, CHF 5.6 million in IPO transaction related costs and CHF 7.3 million in Swiss issuance stamp tax associated with the IPO. This increase was partially offset by a decrease in royalty expenses of CHF 2.5 million, or 38 %, from CHF 6.5 million in 2012 to CHF 4.0 million in 2013 and decreased GECC service assessments of CHF 7.0 million, or 65 %, from CHF 10.8 million in 2012 to CHF 3.8 million in 2013. The transitional service fee ("TSA") paid to the General Electric Group amounted to CHF 1.1 million in the year ended 31 December 2013.

## Income Tax Expense

| *For the years ended 31 December (CHF in millions)* | 2013 | 2012 | Variance | in % |
|---|---|---|---|---|
| **Income tax expense** | **35.7** | **35.9** | **– 0.2** | **0** |

The Group's income tax expense decreased by CHF 0.2 million from CHF 35.9 million in 2012 to CHF 35.7 million in 2013, as a result of decreased income before income taxes in 2013. The Group's effective tax rate in both 2013 and 2012 was approximately 21 %, which is in line with the statutory tax rate resulting from the combination of federal, cantonal and communal corporation taxes in Switzerland.

# 4

## Clear outlook for sustainable growth

Whether for financial products or financial services, we are one of the leading Swiss providers of personal loans, auto leases and loans, credit cards and savings products. Our 700 employees based at 25 branches across Switzerland contribute to the success of our Bank with great personal commitment.

Together, we achieved net income of CHF 132.9 million in 2013. This result confirms the strong performance of our Bank and strengthens the trust that our customers and investors place in us. We stand for a secure future with sustainable growth.

# Consolidated Financial Statements

# Consolidated Statements of Income

| *For the years ended 31 December (CHF in thousands)* | Notes | 2013 | 2012 |
|---|---|---|---|
| Interest income | 18 | 343,675 | 352,309 |
| Interest expense | 19 | – 22,143 | – 20,549 |
| Affiliated interest expense | | – 38,940 | – 49,484 |
| **Net interest income** | | **282,592** | **282,276** |
| Commission and fee income | 20 | 71,932 | 73,444 |
| **Net revenues** | | **354,524** | **355,720** |
| **Provision for losses on financing receivables** | **3** | **– 7,002** | **– 22,334** |
| Compensation and benefits | | – 100,293 | – 102,737 |
| General and administrative expenses | 21 | – 78,615 | – 61,631 |
| **Total operating expenses** | | **– 178,908** | **– 164,368** |
| **Income before income taxes** | | **168,614** | **169,018** |
| Income tax expense | 13 | – 35,737 | – 35,892 |
| **Net income** | | **132,877** | **133,126** |
| **Earnings per share** | | | |
| Basic | 12 | 4.43 | 4.44 |
| Diluted | 12 | 4.43 | 4.44 |

*See accompanying notes to the consolidated financial statements.*

# Consolidated Statements of Comprehensive Income

| *For the years ended 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| Net income | 132,877 | 133,126 |
| Net prior service cost (–) / credit | 1,887 | – 266 |
| Actuarial gain / loss (–) | 18,787 | – 4,099 |
| Total other comprehensive income / loss (–) | 20,674 | – 4,365 |
| **Comprehensive income** | **153,551** | **128,761** |

*See accompanying notes to the consolidated financial statements.*

# Consolidated Statements of Financial Position

| At 31 December (CHF in thousands) | Notes | 2013 | 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | 491,733 | 367,868 |
| Financing receivables, net | 3 | 3,992,921 | 4,010,512 |
| Property, plant and equipment, net | 4 | 4,055 | 3,840 |
| Intangible assets, net | 5 | 2,279 | 2,829 |
| Other assets | 6 | 82,045 | 45,758 |
| Deferred income taxes | 13 | 16,545 | 8,449 |
| **Total assets [1]** | | **4,589,578** | **4,439,256** |
| **LIABILITIES AND EQUITY** | | | |
| Deposits | 7 | 1,660,027 | 1,280,269 |
| Accrued expenses and other payables | | 119,448 | 138,901 |
| Due to affiliates | 8 | 700,000 | 1,504,000 |
| Long-term debt | 8 | 1,299,547 | 400,000 |
| Other liabilities | 10 | 11,213 | 34,858 |
| **Total liabilities [1]** | | **3,790,235** | **3,358,028** |
| Common shares | 12 | 30,000 | 30,000 |
| Additional paid in capital (APIC) | | 647,906 | 811,542 |
| Treasury shares | | – 2,000 | – |
| Retained earnings | | 133,759 | 270,682 |
| Accumulated other comprehensive loss (AOCI) | | – 10,322 | – 30,996 |
| **Total shareholders' equity** | | **799,343** | **1,081,228** |
| **Total liabilities and shareholders' equity** | | **4,589,578** | **4,439,256** |

[1] *The Group's consolidated assets at 31 December 2013 and 2012, include total assets of TCHF 571,116 and TCHF 297,427, respectively, of consolidated variable interest entities ("VIEs") that can only be used to settle the liabilities of the VIEs. These assets include net financing receivables of TCHF 525,321 and TCHF 274,617, respectively. The Group's consolidated liabilities at 31 December 2013 and 2012 include liabilities of the VIEs for which the VIE creditors do not have recourse to Cembra Money Bank AG. As per 31 December 2013 and 2012, these liabilities include non-recourse borrowings of consolidated VIEs of TCHF 400,000 and TCHF 200,000 respectively.*

*See accompanying notes to the consolidated financial statements.*

# Consolidated Statements of Changes in Shareholders' Equity

| *CHF in thousands* | **Common shares** | **Treasury Shares** | **APIC** | **Retained earnings** | **AOCI** [1] | **Total equity** |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2011** | **30,000** | **–** | **811,542** | **137,556** | **– 26,631** | **952,467** |
| Net income | – | – | – | 133,126 | – | 133,126 |
| Accumulated other comprehensive loss before reclassifications, net of deferred tax of 2,246 | – | – | – | – | – 8,449 | – 8,449 |
| Reclassifications from accumulated other comprehensive loss net of deferred tax of –1,085 | – | – | – | – | 4,084 | 4,084 |
| **Balance at 31 December 2012** | **30,000** | **–** | **811,542** | **270,682** | **– 30,996** | **1,081,228** |
| Net income | – | – | – | 132,877 | – | 132,877 |
| Dividend paid | – | – | – 200,000 | – 269,800 | – | – 469,800 |
| Change in deferred tax assets related to tax goodwill | – | – | 36,239 | – | – | 36,239 |
| Change in APIC due to One-Off Share Programme | – | – | 125 | – | – | 125 |
| Treasury shares | – | – 2,000 | – | – | – | – 2,000 |
| Accumulated other comprehensive income before reclassifications, net of deferred tax of –3,671 | – | – | – | – | 13,811 | 13,811 |
| Reclassifications from accumulated other comprehensive loss net of deferred tax of –1,824 | – | – | – | – | 6,863 | 6,863 |
| **Balance at 31 December 2013** | **30,000** | **– 2,000** | **647,906** | **133,759** | **– 10,322** | **799,343** |

[1] *Accumulated other comprehensive loss consists of movements related to the Group's benefit plan obligation. Reclassifications from accumulated other comprehensive loss 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)* | **2013** | **2012** |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | 132,877 | 133,126 |
| Adjustments to reconcile net income to cash provided from operating activities: | | |
| Provision for losses on financing receivables | 7,002 | 22,334 |
| Deferred income taxes | 7,219 | 260 |
| Depreciation | 1,590 | 1,890 |
| Amortisation of intangible assets | 1,034 | 1,227 |
| Decrease (–) / Increase in accrued expenses | – 21,217 | 52,363 |
| Increase in tax receivables | – 11,288 | – 15,310 |
| All other operating activities | 18,570 | 539 |
| **Net cash provided by operating activities** | **135,787** | **196,429** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Increase in financing receivables | – 22,933 | – 38,519 |
| Proceeds from sale of loss certificates | 35,287 | – |
| Additions to property, plant and equipment | – 1,805 | – 556 |
| Increase in restricted cash | – 22,627 | – 21,223 |
| All other investing activities | – 484 | – 1,218 |
| **Net cash used in investing activities** | **– 12,563** | **– 61,516** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net change in deposits | 379,759 | 90,738 |
| Net change in due to affiliates | – 804,000 | – 351,000 |
| Issuance of non-recourse long-term borrowings | 200,000 | 200,000 |
| Issuance of long-term debt | 696,557 | – |
| Repayments of long-term debt | – | – 100,000 |
| Dividends paid | – 469,800 | – |
| All other financing activities | – 1,875 | – |
| **Net cash provided by / used in (–) by financing activities** | **641** | **– 160,262** |
| **Net increase / decrease (–) in cash and cash equivalents** | **123,865** | **– 25,349** |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 367,868 | 393,217 |
| **End of year** | **491,733** | **367,868** |
| **SUPPLEMENTAL DISCLOSURE** | | |
| Interest paid | – 60,402 | – 71,963 |
| Income taxes paid | – 43,982 | – 34,713 |

*See accompanying notes to the consolidated financial statements.*

# 1. Basis of Presentation and Summary of Significant Accounting Policies

Cembra Money Bank (formerly GE Money Bank), which is headquartered in Zurich, Switzerland, comprises Cembra Money Bank AG (the "Bank" or the parent company) and its subsidiaries Swiss Auto Lease 2012-1 GmbH and Swiss Auto Lease 2013-1 GmbH (collectively the "Group"). 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 U.S. ("US GAAP") and in compliance with 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.

**Initial Public Offering of the Bank in 2013**

The Bank announced on 3 October 2013 its intention to apply for the listing of all of its issued and outstanding registered shares in accordance with the main standard on the SIX Swiss Exchange and to offer the majority of its shares in an initial public offering ("IPO"). The offered shares were priced at CHF 51 per share, the top of the price range of CHF 43 to CHF 51 per share. In this transaction, the former sole shareholder GE Capital Swiss Funding AG, whose ultimate parent is the General Electric Company (GE), placed 20,500,000 shares (after exercising the over-allotment option), representing 68.3 % of the Bank's shares, with a nominal value of CHF 1.00 each. The shares (ticker symbol: CMBN) commenced trading on the SIX Swiss Exchange on 30 October 2013.

**Reorganisation of the Bank in 2010**

The Bank restructured its business operations in 2010. As part of the restructuring, all of the banking business of the Bank's predecessor (at that time trading under the name GE Money Bank AG) was transferred to the Bank (at that time trading under the name GE Money AG) by way of an asset transfer pursuant to the Swiss Federal Merger Act. The transfer took effect on 1 December 2010, at which point the Bank's predecessor was renamed GE Capital Swiss Funding AG and the Bank was renamed GE Money Bank AG.

The former GE Money Bank AG was a licensed bank subject to FINMA regulation. Prior to the asset transfer on 1 December 2010, the former GE Money Bank AG refinanced its core business almost exclusively internally within the former sole shareholder group. The new GE Money Bank AG received a banking licence from FINMA upon implementation of the asset transfer and has since been subject to its supervision. The asset transfer resulted in the transfer of the entire banking business of the former GE Money Bank AG, including all assets and liabilities and associated contracts, to the new GE Money Bank AG. Financing activities not related to the core business were not included in the asset transfer and remained with GE Capital Swiss Funding AG. The asset transfer was accounted for under US GAAP as a transfer of assets between entities under common control. Transfers of net assets or exchanges of shares between entities under common control are accounted for at historical cost and as if the transfer had occurred at the beginning of the earliest period.

**Consolidation**

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 in the Financial

Accounting Standards Board ("FASB"), 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 activities.

In accordance with ASC 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. it is the primary beneficiary).

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.

## Use of Estimates

Preparing financial statements in conformity with US GAAP requires the management to make estimates based on assumptions about future economic and market conditions (for example unemployment, market liquidity, etc.) that affect reported amounts and 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 2014 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 intangible and long-lived 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)

### 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 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. In accordance with ASC 840-1-25-1, residual values that are guaranteed by third party dealers are considered to be part of minimum lease payments.

### Other Revenues

Other sources of revenue include commissions earned from the sale of insurance products and other fees earned from the remaining products. The Group, acting as an intermediary between the insurance company and the customer, offers payment protection insurance. The premiums are charged monthly, the Group recognises the commission from them 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 Interest Income on Loans and Credit Cards section. Fee revenue is reduced by the costs of any applicable reward programme.

## Depreciation and Amortisation

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.

## Allowance for Losses

The allowance for losses on financing receivables represents the Group's estimate of probable losses inherent in the portfolio for a set future period. 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 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 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.

"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 does not have any TDRs.

## Write Offs and Recoveries

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. The Group writes off unsecured closed-end installment 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 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.

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.

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 860-20 Sale of Financial Assets.

### Provision for Losses

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

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.

### Leases

The Group offers leases of 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 840. Direct financing leases are carried at the aggregate of lease payments receivable plus the guaranteed residual value of the leased object less unearned income.

### Intangible Assets

The cost of intangible assets is amortised on a straight-line basis over their estimated useful lives. 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.

### Income Taxes

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 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

The Group has a share programme ("One-Off Share Programme") that was set up as part of the IPO. The Group 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 plan is described in more detail in note 22.

### Treasury Shares

The Group holds own shares to satisfy commitments arising from its employee share-based compensation programme. Own shares 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

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 and 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 as the present value of expected payments. The Group discounts those 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.

### Fair Value Measurements

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 occurs 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

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

On 1 January 2012, the Group adopted Financial Accounting Standards Board Accounting Standards Update ("FASB ASU") 2011-05, an amendment to ASC 220, Comprehensive Income. FASB ASU 2011-05 introduced a new statement, the Consolidated Statement of Comprehensive Income. The amendments affect only the display of those components of equity categorised as other comprehensive income and do not change existing recognition and measurement requirements that determine net income.

On 1 January 2012, the Group adopted FASB ASU 2011-04, an amendment to ASC 820, Fair Value Measurements. FASB ASU 2011-04 clarifies or changes the application of existing fair value measurements, including: that the highest and best use valuation premise in a fair value measurement is relevant only when measuring the fair value of nonfinancial assets; that a reporting entity should measure the fair value of its own equity instrument from the perspective of a market participant that holds that instrument as an asset; to permit an entity to measure the fair value of certain financial instruments on a net basis rather than based on its gross exposure when the reporting entity manages its financial instruments on the basis of such net exposure; that in the absence of a Level 1 input, a reporting entity should apply premiums and discounts when market participants would do so when pricing the asset or liability consistent with the unit of account; and that premiums and discounts related to size as a characteristic of the reporting entity's holding are not permitted in a fair value measurement. Adopting this amendment had no effect on the financial statements.

On 1 January 2013, the Group adopted FASB ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities", an update to ASC Topic 210 – Balance Sheet. FASB ASU 2013-01 clarifies the scope of FASB ASU 2011-11 and is effective for interim and annual reporting periods beginning on or after 1 January 2013. Adopting this amendment had no effect on the financial statements.

On 1 January 2013, the Group adopted FASB ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (FASB ASU 2013-02), an update to ASC Topic 220 – Comprehensive Income. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. FASB ASU 2013-02 is effective for interim and annual reporting periods beginning on or after 1 January 2013. The amendments affect only the display of those components of equity categorised as other comprehensive income and do not change existing recognition and measurement requirements that determine net income and comprehensive income.

# 3. Financing Receivables and Allowance for Losses

As at 31 December 2013, the Group's financing receivables included lending to private customers, vehicle lease financing, and credit card financing:

| *At 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| Loans | 2,580,290 | 2,568,224 |
| Deferred costs, net | 29,934 | 28,341 |
| **Total loans, net of deferred costs, net** | **2,610,224** | **2,596,565** |
| Investment in financing leases, net of deferred income | 1,432,288 | 1,464,442 |
| **Financing receivables before allowance for losses** | **4,042,512** | **4,061,007** |
| Less allowance for losses | – 49,591 | – 50,495 |
| **Financing receivables, net** | **3,992,921** | **4,010,512** |

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)* | **2013** | **2012** |
|---|---|---|
| Total minimum lease payments receivable | 1,547,836 | 1,597,889 |
| Deferred income [1] | – 115,548 | – 133,447 |
| **Investment in direct financing leases** | **1,432,288** | **1,464,442** |
| Less allowance for losses | – 5,401 | – 5,697 |
| **Net investment in direct financing leases** | **1,426,887** | **1,458,745** |

[1] *Included TCHF 13,678 and TCHF 14,199 of initial direct costs on direct financing leases at 31 December, 2013 and 2012, respectively.*

The subsidiaries held TCHF 525,321 and TCHF 274,617 of net investment in direct financing leases as at 31 December 2013 and 2012 respectively as collateral to secure third-party debt in securitisations. See note 16 to the consolidated financial statements for further details of securitisations.

As at 31 December 2013, the Group's contractual maturities for loans and financing leases were:

| *Due in (CHF in thousands)* | **Loans** | **Minimum lease payment receivable** |
|---|---|---|
| 2014 | 57,192 | 149,101 |
| 2015 | 171,031 | 288,691 |
| 2016 | 282,527 | 429,714 |
| 2017 | 391,369 | 456,445 |
| 2018 | 602,203 | 208,293 |
| 2019 and later | 536,509 | 15,592 |
| Credit cards and revolving loans | 539,459 | – |
| **Total** | **2,580,290** | **1,547,836** |

Actual maturities may differ from contractual maturities.

The following table provides further information about financing receivables:

| *At 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| Personal loans | 1,899,984 | 1,939,579 |
| Auto leases and loans | 1,654,671 | 1,711,014 |
| Credit cards | 487,857 | 410,414 |
| **Financing receivables, before allowance for losses** | **4,042,512** | **4,061,007** |
| Allowance for losses | – 49,591 | – 50,495 |

A summary of activity in the allowance for losses is shown below:

| *CHF in thousands* | **Balance at 1 January 2013** | **Provision for losses** | **Amounts written off** | **Recoveries** [1] | **Transfers** | **Balance at 31 December 2013** |
|---|---|---|---|---|---|---|
| Personal loans | 38,277 | – 1,437 | – 84,309 | 86,298 | – | 38,829 |
| Auto leases and loans | 7,644 | 4,082 | – 18,985 | 14,795 | – | 7,536 |
| Credit cards | 4,574 | 4,358 | – 7,290 | 3,290 | – 1,706 | 3,226 |
| **Total** | **50,495** | **7,002** | **– 110,584** | **104,384** | **– 1,706** | **49,591** |
| As a % of total financing receivables, net | | | | | | 1.2 % |

[1] *In June 2013, previously written off financing receivables were sold to two third parties. The proceeds were recorded as recoveries within the allowance for losses, which resulted in a reduction in the provision for losses of TCHF 33,101, in the Group's financial results in 2013.*

| *CHF in thousands* | **Balance at 1 January 2012** | **Provision for losses** [1] | **Amounts written off** | **Recoveries** | **Transfers** | **Balance at 31 December 2012** |
|---|---|---|---|---|---|---|
| Personal loans | 44,119 | 8,738 | – 83,564 | 68,984 | – | 38,277 |
| Auto leases and loans | 7,635 | 7,416 | – 20,781 | 13,374 | – | 7,644 |
| Credit cards | 3,784 | 6,180 | – 9,515 | 4,125 | – | 4,574 |
| **Total** | **55,538** | **22,334** | **– 113,860** | **86,483** | **–** | **50,495** |
| As a % of total financing receivables, net | | | | | | 1.3 % |

[1] *The recovery rate model was amended to reflect an increase in the Group's recovery experience post write off. This change resulted in a reduction of the allowance for losses of TCHF 4,688 in 2012.*

## 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 [1]

The following table displays payment performance of our financing receivables:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| *At 31 December* | *Over 30 days past due* | *Over 90 days past due* | *Over 30 days past due* | *Over 90 days past due* |
| Personal loans | 2.8 % | 0.6 % | 3.0 % | 0.7 % |
| Auto leases and loans | 0.9 % | 0.2 % | 1.1 % | 0.2 % |
| Credit cards | 1.0 % | 0.5 % | 1.2 % | 0.5 % |
| **Total** | **1.8 %** | **0.4 %** | **2.0 %** | **0.5 %** |

[1] *As a % of loans and investment in direct financing leases excluding initial direct costs.*

## Nonaccrual Financing Receivables

The following table provides further information about financing receivables that are classified as nonaccrual:

| *At 31 December (CHF in thousands)* | 2013 | 2012 |
|---|---|---|
| Personal loans | 12,070 | 14,046 |
| Auto leases and loans | 3,219 | 3,938 |
| Credit cards | 2,245 | 1,930 |
| **Total** | **17,534** | **19,914** |
| Nonperforming loan (NPL) coverage [1] | 282.8 % | 253.6 % |

[1] *NPL coverage is calculated as allowance for losses divided by nonaccrual financing receivables*

## 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
(a) CR1 0.00 %–1.20 %,
(b) CR2 1.21 %–2.97 %,
(c) CR3 2.98 %–6.99 %,
(d) CR4 7.00 %–13.16 % and
(e) 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.

| | 2013 | | | | |
|---|---|---|---|---|---|
| *At 31 December (CHF in thousands)* | *CR1* | *CR2* | *CR3* | *CR4* | *CR5* |
| Personal loans | 792,839 | 579,110 | 395,364 | 119,521 | 13,150 |
| Auto leases and loans | 978,409 | 500,076 | 128,031 | 17,439 | 30,716 |
| Credit cards | 381,936 | 83,282 | 21,388 | 1,145 | 106 |
| **Total** | **2,153,184** | **1,162,468** | **544,783** | **138,105** | **43,972** |
| As a % of total financing receivables before allowance for losses | 53.2 % | 28.8 % | 13.5 % | 3.4 % | 1.1 % |

| | 2012 | | | | |
|---|---|---|---|---|---|
| *At 31 December (CHF in thousands)* | *CR1* | *CR2* | *CR3* | *CR4* | *CR5* |
| Personal loans | 793,280 | 587,262 | 395,177 | 120,923 | 42,937 |
| Auto leases and loans | 1,008,385 | 510,330 | 134,573 | 20,168 | 37,558 |
| Credit cards | 321,308 | 70,062 | 17,993 | 963 | 88 |
| **Total** | **2,122,973** | **1,167,654** | **547,743** | **142,054** | **80,583** |
| As a % of total financing receivables before allowance for losses | 52.3 % | 28.8 % | 13.5 % | 3.5 % | 1.9 % |

# 4. Property, Plant and Equipment

| *At 31 December (CHF in thousands)* | **Estimated useful lives (years)** | **2013** | **2012** |
|---|---|---|---|
| **ORIGINAL COST** | | | |
| Buildings and improvements | (5–40) | 7,266 | 7,120 |
| Office equipment | (3–10) | 12,917 | 11,341 |
| **Total** | | **20,183** | **18,461** |
| **ACCUMULATED DEPRECIATION** | | | |
| Buildings and improvements | | – 5,732 | – 5,336 |
| Office equipment | | – 10,396 | – 9,285 |
| **Total** | | **– 16,128** | **– 14,621** |
| **NET CARRYING VALUE** | | | |
| Buildings and improvements | | 1,534 | 1,784 |
| Office equipment | | 2,521 | 2,056 |
| **Total** | | **4,055** | **3,840** |

Depreciation expense was TCHF 1,590 and TCHF 1,890 for the years ended 31 December 2013 and 2012 respectively. The Group did not recognise any impairment losses in 2013 or 2012.

The fire insurance value of the buildings was TCHF 919 and TCHF 929 as at 31 December 2013 and 2012, respectively. The fire insurance value of the other tangible fixed assets was TCHF 19,115 and TCHF 16,705 as at 31 December 2013 and 2012, respectively.

# 5. Intangible Assets

| *At 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| Original cost | 28,661 | 28,177 |
| Accumulated amortisation | – 26,382 | – 25,348 |
| **Net carrying value** | **2,279** | **2,829** |

Capitalised software is amortised over a useful life of one to five years; the weighted average amortisation period is 4.95 years. Amortisation expense related to intangible assets subject to amortisation for 2013 and 2012 was TCHF 1,034 and TCHF 1,227 respectively. Based on the inventory as at 31 December 2013, the Group estimates annual pre-tax amortisation for intangible assets over the next five years to be as follows:

| *CHF in thousands* | **2014** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|---|
| Estimated pre-tax amortisation | 720 | 607 | 548 | 339 | 65 |

# 6. Other Assets

| *At 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| Restricted cash | 44,437 | 21,810 |
| Tax receivables | 26,601 | 15,313 |
| Other receivables | 4,137 | 4,303 |
| Deferred expenses | 5,961 | 2,899 |
| Other | 909 | 1,433 |
| **Total other assets** | **82,045** | **45,758** |

Restricted cash is cash that is not available for use in the ordinary course of operations and is restricted in terms of withdrawal or usage. The Group had TCHF 44,437 and TCHF 21,810 of restricted cash related to the consolidated VIEs (see note 16) as at 31 December 2013 and 2012 respectively.

## 7. Deposits

The following table presents, as at 31 December 2013 and 2012 respectively, the maturities of the Group's customers' saving deposits, term deposits and prepaid cards:

| *At 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| On demand | 198,072 | 180,181 |
| Less than 3 months | 321,514 | 116,597 |
| 3 to less than 6 months | 296,483 | 223,255 |
| 6 to less than 12 months | 388,115 | 350,880 |
| 12 months plus, thereof | 455,843 | 409,356 |
| due in 2014 | – | 252,677 |
| due in 2015 | 182,229 | 53,074 |
| due in 2016 | 129,490 | 59,180 |
| due in 2017 | 57,493 | 34,425 |
| due in 2018 and later | 86,631 | 10,000 |
| **Total** | **1,660,027** | **1,280,269** |

There is no term of maturity for on demand saving deposits. All deposits are in Switzerland and denominated in CHF. The weighted average interest rate on all deposits was approximately 0.83 % and 1.15 % as at 31 December 2013 and 2012 respectively.

## 8. Due to Affiliates and Long-term Debt

Due to affiliates and long-term debt is shown below:

| | | **2013** | | **2012** | |
|---|---|---|---|---|---|
| *At 31 December (CHF in thousands)* | *Maturity* | *Amount* | *Contractual interest rate* | *Amount* | *Contractual interest rate* |
| Due to affiliates | | – | – | 1,504,000 | 3.25 % |
| Due to affiliates (term) | 2016 | 500,000 | 1.39 % | – | – |
| Due to affiliates (revolving) | 2016 | 200,000 | 1.22 % | – | – |
| External debt (bank loan) | 2014 | 200,000 | 1.59 % | 200,000 | 1.29 % |
| External debt (bank facility) | 2016 | 450,000 | 1.14 % | – | – |
| External debt (unsecured bond) | 2017 | 249,547 | 1.13 % | – | – |
| Non-recourse borrowings (ABS) [1] | 2015 | 200,000 | 0.78 % | 200,000 | 0.78 % |
| Non-recourse borrowings (ABS) [1] | 2016 | 200,000 | 0.58 % | – | – |
| **Total due to affiliates and long-term debt** | | **1,999,547** | | **1,904,000** | |

*[1] Related to consolidated VIE*

The contractual rate represents the interest due on the relevant debt as at the reporting date whereas the all-in-rate reflects, in addition to the contractual interest rate, fees and debt issuance costs that are amortised over the contractual life of the instrument.

As per 31 December 2013, the group has fixed-rate funding with the exception of the revolving credit facilty.

In June 2013, the Bank launched its second lease asset backed security ("ABS") transaction and issued a fixed-rate TCHF 200,000 senior note on the Swiss capital markets with a legal maturity of ten years and an optional redemption date after three years. The Group plans to redeem the note after three years. Prior to the IPO, the Group refinanced its previously subordinated funding from GE Capital Swiss Funding AG ("GECSF Facility") through a new CHF 1 billion senior facility with GE Capital Switzerland AG ("GECS Facility") and a TCHF 450,000 loan with a group of banks ("Bank Facility"). The entire GECSF Facility was fully repaid as at 1 November 2013.

The new GECS Facility consists of a TCHF 500,000 term loan and a TCHF 500,000 revolving credit facility and has been committed for three years as of signing, with the option for the Group to extend by two years. The term loan portion of the GECS Facility accrues interest as a fixed rate for the initial three years and floating CHF LIBOR for the remainder. The all-in-rate over the lifetime of the overall GECS Facility amounts to 1.63 %, assuming an undrawn portion of the revolving facility of TCHF 300,000. The Bank Facility provides for a three-year committed term loan of TCHF 450,000 with a fixed interest rate for the initial two years and floating CHF LIBOR for the remainder. The all-in-rate over the lifetime of the loan amounts to 1.28 %. Additionally, in line with its funding diversification plans, the Group issued a fixed-rate four-year unsecured bond with a nominal amount of TCHF 250,000 in November 2013.

The Group defers the debt issuance costs and amortises them over the expected life-time of the relevant debt instrument.

Available unused credit facilities, which were solely from the GECS Facility, were TCHF 300,000 as at 31 December 2013, with an applicable commitment fee of 0.25 %. Unused credit facilities as at 31 December 2012 were from the GECSF Facility and amounted to TCHF 196,000.

Accrued interest and commitment fee expense for the GECS Facility was TCHF 1,837 at 31 December 2013 and TCHF 4,148 for the GECSF Facility as at 31 December 2012.

## 9. Pension Plan

The Bank participates in a pension plan that provides benefits in accordance with the requirements of the Swiss Occupational Pension Act (“BVG”). The Group’s participation in this pension plan has been accounted for as a defined benefit plan in the consolidated financial statements. The funding policy of the Group’s pension plan is consistent with the local government and tax requirements.

Until 31 December 2013, the Group’s employees participated in a Swiss multi-employer pension plan that had been set up for employees working for Swiss entities of the General Electric Group in Switzerland. The pension plan insured the participating employees against the economic consequences of age, disability and death in accordance with Swiss law. Until 31 December 2013, the pension plan assets and liabilities were allocated to the Bank based on the proportion of the total Bank participants included in the plan and the related actuarial assumptions for those specific participants.

As a result of the IPO, all active employees and the respective pensioners of companies and subsidiaries of the General Electric Group in Switzerland (with the exception of Cembra Money Bank AG) had left the plan as at 1 January 2014. This event triggered a partial liquidation of the pension fund and led to the split of all pension plan assets and liabilities. For further information, refer to note 25. The Group recognises an asset for the plan’s 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 plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases and 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 post-retirement 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 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 plan insures both mandatory occupational benefits and extra mandatory benefits. The Group uses a 31 December measurement date for the plan.

The Group’s pension plan participants as at 31 December 2013 were as follows:

| *At 31 December* | **2013** |
|---|---|
| Active employees | 738 |
| Beneficiaries and pensioners | 108 |
| **Total** | **846** |

The cost of the pension plan is presented below:

| *For the years ended 31 December (CHF in thousands)* | 2013 | 2012 |
|---|---|---|
| Service cost for benefits earned | 5,517 | 5,010 |
| Prior service credit amortisation | – 338 | – 338 |
| Expected return on plan assets | – 5,877 | – 5,978 |
| Interest cost on benefit obligations | 2,782 | 4,057 |
| Net actuarial loss amortisation | 6,299 | 5,507 |
| **Pension plan cost** | **8,383** | **8,258** |

The actuarial assumptions as 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* | 2013 | 2012 |
|---|---|---|
| Discount rate | 2.00 % | 1.50 % |
| Compensation increases | 2.54 % | 2.55 % |
| Expected return on assets | 3.75 % | 3.75 % |

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 views 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 results 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 3.75 % long-term expected return on those assets. For the pension plan, the Group applies the expected rate of return to the market value of assets.

The Group amortises experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over the average future service of employees.

Funding policy for the pension plan is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts as we may determine to be appropriate. The management expects to contribute approximately TCHF 6,091 to the pension plan in 2014.

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 basis of current compensation levels. PBO is ABO increased to reflect expected future compensation.

The accumulated benefit obligation was TCHF 180,162 and TCHF 185,250 for 31 December 2013 and 2012 respectively. The change in the projected benefit obligation is presented below:

| *CHF in thousands* | **2013** | **2012** |
|---|---|---|
| **Balance at 1 January** | **192,157** | **168,576** |
| Service cost for benefits earned | 5,517 | 5,010 |
| Interest cost on benefit obligations | 2,782 | 4,057 |
| Participant contributions | 3,000 | 3,594 |
| Actuarial loss / gain | – 5,684 | 18,599 |
| Benefits paid / received | – 9,421 | – 7,679 |
| Plan change [1] | – 2,727 | – |
| **Balance at 31 December** | **185,624** | **192,157** |

*[1] In 2013, the board of the pension fund decided to reduce the conversion rate from 6.4 % (at age 65) to 6.0 % and to increase the savings contributions by 4 % (2.0 % employee and employer each). The plan amendment gain of TCHF 2,727 corresponds to the PBO reduction due to these plan changes.*

Plan assets are reported at fair value. The fair value of the classes of the pension plan's investments is presented below. The inputs and valuation techniques used to measure the fair value of the assets are consistently applied and described in note 1.

The changes in the fair value of plan assets are presented below:

| *CHF in thousands* | **2013** | **2012** |
|---|---|---|
| **Balance at 1 January** | **159,456** | **143,027** |
| Actuarial gain / loss on plan assets | 17,675 | 13,882 |
| Employer contributions | 5,891 | 6,632 |
| Participant contributions | 3,000 | 3,594 |
| Benefits paid / received | – 9,421 | – 7,679 |
| **Balance at 31 December** | **176,601** | **159,456** |

The asset allocations are described below:

| *At 31 December* | **2013 Target allocation** | **2013 Actual allocation** |
|---|---|---|
| Equity securities | | |
| Swiss equity securities | 13 % | 12 % |
| Non-Swiss equity securities | 23 % | 29 % |
| Debt securities | | |
| Swiss bonds | 28 % | 17 % |
| Non-Swiss bonds | 17 % | 15 % |
| Real estate funds | 14 % | 13 % |
| Other investments | 5 % | 14 % |

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 needs. 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 needs.

The pension fund assets are invested subject to the following additional guidelines:

- Investment in the following assets may not exceed the following maximum % of total assets in the plan: Swiss bonds 45 %, non-Swiss bonds 25 %, Swiss equities 16 %, non-Swiss equities 33 %, real estate funds 20 % and alternative funds 10 %;
- 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.

The pension fund did not hold direct investments, but indirect investments through funds. The fair values of the pension plan investments are presented below:

| | 2013 | | | |
|---|---|---|---|---|
| *At 31 December (CHF in thousands)* | *Level 1* | *Level 2* | *Level 3* | *Total* |
| Equity securities | | | | |
| Swiss equity securities | 21,968 | – | – | 21,968 |
| Non-Swiss equity securities | 41,665 | 11,628 | – | 53,293 |
| Debt securities | | | | |
| Swiss bonds | 31,056 | – | – | 31,056 |
| Non-Swiss bonds | 26,906 | – | – | 26,906 |
| Real estate funds | 9,874 | 14,509 | – | 24,383 |
| Other investments [1] | 12,912 | 11,981 | – | 24,893 |
| **Total investments** | **144,381** | **38,118** | **–** | **182,499** |
| **Other [2]** | | | | **– 5,898** |
| **Total assets** | | | | **176,601** |

*1 Primarily includes money market funds.*
*2 Represents short-term liabilities of the pension plan, primarily related to the pension plan split as well as to employees transferring out of the pension plan.*

| | 2012 | | | |
|---|---|---|---|---|
| *At 31 December (CHF in thousands)* | *Level 1* | *Level 2* | *Level 3* | *Total* |
| Equity securities | | | | |
| Swiss equity securities | 20,697 | – | – | 20,697 |
| Non-Swiss equity securities | 29,166 | 7,556 | – | 36,722 |
| Debt securities | | | | |
| Swiss bonds | 40,964 | – | – | 40,964 |
| Non-Swiss bonds | 27,085 | – | – | 27,085 |
| Real estate funds | 5,938 | 8,709 | – | 14,647 |
| Other investments [1] | 13,062 | 7,639 | 419 | 21,120 |
| **Total investments** | **136,912** | **23,904** | **419** | **161,235** |
| **Other [2]** | | | | **– 1,779** |
| **Total assets** | | | | **159,456** |

*1 Primarily includes money market funds.*
*2 Represents short-term liabilities of the pension plan, primarily related to employees transferring out of the pension plan.*

The amounts recorded for pension plan assets and liabilities are described below:

| *At 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| Funded status | – 9,023 | – 32,701 |
| Pension liability recorded in the statement of financial position | | |
| Pension liabilities | | |
| Due after one year | – 9,023 | – 32,701 |
| Net amount recognised | – 9,023 | – 32,701 |
| Amounts recorded in shareholders' equity (unamortised) | | |
| Prior service credit | – 3,284 | – 895 |
| Net actuarial loss | 16,350 | 40,131 |
| **Total** | **13,066** | **39,236** |

In 2014, the Bank estimates that it will amortise TCHF 763 of prior service credit and TCHF 2,548 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)* | **2014** | **2015** | **2016** | **2017** | **2018** | **2019–2023** |
|---|---|---|---|---|---|---|
| Pension plan | 13,252 | 12,873 | 12,828 | 13,032 | 12,733 | 56,644 |

## 10. Other Liabilities

This caption primarily reflects the pension plan's funded status of TCHF 9,023 and TCHF 32,701 as at 31 December 2013 and 2012 respectively. It also comprises deferred compensation related to the Group's jubilee plan amounting to TCHF 2,190 and TCHF 2,157 as at 31 December 2013 and 2012 respectively. The jubilee plan is a voluntary benefit provided by the Group to its employees based on their years of service.

## 11. Capital Adequacy

The Group is subject to regulation by FINMA. The capital levels of the Group are subject to qualitative judgements by regulators, including FINMA, about the components of capital, risk weightings and other factors.

Since January 2008, the Bank has operated under the international capital adequacy standards known as Basel II set forth by the Basel Committee on Banking Supervision ("BCBS"). These standards affected the measurement of both total eligible capital and risk-weighted assets. In January 2011, as required by FINMA, the Bank implemented the BCBS's "Revisions to the Basel II market risk framework" (Basel 2.5) for FINMA regulatory capital purposes.

As of 1 January 2013, the Group has adopted the Basel III standards as required by FINMA.

The Group's consolidated eligible regulatory capital and the risk-weighted assets have been derived from the Group's consolidated financial statements as at 31 December 2013, which were prepared in accordance with FINMA requirements, and calculated in accordance with applicable Swiss regulatory requirements. The Group uses an "SA-BIS" approach to calculate the minimum requirement for covering credit risk. It is entitled to use the standard approach to calculate the capital charge for market risk. The Group uses a standardised approach for operational risk management and fulfills the qualitative and quantitative requirements of the Capital Adequacy Ordinance (CAO 952.03).

The total eligible regulatory capital of the Group comprises Tier 1 and Tier 2 capital 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 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 2013, the Group adheres to the applicable regulatory requirements for a category IV bank set by FINMA. The Group aims to consistently operate with a capital base that is well above this mark. The Bank was adequately capitalised under the regulatory provisions outlined by FINMA and the Bank for International Settlements.

| *At 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| **Eligible regulatory capital** | | |
| Tier 1 capital | 706,972 | 964,231 |
| of which core tier 1 capial | 706,972 | 964,231 |
| Tier 2 capital | 4,750 | 482,129 |
| **Total eligible capital** | **711,722** | **1,446,360** |
| **Risk-weighted assets** | | |
| Credit risk | 3,048,363 | 3,048,633 |
| Non counterparty risk | 7,012 | 45,301 |
| Market risk | 112 | 427 |
| Operational risk | 540,113 | 523,344 |
| **Total risk-weighted assets** | **3,595,600** | **3,617,705** |
| **Capital ratios** | | |
| Core tier 1 ratio | 19.7 % | 26.6 % |
| Tier 1 ratio | 19.7 % | 26.6 % |
| Total capital ratio | 19.8 % | 40.0 % |

# 12. Earnings Per Share and Additional Share Information

| *For the years ended 31 December* | **2013** | **2012** |
|---|---|---|
| Net income attributable to shareholders (CHF in thousand) for basic earnings per share | 132,877 | 133,126 |
| Income impact of restricted stock units that will be settled with treasury shares | – | – |
| Net income attributable to shareholders (CHF in thousand) for diluted earnings per share | 132,877 | 133,126 |
| **Weighted-average number of common shares** | | |
| Weighted-average number of common shares issued | 30,000,000 | 30,000,000 |
| Less weighted-average number of treasury shares | 6,536 | – |
| **Weighted-average numbers of common shares outstanding for basic earnings per share** | **29,993,464** | **30,000,000** |
| Dilution effect number of shares | 4,902 | – |
| **Weighted-average numbers of common shares outstanding for diluted earnings per share** | **29,998,366** | **30,000,000** |
| **Basic earnings per share (in CHF)** | **4.43** | **4.44** |
| **Diluted earnings per share (in CHF)** | **4.43** | **4.44** |

The amount of common shares outstanding has changed as follows:

| | **2013** [1] | **2012** [2] |
|---|---|---|
| *Common shares issued* | | |
| **Balance at beginning of period** | **30,000,000** | **30,000,000** |
| Issues of common shares | – | – |
| **Balance at end of period** | **30,000,000** | **30,000,000** |
| *Treasury shares* | | |
| **Balance at beginning of period** | **–** | **–** |
| Share based compensation | 39,215 | – |
| **Balance at end of period** | **39,215** | **–** |
| **Common shares outstanding** | **29,960,785** | **30,000,000** |

*[1] Pre IPO, the Bank performed a share split (1:1,000), resulting in 30,000,000 common shares with a par value of CHF 1.00 each, fully paid. Furthermore, a maximum of 6,900,000 shares (authorised, conditional) are available for issuance without further approval of the shareholders.*

*[2] For comparison reasons, prior year balance has been adjusted by the share split which has been performed pre IPO. Before the split, the Bank had 30,000 common shares at par value of CHF 1,000 each, fully paid.*

# 13. Income Tax Expense

The provision for income taxes is summarised in the table below:

| *For the years ended 31 December (CHF in thousands)* | 2013 | 2012 |
|---|---|---|
| Current tax expense | 28,518 | 35,632 |
| Deferred tax expense from temporary differences | 7,219 | 260 |
| **Income tax expense** | **35,737** | **35,892** |

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.

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 was approximately 21 %.

Principal components of the Group's deferred tax assets and liabilities are as follows:

| *At 31 December (CHF in thousands)* | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| Pension plans | 2,744 | 8,240 |
| Tax goodwill | 13,584 | – |
| Other | 993 | 606 |
| **Total deferred tax assets** | **17,321** | **8,846** |
| **LIABILITIES** | | |
| Deferred loan origination fees and costs - ASC 310 | – 776 | – 397 |
| **Total deferred tax liabilities** | **– 776** | **– 397** |
| **Net deferred tax assets** | **16,545** | **8,449** |

The management believes that the realisation of the recognised deferred tax assets of TCHF 17,321 and TCHF 8,846 as at 31 December 2013 and 2012 respectively 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 those 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 considered realisable, however, 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.

In connection with the restructuring in 2010 (described in note 1) and caused by the sale of 68.3 % of all outstanding shares of the Bank by the former sole shareholder as part of the IPO, the Group was permitted to retroactively recognise tax goodwill in the amount of CHF 168.8 million as at 1 December 2010 for the purposes of Swiss corporate income tax. The amount of tax goodwill and the tax treatment was agreed with the Zurich cantonal tax authority and the Swiss federal tax authority in September 2013. The tax goodwill is amortised for tax purposes over a period of five years, commencing retroactively on 1 December 2010 and ending on 30 November 2015. The aggregate nominal Swiss corporate income tax benefit from the amortisation of the goodwill is expected to be CHF 36.2 million (for the purposes of the US GAAP financial statements, this amount was recognised as an adjustment to shareholders' equity). The tax benefit related to the tax periods 2010 to 2012 and 2013 was CHF 15.5 million and CHF 7.2 million respectively, and the benefit in respect of the tax periods thereafter (from 2014 to 2015) is expected to be a residual amount of CHF 13.6 million until full amortisation of the goodwill. As a further consequence of the IPO, the Group had to pay Swiss issuance stamp tax of CHF 7.3 million (before income tax; approximately CHF 5.8 million after income tax). Should the former sole shareholder sell all or part of its remaining shares before 1 December 2015, the Group will be permitted to retroactively recognise additional amortisable tax goodwill of up to CHF 77.7 million, resulting in an additional nominal tax benefit of up to CHF 16.3 million (which would be recognised as an adjustment to shareholders' equity in the Group's future US GAAP financial statements). Correspondingly, the Group would have to pay additional Swiss issuance stamp tax of up to approximately CHF 3.4 million (before income tax; approximately CHF 2.7 million after income tax) in the respective year(s) in such a case.

## 14. Commitments and Guarantees

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 5,742 and TCHF 6,292 as at 31 December 2013 and 2012 respectively. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 31 December 2013, the Group considers the probability of a material loss from this obligation to be remote.

As at 31 December 2013 minimum rental commitments under noncancellable operating leases aggregated TCHF 18,925 for the Group. Amounts payable over the next five years follow below.

| *CHF in thousands* | **2014** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|---|
| Minimum rental commitments | 7,394 | 6,112 | 4,808 | 408 | 203 |

For details of rental expense refer to note 21.

# 15. Financial Instruments

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 nonfinancial assets and liabilities. For the most part, the assets and liabilities discussed below are considered to be Level 3.

| | 2013 | | 2012 | |
|---|---|---|---|---|
| *At 31 December (CHF in thousands)* | *Carrying amount net* | *Estimated fair value* | *Carrying amount net* | *Estimated fair value* |
| **ASSETS** | | | | |
| Loans | 2,566,034 | 2,618,982 | 2,551,767 | 2,572,281 |
| **LIABILITIES** | | | | |
| Deposits | – 1,660,027 | – 1,678,904 | – 1,280,269 | – 1,302,729 |
| Borrowings | – 1,299,547 | – 1,310,015 | – 400,000 | – 408,716 |
| Due to affiliates | – 700,000 | – 716,336 | – 1,504,000 | – 1,504,000 |

Fair values are estimated as follows.

### Loans
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 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.

### Due to affiliates
Based on a discounted future cash flows methodology using current effective interest rate data .

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 equivalents, other assets, accrued expense and other liabilities.

### Pension Fund
Refer to note 9 for further details on pension fund.

# 16. Variable Interest Entities

The Group 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 two securitisations, both through consolidated VIEs, to obtain funding backed by its auto lease receivables. The first securitisation, launched in March 2012, involved the issuance of TCHF 200,000 in senior notes with a maturity in 2015, three years from the date of issuance and with a coupon of 0.783 % per annum. The Group completed its second securitisation in June 2013, which involved the issuance of TCHF 200,000 in senior notes with an optional redemption of three years from the date of issuance, and with a coupon of 0.576 % per annum. 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 therefore benefits significantly from the VIEs and hence the VIEs are being consolidated.

The table below summarises the assets and liabilities of the consolidated VIEs described above:

| *At 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| **ASSETS** | | |
| Financing receivables, net | 525,321 | 274,617 |
| Other assets | 45,795 | 22,810 |
| **Total assets** | **571,116** | **297,427** |
| **LIABILITIES** | | |
| Accrued expenses and other payables | 5,564 | 3,292 |
| Non-recourse borrowings | 400,000 | 200,000 |
| **Total liabilities** | **405,564** | **203,292** |

Revenues from the consolidated VIEs were TCHF 29,153 and TCHF 17,155 for 2013 and 2012 respectively. Related expenses consisted primarily of provisions for losses of TCHF 2,216 and TCHF 1,569 and interest expense of TCHF 2,772 and TCHF 1,532 for 2013 and 2012 respectively. These amounts do not include intercompany revenues and costs, principally fees and interest between the Bank and the VIEs, which are eliminated for consolidation purposes.

## 17. Related Party Transactions

Generally, the Group directly employs the human resources and owns or leases the equipment and facilities required to operate its businesses. However, prior to the IPO, the General Electric Group and General Electric Capital Corporation ("GECC"), a wholly owned subsidiary of the General Electric Group, provided a variety of products and services to the Group, which included:

- Customer service, transaction processing and a variety of functional support services provided by GECC;
- Employee benefit processing and payroll administration;
- Employee training programmes, including access to training courses;
- Insurance coverage under the insurance programme;
- Information systems, network and related services;
- Leases for vehicles, equipment and facilities; and
- Other financial advisory services such as tax consulting, capital markets services, and trademark licences.

Transactions with GECC and its subsidiaries relating to borrowings are discussed in note 8.

Following the IPO, the Group entered into a new Transitional Service Agreement ("TSA"). Under this agreement, GECC and the Group agreed to provide to each other certain transitional services. In particular, GECC will provide the Group with agreed information technology, support and access rights and other operational services that were provided by GECC prior to the IPO and that are necessary for the Group to run as a standalone business for a transitional period during which the Group will be establishing its own information technology systems. The Group also provides certain limited reverse services to GECC.

The Group's total expense for these services was TCHF 8,868 and TCHF 17,333 for the years ended 31 December 2013 and 2012 respectively.

The total commission income recognised for additional payment protection insurance (which covers the customer's monthly loan payment in the event of unemployment, accident or sickness) was TCHF 1,624 and TCHF 3,420 for the years ended 31 December 2013 and 2012, respectively. The Group acts as an intermediary between the customers and the affiliated service provider Lighthouse General Insurance Company Limited.

The Group had a net receivable of TCHF 574 and TCHF 2,364 related to the settlement of the services described above as at 31 December 2013 and 2012, respectively.

## 18. Interest Income

The details of interest income are shown below:

| *For the years ended 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| Personal loans | 218,462 | 225,106 |
| Auto leases and loans | 92,899 | 101,637 |
| Credit cards | 32,291 | 25,550 |
| Cash and cash equivalents | 23 | 16 |
| **Total** | **343,675** | **352,309** |

## 19. Interest Expense

The details of interest expense are shown below:

| *For the years ended 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| Interest expense on ABS | 3,658 | 2,132 |
| Interest expense on deposits | 14,340 | 16,054 |
| Interest expense on other nonaffiliated debt | 4,145 | 2,363 |
| **Total** | **22,143** | **20,549** |

## 20. Commission and Fee Income

The details of commission and fee income are shown below:

| *For the years ended 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| Insurance | 19,823 | 26,433 |
| Credit cards | 38,859 | 32,054 |
| Personal loans and other | 13,250 | 14,957 |
| **Total** | **71,932** | **73,444** |

## 21. General and Administrative Expenses

The details of general and administrative expenses are shown below:

| *For the years ended 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| GECC assessment / TSA [1] | 8,868 | 17,333 |
| Professional services | 15,212 | 8,852 |
| Marketing [2] | 13,261 | 7,584 |
| Collection fees | 7,170 | 7,415 |
| Postage and stationery | 10,125 | 7,304 |
| Rental expense under operating leases | 6,027 | 5,535 |
| Depreciation and amortisation | 3,219 | 3,117 |
| Other [3] | 14,733 | 4,491 |
| **Total** | **78,615** | **61,631** |

*1 GECC assessment were replaced by Transitional Service Agreement (TSA) starting 1 November 2013*
*2 Marketing includes advertising costs which are expensed as incurred.*
*3 The balance as of 31 December 2013 includes TCHF 7,312 Swiss issuance stamp tax expense due to the IPO*

## 22. Share-Based Compensation

In connection with the IPO, the Group has established an One-Off Share Programme as an incentive instrument for current employees. An amount of CHF 2.0 million was approved by the Board of Directors for this purpose. Under this programme, each of the Group's employees received a number of restricted stock units ("RSUs"). The allocation was based on the relevant employee's level of job seniority. The total number of restricted stock units which was issued by the Group under the One-Off Share Programme was 39,215, based on the offer price of CHF 51.00. Each restricted stock unit issued under the One-Off Share Programme will generally vest and be settled in Shares on the second anniversary of the First Day of Trading, provided that the relevant participant is still employed by the Group on that date. In the event of a participant's termination of active service at the Group on or prior to such vesting and settlement date, the restricted stock units, as a rule, will be forfeited. Restricted stock units issued under the One-Off Share Programme will be settled out of Shares acquired by the Group from the General Electric Group at listing, which the Group is currently holding as treasury shares for such purpose. Participants in the One-Off Share Programme will pay no consideration for the receipt of restricted stock units or the Shares in which those restricted stock units will be settled.

The following table summarises information about restricted stock units outstanding as at 31 December 2013:

| | RSUs | Weighted average grant date fair value |
|---|---|---|
| RSUs outstanding at 1 January 2013 | – | – |
| Granted | 39,215 | 1,999,965 |
| Vested | – | – |
| Forfeited | – | – |
| RSUs outstanding at 31 December 2013 | 39,215 | 1,999,965 |
| **RSUs expected to vest** | **29,411** | **1,499,974** |

The fair value of each restricted stock unit is the market price of the Bank's stock on the date of grant. The weighted average grant date fair value of RSUs granted during 2013 was CHF 51.00. As at 31 December 2013 there was TCHF 125 of total recognised compensation cost related to nonvested RSUs. The remaining unrecognised cost of TCHF 1,375 is expected to be recognised over a weighted-average period of 22 months, of which approximately TCHF 592 after tax is expected to be recognised in 2014.

## 23. Supplemental Cash Flow Information

Certain supplemental information related to cash flows is shown below:

| *At 31 December (CHF in thousands)* | 2013 | 2012 |
|---|---|---|
| Increase in loans to customers | – 1,776,874 | – 1,758,182 |
| Principal collections from customers – loans | 1,809,217 | 1,794,847 |
| Investment in equipment for financing leases | – 741,400 | – 815,009 |
| Principal collections from customers – financing leases | 769,272 | 832,768 |
| Net change in credit card receivables | – 83,148 | – 92,943 |
| **Net decrease / increase in financing receivables** | **– 22,933** | **– 38,519** |

## 24. Off-Balance Sheet Arrangements

As at 31 December 2013 and 2012, 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:

| *At 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| Ordinary course of business lending commitments | 19,966 | 21,351 |
| Unused revolving loan facilities | 77,060 | 129,193 |
| Unused credit card facilities | 2,120,354 | 1,765,935 |

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 upon 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.

## 25. Subsequent Events

The Group has evaluated subsequent events from the financial position date through 26 March 2014, the date at which the financial statements were available to be issued.

As a consequence of the IPO, the pension plan was restructured as of 1 January 2014. The Group's employees remained in the existing pension plan, while all other participants were transferred to a collective foundation serviced by a Swiss-based life insurance company. The restructuring represented a partial liquidation of the funds; hence all assets and liabilities relating to the employees exiting the existing pension plan were transferred to their new plan. Such assets and liabilities were transferred in accordance with the measurement principles under applicable Swiss law. Refer to note 9 for further details.

There was no impact on the net income of the Group as a result of this partial liquidation.

# Report of the Statutory Auditor to the General Meeting of Cembra Money Bank AG, Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of Cembra Money Bank AG and subsidiaries, which comprise the consolidated statements of financial position, income, comprehensive income, changes in shareholders' equity and cash flows and notes for the years ended 31 December 2013 and 2012.

### Board of Directors' Responsibility

The board of directors is responsible for the preparation 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 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 audit. We conducted our audit 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 for the years ended 31 December 2013 and 2012 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 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 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

**Michael Schneebeli**
Licensed Audit Expert
Auditor in Charge

**Cataldo Castagna**
Licensed Audit Expert

Zurich, 26 March 2014

# Individual Financial Statements

# Balance Sheet

| *At 31 December (CHF in thousands)* | Notes | 2013 | 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| Liquid assets | | 484,131 | 362,823 |
| Amounts due from banks | | 3,807 | 1,477 |
| Amounts due from customers | 4 | 3,590,238 | 3,788,201 |
| Financial investments | | 2,420 | 307 |
| Non-consolidated participating interests | | 60 | 30 |
| Tangible fixed assets | | 6,591 | 7,301 |
| Accrued income and prepaid expenses | | 48,007 | 49,029 |
| Other assets | 3 | 35,360 | 22,693 |
| **Total assets** | | **4,170,614** | **4,231,861** |
| Total subordinated claims | 9 | 162,217 | 92,557 |
| Total amounts due from group companies and holders of qualified participations | 9 | 162,663 | 95,356 |
| **LIABILITIES** | | | |
| Amounts due to banks | | 1,067,000 | 461,000 |
| Amounts due to customers in savings or deposit accounts | | 667,122 | 463,410 |
| Other amounts due to customers | | 734,829 | 1,531,373 |
| Cash bonds | | 550,455 | 533,961 |
| Bond issues and central mortgage institution loans | | 249,547 | – |
| Accrued expenses and deferred income | | 42,868 | 60,081 |
| Other liabilities | 3 | 61,807 | 77,932 |
| Value adjustments and provisions | 4 | 4,750 | 134,274 |
| Bank's capital | 6, 7 | 30,000 | 30,000 |
| Legal reserve | 7 | 470,000 | 670,000 |
| of which general reserve | | 15,000 | 15,000 |
| of which capital contribution reserve | | 455,000 | 655,000 |
| incl. reserves for treasury shares | | 2,000 | – |
| Other reserves | 7 | – | 135,000 |
| Profit carried forward | 7 | 30 | 931 |
| Profit for the year | 7 | 292,206 | 133,899 |
| **Total liabilities** | | **4,170,614** | **4,231,861** |
| Total subordinated liabilities | 9 | – | 1,508,148 |
| Total amounts due to group companies and holders of qualified participations | 9 | 196 | 1,517,151 |
| **OFF-BALANCE-SHEET TRANSACTIONS** | | | |
| Contingent liabilities | | 19,966 | 21,351 |
| Irrevocable commitments | | 5,742 | 6,292 |

# Income Statement

| *For the years ended 31 December (CHF in thousands)* | Notes | 2013 | 2012 |
|---|---|---|---|
| **INCOME AND EXPENSES FROM ORDINARY BANKING OPERATIONS** | | | |
| **Result from interest operations** | | | |
| Interest and discount income | | 376,233 | 389,140 |
| Interest and dividend income from financial investments | | – | – |
| Interest expense | | – 58,310 | – 68,581 |
| **Subtotal for interest operations** | | **317,923** | **320,559** |
| **RESULT FROM COMMISSION BUSINESS AND SERVICES** | | | |
| Commission income from other services | | 89,859 | 86,201 |
| Commission expense | | – 61,662 | – 57,428 |
| **Subtotal for commission business and services** | | **28,197** | **28,773** |
| **OTHER RESULT FROM ORDINARY ACTIVITIES** | | | |
| Other ordinary income | | 3,519 | 2,450 |
| **Subtotal for other result from ordinary activities** | | **3,519** | **2,450** |
| **OPERATING EXPENSES** | | | |
| Personnel expenses | | – 100,446 | – 100,315 |
| General and administrative expenses | | – 68,002 | – 56,204 |
| **Subtotal for operating expenses** | | **– 168,448** | **– 156,519** |
| **Gross profit** | | **181,191** | **195,263** |
| Depreciation and amortisation of fixed assets | | – 3,225 | – 3,123 |
| Value adjustments, provisions and losses | 4 | – 40,056 | – 20,765 |
| **Result before extraordinary items and taxes** | | **137,910** | **171,375** |
| Extraordinary income | 10 | 184,221 | 4 |
| Taxes | | – 29,925 | – 37,480 |
| **Profit for the year** | | **292,206** | **133,899** |

# Appropriation of Profit

| *For the years ended 31 December (CHF in thousands)* | **2013** | **2012** |
|---|---|---|
| Profit for the year | 292,206 | 133,899 |
| Profit carried forward | 830 | 931 |
| Reclassification from profit carried forward to other reserves | – 800 | – |
| Distributable profit | 292,236 | 134,830 |
| Appropriation of profit as proposed to the General Meeting | | |
| Allocations to other reserves | – 292,000 | – 134,000 |
| **Profit carried forward** | **236** | **830** |
| Other reserves brought forward | 269,000 | 135,000 |
| Reclassification from profit carried forward to other reserves | 800 | – |
| Extraordinary dividend payment out of other reserves | – 269,800 | – |
| Allocation from distributable profit | 292,000 | 134,000 |
| Reclassification of legal reserves from capital contributions into other reserves | 85,500 | – |
| Regular dividend payment out of other reserves | – 85,500 | – |
| **Other reserves after allocations and dividend payments** | **292,000** | **269,000** |

## 1. Explanatory Notes to the Bank's Business Activities, Number of Staff Employed and Risk Management

Business activities, staffing levels and risk management at the Bank are largely identical to those of the Group, as none of the subsidiaries employs personnel, and the assets and liabilities are largely managed by employees of the Bank.

Refer to the consolidated financial statements for more detailed information.

## 2. Accounting and Valuation Principles of the Individual Financial Statements

### General Principles

Accounting and valuation principles are based on the Code of Obligations, the Banking Law, its relevant regulation, the articles of incorporation and the guidelines of FINMA.

### Significant Valuation and Income Recognition Differences between US GAAP and Swiss GAAP Bank Law

The Bank's consolidated financial statements have been prepared in accordance with US GAAP. FINMA requires Swiss-domiciled banks which present their financial statements under either US GAAP or International Financial Reporting Standards (IFRS) to provide a narrative explanation of the major differences between Swiss GAAP banking law and the primary accounting standard.

The principal provisions of the Banking Ordinance and the FINMA Circular 2008 / 2 "Accounting – banks" governing financial reporting for banks (Swiss GAAP) differ in certain aspects from US GAAP. The following are the major differences:

Under US GAAP, the liability and related pension expense is determined based on the projected unit credit actuarial calculation of the benefit obligation. Under Swiss GAAP, the liability and related pension expense is primarily determined based on the pension plan valuation in accordance with Swiss GAAP FER 26.

Under US GAAP, the requirements for showing certain transactions as extraordinary income or expenses vary significantly from the respective requirements under Swiss GAAP. In this year's consolidated financial statements, the proceeds from the sale of a portfolio of loss certificates with respect to previously written off financing receivables are shown as a reduction of losses. According to Swiss GAAP bank law (true and fair), this would have been shown as an extraordinary income.

## Events After the Balance Sheet Date

The Bank has evaluated subsequent events from the financial position date through 26 March 2014, the date at which the financial statements were available to be issued.

Until 31 December 2013, the Bank's employees participated in a Swiss multi-employer pension plan which had been set up for employees working for Swiss entities of the General Electric Group in Switzerland. The pension plan insured the participating employees against the economic consequences of age, disability and death in accordance with Swiss law.

As a consequence of the IPO, the pension plan was restructured as of 1 January 2014. The Bank's employees remained in the existing pension plan while all other participants were transferred to a collective foundation serviced by a Swiss-based life insurance company.

The restructuring represented a partial liquidation of the funds; hence all assets and liabilities relating to the employees exiting the existing pension plan were transferred to their new plan. Such assets and liabilities were transferred in accordance with the measurement principles under applicable Swiss law. Refer to note 9 of the consolidated financial statements for further details.

There was no impact on the net income of the Bank as a result of this partial liquidation.

## Changes in the Accounting and Valuation Principles as Compared to the Previous Year

There were no significant changes in the accounting and valuation principles.

# 3. Other Assets and Liabilities

| CHF in thousands | 2013 Other assets | 2013 Other liabilities | 2012 Other assets | 2012 Other liabilities |
|---|---|---|---|---|
| Indirect taxes | 15,046 | 17,433 | 15,313 | 17,924 |
| Settlement accounts | 4,209 | 40,933 | 1,340 | 57,793 |
| Amounts due from the sale of insurance products | 1,727 | – | 3,030 | – |
| Matured, but unredeemed coupons and debt instruments | – | 950 | – | 354 |
| Various assets and liabilities | 14,378 | 2,491 | 3,010 | 1,861 |
| **Total other assets and liabilities** | **35,360** | **61,807** | **22,693** | **77,932** |

# 4. Value Adjustments and Provisions

| CHF in thousands | Balance as per 31 December 2012 | Use in conformity with designated purpose | Redesignation of purpose (reclassifications) | Recoveries, past due interest | New provisions charged to income | Releases to income | Balance as per 31 December 2013 |
|---|---|---|---|---|---|---|---|
| Value adjustments and provisions for default risks | 50,137 | – 108,124 | – 1,706 | 70,254 | 110,477 | – 72,581 | 48,457 |
| Provision for pension benefit obligations [1] | 7,730 | – | – | – | – | – 7,730 | – |
| Other provisions | 126,544 | – 3,791 | 1,706 | – | 5,291 | – 125,000 | 4,750 |
| **Total value adjustments and provisions** | **184,411** | **– 111,915** | **–** | **70,254** | **115,768** | **– 205,311** | **53,207** |
| Less: value adjustments directly offset against assets | – 50,137 | | | | | | – 48,457 |
| **Total value adjustments and provisions as per balance sheet** | **134,274** | | | | | | **4,750** |

*[1] The provision from pension benefit obligations was formed for the purpose of financing a possible shortfall in the pension fund for employees of the Bank.*

# 5. Pledged or Assigned Assets to Secure Own Commitments and Assets Subject to Reservation of Title

As at 31 December 2013, there were no such assets.

# 6. Bank's Capital and Holders of Interests Exceeding 5 % of all Voting Rights

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| | **Total par value in CHF** | **Number of shares or interests** | **Capital eligible for dividend in CHF** | **Total par value in CHF** | **Number of shares or interests** | **Capital eligible for dividend in CHF** |
| **Bank's capital** | | | | | | |
| Share capital | 30,000,000 | 30,000,000 | 30,000,000 | 30,000,000 | 30,000 | 30,000,000 |
| Total | 30,000,000 | 30,000,000 | 30,000,000 | 30,000,000 | 30,000 | 30,000,000 |
| **Significant shareholders with voting rights** | | | **Share as %** | | | **Share as %** |
| GE Capital Swiss Funding AG, Zurich | 9,460,785 | 9,460,785 | 31.5 | 30,000,000 | 30,000 | 100.0 |

**Indirect holders of interests**
*GE Capital Global Financial Holdings, Inc., Connecticut, USA*
*GE Capital International Holdings Corporation, Connecticut, USA*
*Customized Auto Credit Services, Inc., Delaware, USA*
*General Electric Capital Vehicle Investments, Inc., Delaware, USA*
*General Electric Capital Corporation, Delaware, USA*
*General Electric Company, New York, USA*

# 7. Statement of Shareholders' Equity

| *CHF in thousands* | |
|---|---|
| **Equity at beginning of current year** | |
| Bank's capital | 30,000 |
| Legal reserve | 670,000 |
| Other reserves | 135,000 |
| Distributable profit | 134,830 |
| **Total equity at beginning of current year (before appropriation of profit)** | **969,830** |
| Dividend payment to GE Capital Swiss Funding AG, Zurich | – 200,000 |
| Dividend payment to GE Capital Swiss Funding AG, Zurich | – 269,800 |
| Profit for the current year | 292,206 |
| **Total equity at end of current year (before appropriation of profit)** | **792,236** |
| of which | |
| Bank's capital | 30,000 |
| Legal reserve | 470,000 |
| of which general reserve | 15,000 |
| of which capital contribution reserve | 455,000 |
| incl. reserves for treasury shares | 2,000 |
| Other reserves | – |
| Distributable profit | 292,236 |

# 8. Compensation to Governing Bodies of the Bank

The governing bodies comprise the members of the Board of Directors and the Management Board of the Bank. As required by Article 663b bis and Article 663c, paragraph 3 of the Swiss Code of Obligations, the following disclosures describe the compensation paid to the members of the Board of Directors and the members of the Management Board.

Furthermore, all holdings of shares and options and loans granted to this population are described below. Additional information on the members of those bodies can be found in the Corporate Governance section of the annual report. Compensation is recognised in the financial year in which it was accrued. It is thus reported according to the accrual principle, irrespective of cash flows.

## Compensation of the Members of the Board of Directors

*For the year ended 31 December 2013 (CHF)*

| Name | Function | Base salary, incl. social security and insurance | Other compensation | Total |
|---|---|---|---|---|
| Dr. Felix A. Weber | Chairperson [1] | 159,843 | – | 159,843 |
| Christopher M. Chambers | Vice-Chairperson [2] | 94,117 | 6,250 | 100,367 |
| Denis Hall | Member [2] | – | – | – |
| Richard Laxer | Member [2] | – | – | – |
| Peter Küpfer | Chairperson [3] | 171,586 | – | 171,586 |
| Brendan Gilligan | Vice-Chairperson [4] | – | – | – |
| **Total compensation of the members of the Board of Directors** | | **425,546** | **6,250** | **431,796** |

[1] *From 22 August 2013*
[2] *From 24 September 2013*
[3] *Until 22 August 2013*
[4] *Until 24 September 2013*

## Compensation of the Management Board and Highest Total Compensation

*For the year ended 31 December 2013 (CHF)*

| Name | Function | Base salary, incl. social security and insurance | Bonus paid in cash | Pension plan | Other compensation [1] | Total |
|---|---|---|---|---|---|---|
| Robert Oudmayer | CEO | 657,878 | 269,141 | 175,249 | 71,685 | 1,173,953 |
| Other members of the Management Board | | 1,487,614 | 457,985 | 194,240 | 720,781 | 2,860,620 |
| **Total compensation of the Management Board** | | **2,145,492** | **727,126** | **369,489** | **792,466** | **4,034,573** |

[1] *Until the IPO, there were three members of the management board who had expat contracts. These contracts included certain benefits such as expense allowance for housing, school fees, health care and home network connection.*

### Share and Option Holdings of the Board of Directors

*At 31 December 2013*

| Name | Function | Number of shares | Number of RSUs |
|---|---|---|---|
| Dr. Felix A. Weber | Chairperson | 2,000 | – |
| Christopher M. Chambers | Vice-Chairperson | 5,000 | – |
| Denis Hall | Member | – | – |
| Richard Laxer | Member | – | – |

### Share and Option Holdings of the Management Board

*At 31 December 2013*

| Name | Function | Number of shares | Number of RSUs |
|---|---|---|---|
| Robert Oudmayer | CEO | – | 2,941 |
| Antoine Boublil | CFO | – | 1,961 |
| Volker Gloe | CRO | – | 1,961 |
| Dr. Alain P. Röthlisberger | General Counsel | – | 1,961 |
| Daniel Frei | Sales Leader Cards | – | 1,961 |

### Amounts due to / from Members of Governing Bodies

| *At 31 December (CHF in thousands)* | 2013 | 2012 |
|---|---|---|
| Amounts due from members of governing bodies | 6 | 19 |
| Amounts due to members of governing bodies | 180 | 1,727 |

Amounts due from members of governing bodies are in connection with a leasing contract of the CFO. Amounts due to members of governing bodies relate to personal saving's accounts.

## 9. Amounts Due To / From Related Companies

| *CHF in thousands* | 2013 | 2012 |
|---|---|---|
| Amounts due from related companies | 162,663 | 95,356 |
| Amounts due to related companies | 196 | 9,003 |

Amounts due to / from related companies are related to daily transaction settlements.

**Transactions with Related Parties**
As at 31 December 2013, the Bank granted loans to its subsidiaries amounting to TCHF 162,217. The interest income from these loans amounted to TCHF 18,754. As at 31 December 2012, the Bank had a subordinated loan from its former sole shareholder amounting to CHF 1'504 million.

## 10. Explanatory Notes on Extraordinary Income and Value Adjustments and Provisions No Longer Required

| *For the years ended 31 December (CHF in thousands)* | 2013 | 2012 |
|---|---|---|
| Release of hidden reserves | 125,000 | – |
| Release of provisions for pension benefit obligations | 7,730 | – |
| Sale of a portfolio of loss certificates | 33,101 | – |
| Other income | 18,390 | 4 |
| **Total** | **184,221** | **4** |

# Report of the Statutory Auditor on the Financial Statements to the General Meeting of Cembra Money Bank AG, Zurich

As statutory auditor, we have audited the accompanying financial statements of Cembra Money Bank AG, which comprise the balance sheet, income statement and notes from pages 112 to 122 for the year ended 31 December 2013.

### 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 suffcient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

### 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

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|---|---|
| **Michael Schneebeli** | **Lukas Annen** |
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In order to improve the legibility of the present annual report, when it comes to gender specific definitions, the annual report publishes in male version; as a matter of course always both genders are meant.

This report also appears in German. In the event of inconsistencies between the English or German version of the Annual Report, the original English version prevails.

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