ANNUAL REPORT

CEMBRA MONEY BANK AG

2016

Cembra MoneyBank

Cover page. Cembra Money Bank's credit card segment continued to grow strongly in the past financial year and also celebrated its tenth anniversary. The decision to enter this business segment in 2006 was groundbreaking for the Bank. At the end of 2016, the number of credit cards issued by the Bank totalled 727,000; 11% above the previous year's level.

About
Cembra Money Bank

Cembra Money Bank is one of the leading Swiss providers of consumer finance products and services. Its product range includes consumer loans, auto leases and loans, credit cards and insurances sold with these products as well as deposit and savings products. Headquartered in Zurich, the Bank has operations across Switzerland via a network of 18 branches as well as alternative sales channels, such as the Internet, credit card partners, independent intermediaries and more than 3,400 car dealers.

Cembra Money Bank is an independent Swiss bank and has been listed on the SIX Swiss Exchange since October 2013. It has over 700 employees from more than 40 nations and about 750,000 customers.

Successful Partnerships

In 2016, Cembra Money Bank extended long-term partnerships in the credit card segment. Migros was the Bank's first partner in the credit card business. Together with Switzerland's biggest retailer, the Bank launched its first credit card in 2006. In November 2016, Migros and Cembra Money Bank renewed their cooperation agreement for the Cumulus-Mastercard before the contract expired until 2022. The partnerships with Conforama (partner in the credit card segment since 2008) was also extended. In addition, Touring Club Switzerland has been a reliable partner since 2011, and a new credit card programme was launched with the French retail chain Fnac.

“Migros and Cembra have a mutually beneficial relation-ship that is open, **honest and professional.”**

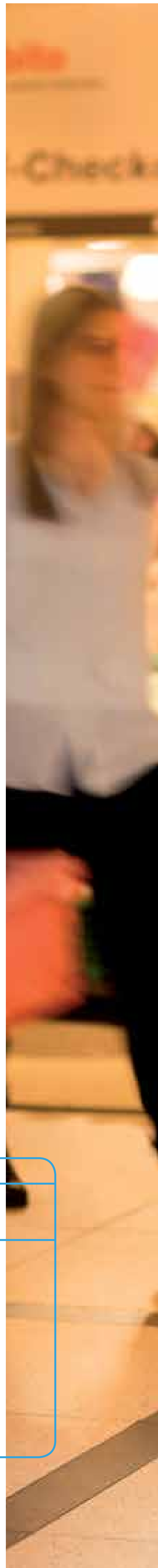
BENEDIKT ZUMSTEG
HEAD OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM), MIGROS

Migros is Switzerland’s largest retailer. Migros has stores across Switzerland, Liechtenstein and in the neighbouring French depart-ments of Ain and Haute-Savoie. The Migros cooperative was founded by Gottlieb Duttweiler in Zurich in 1925 and has more than 100,000 employees. Migros has about 2.9 million customers registered in the Cumulus loyalty programme.

INTRODUCED IN
2006

FEATURES	CUMULUS-MASTERCARD

- NO ANNUAL FEE
- MYDESIGN: FAVOURITE PHOTO ON THE CARD
- COLLECTION OF CUMULUS LOYALTY POINTS WORLDWIDE
- FLEXIBLE PARTIAL PAYMENT OPTIONS
- CONTACTLESS PAYMENTS
- E-SERVICE




MIGROS


conforam

> “Conforama and Cembra have maintained a successful partnership since 2008, **with a consistent focus on the customers and their needs.**”

NICOLAS PROBST
DIRECTOR STRATEGIC PROJECTS, CONFORAMA

Conforama is the number two in the global home furnishing sector (furniture, household appliances, entertainment electronics, IT and decorative items). Conforama launched its first store in Switzerland in 1976 and now operates 19 stores – ten in the German-speaking, seven in the French-speaking and two in the Italian-speaking region of Switzerland. The Conforama Group has a total of 285 stores around the world and has 13,400 employees.

FEATURES	COSY MASTERCARD CONFORAMA

- NO ANNUAL FEE
- MYDESIGN: FAVOURITE PHOTO ON THE CARD
- INTEREST-FREE SHOPPING AT CONFORAMA (0 % INTEREST FOR FIRST THREE MONTHS)
- FLEXIBLE PARTIAL PAYMENT OPTIONS
- CONTACTLESS PAYMENTS
- E-SERVICE

INTRODUCED IN
2008

"Our own credit card is tailored to the needs of our customers, so it is an important product for our bank."

RENÉ KAUFMANN
CARDS CO-BRAND PROGRAMME MANAGER, CEMBRA MONEY BANK

FEATURES	CEMBRA MASTERCARD

- GOLD AND PREMIUM CARD
- FLEXIBLE PARTIAL PAYMENT OPTIONS
- CONTACTLESS PAYMENTS
- PAYCHIP™ FOR CASHLESS PAYMENTS IN PARTNERSHIP WITH MONDAINE SINCE 2016
- E-SERVICE

INTRODUCED IN
2009

FEATURES	TCS MASTERCARD

- NO ANNUAL FEE IN THE FIRST YEAR
- CASH BACK OF UP TO 1% ON PURCHASES
- 1% DISCOUNT FROM BP AND TAMOIL ON FUEL AND SHOPPING
- CONTACTLESS PAYMENTS
- E-SERVICE

INTRODUCED IN
2011

"The partnership between TCS and Cembra is characterised by a good, competitive product, as well as the professional and pragmatic cooperation of our teams."

MARKUS KUMMER
HEAD OF MARKET & PRODUCT MANAGEMENT, TCS

The Touring Club Switzerland (TCS) is the country's biggest automobile club with around 1.5 million members. The non-profit association was founded in Geneva in 1896. TCS offers vehicle assistance and emergency recovery, personal assistance, vehicle and legal expenses insurance, road safety and accident prevention, technical advice, automobile-related education and training.

INTRODUCED IN
2016

FEATURES	FNAC MASTERCARD

- NO ANNUAL FEE
- MYDESIGN: FAVOURITE PHOTO ON THE CARD
- ATTRACTIVE SPECIAL OFFERS AT FNAC
- FLEXIBLE PARTIAL PAYMENT
- CONTACTLESS PAYMENTS
- E-SERVICE

"We are convinced that we have found the ideal financial partner in Cembra."

AURÉLIE PENOT
HEAD OF MARKETING AND COMMUNICATION, FNAC

Fnac is a French retail chain specialising primarily in the sales of books, audio media and entertainment electronics. Fnac is the leading provider in its markets in France, Belgium, Spain, Italy, Portugal and Brazil. Fnac was founded in France in 1954 and has approximately 200 sales outlets in nine countries, including six in Switzerland.


fnac
SOLDES
FNAC

From 0 to More than 700,000 Cards in Ten Years

Cembra Money Bank has been active in the credit card business since 2006. The decision to enter this market was groundbreaking for the Bank and has supported the growth and diversification of the Bank. In 2016, the Bank extended its partnerships with Migros and Conforama. Touring Club Switzerland has been a reliable partner since 2011 and the Bank acquired a new partner: Fnac. Cembra Money Bank entered into a cooperation with the Swiss watch manufacturer Mondaine to introduce a new form of contactless payment.

In 2006, Cembra Money Bank was a subsidiary of the General Electric Company (GE), trading under the name GE Money Bank, specialised in personal loans and auto leasing. The Bank launched its credit card business in 2006, confident that the credit card business would be a success.

A Bold Step and New Jobs

The Bank's decision to enter the credit card business was a courageous one. At that time, the traditional banks were the major market players. In early 2006, GE Money Bank decided to put a credit card system into operation which GE had previously deployed in various countries around the world. The system was ready to go within a few months, and within a very short period of time, the Bank recruited more than 100 new employees specialised in the credit card business.

Migros as the First Partner

The Bank's first partner was Migros, Switzerland's largest retailer. Together they launched the M-Budget Mastercard in November 2006. By introducing a credit card with no annual fee, the Bank proved to be a game changer in the Swiss market. The cooperation with Migros was highly successful and the client base expanded rapidly. Other partners soon teamed up with the Bank: 2008 saw the addition of Conforama, to be joined by the Touring Club Switzerland (TCS) in 2011 and the retail chain Fnac in 2016. The Bank also launched its own credit card, the Cembra Mastercard, in 2009.

An Innovative Bank

The Bank and its partners have always been innovative with their various credit card products and services. When entering the credit card business, the Bank was the first credit card issuer to introduce the chip and PIN technologies together with its partners. Two years later the Bank brought MyDesign to the market: cardholders can choose their favourite picture and thus individualise their credit card. In 2013, Cembra Money Bank, together with its partners, helped contactless payment make its breakthrough in Switzerland.

INTRODUCED IN
2006

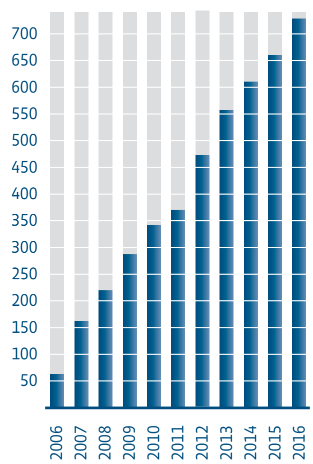
M-BUDGET MASTERCARD

In partnership with Migros, the Bank brought its first credit card to market in November 2006. The M-Budget Mastercard set a new market standard as no annual fees were charged and the chip and transaction system offered the newest security standard. The innovative M-Budget Mastercard is the predecessor of today's most sought-after Cumulus-Mastercard.

DANIEL FREI
MANAGING DIRECTOR B2B RETAIL

Number of Credit Cards Issued by Cembra Money Bank

in 1,000



Continuous Growth Despite Changing Environment

Over the past ten years, the regulatory environment for the credit card business has changed continuously in Switzerland. For example, both the maximum interest rate on credit card overdrafts and interchange fees for domestic cardholders have been reduced significantly. At the same time, the Bank invested considerably in customer services and in fraud prevention. Despite the ever-changing environment, the credit card business has grown continuously over the years thanks to attractive loyalty programmes. The compounded annual growth rate in the number of credit cards issued by the Bank since launch in 2006 was 18 % with an increase to 727,000 cards at the end of 2016.

Extension of the Agreements with Migros, Conforama and a New Partnership with Fnac

The majority of the credit cards issued by Cembra Money Bank are Cumulus-Mastercards (the former M-Budget Mastercards), free of annual fees. It is Switzerland's most successful co-branding credit card programme. In 2016, Migros and Cembra Money Bank extended their cooperation agreement until 2022, ahead of schedule. The early contract extension allows the two parties to continue their ten-year success story and to secure their strategic partnership. In 2016, the Bank also extended its partnership with Conforama and launched a new programme with Fnac in November 2016. Fnac is primarily specialised in the sales of books, audio media and entertainment electronics.

2006–2016

726’906
cards

New Payment Technologies – Who Wins?

There are various payment technologies on the market today – but which one will prevail in the end? Among the different solutions, no clear favourite can be identified yet. Cembra Money Bank is carefully monitoring the development of the market and will adopt a new payment solution when it sees tangible benefits for its clients thus avoiding making any rushed investment decision in the development of new payment systems. Fintech payment solutions are based primarily on credit cards, and Cembra Money Bank will continue to develop its strong positioning in the sector with more than 700,000 accounts.

“The Chip in the Watch”

Contactless payments are on the rise, replacing cash payments over time. Many clients already use the NFC (near field communication) payment function, the contactless transmission of data over short distances, which also enables contactless payment with the credit cards issued by Cembra Money Bank. In 2016, the Bank outperformed the market with 11 % of credit cards in circulation processing 20 % of all contactless payments made in Switzerland. Contactless payment is not limited to credit cards. Cembra Money Bank and its new partner Mondaine launched the Mondaine PayChip™ at the Basel World 2016 Watch and Jewellery Show. The Mondaine PayChip™ has a credit card chip built into the strap which makes contactless payments very easy and the chip card is linked to a Cembra Mastercard credit card account.

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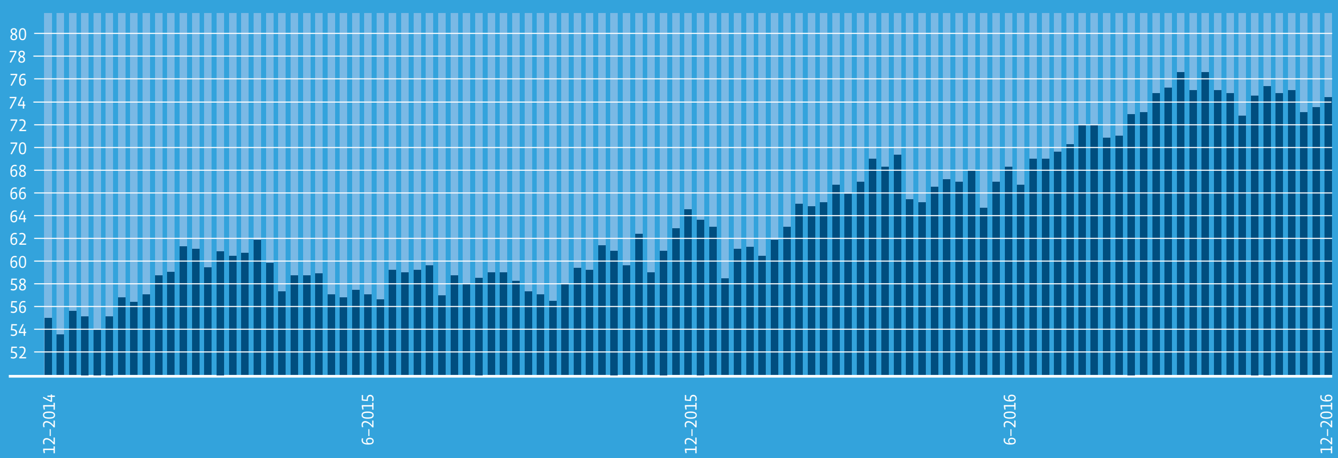
Key Figures & Facts

For the years ended 31 December (CHF in millions)	**2016**	**2015**	**2014**
Net interest income	**297.7**	301.9	301.0
Commission and fee income	**96.3**	86.7	78.4
Net revenues	**394.0**	388.7	379.4
Provision for losses	**– 44.6**	– 43.6	– 40.9
Total operating expenses	**– 167.5**	– 161.5	– 161.4
Net income	**143.7**	145.0	139.9
Cost/income ratio (in %)	**42.5 %**	41.5 %	42.5 %
Net interest margin (in %)	**7.2 %**	7.3 %	7.4 %
Total assets	**4,857**	4,745	4,812
Net financing receivables	**4,073**	4,063	4,074
Personal loans	**1,720**	1,784	1,855
Auto leases and loans	**1,641**	1,661	1,662
Cards	**711**	617	556
Shareholders' equity	**848**	799	842
Return on average shareholders' equity (ROE in %)	**17.4 %**	17.7 %	17.0 %
Tier 1 capital ratio (in %)	**20.0 %**	19.8 %	20.6 %
Employees (full-time equivalent)	**705**	715	702
Credit rating (S & P)	**A –**	A –	A–
Basic earnings per share (in CHF)	**5.10**	5.04	4.67
Ordinary dividend per share (in CHF)	**3.45**	3.35	3.10
Extraordinary dividend per share (in CHF)	**1.00**	–	–
Book value per share (in CHF)	**28.27**	26.64	28.08
Share price (in CHF)	**74.20**	64.40	55.00
Market capitalisation	**2,226**	1,932	1,650

Share price: Cembra Money Bank AG

in CHF



813,000

incoming calls have been answered by Cembra Money Bank's customer service centres in 2016

748,000

customers trust Cembra Money Bank as their preferred partner

104,000

cars have been financed by Cembra Money Bank

780

employees from 43 different nations work for Cembra Money Bank

18

Cembra Money Bank branches across Switzerland

CHF 4.45

dividend per share proposed to Annual General Meeting

Management

From left: Peter Schnellmann, Managing Director B2C – **Roland Brändli,** Managing Director B2B Auto – **Roland Imfeld,** HR Director – **Dr Roland Lüthi-Oetterli,** Chief Information Officer – **Régis Lehmann,** Managing Director Change Initiatives – **Rémy Schimmel[1],** Chief Financial Officer – **Daniel Frei[1],** Managing Director B2B Retail – **Robert Oudmayer[1],** Chief Executive Officer – **Dr Emanuel Hofacker[1],** General Counsel – **Volker Gloe[1],** Chief Risk Officer – **Bert Mitsch,** Chief Auditor

[1] Member of the Management Board

CEO Interview
Robert Oudmayer

"Cembra is a strong, reliable and successful partner."

Robert Oudmayer, Chief Executive Officer of Cembra Money Bank, discusses the Bank’s performance since its IPO, the past business year, priorities for the year ahead and the Bank’s long-term strategy.

Cembra has been listed on the SIX Swiss Exchange since October 2013. What has been the Bank’s experience since entering the stock exchange?

The experience has been very positive. Cembra has developed successfully over the last few years, cutting its ties from the former parent company General Electric completely. We are now in charge of our own strategy; we can act more quickly and are more flexible. The feedback we get from our shareholders, investors and partners is positive and our share price has performed very well. Everyone who invested in Cembra at the time of the IPO in 2013 has achieved excellent returns. Cembra has defended its position as one of the leading Swiss providers of consumer finance products. Our Bank is a strong, reliable and successful partner for our clients, investors and service providers.

What were the highlights of the past business year?

Once again we were able to generate strong growth in the credit card business, with an increase of 11% in the number of credit cards issued. We also renewed our contract with Migros until 2022, ahead of schedule. I am delighted and proud to continue our successful partnership. Cembra established its credit card business in 2006 with Migros, one of the most respected companies in Switzerland. Migros has been an outstanding partner to our Bank from the very beginning and our business relationship has strengthened over the years. We also gained an additional credit card partner in 2016, the French retail chain Fnac.

"Our employees are key to our success."

What were the biggest challenges?

One major challenge was certainly the new maximum interest rates which were introduced in July 2016. The interest rate reduction from 15 to 10 per cent on consumer loans and from 15 to 12 per cent for credit cards has moved the market players closer together and increased competition. We were prepared for this fundamental change and introduced a series of measures to mitigate the financial impact. Thanks to the continued growth in the credit card business and lower refinancing costs, we continue to achieve strong results and we deliver on our guidance and targets.

What are the reasons for Cembra's success?

Our employees are key to our success. We all live the values of our company culture: engagement, customer focus, responsibility and diversity. We understand that our values make the difference and we go the extra mile. This is what our clients appreciate and what gives us stability.

What is the focus for Cembra in 2017?

We want to further develop our business and achieve growth in the markets where we are active. At the same time, we want to retain our competitive cost/income ratio and keep our level of capitalisation. What sets us apart from our competitors is our excellent customer service. We have a very personal approach and we understand our clients' needs. This personal relationship is at the heart of everything we do. At the same time we will invest in the digitisation of our business for the growing number of customers who prefer to apply for a loan online. And lastly, we want to remain an attractive payer of dividends, something we have been doing for some time now and which is attractive for our investors.

What is your long-term strategy?

Our strategy is based on three pillars. First, we want to defend our core business. This can be done by acquiring new customers whilst retaining a competitive cost/income ratio. Secondly, we build the future, with a focus on a robust IT infrastructure, a 360-degree customer perspective and digitisation. And thirdly, we want to gain size. We keep our eyes open for potential acquisition targets in the consumer finance sector, primarily in Switzerland. One recent example is the acquisition of the invoice financing company Swissbilling.

Where do you see Cembra's responsibility as a consumer finance provider?

Switzerland has very strict consumer credit laws and we check each credit application systematically. If the client does not have the financial capacity to enter a credit agreement we do not give a credit. We are aware of our responsibility towards our clients and society and we take this responsibility very seriously. It is important to us that we also give something back to society. We do that for example via our sponsoring and engagement for the Swiss children's cancer society, the Theodora Foundation and the Swiss Red Cross.

In addition to credit cards, an increased number of mobile payment methods have surfaced on the market. What strategy will Cembra pursue?

There are a number of different developments in the field of payment systems. Our strategy is to be a smart follower rather than a leader, as we are too small to invest in all the new technologies. But we stay on top of all developments in order to be able to offer an attractive mobile payment solution to our customers.

Together with the Swiss watchmaker Mondaine, Cembra has developed the Mondaine PayChip, a means of payment that is integrated into the wristband of the Mondaine watches. The chip is basically a Cembra Mastercard and works with NFC technology. Whether you are paying for a car park ticket, at a kiosk or buying a train ticket, you simply wave your watch at the payment terminal rather than getting your wallet out of your pocket – simple, quick and secure. In my opinion wearables will be the future for making payments.

"Everyone who has invested in Cembra at the time of the IPO in 2013 has achieved excellent returns."

Letter to Shareholders
Dear Shareholders

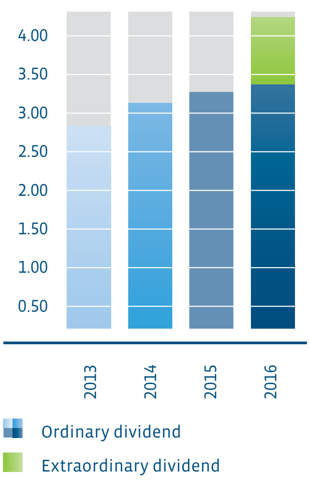
Despite regulatory headwinds we achieved a net profit of CHF 143.7 million in 2016. Shareholders will receive a 33 % increase in dividend of CHF 4.45 per share which includes an extraordinary dividend of CHF 1.00. From a business development standpoint, we made substantial progress with the early extension of the Migros partnership, the addition of Fnac as credit card partner and the acquisition of Swissbilling.

Net revenues increased in 2016 by 1 % to CHF 394.0 million. Net interest income declined 1 % to CHF 297.7 million as a result of the lower interest rate cap. Fee and commission income on the other hand was 11 % higher at CHF 96.3 million mainly due to the strong performance in credit cards fee income. Our prudent risk management approach was reflected in low provisions for losses on financing receivables of CHF 44.6 million, equivalent to an unchanged loss rate of 1.1 % of financing receivables. Operating expenses increased by 4 % to CHF 167.5 million mainly due to higher IT, depreciation and pension costs. Our cost discipline is reflected in the low cost/income ratio of 42.5 %. With a net income of CHF 143.7 million and earnings per share of CHF 5.10 we achieved a very good result similar to last year's level. The return on average equity (ROE) was 17.4 % compared to our medium-term target of 15 %.

Shift towards credit cards
Despite a subdued Swiss consumer credit market, the Bank's net financing receivables increased slightly by CHF 10 million to CHF 4,073 million. Receivables in the Bank's personal loans business decreased by 4 % to CHF 1,720 million. Revenues reduced by 8 % due to lower volumes and due to the introduction of the interest rate caps effective 1 July 2016. After a very strong development in 2015, the Swiss auto market normalised in 2016. While new car registrations slightly regressed, the market for used cars developed positively. The Bank's net financing receivables of the auto leases and loans portfolio decreased by 1 % to CHF 1,641 million. Revenues in the auto business slightly declined due to lower rates offered in the market. Net financing receivables in the credit card business recorded a strong growth of 15 % reaching CHF 711 million by the end of 2016. The number of credit cards issued increased by 11 % to about 727,000. Revenues increased by 13 % as a result of the increased card portfolio, higher average spending and increase in the number of transactions.

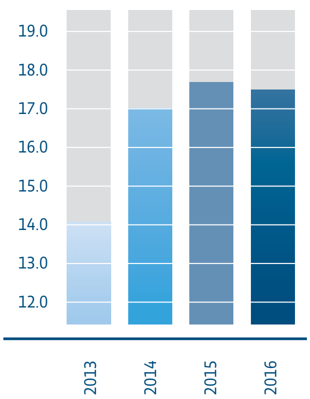
Dividend per share

in CHF



Return on equity (ROE)

in %



Capitalising on low interest rate environment

We continued to further optimise our funding profile. The attractive term deposit rate offering enabled us to increase deposits from retail and institutional clients to an aggregate CHF 2,355 million. Deposits now account for 61% of total funding. The Bank successfully tapped the capital market and raised CHF 200 million through an auto lease asset backed security (ABS) transaction and another CHF 200 million through an unsecured bond, both at favourable conditions. In the course of 2016, the Bank also fully repaid the remaining CHF 250 million term loan from the General Electric Group and is today 100% independently funded.

Business development sets base for future growth

In 2016, Cembra Money Bank made significant progress in securing the future perspectives of its growing credit card business. The cooperation agreement with the credit card partner Migros was extended prior to expiry for another five-year term until 2022. Additionally, the contract with Conforama was successfully extended and a cooperation with Fnac, a new retail partner, was launched in November 2016. Furthermore, we entered the market for invoice financing through the acquisition of Swissbilling. With Swissbilling we gain access to a best-in-class technology platform that will enable us to provide financing to a broader range of the Swiss consumer base.

Refining the capital policy and proposing a total dividend of CHF 4.45 per share

The Board of Directors decided to refine the existing capital policy with regard to the deployment of excess capital. Going forward, we intend to return excess Tier 1 capital above 20 % approximately to shareholders either via extraordinary dividends or share buy-backs unless a more efficient allocation of capital – in particular for internal or external growth – has been identified. The target payout ratio for the ordinary dividend of 60–70 % of net income remains unchanged.

Reflecting on the Bank's solid financial results, the Board of Directors will propose to the Annual General Meeting on 26 April 2017 a 3 %, or 10 cents, higher ordinary dividend per share of CHF 3.45 which equals to a payout ratio of 68 % of net income. The ordinary dividend will be paid out of reserves from capital contributions and, therefore, will not be subject to Swiss withholding tax.

Furthermore, and applying the newly introduced capital policy, the Board of Directors has decided to return excess capital of approximately CHF 28 million to shareholders. The additional distribution is returned to shareholders by means of an extraordinary dividend of CHF 1.00 per share which will be paid from retained earnings (subject to Swiss withholding tax), resulting in a total dividend of CHF 4.45 for the financial year 2016.

Strongly capitalised Bank

Shareholders' equity increased 6 % to CHF 848 million by year end 2016. With a Tier 1 capital ratio of 20.0 % Cembra Money Bank remains very well capitalised. Compared to our self-imposed minimum Tier 1 target of 18 %, excess capital amounts to CHF 76 million.

Outlook for 2017

Overall, 2017 net revenue is expected to slightly decrease due to the reduction in net interest income, following the introduction of the rate caps in July 2016, partially offset by the increase in fee and commission income on the back of the continued growth of the credit card business. Additionally, and whilst keeping a strong focus on the cost discipline, the Bank will continue to further invest in digitalisation of the business leading to a slightly higher cost/income ratio compared to 2016. The loss performance is expected to be in line with prior years. Assuming no major change in the current environment, the Bank is expecting earnings per share of between CHF 4.70 and CHF 5.00 for the financial year of 2017.

Dr Felix Weber
Chairman

Robert Oudmayer
Chief Executive Officer

Dedicated, Efficient, Strong Roots: Simply Cembra!

Since October 2013, Cembra Money Bank is an independent and listed Swiss bank. Headquartered in Zurich, the Bank has more than 700 employees and is one of the leading providers of consumer finance products and services in Switzerland.

History

The roots of Cembra Money Bank date back to 1912 with the foundation of Banque commerciale et agricole E. Uldry & Cie in Fribourg, which was later renamed to Bank Prokredit. GE Capital merged Bank Prokredit in 1999 with Bank Aufina that was acquired in 1997. The new GE Capital Bank was renamed to GE Money Bank in 2006. In October 2013, the Bank separated from its parent company GE, went public and was rebranded as Cembra Money Bank.

The Bank is named after the Swiss pine tree Cembra (Pinus cembra). The tree can grow at an altitude of up to 2,850 meters above sea level, live for up to a thousand years and survive temperatures as low as – 45° Celsius. Pinus cembra is a sturdy and resilient tree with strong roots. It symbolises the strength and geographical background of the Bank.

Products and Customers

Cembra has operations across Switzerland with a diversified distribution network of branches, independent intermediaries, credit card partners, car dealers and online sales channels.

The Bank is a leading player in the *personal loans* market in Switzerland, offering a personalised premium service and efficient decision-making. Cembra has 18 branches across the country in every major city and clients are never more than an hour away from a branch.

The Bank also holds a leading position among the independent *auto leasing* players in Switzerland. 40 % of the cars Cembra finances are new and 60 % are used. The products are sold via a distribution network of 3,400 small and medium-sized car dealers acting as intermediaries. A dedicated field sales force of 25 employees, supported by three service centres in each language region (Bussigny, Camorino, Zurich), provide a personalised, flexible and efficient service.

The Bank began offering *credit cards* in 2006 through its cooperation with Migros, Switzerland's biggest retailer. Since then, the Bank has broadened its range of credit cards by adding new partner programmes with Conforama, TCS and Fnac, and by introducing its own credit card. The Bank is offering innovative and attractive features (varying by card programme) such as no annual fees, collecting Cumulus points, cash back or personalised design. Since entering the market the number of credit cards issued has grown to more than 700,000 cards.


Cembra Money Bank
GE Capital Switzerland

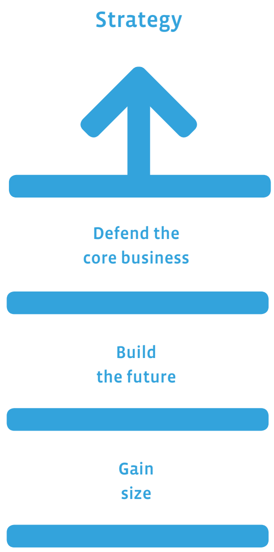
Insurance
Providing Security

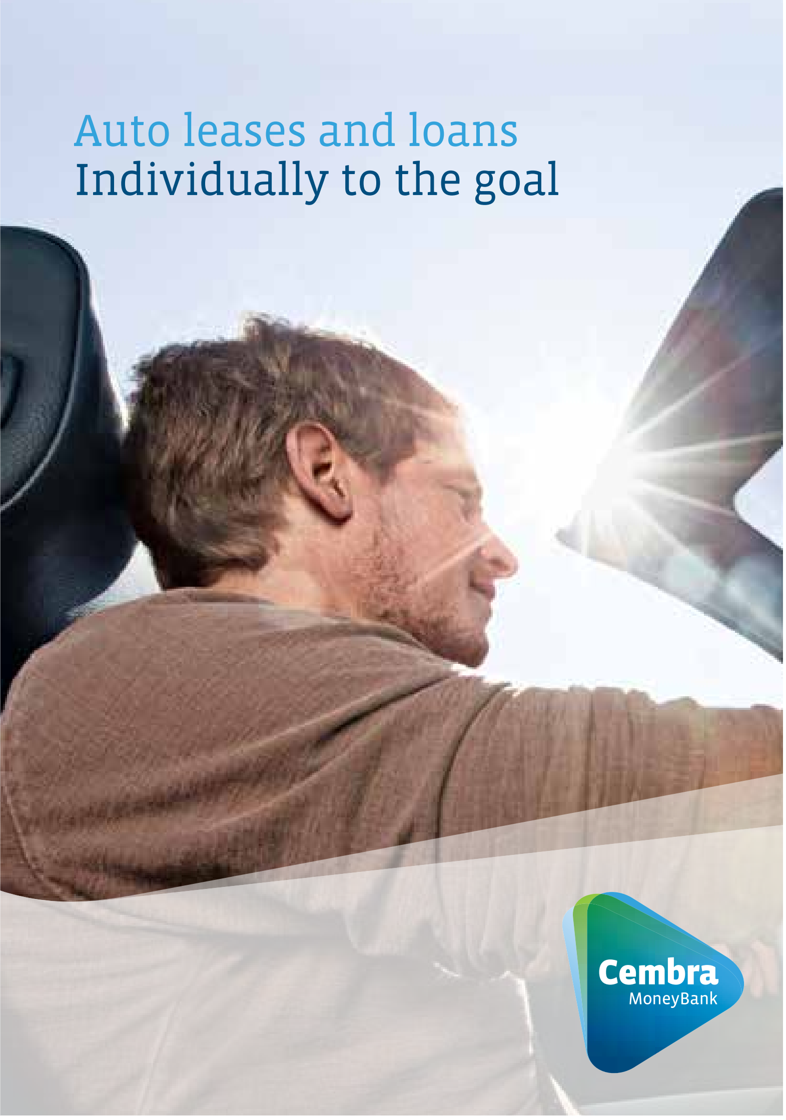
Along with personal loan, auto loan and lease products, Cembra offers *payment protection insurance products* to its customers. These insurance products provide financial protection in case of involuntary unemployment, accident, illness or disability. Cembra also offers travel and flight accident insurance and card protection insurance to its credit card customers. All insurance products are offered by the Bank as a broker.

The Bank offers *deposit and savings products* at competitive interest rates, for both retail customers and institutional clients.

Attractive financial products, a broad product line and first-class service have enabled Cembra to extend its client base year after year. As of 31 December 2016, 748,000 customers had placed their trust in Cembra Money Bank as their preferred partner, a growth of 7 % versus prior year.

The high level of customer satisfaction was confirmed by a customer survey which Cembra Money Bank conducted between August and October 2016. Over 80 % of clients interviewed in the business areas personal loans, auto leasing and Cumulus credit cards gave a minimum of 7 out of 10 points on general satisfaction with the Bank and on the Banks' customer service. Cembra focuses on maintaining this high level of customer satisfaction and on increasing it further.





Cembra Money Bank's Brand Ambassador

The successful Swiss presenter and entertainer Christa Rigozzi has been a valuable brand ambassador for Cembra since 2015. In her role, Christa Rigozzi supports the new advertising campaign of the Bank launched in 2016 with the slogan "Simply Cembra". These two words reflect the efficiency and simplicity of the Bank.

Financial Targets

The overall goal of Cembra Money Bank is to further strengthen its position as a leading consumer finance provider in Switzerland. The Bank's financial mid-term targets are as follows:

– net customer loan growth in line with Swiss GDP growth;
– average return on shareholders' equity (ROE) of at least 15 %;
– consolidated Tier 1 capital ratio of minimum 18 %; and
– ordinary dividend payout ratio between 60 % and 70 % of net income.

Strategy

Cembra Money Bank aims to remain a leading player in consumer finance in Switzerland. The long-term strategy is based on three pillars:

– *Defend the core business:* The Bank aims to grow its assets whilst maintaining a competitive cost/income ratio.
– *Build the future:* By investing in a robust infrastructure and building a customer-centric and digitised platform, the Bank aims to fulfil the needs of its customers of tomorrow. The Bank is a smart follower with regard to new payment technologies.
– *Gain size:* The Bank is exploring acquisition opportunities in consumer finance or related business areas, primarily in Switzerland.

Identity, Growth and Recognition

The corporate culture of a company is a basis for enduring success. It promotes a common identity among employees, shareholders, investors, clients, partners and suppliers. In 2014, after the IPO, Cembra Money Bank implemented a new corporate culture.

Growth and Success

A strong corporate culture unleashes creativity in employees and fosters the pride they take in their work. This is the foundation for innovation, growth and, ultimately, success. A key priority after the successful IPO was the introduction of a new corporate culture, having a positive impact on all its stakeholder groups. In workshops, employees from all departments and language regions of the Bank defined four values and four qualities that are key to their daily work.

By holding meetings and workshops and by conducting surveys in connection with its corporate culture, Cembra Money Bank ensures its culture is reviewed on a regular basis.

Recognition Programme

In connection with the new corporate culture, Cembra Money Bank established a recognition programme in May 2015. This programme – the "More than Money Award" – recognises employees who consistently represent the Bank's values in an exemplary manner in their work and through their conduct. Employees nominate their colleagues and the winners are ultimately chosen by the Bank's twelve cultural ambassadors. The ambassadors promote the common understanding of the culture and help shape cultural activities.

The four qualities

Expertise

The employees are highly knowledgeable about products, processes and the market environment, and stay up to date on trends and innovations.

Customer Proximity

The employees are eager to better understand the needs and wishes of the clients. They respect our clients and partners and are transparent in their activities.

Imagination & Execution

The employees offer our clients fast yet creative solutions. They are open to new ideas and inspire each other to take calculated risks.

Speed & Ease

The employees are uncomplicated and cannot be easily distracted from their goals. They simplify processes, procedures and systems, and digitise them wherever possible.

The Heart of Cembra Money Bank

Cembra Money Bank takes its social responsibility towards its employees, clients and partners very seriously. The Bank offers an engaging workplace for its employees, and provides responsible financing solutions to its customers.

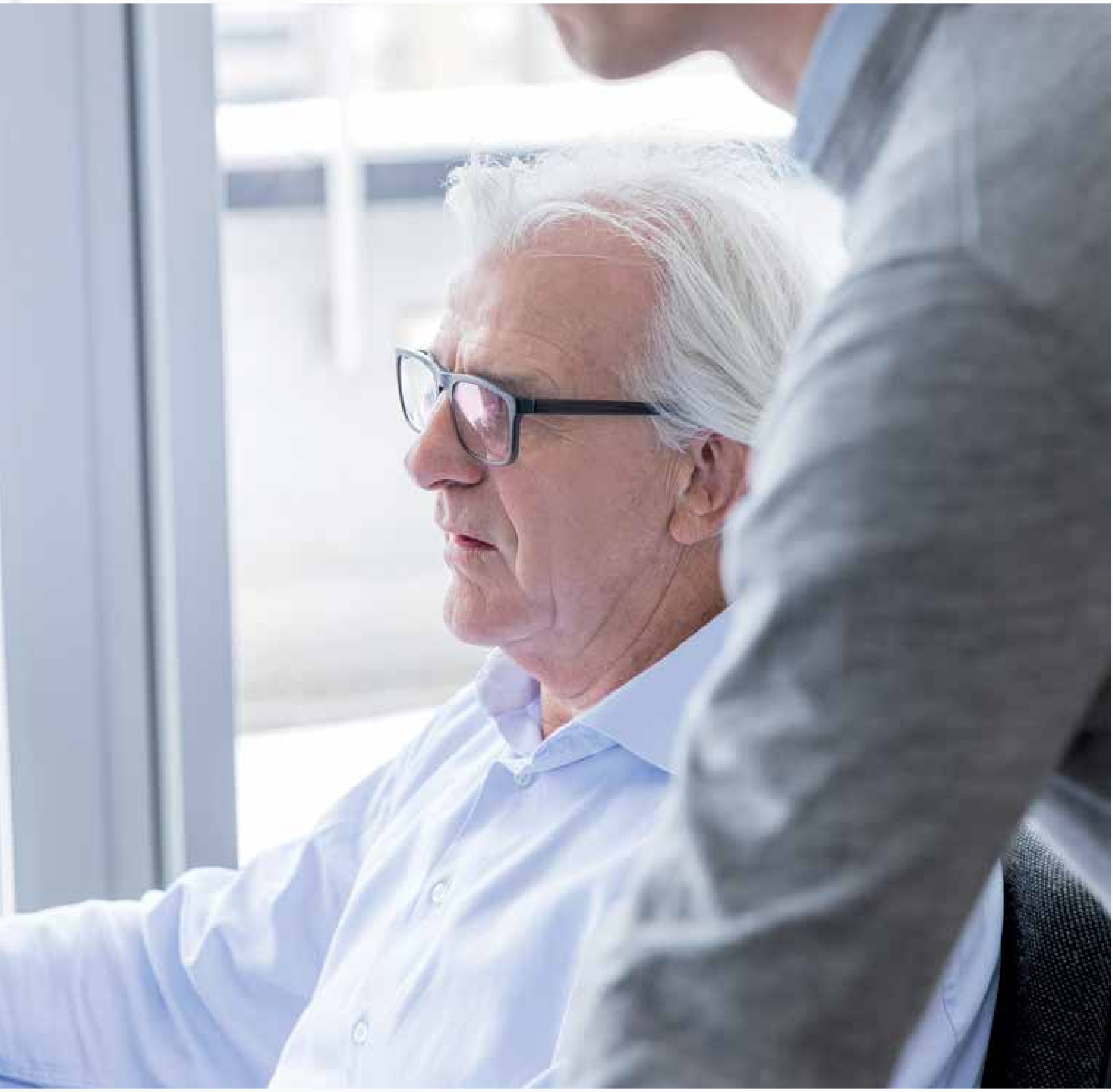
Employees

Employees are the heart of the corporate culture of Cembra Money Bank and are driving its future. The Bank aims to offer an engaging and collaborative workplace for its employees. Diversity, personal development and volunteering are highly valued at Cembra Money Bank.

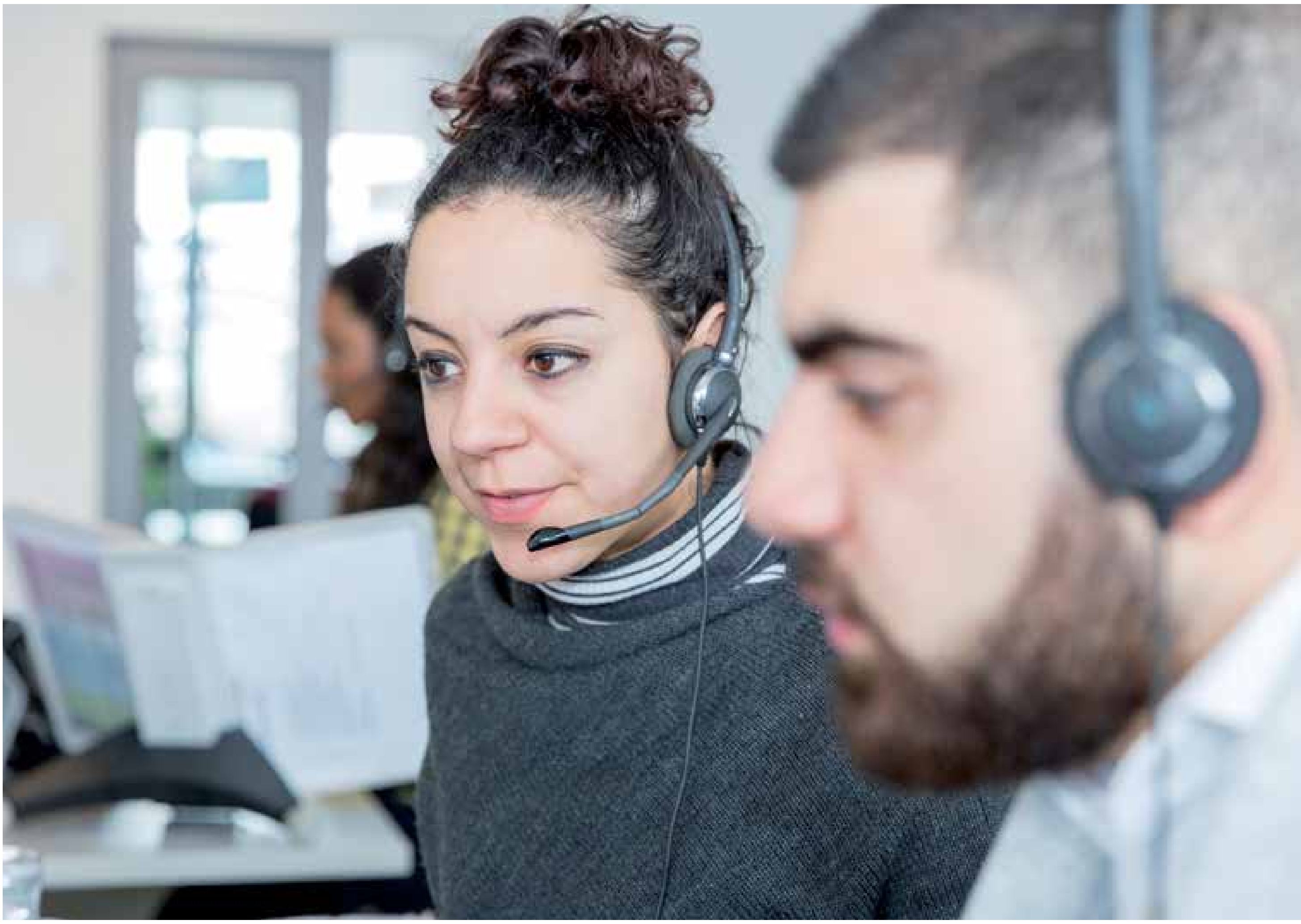
Diversity and Ways Of Working

Cembra Money Bank values and promotes diversity. The Bank employs 780 people (705 full-time employees) from 43 nationalities. 221 employees work part time. 50 % of the Bank's workforce are women, they make up 37 % of the management. A high percentage are working mothers. To make it easier to combine family and professional life, the Bank's Ways Of Working Programme offers flexible working solutions, such as part time, flex time and home office. Cembra Money Bank is convinced that through flexible ways of working, it can increase job satisfaction, employee commitment, productivity and retention.



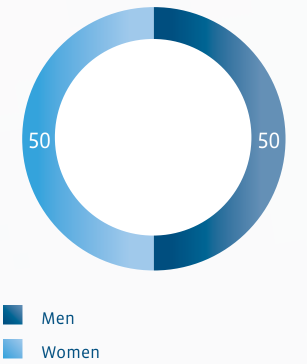



N624
Visitor Room



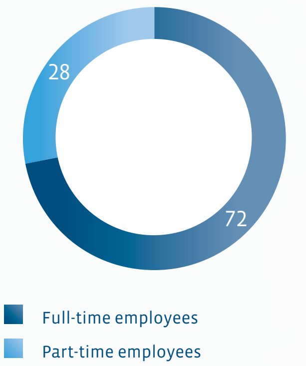
Diversity

in %



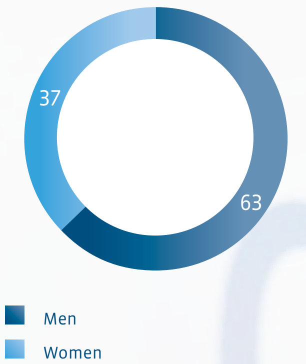
Part-time work

in %



Management

in %



Development, Volunteering and Recognition

Cembra Money Bank offers a wide range of training programmes for its employees. These include management and leadership trainings, technical, functional and soft skills trainings. In 2016, 295 employees took part in the Bank's internal training programmes. The Bank also supports external trainings.

Cembra Money Bank believes in developing new talents for the future and employs seven new apprentices every year. In 2016, Cembra Money Bank trained a total of 18 apprentices and employed six interns additionally. In December 2016, the Bank launched "Radix", a programme that supports the career progression of 13 junior talents, by fostering their personal development through training sessions and mentoring.

It is important to Cembra Money Bank to recognise its employees in a formal as well as in an informal way. The "More Than Money Award" recognises employees who are role models in living the Bank's values. The "Thank You Award" recognises exceptional efforts of employees who go beyond what is expected of them. And the annual "CEO Award" goes to employees who have displayed outstanding performance.

Cembra Money Bank Initatives

Cembra Connect | Cembra Vitality | Cembra Volunteers | Cembra Radix

Initiatives

Cembra Money Bank supports three initiatives where employees from various parts of the Bank meet and organise activities for their colleagues: Volunteers (voluntary work), Connect (career development for women) and Vitality (health).

Volunteers

The Bank encourages its employees to get involved in charitable projects to return something back to community. This is also an ideal way of taking on new responsibilities and to further develop personal skills. Every employee of Cembra Money Bank can use two working days each year for volunteer work. The Bank works with organisations such as the Swiss Red Cross, the Swiss children's cancer charity (Kinderkrebshilfe Schweiz) and Young Enterprise Switzerland (YES), a non-profit organisation which develops and supports practice-oriented business training programmes for students, linking economy and schools. The Bank is also a partner of the Theodora Foundation, whose Giggle Doctors bring magical moments to children in hospitals. Every year, 150 employees choose to volunteer for one of the many projects and campaigns supported by the Bank's Volunteers.

Connect

Connect provides women a professional platform on which to exchange ideas, share their knowledge and experiences, draw inspiration and learn from each other – thus creating new perspectives for themselves and for the Bank. 2016 was the year of "Work-Life Balance". The team organised events and panel discussions with external speakers, supported participation in the annual Pink Ribbon Charity Walk against breast cancer and the "Movember" movement to raise awareness on men's health. Connect also organised various health, networking and beauty events. As a founding member of the Swiss women's business network, Advance, Cembra Money Bank supports the promotion of more women in management positions, and is encouraging flexible working. As a Gold Member of Advance, the Bank has access to 15 exclusive training days for talented women in middle and in upper management.


Cembra
Volunteers
Spendenscheck
Spender
Cembra Money Bank für die Kinderkrebshilfe Schweiz
Betrag
CHF 20'000.–
Unterschrift
kinderkrebshilfe schweiz


olunteers


vitali

Vitality
This initiative helps employees achieve a healthy work-life balance by providing practical tips on fitness, healthy food and maintaining a personal balance. In 2016, the vitality team organised various sports events, such as football tournaments, bowling nights, bike to work or a 20,000-steps-a-day challenge. There were also various campaigns and trainings on relaxation, workplace ergonomics, nutrition, hydration, pulmonary health, blood donation and first aid. Cembra Money Bank offers its employees an in-house gym at no charge plus a chill-out room and lounges for relaxation. Sports classes, massages and healthy meals are offered at a discount and are partly subsidised by the Bank.

The Bank's Principles on Responsible Lending

Cembra Money Bank takes its responsibility towards its clients and the community very seriously. Switzerland has a strict consumer credit act to protect clients against over-indebtedness. The Bank systematically checks each credit application. In accordance with the legal provisions a detailed budget calculation based on the customer's outgoings is performed as part of the underwriting process. After approval of the loan there is a 14-day cool-off period during which the customer can still step back from the contract. During the contractual duration of the loan, the customer can pay back the loan at any time, which reduces residual debt and interest on debt. A personal loan is only granted if the client understands the risks involved and if the credit is unlikely to result in financial hardship for a client. The employees of Cembra Money Bank take time to advise each client personally and are doing their best to find a suitable financial solution for them. Should a client nevertheless experience difficulties in paying back a credit due to unforeseen events such as loss of work, illness or divorce, Cembra Money Bank supports the client and debt advisors in an advisory capacity to find a fair and affordable solution to repay the debts. Cembra Money Bank makes a point to market its products responsibly; its advertising is targeted at adults only.

02

Corporate Governance

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Corporate Governance

Information Relating to Corporate Governance

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

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

The Organisational Regulations, which are published on the website (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles), further clarify the duties, powers and regulations of the governing bodies of the Bank.

1 Group Structure and Shareholders

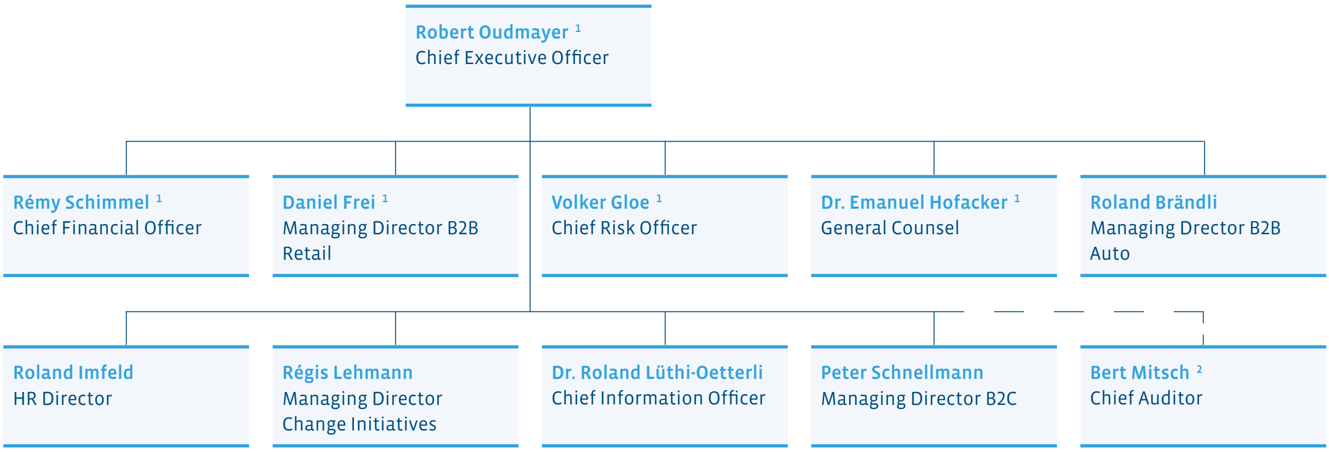
1.1 Group Structure

1.1.1 Description of the Group’s Operational Structure

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

The Bank’s commercial activities mainly focus on consumer finance. The Bank is subject to prudential supervision by the Swiss Financial Market Supervisory Authority (FINMA) and provides a range of financial products and services. Headquartered in Zurich, the Bank operates almost entirely in Switzerland through a nationwide network of 21 branches (18 branches as per 1 January 2017) as well as through alternative distribution channels, such as internet, credit card partners (including Migros, Conforama, Fnac and Touring Club Schweiz), independent intermediaries and auto dealers. The 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. The corporate functions include Finance, Information Technology, Legal & Compliance, Communications, Risk Management as well as Human Resources.

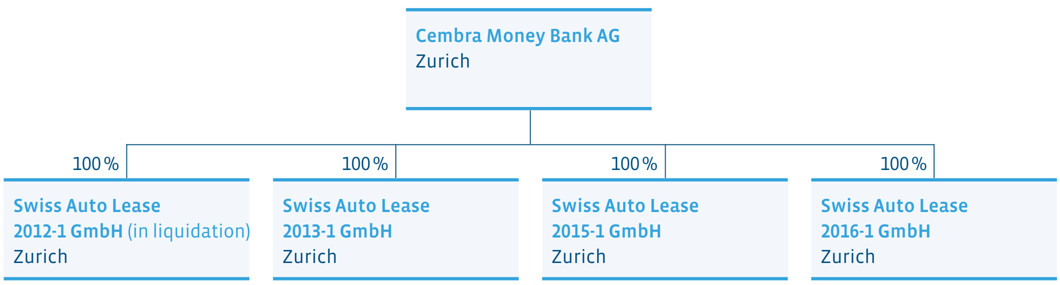
Organisational Group Structure as of 31 December 2016:



[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 and Risk Committee (see section 3.5)*

1.1.2 Group Entities

The Group comprises the Bank as the parent company and its wholly owned subsidiaries Swiss Auto Lease 2012-1 GmbH (with registered office at Bändliweg 20, 8048 Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100; in liquidation), Swiss Auto Lease 2013-1 GmbH (with registered office at Bändliweg 20, 8048 Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100), Swiss Auto Lease 2015-1 GmbH (with registered office at Bändliweg 20, 8048 Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100) and Swiss Auto Lease 2016-1 GmbH (with registered office at Bändliweg 20, 8048 Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100).



Within the Group, only the Bank is a listed company. The Bank's registered shares are listed pursuant to the International Reporting Standard of SIX (securities number: 22517316, ISIN: CH0225173167, ticker: CMBN). As of 31 December 2016, the Bank's issued nominal share capital amounted to CHF 30,000,000 and the Bank's market capitalisation was CHF 2,226 million.

1.2 Significant Shareholders

The shareholding structure of the Bank as of 31 December 2016 is shown in the table below:

Shareholder	**Number of registered shares**	**% of voting rights**
Cembra Money Bank AG [1]	1,807,627	6.03 %
UBS Fund Management (Switzerland) AG	1,623,913	5.41 %
Pictet Asset Management SA	1,496,568	4.99 %
Norges Bank (the Central Bank of Norway)	955,631	3.19 %
Credit Suisse Funds AG	900,181	3.00 %
Other Shareholders	23,216,080	77.38 %
Total	**30,000,000**	**100.00 %**

[1] *Treasury shares*

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/en/home/publications/significant-shareholders.html.

The number of registered shareholders as of 31 December 2016 was 6,232 who held 19.4 million shares. Unregistered shares (in dispo) including nominees amounted to 10.6 million or 35 %, respectively. As of 31 December 2016 the Bank held 1,807,627 treasury shares.

Lock-up Arrangements

There were no lock-up agreements in place as of 31 December 2016.

Relationship Agreements

There were no relationship agreements in place as of 31 December 2016.

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 on the Disclosure Deadline

As of 31 December 2016, the Bank's outstanding share capital amounted to CHF 30,000,000, divided into 30,000,000 registered shares with a par value of CHF 1.00 each ("Shares"). The Shares are fully paid-in and non-assessable and rank pari passu with each other.

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 13 to the Consolidated Financial Statements.

2.2 Authorised and Conditional Capital in Particular

2.2.1 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 29 April 2017, by no more than CHF 3,000,000 by issuing up to 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 shall be 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 please refer to art. 4 of the Articles of Incorporation under: www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles.

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

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

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

2.3 Changes in Capital

There were no changes in the capital structure in 2014, 2015 and 2016 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 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

The Shares are freely transferable.

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

Any person who does not expressly state in his or her application to the Bank that the relevant Shares were acquired for his or her own account (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, legal entities, partnerships or groups of joint owners and other groups in which individuals or legal entities are related to one another through capital ownership or voting rights or have a common management or are otherwise interrelated, and legal entities or partnerships that act in concert (especially as a syndicate) with intent to evade the foregoing limitations are considered and treated as a single shareholder.

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

As of 31 December 2016, 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. No member of the Board of Directors has any significant business connections with any member of the Group.

Mr. Hall holds a management position within the General Electric Group which, through its subsidiary GE Capital Swiss Funding AG, was the main shareholder of the Bank until 7 May 2015 (for further details please see the 2015 Annual Report). No other member of the Board of Directors has held a management position within the Group over the last three years.

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

Mrs. Machin and Mr. Tellings have been elected as new members of the Board of Directors on 27 April 2016. Mr. Chambers stepped down from the Board of Directors as of 27 April 2016 (i.e. date of the General Meeting 2016 and end of election term).

The table below sets forth the name, function and committee membership of each member of the Board of Directors as of 31 December 2016, followed by a short description of each member's professional experience, education and activities.

Name	Nationality	Function	Committee Membership	First elected	End current period
Dr. Felix Weber	CH	Chairman		2013	2017
Prof. Dr. Peter Athanas	CH / UK	Member	Chairman Audit and Risk Committee	2013 [1]	2017
Urs Baumann	CH	Member	Chairman Compensation and Nomination Committee	2014	2017
Denis Hall	UK	Member	Member Audit and Risk Committee	2013	2017
Dr. Monica Mächler	CH	Member	Member Audit and Risk Committee	2015	2017
Katrina Machin	UK	Member	Member Compensation and Nomination Committee	2016 [2]	2017
Ben Tellings	NL	Member	Member Compensation and Nomination Committee	2016 [2]	2017

[1] *Effective 1 January 2014*
[2] *Elected 27 April 2016*

Name	Dr. Felix Weber
Nationality	Swiss
Function	Chairman
First elected	2013
End current period	2017

Dr. Felix Weber

Swiss national and resident, born in 1950

Dr. Weber was appointed as chairman of the Board of Directors ("Chairman") on 22 August 2013. His current term expires at the General Meeting in 2017. Dr. Weber holds a diploma and a PhD in Business Administration from the University of St. Gallen.

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

Other board memberships and activities:
Dr. Weber does not hold any other board membership.

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

Name	Prof. Dr. Peter Athanas
Nationality	Swiss and British
Function	Member
First elected	2013
End current period	2017

Prof. Dr. Peter Athanas

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

Prof. Dr. Athanas was appointed as member of the Board of Directors on 2 October 2013, with effect from 1 January 2014. He is also chairman of the Audit and Risk Committee. His current term expires at the General Meeting in 2017. He holds a master's degree in law and economics and a Doctorate in economics from the University of St. Gallen.

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

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

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

Name	Urs Baumann
Nationality	Swiss
Function	Member
First elected	2014
End current period	2017

Urs Baumann

Swiss national and resident, born in 1967

Mr. Baumann was appointed as a member of the Board of Directors on 13 May 2014. He is also chairman of the Compensation and Nomination Committee. His current term expires at the General Meeting in 2017. Mr. Baumann holds a Master in Economics & Business Administration from the University of St. Gallen as well as an MBA from the University of Chicago.

Professional experience:

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

Other board memberships and activities:

- Since 2016: Member of the Board of Privatbank IHAG Zürich AG (Zurich, Switzerland)
- Since 2015: Member of the Board of PG Impact Investments AG (Baar, Switzerland)
- Since 2010: Member of the Board of Directors of Baumann Group AG (Zurich, Switzerland)

Name	Denis Hall
Nationality	British
Function	Member
First elected	2013
End current period	2017

Denis Hall

British national and UK resident, born in 1955

Mr. Hall was appointed as a member of the Board of Directors on 24 September 2013. He is also a member of the Audit and Risk Committee. His current term expires at the General Meeting in 2017. Mr. Hall was educated in the UK.

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

Other board memberships and activities:
- Since 2016: Member of the Supervisory board and chair of the transition committee of Moneta Money Bank Czech (Prague, Czech Republic), listed on the Prague stock exchange
- Since 2016: Chairman of the Supervisory board of Hyundai Capital Bank Europe (Frankfurt, Germany)

Previous board memberships:
- 2013–2016: Member of the Board of Directors of Hyundai Capital Card (Seoul, South Korea)
- 2013–2016: Chairman of the Board of Directors UK Home Lending (London, UK)
- 2008–2016: Member of the Supervisory Board and Chairman of the Risk Committee of Bank BPH S.A. (Krakow, Poland), a company listed on the Warsaw Stock Exchange
- 2013–2015: Member of the Board of Directors of Budapest Bank Zrt. (Budapest, Hungary)
- 2009–2011: Member of the Board of Directors of BAC Credomatic GECF Inc., in which General Electric Group held an interest
- 2008–2011: Member of the Board of Directors of Turkiye Garanti Bankasi A.S. (Istanbul, Turkey) in which General Electric Group held an interest
- 2006–2007: Deputy Chairman of SCHUFA Holding AG (Wiesbaden, Germany)

Name	Katrina Machin
Nationality	British
Function	Member
First elected	2016
End current period	2017

Katrina Machin

British national and UK resident, born in 1966

Mrs. Machin was appointed as a member of the Board of Directors on 27 April 2016. Her current term expires at the General Meeting in 2017. She is also a member of the Compensation and Nomination Committee. She holds a Master's degree in Archaeology and Anthropology from the New Hall Cambridge University, UK.

Professional experience:

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

Other board memberships and activities:

- Since 2012: Board Member and Chair of the Credit and Operational Risk Committee at Shop Direct Finance Company Ltd (Liverpool, UK)
- Since 2015: Board Member of ABTA and member of the Risk Committee (formerly Association of British Travel Agents) (London, UK)

Previous board memberships:

- 2012–2015: Chairperson of the Supervisory Board of American Express Europe Ltd (London, UK)
- 2012–2015: Chairperson of the Supervisory Board of Amex Barcelo (Madrid, Spain)
- 2012–2015: Board Member of the Supervisory Board of UVET Amex (Milan, Italy)
- 2010–2012: Board Member of the Supervisory Board of American Express Services Europe Ltd (London, UK)

Name	Dr. Monica Mächler
Nationality	Swiss
Function	Member
First elected	2015
End current period	2017

Dr. Monica Mächler

Swiss national and resident, born in 1956

Dr. Mächler was appointed as a member of the Board of Directors on 29 April 2015. She is also a member of the Audit and Risk Committee. Her current term expires at the General Meeting in 2017. She earned her Doctorate in Law (Dr.iur) at the University of Zurich's Law School, was admitted to the Zurich bar and complemented her studies by attending programmes on UK, US and private international law.

Professional experience:

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

Other board memberships and activities:

- Since 2013: Member of the Board of Directors of Zurich Insurance Group Ltd (Zurich, Switzerland) and Zurich Insurance Company Ltd (Zurich, Switzerland), whereby serving as member of the Audit Committee and the Risk Committee of the respective companies, listed on SIX
- Since 2012: Member of the Supervisory Board of Deutsche Börse AG (Frankfurt am Main, Germany), whereby serving as member of the Audit Committee and the Risk Committee, listed on the German Stock Exchange
- Since 2014: Member of the Board of the "Stiftung für schweizerische Rechtspflege" (Solothurn, Switzerland)
- Since 2012: Member of the Advisory Board of the International Center for Insurance Regulation at the Goethe University (Frankfurt am Main, Germany), serving as Chair since 2015

Name	Ben Tellings
Nationality	Dutch
Function	Member
First elected	2016
End current period	2017

Ben Tellings

Dutch national and resident, born in 1956

Mr. Tellings was appointed as a member of the Board of Directors on 27 April 2016. He is also a member of the Compensation and Nomination Committee. His current term expires at the General Meeting in 2017. Mr. Tellings was educated in the Netherlands.

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

Other board memberships and activities:
- Since 2010: Member of the "Kuratorium" Deutsche National Stiftung (Hamburg, Germany)

Previous board memberships:
- 2010–2016: Chairman of the Supervisory Board of ING-DiBa AG (Frankfurt am Main, Germany), Chairman of the credit committee Supervisory Board of ING-DiBa AG as well as Chairman of the remuneration committee Supervisory Board of ING-DiBa AG

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

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

3.3 Rules in the Articles of Incorporation on the Number of Permitted Activities Pursuant to art. 12 para. 1 point 1 of the Ordinance against Excessive Compensation (OaEC)

Based on art. 25a of the Articles of Incorporation, the members of the Board of Directors are entitled to be engaged in up to fifteen activities of which a maximum of five may be in listed companies. The term "activities" means memberships in the senior management or oversight bodies of legal entities obliged to register themselves in the Commercial Register in Switzerland or a foreign equivalent thereof ("Activities"). Multiple activities in legal entities under common control or under the control of the same beneficial owner are deemed to be one Activity. The following Activities do not fall under the above restrictions:
- Activities in entities controlled by the Bank;
- Activities in entities controlling the Bank; and
- Activities in associations, charitable institutions as well as welfare and pension institutions. No member of the Board of Directors should be engaged in more than ten such Activities.

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

3.4 Election and Term of Office

According to the Articles of Incorporation, the Board of Directors consists of at least five but not more than seven members. Each member of the Board of Directors is elected for a term of one year. For the purpose of this provision, the term "one year" refers to the time period between two ordinary General Meetings, respectively, 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 Chairman, is individually elected by the General Meeting. Re-election is possible and there is no mandatory term limit for members of the Board of Directors.

As the Bank is subject to the Swiss Federal Banking Act and the Banking Ordinance, no member of the Board of Directors may also be a member of the Bank's management. In addition, in accordance with FINMA Circular 2008/24 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 FINMA Circular 08/24.

As of 31 December 2016, all members of the Board of Directors met the independence criteria prescribed in the FINMA Circular 08/24.

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

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

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

3.5 Internal Organisational Structure

3.5.1 Allocation of Tasks among the Members of the Board of Directors

Board of Directors

The Board of Directors may appoint from among its members a Vice-Chairman and also appoints a secretary ("Secretary"), who need not be a member of the Board of Directors. According to the Bank's Organisational Regulations (which can be downloaded from www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles), the Board of Directors convenes upon the invitation of the Chairman or the Secretary on the Chairman's behalf or, in the Chairman's absence, of the Vice-Chairman as often as business requires, but at least four times per year and normally once every quarter.

Unless set out otherwise in the Organisational Regulations, the presence of the majority of the members of the Board of Directors is required for passing valid Board resolutions. Resolutions of the Board of Directors are passed by way of the absolute majority of the votes represented. In the case of a tie of votes, the acting Chairman has the deciding vote. Resolutions passed by circular resolutions are only deemed to have passed if: (a) at least the majority of all members of the Board of Directors cast a vote or give written notice that they abstain; (b) the required majority to approve the proposed resolution is reached in accordance with the Organisational Regulations; and (c) no member of the Board of Directors requests a Board of Directors meeting in relation to the subject matter of the proposed resolution within three business days of receiving notice of the proposal. Any resolution passed by circular resolution is as binding as a resolution adopted at a Board of Directors meeting.

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

In 2016, the Board of Directors met seven times and also met for a strategic meeting. The meetings typically last half a day.

Board of Directors meeting dates and corresponding attendance were as follows in 2016:

Date	Dr. Felix Weber	Prof. Dr. Peter Athanas	Urs Baumann	Denis Hall	Katrina Machin[1]	Dr. Monica Mächler	Ben Tellings[1]	Christopher Chambers[2]
19 February	X	X	X	X		X		E
23 March	X	X	X	X		X		E
25 May	X	X	X	X	E	X	X	
22 June[3]	X	X	X	X	X	X	X	
17 August	X	X	X	X	X	X	X	
26 October	X	X	X	X	X	X	X	
13 December	X	X	X	X	X	X	X	

[1] *Member since 27 April 2016*
[2] *Member until 27 April 2016*
[3] *Conference Call*
E = Excused

3.5.2 Committees

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

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

Audit and Risk Committee

On 13 December 2016 the Board of Directors upon proposal of the Audit Committee adapted the Audit Charter detailing scope and duties of the Audit Committee in view of the implementation of the FINMA Circular 2017/01 Corporate Governance. Amongst other changes, the Audit Committee has been renamed Audit and Risk Committee.

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

The Audit and Risk Committee serves 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 risk assessment, management and controls, (iii) discussing the Group-wide risk management framework, assessing annually the Group-wide risk management framework and ensuring that necessary changes are made; (iv) monitoring the implementation of risk strategies, ensuring in particular that they are in line with the defined risk tolerance and risk limits defined in the Group-wide risk management framework; (v) the Group's approach to internal controls; (vi) the quality, adequacy and scope of external and internal audit functions, including the appointment, compensation, retention and oversight of the activities 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 (vii) the Bank's compliance with regulatory and financial reporting requirements. The Bank's auditors report directly to the Audit and Risk Committee. The Audit and Risk Committee's duties and responsibilities are set out in detail in FINMA Circular 08/24 and the Bank's Audit and Risk Committee Charter.

The Audit and Risk Committee holds meetings as often as required, but in any event at least once every quarter. The meetings are convened by the Chairman of the Audit and Risk Committee or are initiated by an Audit and Risk Committee member. Meetings typically last two hours and are also attended at minimum by members of the Management Board, the Bank's Chief Auditor and the External Auditor. During 2016, the Audit and Risk Committee met six times.

Please see details in the table below:

Date	Prof. Dr. Peter Athanas	Denis Hall	Dr. Monica Mächler
18 February	X	X	X
22 March	X	X	X
24 May	X	X	X
16 August	X	X	X
25 October	X	X	X
7 December	X	X	E

E = Excused

Compensation and Nomination Committee

The Compensation and Nomination Committee currently consists of three members of the Board of Directors: Mr. Baumann (Chairman of the Compensation and Nomination Committee), Mrs. Machin and Mr. Tellings. In accordance with the OaEC, the members of the Compensation and Nomination Committee are elected by the General Meeting. The Compensation and Nomination Committee designates a member of the Compensation and Nomination Committee as its chairman.

The Compensation and Nomination Committee supports the Board of Directors in fulfilling its duties to conduct a self-assessment, establish and maintain a process for selecting and proposing new members to the Board of Directors, and manage, in consultation with the Chairman, the succession of the CEO.

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

The Compensation and Nomination Committee holds meetings as often as required, but in any event at least once every quarter. The meetings are convened by the Chairman of the Compensation and Nomination Committee or on the initiative of a member of the Compensation and Nomination Committee. Meetings typically last one to two hours and are also attended by the Human Resources Director and the CEO. During 2016, the Compensation and Nomination Committee met six times.

See details in the table below:

Date	Urs Baumann	Prof. Dr. Peter Athanas	Katrina Machin [1]	Ben Tellings [1]	Christopher Chambers [2]
21 January	x	x			E
18 February	x	x			E
22 March	x	x			E
24 May	x		x	x	
16 August	x		x	x	
25 October	x		x	x	

[1] Member since 27 April 2016
[2] Member until 27 April 2016
E = Excused

3.6 Definition of Areas of Responsibility

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

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

Details of roles and responsibilities of the Board of Directors can be found in the Organisational Regulations of the Board of Directors, which can be downloaded from: www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles.

CEO

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

The CEO sets the business and corporate agenda, ensures high quality and timely decision-making and controls the implementation of decisions taken. He ensures alignment of the individual Management Board members to the business and corporate agenda. He supports and advises leaders of all organisational units 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 succession planning on Management Board level and for maintaining the Group's good reputation. He represents the Group in contacts with important investors, customers and other stakeholders, as well as towards the general public.

Management Board

The Management Board includes as a minimum the CEO, the Chief Financial Officer ("CFO"), the Chief Risk Officer ("CRO"), the General Counsel and such other members as may be appointed by the Board of Directors at any time. As of 31 December 2016, in addition to the CEO, the Management Board consisted of the CFO, the CRO, the General Counsel and the Managing Director B2B Retail (see also section 4.1 below).

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

The Management Board, acting under the leadership of the CEO, is responsible for the management of the Group. It implements the strategy of the Group as defined by the Board of Directors and ensures the execution of resolutions by the General Meeting of shareholders and the Board of Directors in accordance with the law, the Articles of Incorporation and Organisational Regulations. The Management Board supports the CEO in the execution of his duties. It participates in all matters and decisions that are important to the Group; by doing so, it forms opinions and performs a coordinative and preparative function.

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

The Board of Directors ensures that it is fully informed about all matters that materially impact the Group. It ensures that it receives sufficient information from the Management Board to perform its supervisory duty and to take decisions. 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.

The Board of Directors meets at least four times a year as specified in the Organisational Regulations; in practice, the Board of Directors convenes for five to ten meetings every year. Members of the Management Board attend each of the Board of Directors' meetings and are available to answer questions from the Board of Directors. Members of the Senior Management Team are regularly invited to address specific projects and duties.

The CEO ensures that the Chairman and the Board of Directors are provided with information in a timely manner and in a form and of a quality appropriate to enable the Board of Directors to discharge its duties. The CEO regularly reports to the Board of Directors at board meetings (or outside of board meetings) as agreed with the Chairman on the business development and on important business issues, including on all matters falling within the duty and responsibility of the Board of Directors. Such reports cover in particular the current business developments including key performance indicators on the core business of the Group, existing and emerging risks, and updates on developments in relevant markets and of peers. It further covers quarterly reports on the statement of income, cash flow and balance sheet development, investments, personnel and other pertinent data of the Group, and 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 provides information on special developments. In particular, he gives immediate notice to the CEO and to the Management Board about extraordinary events or urgent financial matters regarding the Group.

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

The CRO informs the Management Board and the Audit and Risk Committee at least on a quarterly basis, and the Board of Directors if required, about the development and implementation of principles and appropriate framework for risk identification, measurement, monitoring, controls and reporting as well as the implementation of the risk control mechanisms as decided by the Board of Directors. The Group has established an internal risk management process operated based on the enterprise risk framework. The process focuses on credit, market, liquidity and operational risks within the Group. Detailed information on the management and monitoring of these risks can be found in the section Risk Management starting on page 107.

The Chief Auditor is present at each meeting of the Audit and Risk Committee and informs at least on a quarterly basis on the status and progress of the annual plan, significant issues and other reporting matters as they pertain to the Audit and Risk Committee and Board of Directors. The Bank's Internal Audit Department is governed by an Internal Audit Charter duly approved by the Board of Directors. In accordance with the Organisational Regulations, the Internal Audit Department reviews in particular (i) the compliance with applicable laws, rules and regulations as well as the internal regulations, directives and resolutions, (ii) the annual financial statements, accounting and information technology, loans and other areas approved on an annual basis by the Audit and Risk Committee and (iii) the fitness, reliability and functioning of the operational organisation and effectiveness of the control systems.

Furthermore, the members of the Board of Directors receive monthly reports about the performance of the business, specific projects and any other relevant information.

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

The External Auditor prepares the regulatory audit report as well as further reports on audits addressing specific topics.

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

4 Management Board

4.1 Members of the Management Board

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 in fulfilling this task.

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

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

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

Name	Nationality	Appointed	Position
Robert Oudmayer	NL	2009	Chief Executive Officer (CEO)
Rémy Schimmel	FR	2016	Chief Financial Officer (CFO)
Daniel Frei	CH	1997	Managing Director B2B Retail
Volker Gloe	GER	2013	Chief Risk Officer (CRO)
Dr. Emanuel Hofacker	CH	2014	General Counsel

Name	Robert Oudmayer
Nationality	Dutch
Appointed	2009
Position	Chief Executive Officer (CEO)

Robert Oudmayer

Dutch national and Swiss resident, born in 1962

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

Professional experience:

- 2005–2009: Chief Executive Officer of GE Money Portugal
- 2003–2005: P&L Leader Auto & Retail of GE Money Bank (Switzerland)
- 2001–2003: Managing Director TIP and GE Capital Rail Services
- 1999–2001: Multiple roles at TIP Trailer Services, including Chief Operating Officer, Operations & Quality Director Europe and Managing Director Benelux
- 1985–1999: PSA Peugeot Citroën: Director Sales & Marketing (1998–1999); Director Finance, Credit & HR (1995–1998); Peugeot Finance International Managing Director (1995–1999); European Risk Manager (1994–1995); Manager Financial Services (1991–1994)

Mr. Oudmayer does not hold any board memberships.

Name	Rémy Schimmel
Nationality	French
Appointed	2016
Position	Chief Financial Officer (CFO)

Rémy Schimmel

French national and Swiss resident, born in 1974

Mr. Schimmel has been the Bank's Chief Financial Officer since August 2016. He is a Chartered Global Management Accountant (CGMA, CIMA) and he holds a Master of Sciences in Economics from H.E.C. Business School (University of Montreal, Canada) and a Master in International Trade from E.I.C.D. Business School (University of Lyon, France).

Professional experience:

- 2014–2016: CFO of Coutts & Co. Ltd at the Royal Bank of Scotland (Zurich, Switzerland)
- 2012–2014: Director of Client MI Delivery & Development for Markets & Institutional Banking at the Royal Bank of Scotland (London, United Kingdom)
- 2011–2012: Head of Financial Planning & Analysis for Global Transaction Services at the Royal Bank of Scotland
- 2010–2011: Head of Finance for Global Network Banking at the Royal Bank of Scotland
- 2009–2010: Senior Finance Business Partner for the integration of LTSB and HBoS at Lloyds Banking Group (London, United Kingdom)
- 2008–2009: Senior Manager Strategy at Lloyds Banking Group
- 2006–2007: Finance Business Partner for the COO of Corporate Banking at Lloyds Banking Group
- 2005–2006: Pricing Analyst at General Electric (now Genworth Financials; London, United Kingdom)
- 2004–2005: Pricing Analyst at Kimberly-Clark (Reigate, United Kingdom)
- 2002–2004: European Finance Graduate Program at Kimberly-Clark

Mr. Schimmel does not hold any board memberships.

Name	Daniel Frei
Nationality	Swiss
Appointed	1997
Position	Managing Director B2B Retail

Daniel Frei

Swiss national and resident, born in 1959

Mr. Frei has been Managing Director and Sales Leader Cards since 2008 and Managaing Director B2B Retail since 2016. He has been member of the Management Board since 1997. He has a federal specialist certificate in accounting by the Swiss Business School of Zurich.

Professional experience:
- 2005–2008: P&L Director at Flexikredit AG (Zurich, Switzerland; part of the GE Group)
- 2002–2004: P&L Director Motor Solutions at GE Capital Bank AG
- 1997–2002: Chief Operations Officer at GE Capital Bank AG
- 1993–1997: Logistic Director and member of the Senior Management Team at Bank Aufina AG
- 1989–1992: Assistant Logistics Director at Bank Aufina AG
- Before 1989: Various assignments outside the Bank as Accountant and Project Manager

Mr. Frei is Chairman of the Bank's Pension Fund Board, Board member of KARTAC (Swiss Cards Association) and Board member of SPA (Swiss Payment Association).

Name	Volker Gloe
Nationality	German
Appointed	2013
Position	Chief Risk Officer (CRO)

Volker Gloe

German national and Swiss resident, born in 1968

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

Professional experience:
- 2007–2013: Chief Risk Officer of GE Money Bank Norway
- 2005–2007: Risk Strategist of GE Money Bank Norway
- 2002–2005: Marketing Analyst and from 2003 FBB Marketing for GE Consumer Finance (Norway)
- 1999–2002: Customer Intelligence Manager for Comdirect Bank AG (Quickborn, Germany)
- 1997–1999: Market Researcher for Deutsche Herold Versicherungsgruppe der Deutschen Bank (Bonn, Germany)
- 1995–1997: Business Development Manager for Raab Karcher (Frankfurt am Main, Germany)

Mr. Gloe holds membership in the Partner's Board of the Bank's four subsidiaries, Swiss Auto Lease 2012-1 GmbH (in liquidation), Swiss Auto Lease 2013-1 GmbH, Swiss Auto Lease 2015-1 GmbH and Swiss Auto Lease 2016-1 GmbH.

Name	Dr. Emanuel Hofacker
Nationality	Swiss
Appointed	2014
Position	General Counsel

Dr. Emanuel Hofacker

Swiss national and resident, born in 1968

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

Professional experience:
- 2012–2014: Chief Compliance Officer of Cembra Money Bank AG (former GE Money Bank AG)
- 2011–2012: Senior Legal Counsel of DKSH Holding Ltd (Zurich, Switzerland)
- 2010–2011: Collections Leader of GE Money Bank AG (Zurich, Switzerland)
- 2006–2010: Senior Legal Counsel & Deputy General Counsel at GE Money Bank AG
- 2005–2006: Legal Counsel Operations at GE Money Bank AG
- 2002–2005: Associate with Prager Dreifuss Law Firm (Zurich, Switzerland)
- 1998–2001: Court Clerk and deputy district judge at the Zurich District Court

Dr. Hofacker holds membership in the Partner's Board of the Bank's four subsidiaries, Swiss Auto Lease 2012-1 GmbH (in liquidation), Swiss Auto Lease 2013-1 GmbH, Swiss Auto Lease 2015-1 GmbH and Swiss Auto Lease 2016-1 GmbH. He is also member of the Bank's Pension Fund Board and Board member of IKO (Information Center regarding Consumer Loans Association).

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 Rules in the Articles of Incorporation on the Number of Permitted Activities pursuant to art. 12 para. 1 point 1 of the OaEC

The members of the Management Board may upon prior approval by the Board of Directors or the Compensation and Nomination Committee be involved in up to five Activities of which a maximum of one may be in a listed company. As with respect to the restrictions applicable to the members of the Board of Directors the following Activities do not fall under the above restrictions:
- Activities in entities controlled by the Group;
- Activities in entities controlling the Group; and
- Activities in associations, charitable institutions as well as welfare and pension institutions.

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

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

4.4 Management Contracts

The Bank has not entered into management contracts with third parties in 2016, and no such contracts are in place as per 31 December 2016.

5 Compensation, Shareholdings and Loans

Information about compensation, shareholdings and loans can be found in the Compensation Report starting on page 83.

6 Shareholders' Rights of Participation

6.1 Voting Rights and Representation Restrictions

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

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

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

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

Each shareholder may only be represented at a General Meeting by:
- The Independent Proxy by means of a written or electronic proxy; or
- By a third party, who need not to be a shareholder, by means of a written proxy.

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

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 have the Shares represented in a General Meeting if he or she provides in writing to the Bank with name, address and shareholding of the person(s) for whose account he or she holds 0.5 % or more of the Bank's total outstanding share capital.

6.2 Statutory Quorums

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

6.3 Convocation of the General Meeting

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

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 aggregate, at least 10 % of the Bank's share capital registered in the commercial register.

6.4 Inclusion of an Item on the Agenda

One or more shareholders holding Shares with an aggregate par value of at least CHF 1,000,000 or representing at least 10 % of the Bank's share capital registered in the Commercial Register have the right to request that a specific proposal be put on the agenda for the next 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 purposes, however, no shareholders will be registered in the Share Register during the period beginning 10 days prior to a General Meeting and ending immediately after the closing of the respective General Meeting.

7 Changes of Control and Defence Measures

7.1 Duty to Make an Offer

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

7.2 Clauses on Changes of Control

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

The contracts of the Management Board do not make provision for any agreements in the case of a change of corporate control other than the accelerated vesting provision in the the Executive Variable Compensation Plan (“EVCP”) as further described in the section Compensation Report on page 83.

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 External Auditor

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

8.2 Auditing Fees

Expenses related to KPMG's financial and regulatory audit of the Group amounted to CHF 945,000 for the financial year 2016.

8.3 Additional Fees

Expenses related to gap analyses performed in the areas IT and corporate governance amounted to CHF 62,450 for the financial year 2016.

8.4 Informational Instruments Pertaining to an External Audit

The Audit and Risk Committee, acting on behalf of the Board of Directors, is responsible for overseeing the activities of the External Auditor. It monitors the qualification, independence and performance of the latter. This includes reviewing external audit reports as well as examining the risk analysis. The Audit and Risk Committee receives quarterly reports from representatives of the External Auditor and it discusses these reports and assesses their quality and comprehensiveness. During 2016, the Chief Auditor as well as the auditor in charge who represents the External Auditor attended all six meetings of the Audit and Risk Committee.

The Audit and Risk Committee recommended to the Board of Directors to approve the audited financial statements for the year ended 31 December 2016. The Board of Directors proposed the acceptance of the financial statements for approval by the General Meeting.

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

9 Information Policy

General Information

The Bank informs its shareholders and the public by means of the annual and half-year reports, letters to shareholders 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
→ Calendar & Events

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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).

03

Compensation Report

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Compensation Report

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

Dear Shareholders

On behalf of the Board of Directors and the Compensation and Nomination Committee ("CNC"), I am pleased to introduce the 2016 Compensation Report.

Cembra Money Bank ("Bank") delivered a strong performance in 2016 against the backdrop of regulatory headwinds such as the introduction of domestic interchange fee and the reduction of interest rate cap. With a net income of CHF 143.7 million and a corresponding return on equity ("ROE") of 17.4 %, we achieved very good results. Net financing receivables increased slightly to CHF 4,073 million despite subdued credit market. In terms of business development we renewed the contract with Migros prior to expiry and gained the French consumer retailer Fnac as new customer for our growing credit cards business. The Bank's good performance was also reflected in the share price which increased by 15 % in 2016.

These achievements are reflected in the compensation decisions for 2016. As a result of the strong financial performance, the total compensation for the Bank's Management Board was TCHF 3,891 for 2016, as compared to the budget of TCHF 5,300 comprising the fixed compensation approved by the General Meeting 2015 and the variable compensation approved by the General Meeting 2016. The total compensation in the previous year was TCHF 4,072 compared to an approved total compensation of TCHF 5,200.

To ensure the compensation system fulfils its purpose of supporting the achievement of our long-term business objectives and to ensure alignment of executive compensation with the interests of our shareholders, we:
- Regularly review our compensation policy;
- Maintain a compensation system that is premised on pay for performance;
- Clearly define the expected performance through a robust performance management process; and
- Pay market competitive compensation levels for comparable roles and experience.

For the further development of our compensation strategy, we consider the opinion of our stakeholders as relevant and highly valuable. Based on discussions with various stakeholders, the Board of Directors proposed at the General Meeting 2016 to implement a number of changes to the Bank's compensation system to align our structure with current best practices. The required amendments to the Bank's articles of incorporation ("Articles of Incorporation") were approved by the vast majority of shareholders. Following the shareholders' approval the following changes were implemented to further strengthen the alignment between shareholders and management:
- Since the General Meeting 2016, members of the Board of Directors receive one-third of their compensation in shares subject to a blocking period of five years;

- As of business year 2016, the Executive Variable Compensation Plan consists of a short-term incentive and a separate long-term incentive programme;
- For the short-term variable compensation, the performance is predominantly tied to financial results of the Bank and its divisions (70 % to 80 % weight) and the assessment of qualitative results (20 % to 30 % weight).
- Awards under the long-term incentive plan are granted in form of performance share units subject to a three-year performance-based cliff-vesting period. The performance conditions include relative total shareholder return and fully diluted earnings per share. This programme directly links the interests of the executives to those of the shareholders.

These changes to the compensation system are explained in further details in this compensation report. You will have the opportunity to express your opinion on the compensation programmes through a non-binding, consultative shareholders' vote at the General Meeting in April 2017. You will also be asked to vote on the maximum aggregate compensation amount for the Board of Directors for the General Meeting 2017 to General Meeting 2018 term of office and on the maximum aggregate compensation for the Management Board to be paid out in the financial year 2018.

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

Urs Baumann
Chairman of the Compensation and Nomination Committee

1 Compensation Policy and Guiding Principles

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

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

Pay for Performance in Alignment with the Bank's Values	We endorse a performance-oriented approach coupled with sound risk management practices. The compensation policy supports a culture that differentiates and rewards excellent performance and recognises behaviours in line with the Bank's values of customer focus, engagement, responsibility and diversity. Variable compensation of the Management Board is based on the achievements of the Bank's objectives as well as the individual performance. In order to avoid excessive risk taking, risk metrics and behaviours are included in the performance evaluation and the variable compensation payouts are capped.
Market Competitiveness and Fairness	We are committed to reward employees appropriately and competitively. The compensation guidelines ensure that compensation is based on the responsibilities and performance of the employees and is not influenced by gender or by non-performance-related criteria other than professional experience. In line with best practices the Bank regularly benchmarks the compensation for the Bank's executives to ensure that it is competitive and in line with the market developments in order to be able to attract and retain talented executives.
Good Governance Practice	We want to ensure that our compensation practices are transparent for the Bank's stakeholders and aligned with long-term shareholder interests. We act based on the compensation principles set out by FINMA and adhere to rules set by the Ordinance against Excessive Compensation in Listed Corporations ("OaEC"). The implementation of the principles of the FINMA Circular 2010/1 Remuneration Schemes is not mandatory for the Bank. However, since 2011 the Bank decided to comply with the most important standards defining minimum requirements for remuneration schemes applicable to financial institutions.

2 Compensation Governance

2.1 Compensation and Nomination Committee

According to the Articles of Incorporation, the Organisational Regulations and the CNC Charter, the functions, responsibilities and powers of the CNC essentially comprise the following elements:

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

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

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

The following table illustrates the role of the decision authorities between the CNC, the Board of Directors and the General Meeting in matters related to the compensation of the Board of Directors and the Management Board:

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

The CNC consists of at least two and maximum four members of the Board of Directors who are elected annually and individually by the General Meeting for a period of one year. Re-election is possible.

The CNC holds meetings as often as required, but at least once every quarter. During 2016, the CNC held six meetings and performed the following activities:
- Nomination of new Board of Directors members;
- Determination of Board of Directors compensation for following term of office;
- Determination of maximum aggregate compensation amounts of the Board of Directors and the Management Board for shareholders' vote at General Meeting;
- Succession planning for Management Board;
- Approval of the Bank's variable incentive compensation pool for the previous performance year and salary budget for 2016;
- Performance evaluation and determination of variable compensation payout for previous year of Management Board;
- Review of Executive Variable Compensation Plan;
- Goal setting 2016 for Management Board;
- Revision of Articles of Incorporation;
- Draft and approval of compensation report;
- Review of the CNC charter; and
- Determination of the CNC agenda for the following year.

Generally, meetings are attended by the Chairman of the Board of Directors, the CEO and the HR Director in advisory capacity. However, they do not take part in the section of the meetings where their own performance and/or compensation are discussed and have no voting rights. Other members of the Management Board and Board of Directors as well as other persons may be invited if deemed necessary. The Chairman of the CNC reports to the Board of Directors after each meeting on the activities of the CNC. The minutes of the CNC meetings are available to the members of the Board of Directors. The CNC may decide to consult an external advisor from time to time for specific compensation matters. In 2016, HCM International Ltd. was mandated to provide services related to executive compensation matters. This company does not have other mandates with the Bank. In addition, support and expertise are provided by internal compensation experts such as the HR Director and the Senior HR Manager Compensation & Benefits.

For further governance related information refer to section Corporate Governance starting on page 51.

2.2 Method of Determination of Compensation

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

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

2.3 Involvement of Shareholders

The role of shareholders on compensation matters has gained in importance in recent years. First of all, shareholders annually approve the maximum aggregate compensation amounts of the Board of Directors and the Management Board. In addition, the principles of compensation are governed by the Articles of Incorporation, which are also approved by the shareholders. The provisions of the Articles of Incorporation on compensation can be found on the Corporate Governance website (www.cembra.ch/en/investor/investor-relation/corporate-governance/articles-of-incorporation) and are summarised below:

- Compensation principles (Articles 25c, 25d, 25h, 25i): The compensation of the Board of Directors consists of fixed compensation only that may be paid in cash and in blocked shares. The compensation for the Management Board consists of a fixed and a variable compensation. Variable compensation may comprise short-term and long-term elements. Compensation may be paid in cash, shares or other benefits.
- Say-on-pay vote (Article 11a): Each year, the General Meeting approves separately the aggregate maximum amounts of the compensation of the Board of Directors pursuant to art. 25c for the term of office until the next ordinary General Meeting and of the compensation of the Management Board pursuant to art. 25d that is awarded or paid out in the subsequent business year following the General Meeting. Further, the General Meeting may express their views on the compensation architecture through a consultative vote on the compensation report.
- Additional amount (Article 25e): The Bank may award additional compensation to new members of the Management Board in the event that the members are appointed after the General Meeting has approved the aggregate maximum compensation. The additional aggregate compensation per year for all new members of the Management Board shall not exceed 30 % of the last aggregate maximum compensation amount approved by the General Meeting.
- Loans, credits and pension benefits: Members of the Board of Directors and of the Management Board may be granted loans, credits and pension benefits in an amount which in total shall not exceed 50 % of the last aggregate maximum compensation amount approved by the General Meeting. The payment of bridge or interim annuities by the Bank to members of the Management Board is possible between early retirement and the statutory retirement age.

3 Compensation of the Board of Directors

3.1 Compensation Architecture for the Board of Directors

Members of the Board of Directors receive only fixed compensation to ensure their independence in their supervisory duties towards the Bank's executive management. The members of the Board of Directors do not receive any variable compensation or pension benefits. The member of the Board of Directors who is employed and compensated by General Electric Group is not allowed to receive any compensation nor reimbursement for cash expenses from the Bank for his service.

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

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

The pay structure (base and committee fees), pay mix (cash or equity) and levels of compensation are based on a benchmarking study conducted in 2015 by the independent advisors of HCM International Ltd. based on listed financial institutions that belong to the 100 biggest companies in Switzerland in terms of market capitalisation. This market comparison group has been further refined by the exclusion of cantonal banks, real estate companies and owner-managed institutions. The final comparison group consisted of 17 companies: Baloise Group, Credit Suisse Group, EFG International, GAM Holding, Helvetia, Julius Baer, Leonteq, LLB, Pargesa, Partners Group, Swiss Life, Swiss Re, UBS, Valiant, Vaudoise Assurances, Vontobel and Zurich Insurance Group. For defining the total compensation levels at the Bank individual company benchmark data has been size-adjusted.

The guiding principles for the fee structure were defined as follows:
- For all members of the Board of Directors, total compensation shall be at or below the market benchmark; and
- The internal pay equity ratios between the Chairman of the Board of Directors, the Vice-Chairman of the Board of Directors and the ordinary Board of Directors members shall be maintained at comparable market level.

Structure of the Board of Directors Compensation:

In TCHF	Basic Fee	Committee / Chair Fee
Chairman of the Board of Directors [1]	450	
Member of the Board of Directors	100	
Vice-Chairman		30
Chairman of the Audit and Risk Committee		65
Chairman of the CNC		50
Member of the Audit and Risk Committee		35
Member of the CNC		30

[1] *The Chairman of the Board of Directors is not eligible for additional committee fees*

As part of the revised compensation system, and in line with market best practice, the Board of Directors has decided that as of the General Meeting 2016 one third of their compensation is delivered in Cembra Money Bank AG shares blocked for a period of five years during which they cannot be sold, transferred or pledged. Should the Board member not be standing for re-election at the General Meeting, the initial blocking period will be lifted, but the shares will remain blocked for the earlier of two years after such date or the regular expiry of the blocking period. In case of death, disability or change of control, the blocking period may be lifted immediately.

3.2 Compensation awarded to the Board of Directors for 2016

The following tables disclose the compensation awarded to the members of the Board of Directors for 2016 and 2015, respectively. For 2016, members of the Board of Directors received a total compensation of TCHF 1,231 (previous year TCHF 940). The increase is mainly driven by the following factors:

- The replacement of Richard Laxer who left the Bank effective 1 September 2015 and did not receive any compensation by the Bank with a new Board member who is compensated by the Bank effective from the General Meeting 2016 onwards. This means from a compensation perspective, there was one additional member in 2016 compared to 2015;
- Full-year compensation for one board member who was elected at General Meeting 2015 compared to a pro-rata compensation in previous year; and
- The implementation of the new fee structure as of 1 October 2015.

For the year ended 31 December 2016 (CHF)							
Name	**Function**	**Basic Fee**	**Committee/ Chair Fee**	**Employer Social Security Contributions**	**Total**	**Thereof in Shares in TCHF[5]**	**Number of Shares**
Dr. Felix Weber	Chairman	450,000	–	25,688	475,688	101,374	1,327
Christopher Chambers[1]	Vice-Chairman, Member CNC	32,418	19,451	28,363	80,231	–	–
Denis Hall[2]	Member Audit and Risk Committee	–	–	–	–	–	–
Prof. Dr. Peter Athanas[3]	Chairman Audit and Risk Committee, Member CNC	100,000	74,725	12,511	187,236	37,170	487
Urs Baumann	Chairman CNC	100,000	50,000	7,929	157,929	33,791	443
Dr. Monica Mächler	Member Audit and Risk Committee	100,000	35,000	9,514	144,514	30,412	398
Katrina Machin[4]	Member CNC	63,272	19,916	10,393	93,580	27,729	363
Ben Tellings[4]	Member CNC	67,582	20,275	4,129	91,986	29,285	384
Total compensation of the members of the Board of Directors		**913,271**	**219,366**	**98,527**	**1,231,165**	**259,762**	**3,402**

1 *Member of the Board and the CNC until 27 April 2016*
2 *Employed and compensated by General Electric Group*
3 *Member CNC until 27 April 2016*
4 *Member since 27 April 2016*
5 *Calculation is based on share price of CHF 76.45 – volume-weighted average price ("VWAP") 60 trading days before grant date 1 March 2017 (source: Bloomberg). Due to the blocking period statutory withholdings are made on discounted share value. The discount is 25.274% according to the table published by the Zurich tax office.*

For the year ended 31 December 2015 (CHF)						
Name	**Function**	**Basic Fee**	**Committee/ Chair Fee**	**Employer Social Security Contributions**	**Expense Allowance**	**Total**
Dr. Felix Weber	Chairman	327,603	–	21,039	3,750	352,392
Christopher Chambers[1]	Vice-Chairman	137,500	15,000	18,097	3,750	174,347
Denis Hall[2]	Member Audit Committee	–	–	–	–	–
Richard Laxer[3]	Member CNC	–	–	–	–	–
Prof. Dr. Peter Athanas[4]	Chairman Audit Committee, Member CNC	137,500	23,750	11,177	–	172,427
Urs Baumann[5]	Chairman CNC	135,361	12,500	–	–	147,861
Dr. Monica Mächler[6]	Member Audit Committee	77,885	8,750	6,114	–	92,749
Total compensation of the members of the Board of Directors		**815,848**	**60,000**	**56,428**	**7,500**	**939,777**

1 *Chairman CNC until 29 April 2015*
2 *Employed and compensated by General Electric Group*
3 *Employed and compensated by General Electric Group. Board member until 1 September 2015*
4 *Member of the CNC from 1 September 2015 until 27 April 2016*
5 *Member of the Audit Committee until 28 April 2015. Since 29 April 2015 Chairman of the CNC. From 1 January until 30 June 2015 payments were made directly to employer Bellevue Group.*
6 *Member since 29 April 2015*

Total compensation (including pre-estimated social security contributions) for the period from the General Meeting 2016 to the General Meeting 2017 for the Board of Directors will amount to TCHF 1,296 and is within the maximum aggregate compensation amount of TCHF 1,400 approved by the General Meeting on 27 April 2016.

Reconciliation between the reported Compensation of the Board of Directors and the Amounts approved by the Shareholders at the General Meeting

	Compensation earned during financial year as reported (A)	Less compensation earned from Jan to AGM of financial year (B)	Plus compensation accrued from Jan to AGM of year following financial year (C)	Total compensation earned for the period from AGM to AGM (A-B+C)	Amount approved by shareholders at respective AGM	Ratio between compensation earned for the period from AGM to AGM versus amount approved by shareholders
AGM 2016–AGM 2017	2016	1 Jan 2016 to 2016 AGM	1 Jan 2017 to 2017 AGM	2016 AGM to 2017 AGM	2016 AGM	2016 AGM
Board of Directors (total)	**1,231,165**	**380,159**	**444,600**	**1,295,606**	**1,400,000**	**93 %**
AGM 2015–AGM 2016	2015	1 Jan 2015 to 2015 AGM	1 Jan 2016 to 2016 AGM	2015 AGM to 2016 AGM	2015 AGM	2015 AGM
Board of Directors (total)	**939,777**	**281,831**	**380,159**	**1,038,105**	**1,400,000**	**74 %**

Compensation of Members of the Board of Directors who left the Bank during the Reporting Period

No such compensation was paid during the reporting period.

Other Compensation, Fees and Loans to Members or Former Members of the Board of Directors

No other compensation or fees than the amounts reported in the tables above were accrued for, or paid to, any member or former member of the Board of Directors during the reporting period. For details related to loans outstanding as of 31 December 2016 please refer to section 6 "Loans and Credits: Amounts due to/from Members of Governing Bodies".

Compensation or Loans to Related Parties

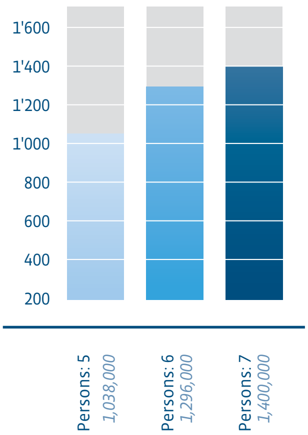
No compensation or loans have been paid or granted, respectively, to persons related to current or former members of the Board of Directors, which are not at arm's length.

Clauses on Changes of Control

The contracts of the members of the Board of Directors (including the Chairman of the Board of Directors) do not make provision for any agreements in the case of a change of corporate control (change of control clauses) other than the lifting of the blocking period for shares as described in section 3.1.

Total Compensation Board of Directors

in TCHF



Total Compensation Board AGM 2015 to AGM 2016

Total Compensation Board AGM 2016 to AGM 2017

Approved Budget for AGM 2016 to AGM 2017

4 Compensation of the Management Board

4.1 Compensation Architecture for the Management Board in 2016

The compensation of the Management Board is governed by the provisions in the Articles of Incorporation, the individual employment contracts, the Executive Variable Compensation Plan ("EVCP") and internal directives such as the Fringe Benefit Policy.

In 2015 the CNC mandated HCM International Ltd. to conduct a benchmark analysis of the compensation structure and instruments applicable to the Management Board. As a result of this analysis, the compensation structure has been fundamentally changed in order to strengthen the alignment with shareholder's interest, the linkage between performance and pay, and to ensure competitive compensation practice. Some adjustments were implemented in 2015 already and further changes have been introduced in 2016 such as the split of the former EVCP into two separate components (short-term incentive ("STI") and a long-term incentive ("LTI")). The required amendments to the Bank's Articles of Incorporation were approved by the shareholders at the General Meeting 2016.

The compensation of the Management Board consists of the following elements:
– A fixed annual compensation (base salary);
– A variable incentive compensation awarded in form of an annual STI in cash and an equity-based LTI ; and
– Benefits such as pension and other benefits.

The table below provides an overview of the compensation architecture for the Management Board as of 2016:

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

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

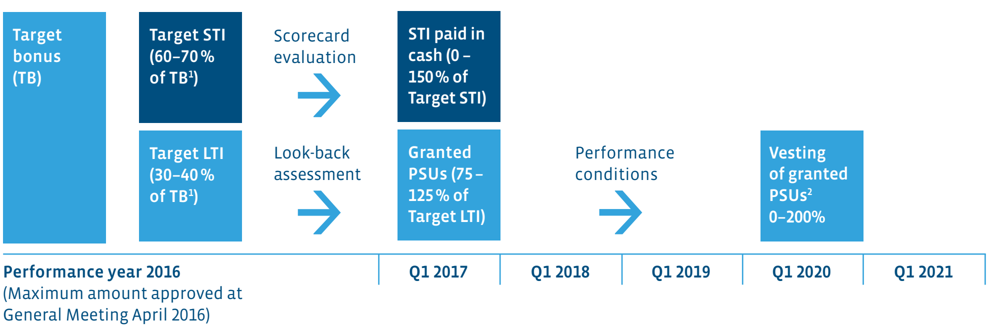
To determine the compensation levels for the members of the Management Board, the benchmark methodology of Hay Group is being used. The following companies were selected as peer group: Allreal Holding, Baloise Holding, Bank Coop, Bank Linth LLB, Edmond de Rothschild Suisse, EFG International AG, GAM Holding, Helvetia Holding, Hypothekarbank Lenzburg, Intershop Holding, Leonteq, Mobimo Holding, PSP Swiss Property, Schweizerische National-Versicherungs-Gesellschaft, Swiss Prime Site, Swissquote Group Holding, Valiant Holding, Vaudoise Assurances Holding, Vontobel Holding, VZ Holding, WIR Bank Genossenschaft, Bombardier Transportation Financial Services S.à.r.l., Credit Suisse Group, COFRA Holding, Helvetia Versicherungen, LeasePlan Schweiz, Lloyds TSB Bank plc., Partners Group Holding, PSA Finance Suisse, Swiss Life, Swiss Re, UBS and Zurich Insurance Group. The last benchmark study was performed in 2015 by Hay Group and was used as a basis for decisions on compensation for 2016.

Annual Base Salary
Annual base salaries are established on the basis of the following factors:
- Scope, size and responsibilities of the role, skills required to perform the role;
- External market value of the role; and
- Skills, experience and performance of the individual in the role.

Executive Variable Compensation Plan
The variable compensation is governed by the internal EVCP guideline. The EVCP is applicable to the senior management team (“SMT”) of the Bank including the Management Board. The purpose of the EVCP is to reward for the Bank’s success and individual contributions of the participants, as well as to drive long-term shareholder value creation in a sustainable manner.

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

Executive Variable Compensation Framework



[1] The target bonus is split into a target STI and a target LTI depending on function (CEO: 60 %/40 %, Management Board: 70 %/30 %)
[2] Vesting of PSUs settled in shares

Short-term Incentive ("STI")

The STI is designed to reward the individual performance over a time horizon of one year based on the Bank's results. It allows the Senior Management Team to participate in the Bank's success while being rewarded for individual contributions.

The target STI amounts to 60 % of the target bonus for the CEO and to 70 % for the other Management Board members. The payout may vary between 0 % and 150 % of target depending on the performance achievement.

The performance is assessed through a scorecard evaluation based on the achievement of:
- The financial goals of the Bank;
- The financial goals of the respective division; and
- Qualitative goals.

The Goals and their Weighting are illustrated below:

	Goal	Weight CEO	Weight Management Board excl. CEO[1]
Bank financial goals	Net Income Net Revenues	80 %	50 %
Divisional financial goals[2]	As defined in the scorecard approved by the Board of Directors	–	20 %
Qualitative goals	Customer Satisfaction Employee Commitment Leadership & Values	20 %	30 %

[1] *These are the target weightings of the new compensation system. In 2016 for the Managing Director B2B Retail the Banks financial goals had 45 % weight and the divisional financial goals 25 % weight.*
[2] *For enabling functions partially qualitative.*

The weightings under the new structure have been implemented in line with corporate governance best practice and shareholders' expectations. The STI is fully settled in cash and is usually paid in March of the following year. It is subject to a stringent malus condition in case of financial loss at group or divisional level, breach of regulatory tier 1 ratio, compliance, risk, regulatory and reputational issues or incidents.

Long-term Incentive ("LTI")

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

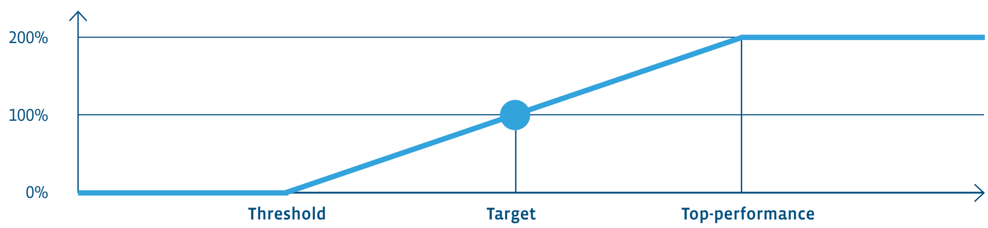
The target LTI amounts to 40 % of the target bonus for the CEO and to 30 % for the other Management Board members. The individual target LTI may be increased or decreased by up to 25 %, based on a strategic look-back assessment of the Bank's performance by the Board of Directors. The look-back assessment considers, among others, the following factors:
- Overall market positioning of the Bank (e.g., market share development, brand reputation);
- Quality of earnings (e.g., sustainability of income drivers and price levels, financing structure and credit rating, digitisation and unit cost efficiency, quality of compliance and risk framework);

– Future strategy (e.g., strategic roadmap for profitable growth, execution of strategic projects, strategic financial targets, quality of succession planning);
– An assessment of the individual contributions of the participants.

The LTI is granted in form of PSUs by dividing the LTI grant value by the average of the daily volume weighted average share price during the 60 trading days before the grant date. The PSUs are subject to a three-year cliff vesting conditional upon the achievement of two performance conditions, both equally weighted:
– Relative total shareholder return (“rTSR”) compared to the SPI Financial Services Index over a three-year period; and
– Fully diluted earnings per share (“EPS”) using a three-year target of cumulative fully diluted EPS, as set by the Board of Directors. The weighted cumulative EPS result is calculated as the addition of the EPS in the first financial year (weighted at 33 %) plus the EPS in the second financial year (weighted at 67 %) plus the EPS in the third financial year (weighted at 100 %). This formula provides for more weight to the EPS reached in the later years of the vesting period.

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

Payout Factor of originally granted PSUs



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

Vesting of PSUs in Shares

Number of shares vested = Number of PSUs originally granted × Overall payout factor

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

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

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

	CEO		Management Board	
Target Bonus in % of Annual Base Salary	90%		50%	
	STI	LTI	STI	LTI
% of Target bonus	60%	40%	70%	30%
Target bonus as % of annual base salary	54%	36%	35%	15%
Cap at grant in % of annual base salary	81%	45%	53%	19%
Payout/vesting range in % of annual base salary	0–81%	0–90%[1]	0–53%	0–38%[1]

[1] *Not taking into account any increase in the underlying share price.*

Performance Objectives under STI and LTI

Due to the commercial sensitivity of financial and qualitative objectives under the STI and LTI, they are not being disclosed ex ante in the compensation report. However, the payout level of the variable compensation in the reporting year is explained and commented on in section 4.2.

Benefits

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

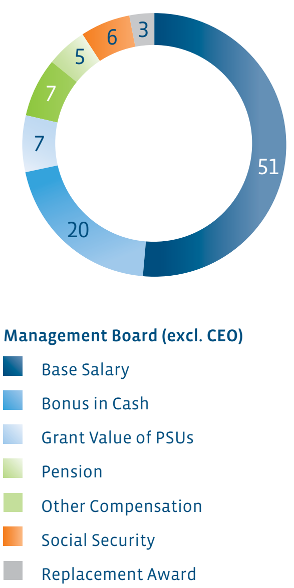
Members of the Management Board may also receive certain executive benefits such as company car and other benefits in kind. In case of employees who have been relocated from abroad, benefits may also include schooling, housing and tax support. The monetary value of these other elements of compensation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

Employment Contract Termination Clauses/Notice Periods and Severance Agreements of the Management Board

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

Performance Year 2016
Compensation Structure

in %



Clauses on Changes of Control

The contracts of the Management Board do not make provision for any agreements in the case of a change of corporate control (change of control clauses) other than the accelerated vesting provision in the EVCP as described in section 4.1. For further information refer to section Corporate Governance starting on page 51.

4.2 Compensation Awarded to the Management Board for 2016

The total compensation paid to the active members of the Management Board for the performance year 2016, respectively 2015, is disclosed in the table below.

For the performance year ended 31 December (CHF)			**2016**			**2015**
	CEO	**Management Board**	**Total Compensation**	**CEO**	**Management Board**	**Total Compensation**
Base Salary	630,000	1,106,587	1,736,587	561,000	1,164,504	1,725,504
Social Security	60,465	90,379	150,844	58,738	122,097	180,835
Pension Plan [1]	108,324	157,256	265,580	145,638	158,887	304,524
Other Compensation [2]	206,737	117,141	323,878	197,745	371,302	569,046
Retention Payments [3]	–	–	–	–	112,000	112,000
Replacement Award [4]	–	69,965	69,965	–	–	–
Total Fixed Compensation	**1,005,526**	**1,541,327**	**2,546,854**	**963,120**	**1,928,789**	**2,891,909**
STI / EVCP paid in cash [5]	464,778	437,220	901,998	404,313	358,967	763,280
LTI / EVCP granted in PSUs / RSUs	219,113	150,432	369,545	199,606	153,907	353,512
- Number of PSUs / RSUs granted [6]	2,967	2,037	5,004	3,206	2,472	5,678
- Value per PSU / RSU [7]	73.85	73.85	73.85	62.26	62.26	62.26
Social Security	38,902	33,354	72,255	33,970	28,849	62,820
Total Variable Compensation for the Performance Year	**722,793**	**621,006**	**1,343,799**	**637,889**	**541,723**	**1,179,612**
Total Compensation for the Performance Year	**1,728,319**	**2,162,333**	**3,890,652**	**1,601,009**	**2,470,512**	**4,071,521**
Number of persons receiving compensation [8]			6			5

1 *2016 payroll correction of 2015 pension contributions due to salary change on 1 October 2015*
2 *Includes certain benefits for relocated employees such as housing allowance and school fees as well as other benefits such as company cars*
3 *2015 Retention Payments refer to GE Money Bank Retention Programme 2013 with the award being payable 24 months after the IPO under the condition of an active employment*
4 *Replacement Award for the CFO for forfeiture of deferred equity awards with previous employer. Award is granted in RSUs in August 2016 with a vesting period of 3 years after grant date.*
5 *Paid out in March 2017, respectively March 2016*
6 *PSUs granted in 2017 for the performance year 2016 and RSUs granted in 2016 for the performance year 2015*
7 *PSUs for 2016: Fair Market Value is based on the risk-adjusted volume-weighted average price (“VWAP”) 60 trading days before grant date 1 March 2017 (CHF 76.45 – source: Bloomberg) using a Monte Carlo simlulation algorithm. RSUs for 2015: Average share price of February 2016*
8 *6 persons in 2016 because of new hire of CFO effective 1 August 2016 and active employment contract with previous CFO until 31 March 2016*

Highest Total Compensation

Robert Oudmayer, CEO, received the highest total compensation in 2016. For compensation details, please refer to the table above.

Compensation of Management Board Members who left the Bank during the Reporting Period

No compensation was paid in 2016 to former Management Board members who left the Bank in the performance year 2016 (previous year TCHF 258 were paid to a former Management Board member).

Explanation of Deviations versus the Previous Year:

- The total compensation of the Management Board members for the performance year 2016 amounts to TCHF 3,891 (previous year TCHF 4,072).
- The total fixed compensation of the members of the Management Board for the business year 2016 amounts to TCHF 2,547 (previous year TCHF 2,892). This amount is within the maximum fix compensation amount of TCHF 3,100 approved by the General Meeting 2015. The total fixed compensation for the CEO increased slightly due to changes in his employment contract effective 1 October 2015 to align with market practices. The fixed compensation of the other members of the Management Board decreased compared to previous year because special benefits for relocated employees were discontinued for the CFO-function.
- The total variable compensation for the performance year 2016 amounts to TCHF 1,344 (previous year TCHF 1,180), which is below the amount of TCHF 2,200 approved by the General Meeting 2016 as part of the total fixed and variable compensation of the Management Board. For the performance year 2016, the variable compensation amounted to 35% of the total compensation (compared to 29 % in 2015). The increase in variable cash compensation amount is due to the fact that the previous CFO did not receive a variable compensation for the performance year 2015 and that the 2016 financial year has been a strong year for the Bank despite challenging market circumstances.
- Please note that due to the implementation of the new LTI programme, the effective amount of variable compensation in 2016 is not directly comparable with the previous years, as the final value of PSUs granted under the new programme is subject to performance conditions.

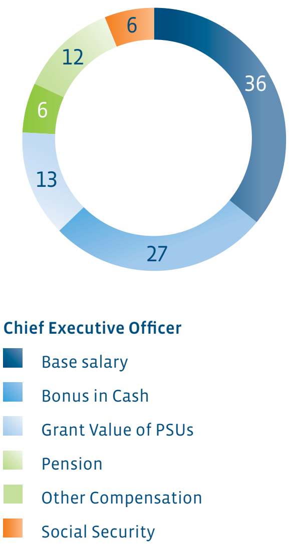
Assessment compared to Plan

The individual overall short-term incentive payout percentage which is based on the achievement of Bank and divisional financial goals as well as qualitative KPIs ranged from 110 % to 137 % in 2016 for the members of the Management Board including the CEO.

The long-term incentive grant for the performance year 2016 has been approved by the Board of Directors at 100 % based on the strategic look-back assessment. The final value of this grant will be determined by the performance conditions outlined in the section “Long-term Incentive (LTI)”.

Performance Year 2016 Compensation Structure

in %



	Assessment compared to plan			
	Goal	**Threshold**	**Target**	**Cap**
STI	Net Income			x
	Net Revenue			x
	Divisional Goals		x	
	Qualitative Goals		x	
LTI	Strategic look-back assesment		x	

Vesting Schedule of PSU and RSU Grants

Plan	Grant Year	Vesting Year 1st tranche	Vesting Year 2nd tranche	Vesting Year 3rd tranche	Number of RSUs Vested 2016	Value at vesting 2016 (in CHF)[1]
EVCP 2013	2014	2015	2016	2017	1,939	125,841
EVCP 2014	2015	2016	2017	2018	2,112	137,069
EVCP 2015	2016	2018	2019	2020	n / a	n / a
EVCP 2016[2]	2017	n / a	n / a	2020	n / a	n / a

[1] *EVCP vesting on 1 March 2016 valued with share price of CHF 64.90*
[2] *3-year-cliff vesting on 1 March 2020*

Other Compensation, Fees and Loans to Members or former Members of the Management Board

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

For details related to loans outstanding as of 31 December 2016 please refer to section 6 “Loans and Credits: Amounts due to/from Members of Governing Bodies”.

Compensation or Loans to Related Parties

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

5 Compensation Awarded to All Employees in 2016

The structure of compensation of all employees is as follows:

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

The following table includes information regarding the aggregated compensation awarded to all employees for the business years 2016 and 2015, including compensation for members of the Management Board. The Bank had 705 and 715 employees (full-time equivalents) as of 31 December 2016 and as of 31 December 2015 respectively.

For the performance year ended 31 December	**2016**		**2015**	
	Amount (in TCHF)	**Eligible Employees (FTE)**	**Amount (in TCHF)**	**Eligible Employees (FTE)**
Base Salaries	71,475		71,340	
Variable Compensation [1]	4,964	208	4,969	209
Total	**76,439**	**705**	**76,309**	**715**

[1] *Includes annual variable incentive payments for Management Board, other senior management team members and middle management as well as sales incentive payments for the performance year 2016, respectively 2015.*

6 Shareholdings and Loans and Credits of Members of the Board of Directors and Management Board

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

Shareholdings of the Board of Directors

At 31 December		2016		2015	
Name	**Function**	**Number of shares**	**Number of blocked shares**	**Number of shares**	**Number of RSUs**
Dr. Felix Weber	Chairman	7,250	–	7,250	–
Christopher M. Chambers [1]	Vice-Chairman	n/a	n/a	5,000	–
Denis Hall	Member	–	–	–	–
Prof. Dr. Peter Athanas	Member	–	–	–	–
Urs Baumann	Member	7,200	–	7,200	–
Dr. Monica Mächler	Member	–	–	–	–
Katrina Machin [2]	Member	–	–	n/a	n/a
Ben Tellings [2]	Member	–	–	n/a	n/a

[1] *Member until 27 April 2016*
[2] *Member since 27 April 2016*

The members of the Board of Directors do not hold any share options as of 31 December 2016 and as of 31 December 2015 respectively.

Shareholdings and Unvested Performance Share Unit and Restricted Stock Unit Ownership of the Management Board

At 31 December		2016			2015	
Name	**Position**	**Number of shares**	**Number of RSUs**	**Number of PSUs**	**Number of shares**	**Number of RSUs**
Robert Oudmayer	CEO	5,807	6,121	–	3,880	4,842
Rémy Schimmel [1]	CFO	–	1,042	–	n/a	n/a
Volker Gloe	CRO	2,742	1,660	–	2,218	1,316
Dr. Emanuel C. Hofacker	General Counsel	1,026	1,379	–	631	1,045
Daniel Frei	Managing Director B2B Retail	2,855	1,782	–	2,255	1,507
Antoine Boublil [2]	CFO	n/a	n/a	n/a	2,271	1,508

[1] *Since 1 August 2016*
[2] *Until 31 March 2016*

The members of the Management Board do not hold any share options as of 31 December 2016 and as of 31 December 2015 respectively.

Loans and Credits: Amounts due to/from Members of Governing Bodies

At 31 December (CHF in thousands)	**2016**	**2015**
Amounts due from members of governing bodies	21	10
Amounts due to members of governing bodies	912	376

Amounts due from members of governing bodies as of 31 December 2016 are in connection with credit card balances. Amounts due to members of governing bodies relate to personal savings accounts.

KPMG

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

We have audited the compensation report of Cembra Money Bank AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 3.2, 4.2 and 6 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2016 of Cembra Money Bank AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Cataldo Castagna
Licensed Audit Expert
Auditor in Charge

Daniel Merz
Licensed Audit Expert

Zurich, 23 March 2017

04

Risk Management

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Risk Management

Risk Management

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

The Group ensures relevant legal and regulatory requirements are complied with at all times. In accordance with its strategic objectives, risk appetite and tolerance levels the Group prudently takes, controls and monitors its risks.

The Group actively, comprehensively and systematically manages risk and promotes a strong risk and control culture across all business areas. The established risk management process comprises four core elements:
- Identification of risks across all business activities;
- Assessment and measurement of risks, including stress testing;
- Limitation and mitigation of risks; and
- Effective controls and monitoring.

Risks are managed primarily at Group level and additionally at Bank level if deemed necessary by the management or the regulator.

Risk Governance Structure

The Board of Directors is ultimately responsible for determining the Group's risk strategy, risk appetite and corresponding tolerance levels. It has established an effective internal control system to continually assess and control material risks and to oversee the Group's risk profile and implementation of the risk management framework and strategies.

The Group has established a risk appetite framework including integrated tolerance levels and limits to control overall risk taking. The risk appetite statement contains a diverse set of quantitative metrics and qualitative statements across various risk categories. It 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. The risk profile is assessed versus the risk appetite and risk exposures are monitored versus risk limits on a regular basis. Summary reports are reviewed by the Audit and Risk Committee and reported to the Board of Directors.

The Group has set regulations governing the risk management and control processes to ensure that all material risks are recorded and supervised. These processes are supported by a framework of approved policies and directives, which describe the principles guiding the Group's attitude and propensity to risk.

In delegation of the Board of Directors, the Group has established four working committees:

Committee	Risk Category
Credit Committee	Credit Risk
Asset & Liability Management Committee ("ALCO")	Asset & Liability Management, Market & Liquidity Risk, Capital Management
Controllership Council & Enterprise Risk Management Committee	Corporate Governance, Compliance & Operational Risk Management, Internal Control System
Security Council	Physical Security, Business Continuity Management, Disaster Recovery & IT Security

The Group's risk and control framework operates along three lines of defence:
- First Line: Business functions are responsible for ensuring that a risk and control environment is established and maintained as part of day-to-day operations;
- Second Line: Control functions provide independent control and oversight of risks; and
- Third Line: The internal audit function evaluates the overall effectiveness of the control environment and provides additional independent assurance.

The Group's adoption of the three lines of defence model ensures the segregation between the direct accountability for risk decisions, the setting and oversight of risk management and the independent assurance on the effectiveness of risk management. Internal policies and directives detail the expected principles of risk management and control for each risk category.

Credit Risk

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

As per the delegation from the Board of Directors, the Credit Committee serves as the decision-making body for credit decisions and regularly reviews the Group's credit risk performance. The Credit Committee is responsible for making credit decisions on individual counterparties and existing programme renewals which are not within the authority delegated to the Chief Risk Officer (CRO), but within the authority determined by the Board of Directors. The Credit Committee is chaired by the CRO who, along with the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), are mandatory members for decision making.

The guidelines for credit decisions for new product introductions, existing programme renewals, as well as the individual counterparty credit approvals are described within a credit competency policy. Delegated credit competency authorities are actively monitored and reviewed regularly to ensure alignment with the risk appetite.

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

The credit capacity of consumers is further evaluated according to the legal regulations of the Swiss Consumer Credit Act. Internal models determine the credit amount based on the risk profile of the customer. Manual underwriting complements the automated system decision in cases where additional information may be required.

The quality of portfolios and specific customer segments are thoroughly and periodically assessed. The quality and performance of new business is monitored to ensure that the credit approval process continues to effectively mitigate credit risk and underwriting procedures are being correctly followed. Scorecards are regularly monitored and backtested to ensure their performance remains 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 behaviours and to ensure optimal resource allocation and effective mitigation of credit risk.

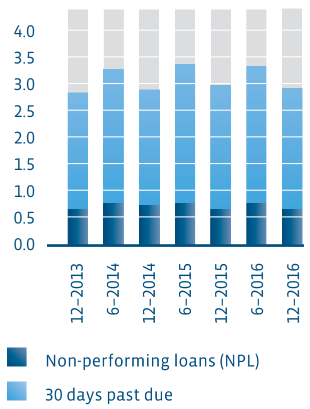
For its lending products, the Group uses consumer ratings (CR) to assess overall credit quality. There are five consumer ratings, each having an implied probability of default based on historical default experience, with a default definition of 90 days past due. The Group's total financing receivables (before allowance for losses) at 31 December 2016 and 2105 are distributed along the CR as follows:

At 31 December 2016	Personal loans	Auto leases and loans	Credit cards	Total
CR1	47.5 %	55.8 %	76.8 %	56.0 %
CR2	29.7 %	30.7 %	17.8 %	28.0 %
CR3	18.2 %	11.0 %	5.0 %	13.0 %
CR4	4.5 %	1.9 %	0.3 %	2.7 %
CR5	0.1 %	0.6 %	0.0 %	0.3 %

At 31 December 2015	Personal loans	Auto leases and loans	Credit cards	Total
CR1	41.9 %	56.8 %	77.0 %	53.3 %
CR2	31.6 %	32.1 %	17.9 %	29.7 %
CR3	21.3 %	8.1 %	4.9 %	13.5 %
CR4	5.0 %	2.1 %	0.3 %	3.1 %
CR5	0.2 %	0.8 %	0.0 %	0.4 %

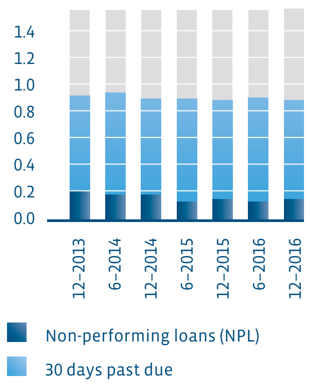
Personal loans

Delinquencies in %



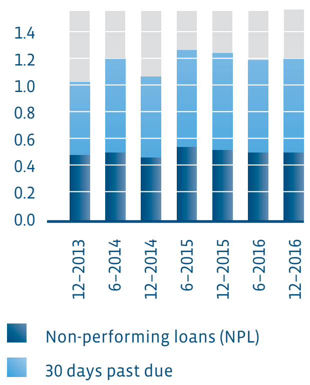
Auto leases and loans

Delinquencies in %



Credit cards

Delinquencies in %



More details on CRs and implied probability of default are described in the Consolidated Financial Statements on page 129.

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

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

ALM, Market and Liquidity Risk

Asset and liability management (ALM) forms part of the Group's risk management framework and can be considered as the coordinated management of various inherent risk types, such as liquidity, funding and market risk, in order to achieve the Group's objectives whilst operating within prudent and predetermined risk limits and concentrations. The ALCO is the decision-making committee for asset and liability management activities, as per the delegation from the Board of Directors. The ALCO has overall responsibility for the administration of finance policies, its monitoring and reporting. It is chaired by the CFO and requires the mandatory attendance of the CEO and CRO.

Liquidity and Funding Risk

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

The Group's liquidity risk appetite is defined by the Board of Directors and forms the basis for the Group-internal liquidity risk management strategy, the liquidity related directives and the risk steering and control process. The 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 the Liquidity Ordinance (LiqO SR 952.06), FINMA circulars and are in accordance with the defined liquidity risk appetite.

As an independent listed entity, the Group aims to maintain a highly conservative liquidity profile; this approach is viewed as an essential safeguard in protecting the reputation of the Group as a stable institution. The Management Board ensures that adequate liquidity levels are maintained 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 maintains a robust stable funding structure. In order to withstand an extended period of limited access to the wholesale funding markets, the Group proactively seeks reduced reliance on short term, potentially volatile sources of funding. The Group actively averts building up concentration risk and strategically diversifies its investor base across different business sectors, by individual counterparty, by maturity buckets and across various categories of debt instruments.

The Group emphasises risk mitigation through forward-looking analysis rather than after-the-fact assessment. Therefore the overall condition of funding markets is regularly monitored and assessed against market-wide and Group-specific early warning indicators to ensure the Group's ability to access funding. This is 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 liquidity risk. Consequently the Group has developed a comprehensive process for managing its liquidity in case of plausible, but stressed market situations of differing magnitudes. This ensures the Group has sufficient controls and mitigation procedures in place to prevent or alleviate the consequences of stressed market conditions. The Group's contingency funding plan is influenced by the results of stress testing scenarios and integrated into the Business Continuity Management framework. The plan is tested annually and results are reviewed within ALCO and reported to the Security Council. Stress testing results along with other regulatory liquidity measures, such as minimum reserve, Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") are an essential component to the Group's liquidity management and are reviewed regularly by the ALCO and Board of Directors.

As per FINMA requirement, the Group reports LCR on a monthly basis to the Swiss regulator. The Group's average LCR for 2016 was 712 %[1], well above the 2016 regulatory requirement of 70 % and the 2019 requirement of 100 %.

The NSFR complements the LCR as part of the liquidity regulations under Basel III. In September 2016 and based on June 2016 data, the Group started to report NSFR on a quarterly basis to the Swiss regulator. The Group's NSFR as of 31 December 2016 is 118 %, well above the recommended limit of 100 %.

Market Risk

Market risk encompasses the risk of financial losses due to adverse movements in the market prices. The Group's business model leads to a limited exposure to market risk factors. The Group's main source of market risk is interest rate risk ("IRR"). IRR is the risk of a potential reduction in earnings and/or capital that stems from changes in the prevailing market interest rates that is borne by interest-sensitive assets, liabilities and capital.

IRR has various primary components and is not simply linked to falling or rising rates of interest. Due to the Group's predominately fixed interest rate assets and liabilities, it is mainly exposed to re-pricing risk. This is the risk of adverse consequence due to increasing or decreasing interest rates because of difference in time of when these rate changes affect the Group's assets and liabilities. The Group faces relatively low option and basis risk. Consequently, the Group focuses IRR monitoring on repricing risk.

[1] *Average of the quarterly LCR as required by the FINMA circular 2016/1*

The Group actively monitors and manages IRR performance against internally defined triggers. As per the regulatory requirement the Group reports calculated values of economic value of equity (lifetime) and earnings at risk (next 12 months) on a weekly basis. As of 31 December 2016, the Group does not employ hedging instruments to manage IRR.

Foreign exchange (FX) risk is the financial risk from adverse movements in the exchange rate on operations denominated in a currency other than the base currency of the company. The Group operates predominantly in the Swiss consumer lending market, borrows and lends exclusively in Swiss Francs. Therefore, the foreign exchange risk exposure of the Group is minimal and is limited to supplier invoices denominated in foreign currencies. FX exposure is monitored closely against internally set triggers and the Group would take immediate corrective action if limits are exceeded. As of 31 December 2016, the Group does not use hedging instruments to manage its FX risk.

Operational Risk and Other Risks

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

Key instruments:
- Risk & Control Self-Assessment: group-wide assessment of the likelihood and potential impact of operational risks
- Key Risk Indicators: regularly monitored risk metrics that serve as early warning indicators for potentially material operational risks
- Loss Data Collection: historical dataset of loss events used to identify operational risks deriving from process inefficiencies or control gaps
- External Events Analysis: external operational risk events applicable to the Group's risk profile analysed to identify emerging operational risks.

The Group is exposed to a wide variety of operational risks, including technology and cyber security risk that stem from dependencies on information technology, third-party suppliers and the telecommunications infrastructure. Information security, data confidentiality and integrity are of critical importance and the Group has implemented an enhanced and comprehensive framework aiming to ensure the protection of client identifying data.

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 the Swiss Bankers Association, the Group has implemented a BCM programme, including the identification of critical processes and their dependency on systems, applications and external vendors. The Group's BCM framework encompasses planning, testing and other related activities. The framework aims at ensuring that business critical functions will either continue to operate in spite of a serious incident, or will be recovered to an operational state within a reasonably short period of time after such an incident occurred. The Group maintains a comprehensive crisis management plan that defines processes to be followed in case of a business emergency. The plan aims to safeguard the continuity of the Group's activities and to control any damages in the event of a significant business interruption. The status of the BCM programme and results of the disaster recovery and business continuity tests are reviewed by the Security Council.

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

Compliance risk is the risk of legal or regulatory sanctions, reputational damage and financial forfeiture or material loss deriving from violations of laws and regulations, internal policies or prescribed best practice, professional and ethical standards. The Group acknowledges the increasing importance of behavioural compliance related to conduct risk in the banking sector and addresses it within the provisions of the Group's Code of Conduct. For operational independency, the Group has a separate Legal and Compliance function. It effectively manages, controls, monitors and reports legal and compliance risks and ensures that the Group's business activities adhere to all relevant legal requirements, regulatory standards and requirements for an effective corporate governance. Strategic risk is defined as possible losses that arise from uncertainties or untapped opportunities inherent in the Group's strategic intent. Reputational risk is the risk of losses resulting from damages to the Group's reputation. The Management Board directly manages and supervises strategic risk, business risk and reputational risk. Recognising the fact that reputational risk can be difficult to quantify and arises as a consequence of another materialised risk, the Group manages reputational risk jointly with other risks by assessing the inherent reputational impact.

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 fulfils the qualitative and quantitative requirements of Capital Adequacy Ordinance (CAO 952.03).

Capital Adequacy Ratio (CAR)

As of 31 December 2016 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 2016, the Group's Tier 1 capital ratio was 20.0 %.

Leverage Ratio

The Basel Leverage standard supplements the Basel III risk-adjusted capital standards, and serves as a backstop. The leverage ratio compares the Group's equity against its total asset base (considering off-balance sheet items) without any risk adjustment. As of 31 December 2016, the Group's leverage ratio was 15.4 %, well above the recommended 3.0 %.

Capital Planning

The Group prepares a three year capital plan annually and assesses the impact of several stress scenarios. As per FINMA requirement, the Group assesses its resilience to adverse macroeconomic conditions. In the 2016 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.

05

Management Discussion & Analysis

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Management Discussion and Analysis of Financial Condition and Results of Operations (Management Report)

Significant Developments

On 8 January 2016, Cembra Money Bank (hereafter referred to as “the Bank”, together with its subsidiaries, “the Group”) made a partial repayment of CHF 150 million on a loan from the General Electric Group (acting through its subsidiary GE Capital Swiss Funding AG; “General Electric Group”).

On 31 March 2016, the Bank announced that Rémy Schimmel has been appointed as the new Chief Financial Officer (CFO). He has assumed his position on 1 August 2016. He replaced Antoine Boublil who left the Group as of 31 March 2016.

On 15 April 2016, the credit rating agency Standard & Poor’s affirmed the Bank’s “A–” long-term counterparty credit rating. The outlook was revised from “negative” to “stable”.

On 27 April 2016, the Bank held its third General Meeting of Shareholders as a listed company in Zurich. All agenda items were approved including a dividend payment of CHF 94.5 million, or CHF 3.35 per share, which was paid out of the reserves from capital contributions. Additionally, both Katrina Machin and Ben Tellings were newly elected to the Board of Directors.

With effect from 1 May 2016, the Bank closed four smaller branches in Bellinzona, Frauenfeld, La Chaux-de-Fonds and Yverdon, reducing the number of branches to 21.

On 8 June 2016, the Bank announced the launch of its fourth auto lease Asset Backed Security (“ABS”) transaction and issued a fixed-rate senior note of CHF 200 million on the Swiss capital market with a legal maturity of ten years and an optional redemption date of 3 3/4 years from the date of issuance. The proceeds of the transaction were used to refinance the second ABS issued in 2013.

Since 1 July 2016, the new interest rate mechanism on consumer loans offered under the Consumer Credit Act (“CCA”) is in force. The interest rate on personal loans has been capped from 15 % to 3-months LIBOR (with a floor at 0 %) plus a 10 % surcharge resulting in a cap of 10 % as of 31 December 2016. Additionally, the respective maximum interest rate for credit card overdrafts has been reduced from 15% to 3-months LIBOR (with a floor at 0 %) plus a 12 % surcharge resulting in a cap of 12 % as of 31 December 2016, consequently. The Bank has adapted the pricing of its products accordingly.

On 8 July 2016, the Bank made a final repayment of CHF 100 million on the term loan from the General Electric Group resulting in the loan being fully repaid. The Bank also terminated the CHF 100 million revolving credit facility.
On 6 September 2016, the Bank successfully placed a CHF 200 million senior unsecured bond with a maturity of seven years (2016 – 2023) and a coupon of 0.18 %.

Mid November 2016, the Bank launched a new credit card programme with the French retail chain Fnac for the Swiss market.

On 18 November 2016, the Bank announced the extension of the co-operation with Migros on the Cumulus Mastercard programme ahead of schedule and until 2022.

As per 31 December 2016, the Bank closed three branches in Olten, Wetzikon and Montreux as part of the continuous review of the Bank's network. As per 1 January 2017, the Bank operates 18 branches.

Macroeconomic Environment

The Group operates predominantly in Switzerland and its financial performance is strongly influenced by macroeconomic factors, notably, economic trends and interest rates. The Group does not have financing receivables and only very limited expenses in foreign currencies. Therefore, the market fluctuations in the exchange rate of the Swiss Franc do not have a direct impact on the results of the Group. However, indirectly, the Group felt the implications of the strong Swiss Franc on the overall economy and consumer behaviour in its different business lines.

Gross Domestic Product Switzerland

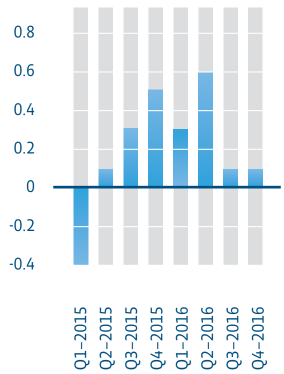
The development of the Swiss gross domestic product (GDP) is a key indicator for the Bank. In 2016, the Swiss GDP grew by about 1.3 % after having increased 0.8 % in 2015. Within the different contributors to Swiss GDP, the development of household expenditure is a key contributor for the consumption behaviour of consumers in Switzerland. Private consumption developed again positively in 2016 as demonstrated by the 1.2 % increase.

Interest Rates

Since beginning of 2015, interest rates in Switzerland are in negative territory with the Swiss National Bank ("SNB") targeting a range for the 3-month LIBOR of between –1.25 % and –0.25 %. Interest rates reached a new low in July 2016 after the referendum in the United Kingdom with the decision to leave the European Union ("Brexit") but slightly rose again on the long end of the curve on the back of the US elections in November 2016.
By the end of 2016 the Swiss Franc interest rate curve was still in negative territory up to eight years. On the one hand this enabled the Group to raise new funds at favourable conditions and to reduce its overall cost of funding. On the other hand this led to price pressure in some of the Group's product lines and additional expenses with the negative interest rate on the cash held with the SNB and other institutions.

Quarterly Swiss GDP

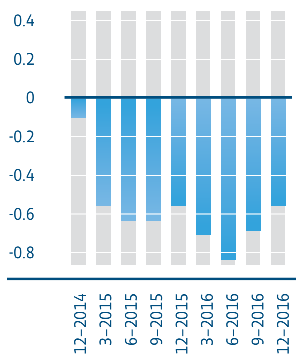
Change versus previous quarter (in %)



Source: SECO

CHF 3-year Swap Rate

in %

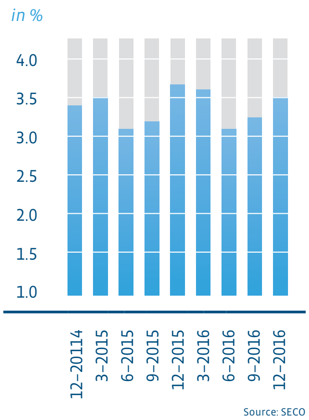


Source: Bloomberg

Unemployment Rate

The unemployment rate serves as an important indicator for the credit risk profile of the Group's customers. The average unemployment rate in Switzerland for 2016 remained low at 3.3 % and stood at 3.5 % at year-end 2016. This is almost unchanged compared to 2015 when the average unemployment rate was 3.2 % and 3.7 % at 31 December 2015. In line with the unemployment rate the Group's provision for losses remained stable at about 1 % of financing receivables.

Unemployment Rate in Switzerland



Product Markets

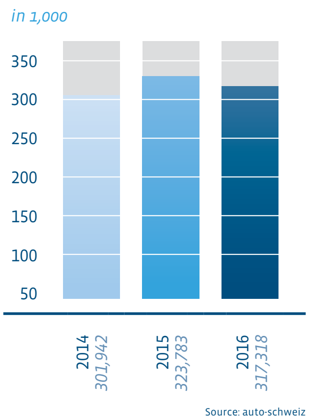
Consumer Loan Market

Despite a resilient development of private consumption, the Swiss consumer loan market has been declining for the seventh consecutive year. According to the "Verband Schweizerischer Kreditbanken und Finanzierungsinstitute" (VSKF), the Swiss consumer loan market declined by 2 % from CHF 7,172 million in 2015 to CHF 7,058 million in 2016. The number of contracts reduced by 3 % to 375,909 in 2016 from 387,433 in 2015. The Group's market share in the consumer loans market declined slightly in 2016 as a result of lower business with independent intermediaries, as per the plan.

Auto Market

The auto market returned to normal levels in 2016 after a very strong year 2015 as a result of the reduction in car prices following the strengthening of the Swiss Franc. The registrations of new cars fell by 2 % to 317,318 compared to 2015, according to "auto-schweiz" (association of official Swiss car importers) statistics. The market for used cars, on the contrary, reached a new record with 873,586 (up 2 %) used cars sold in 2016 in Switzerland according to statistics from "Eurotax Schweiz" (independent provider of automotive market data). Overall, used cars account for 60 % of the auto lease and loan portfolio and new cars account for 40 %. According to data from VSKF, the outstanding leasing volume in Switzerland decreased in 2016 by 1 % to CHF 8,381 million compared to CHF 8,445 million in 2015. The number of leasing contracts declined in 2016 by 1 % to 587,553.

New Car Registrations

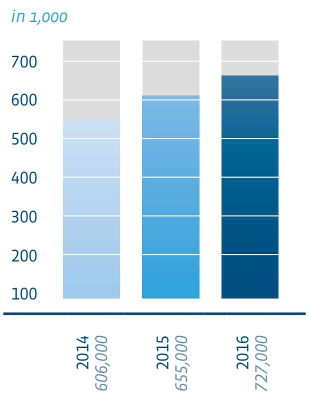


Credit Card Market

The positive trend continued in the credit card market in 2016. According to the SNB statistics, the number of issued credit cards in Switzerland increased by 2 % to 6.3 million. The number of transactions increased by 16 % from 296.5 million in 2015 to 344.7 million in 2016 driven by the strong development of contactless payments (near field communication, NFC). About 90 % of all credit cards in Switzerland are equipped with a NFC chip and around 16 % of all domestic credit card transactions were initiated contactless in 2016. Overall, the transaction volume increased by 6 % to CHF 36.8 billion.

The Group's credit cards business continued to outgrow the market and the Group gained further market share in 2016. The number of issued credit cards grew by 11 %, or 72,000, to 727,000 cards compared to year-end 2015. The Group's market share increased to about 11 %.

Number of Issued Credit Cards



Results of Operations

Key Figures

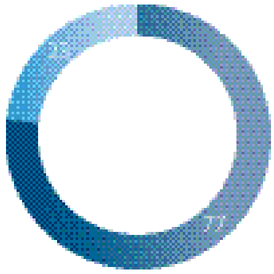
For the years ended 31 December	**2016**	**2015**
Net revenues (CHF in millions)	394.0	388.7
Net interest income (CHF in millions)	297.7	301.9
Net income (CHF in millions)	143.7	145.0
Cost/income ratio	42.5 %	41.5 %
Net interest margin	7.2 %	7.3 %
Return on average shareholders' equity (ROE)	17.4 %	17.7 %
Return on average assets (ROA)	3.0 %	3.0 %
Ordinary dividend per share (CHF)[1]	3.45	3.35
Extraordinary dividend per share (CHF)[1]	1.00	–
Earnings per share (CHF)	5.10	5.04
At 31 December	**2016**	**2015**
Total assets (CHF in millions)	4,857	4,745
Net financing receivables (CHF in millions)	4,073	4,063
Total shareholders' equity (CHF in millions)	848	799
Tier 1 capital ratio	20.0 %	19.8 %
Employees (FTEs)	705	715

[1] *As proposed to the General Meeting*

Net revenues increased by 1 % from CHF 388.7 million to CHF 394.0 million in 2016 compared to prior year. Net interest income contributed 76 % (2015: 78 %) to net revenues while commission and fee income accounted for 24 % (2015: 22 %) of the revenues. The Group recorded a 1 % lower net income of CHF 143.7 million in 2016 compared to CHF 145.0 million in 2015. Earnings per share increased 1 % from CHF 5.04 in 2015 to CHF 5.10 in 2016 due to the accretion effect from the share buyback. Return on average shareholders' equity was 17.4 % in 2016 and 17.7 % in 2015 respectively, despite high Tier 1 capital ratios of 20.0 % and 19.8 % during those periods.

Net Revenues

in %



Net interest income

Commission and fee income

Balance Sheet Analysis

At 31 December (CHF in millions)	**2016**	**2015**	**Variance**	**in %**
Assets				
Cash and cash equivalents	669	572	97	17
Net financing receivables	4,073	4,063	10	–
Personal loans	1,720	1,784	– 64	– 4
Auto leases and loans	1,641	1,661	– 20	– 1
Credit cards	711	617	94	15
Financial investments	12	–	12	–
Other assets	104	109	– 5	– 5
Total assets	**4,857**	**4,745**	**112**	**2**
Liabilities and equity				
Deposits and debt	3,874	3,817	57	1
Deposits	2,355	2,246	109	5
Debt	1,520	1,571	– 51	– 3
Other liabilities	135	129	6	5
Total liabilities	**4,009**	**3,946**	**63**	**2**
Shareholders' equity	848	799	49	6
Total liabilities and shareholders' equity	**4,857**	**4,745**	**112**	**2**

Net Financing Receivables

in %

Personal loans
Auto leases and loans
Credit cards

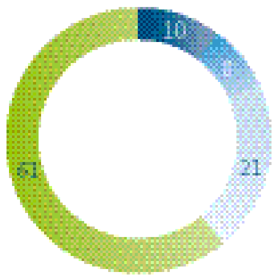
Net Financing Receivables

Net financing receivables amounted to CHF 4,073 million as at 31 December 2016, which is an increase of CHF 10 million compared to CHF 4,063 million as at 31 December 2015. At the end of 2016 the Group's personal loans accounted for 42 % (2015: 44 %), auto leases and loans accounted for 40 % (2015: 41 %), and the credit card business accounted for 18 % (2015: 15 %) of the total net financing receivables.

Receivables from personal loans declined 4 % to CHF 1,720 million. Auto leases and loans receivables were broadly unchanged at CHF 1,641 million at 31 December 2016 compared to CHF 1,661 million at year-end 2015. In 2016, credit cards receivables increased by 15 % from CHF 617 million at year-end 2015 to CHF 711 million at year-end 2016.

Funding Structure

in %



Asset Backed Securities (ABS)
Bank loans
Senior unsecured
Deposits

Funding

The Group continued the diversification of its funding structure during 2016. The deposits base grew by 5 % from CHF 2,246 million as at 31 December 2015 to CHF 2,355 million as at 31 December 2016. While the institutional deposit base was 2 % lower at CHF 1,415 million, retail deposits increased by 16 % to CHF 938 million.

The Group's debt (excluding deposits) reduced 3 % from CHF 1,571 million as at 31 December 2015 to CHF 1,520 million as at 31 December 2016. This was primarily driven by the repayment of the remaining CHF 250 million term loan to the General Electric Group during 2016. In 2016, the focus was to further optimise the funding cost whilst extending the overall maturity profile of the book and limiting maturity concentration. The Group successfully refinanced its maturing CHF 200 million auto lease ABS transaction in June 2016 and increased the maturity to 3.75 years, compared to three years. The Group returned to the capital markets in September 2016 and raised an additional CHF 200 million in unsecured bonds with seven year maturity to 2023.

Equity

Total shareholders' equity increased by CHF 49 million from CHF 799 million at year-end 2015 to CHF 848 million at 31 December 2016. The increase was mainly driven by the current year income of CHF 143.7 million and was partially offset by the dividend payment for the business year 2015 of CHF 94.5 million in May 2016.

Profit and Loss Analysis

For the years ended 31 December (CHF in millions)	**2016**	**2015**	**Variance**	**in %**
Interest income	324.3	338.3	– 14.0	– 4
Interest expense	– 26.5	– 36.4	– 9.9	– 27
Net interest income	**297.7**	**301.9**	**– 4.2**	**– 1**
Commission and fee income	96.3	86.7	9.6	11
Net revenues	**394.0**	**388.7**	**5.3**	**1**
Provision for losses on financing receivables	**– 44.6**	**– 43.6**	**1.0**	**2**
Compensation and benefits	– 100.4	– 99.8	0.6	1
General and administrative expenses	– 67.1	– 61.7	5.4	9
Total operating expenses	**– 167.5**	**– 161.5**	**6.0**	**4**
Income before income taxes	**181.9**	**183.6**	**– 1.7**	**– 1**
Income tax expense	– 38.2	– 38.5	– 0.3	– 1
Net income	**143.7**	**145.0**	**– 1.3**	**– 1**
Other comprehensive loss	– 0.1	– 10.4	– 10.3	– 99
Comprehensive income	**143.6**	**134.6**	**9.0**	**7**

Interest Income

For the years ended 31 December (CHF in millions)	**2016**	**2015**	**Variance**	**in %**
Personal loans	191.3	207.9	– 16.6	– 8
Auto leases and loans	83.5	85.4	– 1.9	– 2
Credit cards	51.6	45.7	5.9	13
Other	– 2.3	– 0.7	– 1.6	229
Total	**324.3**	**338.3**	**– 14.0**	**– 4**

Personal loans accounted for 59 % and 61 % of interest income in the years ended 31 December 2016 and 2015 respectively. Auto leases and loans accounted for 25 % of interest income in both years ended 31 December 2016 and 2015. Credit cards accounted for 16 % and 14 % of interest income in the years ended 31 December 2016 and 2015 respectively.

The Group's interest income declined by CHF 14.0 million, or 4 %, from CHF 338.3 million in 2015 to CHF 324.3 million in 2016. Other interest income included CHF 2.3 million expenses from the negative interest rate on the cash held with the SNB and other institutions. Interest income from personal loans decreased by CHF 16.6 million, or 8 %, from CHF 207.9 million in 2015 to CHF 191.3 million in 2016. This was due to the introduction of the new rate cap as of 1 July 2016 and subsequent lower pricing consequently. The yield reduced to 10.7 % from 11.2 % in 2015. Interest income from the Group's auto leases and loans decreased by CHF 1.9 million, or 2 %, from CHF 85.4 million in 2015 to CHF 83.5 million in 2016. The decrease was mainly driven by lower average interest rates on the lease and loan portfolio consequently. The yield declined 10 basis points to 5.0 %. Interest income from credit cards increased by CHF 5.9 million, or 13 %, from CHF 45.7 million in 2015 to CHF 51.6 million in 2016. This increase was primarily due to higher levels of credit card receivables as a result of an increase in credit card volumes. The yield remained unchanged at 7.7 %.

Interest Income

in % (excluding «other»)

Personal loans
Auto leases and loans
Credit cards

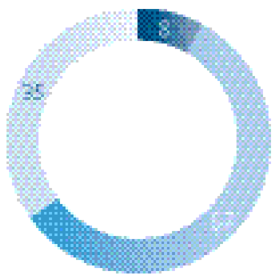
Cost of Funds

For the years ended 31 December (CHF in millions)	**2016**	**2015**	**Variance**	**in %**
Interest expense on ABS	2.2	3.0	– 0.8	– 27
Interest expense on deposits	15.0	16.2	– 1.2	– 7
Interest expense on debt	9.4	17.1	– 7.7	– 45
Total	**26.5**	**36.4**	**– 9.9**	**– 27**

The Group's overall cost of funds decreased by CHF 9.9 million, or 27 %, from CHF 36.4 million in 2015 to CHF 26.5 million in 2016. Interest expense on auto lease ABS decreased by 27 % to CHF 2.2 million. The decrease was mainly due to the refinancing of the first two ABS in 2015 and in 2016 at more attractive conditions (coupons of 0.22 % and 0.23 % respectively). Interest expense on deposits decreased by 7 %, or CHF 1.2 million, to CHF 15.0 million as a result of favourable market conditions and natural repricing of the deposit portfolio at lower rates, despite an increase in the balances across the portfolios.

Cost of Funds

in %



ABS
Deposits
Debt

The total interest expense on debt decreased by CHF 7.7 million, or 45 %, from CHF 17.1 million in 2015 to CHF 9.4 million in 2016. The reduction was mainly driven by the refinancing of existing debt at attractive market conditions.

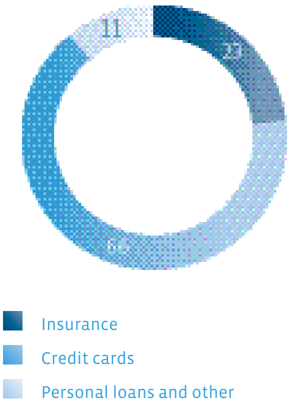
Commission and Fee Income

For the years ended 31 December (CHF in millions)	2016	2015	Variance	in %
Insurance	21.9	20.7	1.2	6
Credit cards	63.5	55.5	8.0	14
Personal loans and other	10.9	10.6	0.3	3
Total	**96.3**	**86.7**	**9.6**	**11**

The Group's commission and fee income increased by CHF 9.6 million, or 11 %, from CHF 86.7 million in 2015 to CHF 96.3 million in 2016. The increase was mainly due to a 14 %, or CHF 8.0 million, increase in fee income on credit cards. The negative effect from lower domestic interchange fees was more than compensated by the effect of the growing credit card portfolio and cross-border transactions. Insurance income, mainly revenues from PPI products (Payment Protection Insurance), increased by CHF 1.2 million, or 6 % to CHF 21.9 million as a result of higher profit share. The increase in fees from personal loans and other of 0.3 million to CHF 10.9 million was mainly attributable to fee initiatives.

Commission and Fee Income

in %



Provision for Losses on Financing Receivables

For the years ended 31 December (CHF in millions)	2016	2015	Variance	in %
Provision for losses on personal loans	31.3	29.9	1.4	5
Provision for losses on auto leases and loans	6.4	5.2	1.2	23
Provision for losses on credit cards	6.8	8.6	– 1.8	– 21
Total	**44.6**	**43.6**	**1.0**	**2**

The Group's provision for losses on financing receivables increased by CHF 1.0 million, or 2 %, from CHF 43.6 million in 2015 to CHF 44.6 million in 2016. On personal loans the increase in the provision for losses on financing receivables was CHF 1.4 million. While lower recoveries were offset by lower write-offs the allowance for losses decreased by CHF 1.1 million in 2016 compared to CHF 2.7 million in 2015. On auto leases and loans the provision for losses on financing receivables ended in 2016 CHF 1.2 million higher than in 2015. The increase was predominantly driven by lower recoveries on the assets that have been written off in previous periods. The provision for losses on financing receivables for credit cards decreased by CHF 1.8 million in 2016 compared to 2015. Increasing recoveries in a growing portfolio are the main driver behind this development.

Overall, the Group's loss rate in 2016 was 1.1 % of financing receivables which is in line with 2015. Delinquency metrics of 30 days past due (1.8 % as of 31 December 2016) and non-performing loans (0.4 % as of 31 December 2016) remained stable when compared to 2015.

Compensation and Benefits

For the years ended 31 December (CHF in millions)	2016	2015	Variance	in %
Compensation and benefits	**100.4**	**99.8**	**0.6**	**1**

The Group's compensation and benefits increased by CHF 0.6 million, or 1 %, from 99.8 million in 2015 to CHF 100.4 million in 2016. The increase was mainly attributable to higher pension cost of CHF 3.0 million as a result of a lower discount rate partially offset by lower costs for recruitment, salaries and social contributions.

The average number of employees (full-time equivalent - FTE) was 705 in 2016 compared to 709 in 2015. The average cost per FTE was TCHF 142 in 2016 and TCHF 141 in 2015, driven by the pension cost increase.

Operating Expenses

in %

Compensation and benefits

General and administrative expenses

General and Administrative Expenses

For the years ended 31 December (CHF in millions)	2016	2015	Variance	in %
Professional services	9.0	10.9	– 1.9	– 17
Marketing	6.6	7.7	– 1.1	– 14
Collection fees	5.7	6.7	– 1.0	– 15
Postage and stationery	8.6	7.7	0.9	12
Rental expense under operating leases	6.0	5.6	0.4	7
Depreciation and amortisation	7.8	4.5	3.3	73
Information technology	24.1	14.6	9.5	65
GECC assessment / TSA	–	2.2	– 2.2	– 100
Other	– 0.7	1.8	– 2.5	–
Total	**67.1**	**61.7**	**5.4**	**9**

The Group's general and administrative expenses increased by CHF 5.4 million, or 9 %, from CHF 61.7 million in 2015 to CHF 67.1 million in 2016. Costs from professional services of CHF 9.0 million declined 17 %, or CHF 1.9 million, as a result of a lower number of IT projects in 2016 after the successful completion of the IT migration in 2015. Marketing expenses were 14 % or CHF 1.1 million lower in 2016 due to lower campaign costs. Collection costs were reduced by 15 %, or CHF 1.0 million, to CHF 5.7 million due to changes in the fee structure. Cost for postage and stationery increased by 12 % or CHF 0.9 million to CHF 8.6 million mainly due to the 11 % increase in the credit card portfolio. The increase in rental expenses by 7 % or CHF 0.4 million to CHF 6.0 million is related to one-off costs in connection with the closing of several branches in 2016. Increase in depreciation and amortisation was driven by the successful transition to a stand-alone operating IT platform that went live in the fourth quarter 2015. Slightly higher running costs of the independent IT infrastructure, one-off project expenses and the shift from TSA and professional services were the main drivers for the increase in the line Information technology to CHF 24.1 million. The transitional service agreement ("TSA") with the General Electric Group ended in the fourth quarter 2015. Hence, there were no more GECC assessment/TSA expenses recorded in 2016. The position Other included in 2015 Swiss issuance stamp tax associated with the sale of the remaining Cembra Money Bank shares by the General Electric Group in May 2015.

The cost/income ratio was 42.5 % in 2016 compared to 41.5 % in 2015 driven by a combination of higher cost partially offset by higher net revenues.

Income Tax Expense

For the years ended 31 December (CHF in millions)	**2016**	**2015**	**Variance**	**in %**
Income tax expense	**38.2**	**38.5**	**– 0.3**	**– 1**

The Group's income tax expense decreased by CHF 0.3 million, from CHF 38.5 million in 2015 to CHF 38.2 million in 2016, as a result of the 1 % lower income before taxes. The Group's effective tax rate in both 2016 and 2015 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.

Capital Position

At 31 December (CHF in millions)	**2016**	**2015**	**Variance**	**in %**
Risk-weighted assets	3,758	3,703	55	1
Tier 1 capital	753	733	20	3
Tier 1 ratio (in %)	20.0 %	19.8 %		

Risk-weighted assets increased by 1 % to CHF 3,758 million as per 31 December 2016 compared to CHF 3,703 million as per 31 December 2015. This was in line with the development of the net financing receivables, the higher average net revenues over the past three years and higher lending commitments. The Tier 1 capital grew by CHF 20 million, or 3 %, to CHF 753 million mainly as a result of the 2016 net income adjusted for the dividend payment proposed to the General Meeting in 2017. This resulted in a Tier 1 ratio of 20.0 % as per 31 December 2016; compared to a regulatory requirement of 11.2 % and the Bank's minimum target of 18.0 %.

The numbers published in the tables above are rounded in millions of Swiss Francs, therefore rounding differences can occur.

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Consolidated Statements of Income

For the years ended 31 December (CHF in thousands)	Notes	2016	2015
Interest income	19	324,257	338,340
Interest expense	20	– 26,511	– 36,395
Net interest income		**297,746**	**301,946**
Commission and fee income	21	96,260	86,739
Net revenues		**394,006**	**388,684**
Provision for losses on financing receivables	**3**	**– 44,557**	**– 43,642**
Compensation and benefits		– 100,398	– 99,794
General and administrative expenses	22	– 67,140	– 61,686
Total operating expenses		**– 167,538**	**– 161,480**
Income before income taxes		**181,910**	**183,562**
Income tax expense	14	– 38,204	– 38,547
Net income		**143,707**	**145,015**
Earnings per share			
Basic	13	5.10	5.04
Diluted	13	5.09	5.03

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Net income	143,707	145,015
Net prior service cost	– 336	– 509
Actuarial gain / (loss)	207	– 9,936
Unrealised gains / (losses) on investment securities	– 15	–
Total other comprehensive gain / (loss)	– 144	– 10,445
Comprehensive income	**143,563**	**134,570**

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Financial Position

At 31 December (CHF in thousands)	Notes	2016	2015
ASSETS			
Cash and cash equivalents		668,948	572,440
Financing receivables, net	3	4,072,617	4,063,251
Investment securities	4	11,961	–
Property, plant and equipment, net	5	4,912	5,334
Intangible assets, net	6	23,379	26,370
Other assets	7	67,161	70,156
Deferred income taxes	14	8,119	7,501
Total assets [1]		**4,857,097**	**4,745,053**
LIABILITIES AND EQUITY			
Deposits	8	2,354,569	2,246,247
Accrued expenses and other payables		91,967	89,362
Short-term debt	9	449,894	450,000
Long-term debt	9	1,069,868	1,120,715
Other liabilities	11	42,601	39,382
Total liabilities [1]		**4,008,899**	**3,945,705**
Common shares		30,000	30,000
Additional paid in capital (APIC)		390,931	485,351
Treasury shares		– 100,385	– 100,093
Retained earnings		561,154	417,448
Accumulated other comprehensive loss (AOCI)		– 33,501	– 33,358
Total shareholders' equity		**848,198**	**799,348**
Total liabilities and shareholders' equity		**4,857,097**	**4,745,053**

[1] *The Group's consolidated assets as at 31 December 2016 and 31 December 2015, include total assets of TCHF 487,550 and TCHF 527,211 respectively, of consolidated variable interest entities ("VIEs") that can only be used to settle the liabilities of the VIEs. The Group's consolidated liabilities as at 31 December 2016 and 31 December 2015 include liabilities of the VIEs of TCHF 398,238 and TCHF 398,935 respectively, for which the VIE creditors do not have recourse to Cembra Money Bank AG.*

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Shareholders' Equity

CHF in thousands	Common shares	Treasury Shares	APIC	Retained earnings	AOCI	Total equity
Balance at 1 January 2015	**30,000**	**– 1,952**	**563,631**	**273,609**	**– 22,913**	**842,375**
Net income	–	–	–	145,015	–	145,015
Dividends paid	–	–	– 93,000	–	–	– 93,000
Change in deferred tax assets related to tax goodwill	–	–	15,522	–	–	15,522
Change in APIC due to share based compensation	–	–	– 802	–	–	– 802
Treasury shares	–	– 98,141	–	–	–	– 98,141
Movements related to the Group's benefit plan obligation, net of deferred tax of 3,672	–	–	–	–	– 13,812	– 13,812
Reclassifications from accumulated other comprehensive loss net of deferred tax of –895 [1]	–	–	–	–	3,368	3,368
Other	–	–	–	– 1,177	–	– 1,177
Balance at 31 December 2015	**30,000**	**– 100,093**	**485,351**	**417,448**	**– 33,358**	**799,348**
Net income	–	–	–	143,707	–	143,707
Dividends paid	–	–	– 94,464	–	–	– 94,464
Change in APIC due to share based compensation	–	–	43	–	–	43
Treasury shares	–	– 292	–	–	–	– 292
Movements related to the Group's benefit plan obligation, net of deferred tax of 1,372	–	–	–	–	– 5,163	– 5,163
Reclassifications from accumulated other comprehensive loss net of deferred tax of –1,338 [1]	–	–	–	–	5,034	5,034
Unrealised gains / losses on available-for-sale debt securities, net of deferred tax of 4					– 15	– 15
Balance at 31 December 2016	**30,000**	**– 100,385**	**390,931**	**561,154**	**– 33,501**	**848,198**

[1] Reclassifications from accumulated other comprehensive loss related to the Group's benefit plan obligation are classified in the income statement under compensation and benefits.

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended 31 December (CHF in thousands)	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		143,707	145,015
Adjustments to reconcile net income to cash provided from operating activities:			
Provision for losses on financing receivables		44,557	43,642
Deferred income taxes		– 578	9,319
Depreciation		1,429	1,474
Amortisation of intangible assets		6,418	3,011
Decrease (–) / Increase in accrued expenses		2,605	– 13,813
Decrease / Increase (–) in tax receivables		2,939	2,121
Decrease / Increase (–) in other receivables		– 17,483	1,659
All other operating activities		6,085	9,423
Net cash provided by operating activities		**189,679**	**201,852**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net change in financing receivables	24	– 55,122	– 33,515
Proceeds from sale of loss certificates		1,198	218
Purchase of investment securities		– 11,961	–
Additions to property, plant and equipment		– 1,007	– 1,917
Decrease / Increase (–) in restricted cash		14,490	8,533
Additions to intangible assets		– 3,426	– 12,263
Net cash used in investing activities		**– 55,829**	**– 38,945**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in deposits		108,323	305,217
Issuance of non-recourse long-term borrowings		200,000	200,000
Issuance of long-term debt		200,000	275,000
Repayments of non-recourse borrowings		– 200,000	– 200,000
Repayments of short-term and long-term debt		– 250,000	– 600,000
Dividends paid		– 94,464	– 93,000
Purchase of treasury shares		– 292	– 100,000
All other financing activities		– 909	– 18
Net cash used in financing activities		**– 37,343**	**– 212,801**
Net increase / decrease (–) in cash and cash equivalents		**96,507**	**– 49,892**
CASH AND CASH EQUIVALENTS			
Beginning of the period		572,440	622,333
End of period		**668,948**	**572,440**
SUPPLEMENTAL DISCLOSURE			
Interest paid		– 25,633	– 34,866
Income taxes paid		– 35,946	– 15,494

See accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

Cembra Money Bank, which is headquartered in Zurich, Switzerland, comprises of Cembra Money Bank AG ("the Bank" or the parent company) and its subsidiaries Swiss Auto Lease 2012-1 GmbH in liquidation, Swiss Auto Lease 2013-1 GmbH, Swiss Auto Lease 2015-1 GmbH and Swiss Auto Lease 2016-1 GmbH (collectively "the Group"). The Group is one of the leading providers of financial services in Switzerland. The main products comprise loans, leasing, credit cards and saving products. The services are rendered at the Group's headquarters in Zurich as well as through 21 branches (18 branches as per 1 January 2017) in Switzerland.

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 the Swiss law. The Group's financial year ends on 31 December. The consolidated financial statements are stated in Swiss Francs (CHF) and have been derived from the historical accounting records. The abbreviation TCHF within these financial statements refers to thousands of Swiss Francs. The numbers published in the notes are rounded in thousands of Swiss Francs, therefore rounding differences can occur.

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 by the Financial Accounting Standards Board ("FASB"), in the Accounting Standards Codification ("ASC") 810, Consolidation, which are: (a) the entity has insufficient equity to allow it to finance its activities without additional subordinated financial support from other parties, or (b) the entity has equity investors that as a group cannot make significant decisions about the entity's operations or that do not absorb the expected losses or receive the expected returns of the entity. The Group is involved with VIEs through its lease securitisation 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. when the Group is determined to be the primary beneficiary of the VIE.

VIEs are continually monitored by the Group to determine if any events have occurred that could cause its primary beneficiary status to change. These events include:
- Additional purchases or sales of variable interests by the Bank or an unrelated third party, which cause the Bank's overall variable interest ownership to change;
- Changes in contractual arrangements in a manner that reallocates expected losses and residual returns among the variable interest holders;
- Changes in the party that has the power to direct the activities of a VIE that most significantly impact the entity's economic performance; and
- Providing support to an entity that results in an implicit variable interest.

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 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 2016 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 income as earned; revenue from cards insurance products due annually is amortised over 12 months. Fee revenues primarily comprise credit card fees, such as interchange and other fees, including reminder fees. Interchange and other card fees are recognised when earned, except for the origination and annual fees described under the section "Interest Income on Loans and Credit Cards". 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 future probable losses inherent in the portfolio. Losses on financing receivables are recognised when they are incurred. The method of calculating estimated losses depends on the size, type and risk characteristics of the related financing receivables. The Group's loan portfolio consists of smaller-balance, homogenous loans, including credit card receivables, personal loans, auto leases and loans. Each portfolio is evaluated for impairment on a quarterly basis. The allowance for losses on these financing receivables is established through a process that estimates the probable losses inherent in the portfolio based upon statistical analyses of portfolio data. These analyses include migration analysis, in which historical delinquency and credit loss experience is applied to the current ageing of the portfolio, together with other analyses that reflect current trends and conditions. Management also considers the Group's historical loss experience to date based on actual defaulted loans and overall portfolio indicators including nonaccrual loans, trends in loan volume and lending terms, credit policies and other observable environmental factors such as the unemployment rate or interest rate movements as well as future client payment behavior which is subject to management judgement.

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

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

"Troubled debt restructurings" ("TDRs") are loans or leases where the customer has experienced financial difficulties and is unable to meet the contractual obligations, and as a result the Group has granted concessions to the customer that it would not otherwise consider. The Group 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 instalment loans and consumer auto finance leases on the monthly write-off date after the contract reaches 120 days contractually past due and unsecured open-end revolving loans and commercial auto finance leases on the monthly write-off date after the contract reaches 180 days contractually past due. For credit cards, the 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 Sales 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. Restricted cash which is not available for use in the ordinary course of operations and is restricted in terms of withdrawal or usage, is classified in "Other assets".

Leases

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.

Investment Securities

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

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

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

Intangible Assets

The cost of intangible assets is amortised on a straight-line basis over their estimated useful lives. The remaining useful life of an intangible asset that is being amortised is evaluated each reporting period to determine whether the events and circumstances warrant a revision to the remaining period of amortisation. If the estimate of an intangible asset's remaining useful life is changed, the remaining carrying amount of the intangible asset shall be amortised prospectively over that revised remaining useful life. Amortisable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets include internally developed and capitalised software. See details as described in note 6.

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 share-based compensation programmes in place. 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 compensation cost for an award with only service conditions that has a graded vesting schedule is recognised on a straight-line basis over the requisite service period for each separately vesting portion of the award. The programmes are described in detail in note 23.

Treasury Shares

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

Pension Obligation

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 9 January 2015, the FASB issued the Accounting Standards Update ("ASU") 2015-01 "Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" to eliminate from US GAAP the concept of an extraordinary item, which is an event or transaction that is both unusual in nature and infrequently occurring. Under the ASU, an entity will no longer segregate an extraordinary item from the results of ordinary operations or separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; or disclose income taxes and earnings-per-share data applicable to an extraordinary item. This ASU is effective for annual periods beginning after 15 December 2015, and interim periods within those annual periods. The Group elected to early adopt the Standard as of 31 December 2015. There is no material impact on the Group's financial statements due to adoption of this ASU.

On 18 February 2015, the FASB issued ASU 2015-02 "Consolidation (Topic 810): Amendments to the Consolidation Analysis", which amends the consolidation requirements in ASC 810 and significantly changes the consolidation analysis required under US GAAP. The ASU changes the effect that fees paid to a decision maker or service provider have on the consolidation analysis. The Group adopted this standard as of 1 January 2016. There is no material impact on the Group's financial statements due to adoption of this ASU.

On 7 April 2015, the FASB issued ASU 2015-03 "Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs", which changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity will present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortisation of the costs will continue to be reported as interest expense. The Group adopted this standard as of 1 January 2016. Please refer to note 9 for details.

Recently Issued Accounting Standards to be Effective in Future Periods

On 5 January 2016, the FASB issued ASU 2016-01 "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" which makes limited amendments to the guidance on the classification and measurement of financial instruments. The new standard significantly revises an entity's accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The new standard is effective for fiscal years beginning after 15 December 2017, including interim periods therein. The Group is currently evaluating the impact of this new standard on its financial statements.

On 25 February 2016, the FASB issued ASU 2016-02 "Leases (Topic 842)", which introduces material changes to lease accounting. The guidance requires lessees to recognise most leases on their balance sheets. The guidance also eliminates today's real estate-specific provisions and changes the guidance on sale-leaseback transactions, initial direct costs and lease executory costs for all entities. For lessors, the standard modifies the classification criteria and the accounting for sales-type and direct financing leases. All entities will classify leases to determine how to recognise lease-related revenue and expense. Classification will continue to affect amounts that lessors record on the balance sheet. The standard is effective for annual periods beginning after 15 December 2018, and interim periods within those years. The Group is currently evaluating the impact of this new standard on its financial statements.

On 30 March 2016, the FASB issued ASU 2016-09 "Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" that provides guidance how companies account for certain aspects of share-based payments to employees. Entities will be required to recognise the income tax effects of awards in the income statement when the awards vest or are settled. The guidance is effective for fiscal years beginning after 15 December 2016, and interim periods within those fiscal years. The Group is currently evaluating the impact of this new standard on its financial statements.

On 14 April 2016, the FASB issued ASU 2016-10 "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" that clarifies guidance related to identifying performance obligations and licensing implementation guidance contained in the new revenue recognition standard. The effective date and transition requirements for the amendments in this ASU are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by ASU 2014-09). On 12 August 2015, the FASB issued ASU 2015-14, which defers the effective date of the Board's revenue standard, ASU 2014-09, by one year for all entities. The standard is effective for annual reporting periods beginning after 15 December 2017, including interim reporting periods within those periods. Early adoption is permitted as of annual reporting periods beginning after 15 December 2016, including interim reporting periods within those annual periods. The Group is currently evaluating the effect of adoption of the new standard on its financial statements.

On 16 June 2016, the FASB issued ASU 2016-13 "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which amends the guidance on the impairment of financial instruments. The ASU adds to US GAAP an impairment model, known as the current expected credit loss ("CECL") model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognises as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The ASU is also intended to reduce the complexity of US GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments. The standard is effective for annual periods beginning after 15 December 2020, and interim periods therein. The Group is currently evaluating the effect of adoption of the new standard on its financial statements.

On 17 November 2016, the FASB issued ASU 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash", which clarifies guidance on the classification and presentation of restricted cash in the statement of cash flows. Under the new guidance, an entity should include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. Changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows. The guidance is effective for fiscal years beginning after 15 December 2017, including interim periods therein. The Group is currently evaluating the effect of adoption of the new standard on its financial statements.

3. Financing Receivables and Allowance for Losses

As at 31 December 2016 and 2015 respectively, the Group's financing receivables included lending to private customers, vehicle lease financing and credit card financing as follows:

At 31 December (CHF in thousands)	**2016**	**2015**
Loans	2,695,204	2,654,911
Deferred costs, net	28,019	31,441
Total loans, including deferred costs, net	**2,723,223**	**2,686,352**
Investment in financing leases, net of deferred income	1,393,951	1,422,058
Financing receivables before allowance for losses	**4,117,175**	**4,108,410**
Less allowance for losses	– 44,557	– 45,159
Financing receivables, net	**4,072,617**	**4,063,251**

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)	**2016**	**2015**
Total minimum lease payments receivable	1,505,950	1,533,943
Deferred income [1]	– 111,998	– 111,885
Investment in direct financing leases	**1,393,951**	**1,422,058**
Less allowance for losses	– 4,791	– 4,817
Net investment in direct financing leases	**1,389,160**	**1,417,241**

[1] *Included TCHF 14,158 and TCHF 14,328 of initial direct costs on direct financing leases as at 31 December 2016 and 31 December 2015, respectively.*

The subsidiaries held TCHF 460,803 and TCHF 486,011 of net investment in direct financing leases as at 31 December 2016 and 2015 respectively, as collateral to secure third-party debt in securitisations. See note 17 to the consolidated financial statements for further details of securitisations.

As at 31 December 2016, the Group's contractual maturities for loans and financing leases were:

Due in (CHF in thousands)	**Loans**	**Minimum lease payments receivable**
2017	50,402	144,690
2018	160,309	260,362
2019	278,766	377,234
2020	385,295	448,195
2021	539,614	252,168
2022 and later	542,035	23,301
Credit cards and revolving loans	738,783	–
Total	**2,695,204**	**1,505,950**

Actual maturities may differ from contractual maturities.

The following table provides further information about financing receivables:

At 31 December (CHF in thousands)	2016	2015
Personal loans	1,751,350	1,816,898
Auto leases and loans	1,648,085	1,668,425
Credit cards	717,739	623,087
Financing receivables, before allowance for losses	**4,117,175**	**4,108,410**
Allowance for losses	– 44,557	– 45,159
Financing receivables, net	**4,072,617**	**4,063,251**

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

CHF in thousands	Balance at 1 January 2016	Provision for losses	Amounts written off	Recoveries	Other	Balance at 31 December 2016
Personal loans	32,542	31,341	– 78,130	45,674	–	31,427
Auto leases and loans	7,026	6,380	– 17,765	11,224	–	6,866
Credit cards	5,591	6,837	– 14,109	7,946	–	6,264
Total	**45,159**	**44,557**	**– 110,004**	**64,844**	**–**	**44,557**
As a % of total financing receivables, net						1.1 %

CHF in thousands	Balance at 1 January 2015	Provision for losses	Amounts written off	Recoveries	Other	Balance at 31 December 2015
Personal loans	35,216	29,851	– 79,077	46,551	–	32,542
Auto leases and loans	7,358	5,197	– 17,458	11,930	–	7,026
Credit cards	3,435	8,594	– 12,502	5,214	849	5,591
Total	**46,009**	**43,642**	**– 109,037**	**63,695**	**849**	**45,159**
As a % of total financing receivables, net						1.1 %

Credit Quality of Financing Receivables

The Group describes the characteristics of the financing receivables and provides information about payment performance, credit quality indicators and impairment. The Group manages these portfolios using delinquency and nonaccrual data as key performance indicators. The categories used within this section such as nonaccrual financing receivables are defined by the authoritative guidance and the Group bases the categorisation on the related scope and definitions contained in the related standards. The category of delinquent customer accounts is defined by the Group and is used in the process of managing the financing receivables. Definitions of these categories are provided in note 1.

Past Due Financing Receivables

The following table displays payment performance of our financing receivables as a percentage of loans and investment in direct financing leases:

	2016		2015	
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	2.9 %	0.6 %	2.9 %	0.6 %
Auto leases and loans	0.8 %	0.2 %	0.8 %	0.2 %
Credit cards	1.2 %	0.5 %	1.2 %	0.5 %
Total	**1.8 %**	**0.4 %**	**1.8 %**	**0.4 %**

Nonaccrual Financing Receivables

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

At 31 December (CHF in thousands)	2016	2015
Personal loans	10,750	11,283
Auto leases and loans	2,496	2,583
Credit cards	3,313	3,133
Total	**16,559**	**16,999**
Nonperforming loan coverage [1]	269.1 %	265.7 %

[1] *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.

	2016				
At 31 December (CHF in thousands)	*CR1*	*CR2*	*CR3*	*CR4*	*CR5*
Personal loans	832,578	519,423	319,312	79,071	967
Auto leases and loans	920,032	505,281	181,411	31,634	9,727
Credit cards	550,965	128,111	36,199	2,438	26
Total	**2,303,575**	**1,152,815**	**536,922**	**113,143**	**10,720**
As a % of total financing receivables before allowance for losses	56.0 %	28.0 %	13.0 %	2.7 %	0.3 %

	2015				
At 31 December (CHF in thousands)	*CR1*	*CR2*	*CR3*	*CR4*	*CR5*
Personal loans	761,311	574,921	387,896	89,951	2,818
Auto leases and loans	948,314	535,702	135,709	34,560	14,141
Credit cards	479,578	111,521	30,240	1,714	34
Total	**2,189,203**	**1,222,144**	**553,845**	**126,225**	**16,993**
As a % of total financing receivables before allowance for losses	53.3 %	29.7 %	13.5 %	3.1 %	0.4 %

4. Investment Securities

Investment securities are comprised of debt securities available for sale.

At 31 December (CHF in thousands)	2016	2015
Debt securities available-for-sale	11,961	–
Total investment securities	**11,961**	**–**

The following table summarises amortised cost, fair value and unrealised gains and losses of debt securities available for sale by category.

At 31 December (CHF in thousands)	2016				2015			
	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value
Debt securities issued by Swiss Cantons	2,051	2	–	2,053	–	–	–	–
Debt securities issued by Swiss municipal authorities	1,032	1	– 3	1,030	–	–	–	–
Debt securities issued by Swiss Mortgage institutions	8,897	10	– 29	8,878	–	–	–	–
Debt securities available-for-sale	**11,980**	**13**	**– 32**	**11,961**	**–**	**–**	**–**	**–**

The maturity of debt securities available for sale is presented in the table below:

	Amortised cost	Fair value
At 31 December (CHF in thousands)	2016	2016
within 1 year	–	–
from 1 to 5 years	11,980	11,961
from 5 to 10 years	–	–
after 10 years	–	–
Total debt securities	**11,980**	**11,961**

5. Property, Plant and Equipment

At 31 December (CHF in thousands)	**Estimated useful lives (years)**	**2016**	**2015**
ORIGINAL COST			
Buildings and improvements	(5 – 40)	5,596	8,488
Office equipment	(3 – 10)	7,286	7,095
Total		**12,882**	**15,583**
ACCUMULATED DEPRECIATION			
Buildings and improvements		– 3,014	– 5,542
Office equipment		– 4,956	– 4,707
Total		**– 7,970**	**– 10,249**
NET CARRYING VALUE			
Buildings and improvements		2,582	2,946
Office equipment		2,330	2,388
Total		**4,912**	**5,334**

Depreciation expense was TCHF 1,429 in 2016 and TCHF 1,474 in 2015, respectively. The Group did not recognise any impairment losses in both 2016 and 2015.

6. Intangible Assets

At 31 December (CHF in thousands)	**2016**	**2015**
Original cost	35,101	31,674
Accumulated amortisation	– 11,722	– 5,304
Net carrying value	**23,379**	**26,370**

Capitalised software is amortised over a useful life of one to five years. Amortisation expense related to intangible assets was TCHF 6,418 in 2016 and TCHF 3,011 in 2015. The weighted average amortisation period of intangible assets was five years as of 31 December 2016. The intangible assets comprise mainly of internally developed and capitalised software in connection with the IT transition programme following the IPO. As at 31 December 2016, the Group estimates the annual pre-tax amortisation for intangible assets over the next five years to be as follows:

CHF in thousands	**2017**	**2018**	**2019**	**2020**	**2021**
Estimated pre-tax amortisation	6,633	6,353	6,031	3,790	572

7. Other Assets

At 31 December (CHF in thousands)	**2016**	**2015**
Restricted cash	26,710	41,200
Tax receivables	15,468	18,407
Other receivables	22,250	4,767
Deferred expenses	1,204	4,348
Other	1,528	1,435
Total other assets	**67,161**	**70,156**

Restricted cash is not available for use in the ordinary course of operations and is restricted in terms of withdrawal or usage. The Group had TCHF 26,710 and TCHF 41,200 of restricted cash related to the consolidated VIEs (see note 17) as at 31 December 2016 and 2015, respectively.

The tax receivables as per 31 December 2016 consisted of VAT input tax. Other receivables have increased due to deposit on credit card settlement account.

8. Deposits

The following table shows the maturities of the Group's customers' saving deposits, term deposits and prepaid cards as at 31 December 2016 and 2015, respectively:

At 31 December (CHF in thousands)	**2016**	**2015**
On demand	202,778	192,614
Less than 3 months	255,943	164,586
3 to less than 6 months	292,639	268,282
6 to less than 12 months	429,515	535,166
12 months plus, thereof	1,173,695	1,085,599
due in 2017	–	453,292
due in 2018	405,768	165,958
due in 2019	142,928	119,935
due in 2020	147,759	82,842
due in 2021	117,014	33,686
due in 2022 and later	360,226	229,886
Total	**2,354,569**	**2,246,247**

There is no term maturity for on-demand saving deposits. All deposits are denominated in CHF. The weighted average interest rate on all deposits was approximately 0.59 % and 0.68 % as at 31 December 2016 and 2015, respectively.

9. Short-term and Long-term Debt

Short-term and long-term debt is shown below:

At 31 December (CHF in thousands)	*Maturity*	**2016** *Amount*	*Contractual interest rate*	**2015** *Amount*	*Contractual interest rate*
External debt (short-term)	2016	–	–	250,000	1.39 %
External debt (bank loan) (short-term)	2017	150,000	0.89 %	150,000	0.89 %
External debt (bank loan)	2018	150,000	0.42 %	150,000	0.42 %
thereof short-term portion	2017	50,000	–	–	–
External debt (unsecured bond) (short-term)	2017	249,894	1.13 %	249,778	1.13 %
External debt (unsecured bond)	2019	100,054	0.75 %	100,074	0.75 %
External debt (unsecured bond)	2021	175,000	0.50 %	175,000	0.50 %
External debt (unsecured bond)	2022	99,959	1.25 %	99,952	1.25 %
External debt (unsecured bond)	2023	200,000	0.18 %	–	–
Non-recourse borrowings (Auto ABS)[1]	2016	–	–	200,000	0.58 %
Non-recourse borrowings (Auto ABS)[1]	2019	200,000	0.23 %	200,000	0.23 %
Non-recourse borrowings (Auto ABS)[1]	2020	200,000	0.22 %	–	–
Less unamortised debt issuance costs[2]		– 5,145	–	– 4,089	–
Total short-term and long-term debt		**1,519,762**		**1,570,715**	

[1] *Related to consolidated VIEs.*
[2] *Debt issuance costs are presented within debt instead of other assets due to a new accounting standard. See note 2 for details.*

The contractual rate represents the interest due on the relevant debt at the reporting date, whereas the effective interest (all-in) rate reflects, in addition to the contractual interest rate, fees and debt issuance costs that are amortised over the expected life of the instrument. As per 31 December 2016 the Group has fixed rate funding only.

The Group defers the debt issuance costs and amortises them over the expected life-time of the relevant debt instrument. Due to a new accounting policy as described in note 2, debt issuance costs are presented within debt instead of other assets. As per 31 December 2016 and 2015 unamortised debt issuance costs amounted to TCHF 5,145 and TCHF 4,089, respectively. This resulted in a corresponding decrease in debt and other assets in the prior year period.

Commitment fees are recognised as incurred over commitment period.

The Group signed a TCHF 150,000 bilateral term loan with an international bank in 2014 with maturity in 2018. As at 31 December 2016, the facility was fully drawn with TCHF 50,000 drawn in 2014 (maturing in 2017) and the remaining TCHF 100,000 drawn in 2015 (maturing in 2018). All tranches under the facility bear interest on a fixed rate basis for 3 years from the time of drawing.

On 4 March 2015, the Group launched its third auto lease asset-backed security ("ABS") transaction and issued fixed-rate senior notes of TCHF 200,000 on the Swiss capital market with a legal maturity of ten years and an optional redemption date of four years from the date of issuance. The proceeds from this issuance were used to refinance the first ABS issued in 2012. On 23 March 2015, the TCHF 200,000 senior notes were fully repaid with no further amounts due to noteholders.

In July 2015, the Group signed a new revolving credit facility with a Swiss bank for a three year term. The new facility matures in 2018 and consists of a TCHF 100,000 unsecured commitment. As at 31 December 2016 the facility was undrawn and has an applicable commitment fee as at 31 December 2016 of 0.35 %.

On 4 January 2016, the Group signed a new revolving credit facility with a Swiss bank with a committed term until the end of 2018. The new facility consists of a TCHF 50,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.20 % p.a.

On 8 January 2016, the Group made a partial repayment of TCHF 150,000 on the term loan granted by the General Electric Group. Additionally, the Group reduced the revolving credit facility granted by the General Electric Group by TCHF 200,000. The Group made a final repayment of TCHF 100,000 on the term loan from the General Electric Group resulting in the loan being fully repaid on 8 July 2016. The Group also terminated the TCHF 100,000 revolving credit facility. There is no remaining commitment under the revolving credit facility as at 31 December 2016.

On 3 February 2016, the Group signed a new revolving credit facility with an international bank with a committed term of 3 years after signing. The new facility consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25 % p.a.

On 8 June 2016, the Group launched its fourth auto lease asset-backed security (ABS) transaction and issued fixed-rate senior notes of TCHF 200,000 on the Swiss capital market with a legal maturity of ten years and an optional redemption date of 3 3/4 years from the date of issuance. The proceeds from this issuance were used to refinance the second ABS issued in 2013. On 23 June 2016, the TCHF 200,000 outstanding senior notes issued in 2013 were fully repaid with no further amounts due to noteholders.

On 6 September 2016, the Group issued a TCHF 200,000 senior unsecured bond at par with maturity of seven years and a coupon of 0.18 %. The Group has a total outstanding of TCHF 825,000 of senior unsecured bonds issued as at 31 December 2016. These bonds have been issued in 2013 (maturing in 2017), 2014 (maturing in 2019 and 2022), 2015 (maturing in 2021) and 2016 (maturing 2023).

As at 31 December 2016 and at 31 December 2015 the Group maintained TCHF 350,000 and TCHF 500,000 of undrawn committed facilities. The weighted average contractual commitment fee for all facilities is 0.24 % at 31 December 2016 and 0.25 % at 31 December 2015.

10. 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.

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 rates, 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 2016 and 2015 respectively, were as follows:

At 31 December	**2016**	**2015**
Active employees	745	750
Beneficiaries and pensioners	119	114
Total	**864**	**864**

The cost of the pension plan is presented below:

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Service cost for benefits earned	7,361	6,928
Prior service credit amortisation	– 425	– 644
Expected return on plan assets	– 5,185	– 6,012
Interest cost on benefit obligations	1,651	2,034
Net actuarial loss amortisation	6,797	4,907
Pension plan cost	**10,199**	**7,213**

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	**2016**	**2015**
Discount rate	0.50 %	0.75 %
Compensation increases	2.17 %	2.23 %
Expected return on assets	2.50 %	2.75 %

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 a view on the future economic environment. Furthermore, the Group evaluates general market trends and historical relationships among a number of key variables that impact asset class returns such as expected earnings growth, inflation, valuations, yields and spreads, using both internal and external sources. The Group also takes into account expected volatility by asset class and diversification across classes to determine expected overall portfolio returns given current allocations. Based on the analysis of future expectations of asset performance, past return results and the current asset allocations, the Group assumed a 2.5 % long-term expected return on the assets. For the pension plan, the Group applies the expected rate of return to the market value of assets. The Group amortises experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over the average future service of employees.

The funding policy of the pension plan is aimed to contribute an amount sufficient to meet minimum funding requirements, as set forth in employee benefit and tax laws, plus any additional amounts which may be determined appropriate by the management. The management expects to contribute approximately TCHF 7,302 to the pension plan in 2017.

Benefit obligations are described in the following tables. Accumulated and projected benefit obligations (“ABO” and “PBO” respectively) represent the obligations of the pension plan for past service as at the measurement date. ABO is the present value of benefits earned to date with benefits computed on the basis of current compensation levels. PBO is ABO increased to reflect expected future compensation.

The accumulated benefit obligation was TCHF 234,325 and TCHF 217,132 for 31 December 2016 and 2015, respectively. The changes in the projected benefit obligation are presented below:

CHF in thousands	**2016**	**2015**
Balance at 1 January	**227,471**	**210,219**
Service cost for benefits earned	7,361	6,928
Interest cost on benefit obligations	1,651	2,034
Participant contributions	4,726	4,672
Actuarial loss / gain (–), net	7,614	12,620
Benefits paid (–) / received, net	– 6,597	– 9,002
Balance at 31 December	**242,226**	**227,471**

Plan assets are reported at fair value. The inputs and valuation techniques used to measure the fair value of the assets are consistently applied and described in note 1.

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

CHF in thousands	**2016**	**2015**
Balance at 1 January	**190,697**	**186,818**
Actual return on plan assets	6,264	1,148
Employer contributions	7,194	7,061
Participant contributions	4,726	4,672
Benefits paid (–) / received, net	– 6,597	– 9,002
Balance at 31 December	**202,284**	**190,697**

The asset allocations are described below:

At 31 December	**2016 Target allocation**	**2016 Actual allocation**
Equity securities		
Swiss equity securities	13 %	13 %
Non-Swiss equity securities	23 %	23 %
Debt securities		
Swiss bonds	18 %	15 %
Non-Swiss bonds	17 %	17 %
Real estate funds	19 %	23 %
Other investments	10 %	9 %

The pension fund board sets investment policies and strategies and oversees the investment allocation, which includes selecting investment managers, commissioning periodic asset-liability studies and setting long-term strategic targets. Long-term strategic investment objectives take into consideration a number of factors, including the funded status of the plan, a balance between risk and return and the plan's liquidity requirements. Target allocation percentages are established at an asset class level by the pension fund board. Target allocation ranges are guidelines, not limitations, and occasionally the pension fund board will approve allocations above or below a target range. The pension fund board monitors the plan's liquidity position in order to meet the near term benefit payment and other cash commitments.

The pension fund assets are invested subject to the following additional guidelines:
- Investment in the following assets may not exceed the maximum % of total assets in the plan: Swiss bonds 22 %, non-Swiss bonds 21 %, Swiss equities 16 %, non-Swiss equities 30 %, real estate funds 29 % and alternative funds 20 %;
- No single bond may exceed more than 10 % of total assets; and
- No single equity security or real estate investment can exceed more than 5 % of total assets.

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

		2016		
At 31 December (CHF in thousands)	*Level 1*	*Level 2*	*Level 3*	*Total*
Equity securities				
Swiss equity securities	26,365	–	–	26,365
Non-Swiss equity securities	46,048	–	–	46,048
Debt securities				
Swiss bonds	30,801	–	–	30,801
Non-Swiss bonds	34,285	–	–	34,285
Real estate funds	–	45,873	–	45,873
Other investments [1]	8,065	10,979	–	19,045
Total investments	**145,565**	**56,852**	**–**	**202,417**
Other				**– 133**
Total assets				**202,284**

[1] *Primarily includes commodity funds, insurance-linked funds and cash.*

At 31 December (CHF in thousands)	2015			
	Level 1	*Level 2*	*Level 3*	*Total*
Equity securities				
Swiss equity securities	26,166	–	–	26,166
Non-Swiss equity securities	40,938	–	–	40,938
Debt securities				
Swiss bonds	31,081	–	–	31,081
Non-Swiss bonds	33,334	–	–	33,334
Real estate funds	10,716	27,736	–	38,451
Other investments [1]	11,244	10,678	–	21,922
Total investments	**153,478**	**38,413**	**–**	**191,891**
Other [2]				**– 1,194**
Total assets				**190,697**

[1] *Primarily includes commodity funds, insurance-linked funds and cash.*

[2] *Represents short-term liabilities of the pension plan, primarily related to employees transferring out of the pension plan.*

The amounts recognised in the statement of financial position were as follows:

At 31 December (CHF in thousands)	2016	2015
Funded status	– 39,942	– 36,774
Pension liability recorded in the statement of financial position		
Other liabilities		
Due after one year	– 39,942	– 36,774
Net amount recognised	**– 39,942**	**– 36,774**
Amounts recorded in shareholders' equity (unamortised)		
Prior service credit	– 1,452	– 1,877
Net actuarial loss	43,840	44,102
Total	**42,388**	**42,225**

In 2017, the Bank estimates that it will amortise TCHF 425 of prior service credit and TCHF 7,199 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	2017	2018	2019	2020	2021	2022-2026
Pension plan	15,853	15,529	14,702	14,460	13,386	59,269

11. Other Liabilities

This section primarily reflects the pension plan's funded status of TCHF 39,942 and TCHF 36,774 as at 31 December 2016 and 2015 respectively. It also comprises deferred compensation related to the Group's jubilee plan amounting to TCHF 2,659 and TCHF 2,608 as at 31 December 2016 and 2015, respectively. The jubilee plan is a voluntary benefit provided by the Group to its employees based on their years of service.

12. Capital Adequacy

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

Since January 2008, the Bank has operated under Basel II - the international capital adequacy standards 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 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 2016, 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 fulfils the qualitative and quantitative requirements of the Capital Adequacy Ordinance (CAO 952.03).

The total eligible regulatory capital of the Group comprises Tier 1, Common Equity Tier 1 (CET1), 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, own shares 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 2016, 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 Group was adequately capitalised under the regulatory provisions outlined by FINMA and the Bank for International Settlements.

At 31 December (CHF in thousands)	**2016**	**2015**
ELIGIBLE REGULATORY CAPITAL		
Tier 1 capital	752,667	732,556
of which CET1 capital	752,667	732,556
Tier 2 capital	–	800
Total eligible capital	**752,667**	**733,356**
RISK-WEIGHTED ASSETS		
Credit risk	3,151,966	3,115,068
Non counterparty risk	28,541	31,948
Market risk	7,244	2,901
Operational risk	569,848	553,043
Total risk-weighted assets	**3,757,600**	**3,702,961**
CAPITAL RATIOS		
CET1 ratio	20.0 %	19.8 %
Tier 1 ratio	20.0 %	19.8 %
Total capital ratio	20.0 %	19.8 %

13. Earnings Per Share and Additional Share Information

For the years ended 31 December	**2016**	**2015**
Net income attributable to shareholders for basic earnings per share (CHF in thousands)	143,707	145,015
Net income attributable to shareholders for diluted earnings per share (CHF in thousands)	143,707	145,015
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	1,803,818	1,204,773
Weighted-average numbers of common shares outstanding for basic earnings per share	**28,196,182**	**28,795,227**
Dilution effect number of shares	16,885	41,888
Weighted-average numbers of common shares outstanding for diluted earnings per share	**28,213,066**	**28,837,115**
Basic earnings per share (in CHF)	**5.10**	**5.04**
Diluted earnings per share (in CHF)	**5.09**	**5.03**

The amount of common shares outstanding has changed as follows:

	2016	**2015**
Common shares issued		
Balance at beginning of period	**30,000,000**	**30,000,000**
Issuance of common shares	–	–
Balance at end of period	**30,000,000**	**30,000,000**
Treasury shares		
Balance at beginning of period	**1,803,627**	**38,277**
Share based compensation	– 5,980	– 36,451
Purchase [1]	9,980	1,801,801
Balance at end of period	**1,807,627**	**1,803,627**
Common shares outstanding	**28,192,373**	**28,196,373**

[1] *In May 2015 General Electric Group sold all its remaining shares of Cembra Money Bank, equivalent to 31.5 % of share capital. In an accelerated book-building process the shares were placed with various institutional investors at a price of CHF 55.50 per share. In this process Cembra Money Bank bought back 1.8 million of its own shares for a total consideration of CHF 100.0 million. The shares are held as treasury shares for the time being.*

14. Income Tax Expense

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

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Current tax expense	38,782	29,228
Deferred tax expense from temporary differences	– 578	9,319
Income tax expense	**38,204**	**38,547**

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)	**2016**	**2015**
ASSETS		
Pension plans	8,388	7,723
Other	586	577
Total deferred tax assets	**8,974**	**8,299**
LIABILITIES		
Deferred loan origination fees and costs	– 855	– 798
Total deferred tax liabilities	**– 855**	**– 798**
Net deferred tax assets	**8,119**	**7,501**

The management believes that the realisation of the recognised deferred tax assets is more likely than not based on expectations regarding future taxable income. In assessing the realisability of deferred tax assets, the management considers whether it is more likely than not that a portion or all of the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realise the benefits of these deductible differences. The amount of the deferred tax assets is considered realisable, however, it could be reduced in the near term if estimates of future taxable income during the carry-forward period are significantly reduced.

The Group has no unrecognised tax benefits. Management believes that there are no uncertain tax positions that would require a reserve.

15. 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 7,372 and TCHF 6,374 as at 31 December 2016 and 2015, respectively. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 31 December 2016, the Group considers the probability of a material loss from this obligation to be remote.

As at 31 December 2016 minimum rental commitments under noncancellable operating leases aggregated TCHF 19,078 for the Group. Amounts payable over the next five years are shown below.

CHF in thousands	**2017**	**2018**	**2019**	**2020**	**2021**
Minimum rental commitments	4,909	4,115	3,628	3,484	2,942

For details of rental expense refer to note 22.

16. 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.

At 31 December (CHF in thousands)		**2016**		**2015**
	Carrying amount net	*Estimated fair value*	*Carrying amount net*	*Estimated fair value*
ASSETS				
Loans	2,683,457	2,769,155	2,646,010	2,692,642
LIABILITIES				
Deposits	– 2,354,569	– 2,399,086	– 2,246,247	– 2,287,679
Borrowings	– 1,519,762	– 1,537,373	– 1,574,804	– 1,592,643

Fair values are estimated as follows.

Loans

Fair value calculation is based on a discounted future cash flows methodology, using current market interest rate data adjusted for inherent credit risk or quoted market prices and recent transactions, if available.

Deposits and Borrowings

If no market quotes are available, the fair value calculation is based on a discounted future cash flows methodology, using current effective interest rate data or current market interest rate data that is available to the Group for similar financial instruments.

Asset and liabilities that are reflected in the accompanying financial statements at a carrying value deemed to represent fair value are not included in the above disclosures; such items include cash and equivalents, investment securities, other assets, accrued expense and other liabilities.

Pension Fund

Refer to note 10 for further details on pension fund.

17. 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 four securitisations, all 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. This issuance was fully repaid on 23 March 2015. The second securitisation was completed 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. In March 2015, the Group launched its third securitisation transaction and issued fixed-rate senior notes of TCHF 200,000 with a coupon of 0.23 % per annum and an optional redemption date of four years from the date of issuance. The proceeds from this issuance were used to refinance the first securitisation. In June 2016, the Group launched its fourth securitisation transaction and issued fixed-rate senior notes of TCHF 200,000 with a coupon of 0.22 % per annum and an optional redemption date of 3 3/4 years from the date of issuance. The proceeds from this issuance were used to refinance the second securitisation.

Third-party holders of the debt issued by the VIEs only have recourse to the financing receivables owned by the VIEs and not to the Bank's general credit. Contractually, the cash flows from these financing receivables must first be used to pay third-party debt holders and other expenses of the VIEs. Excess cash flows are available to the Bank.

The Bank is the servicer of the VIEs and holds the subordinated interests issued by the VIEs. The Bank is considered primary beneficiary of the VIEs as it has both the power to direct the activities that most significantly impact the VIE's economic performance and an obligation to absorb losses, or a right to receive benefits from the VIEs. 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)	**2016**	**2015**
ASSETS		
Financing receivables, net	460,803	486,011
Other assets	26,747	41,200
Total assets	**487,550**	**527,211**
LIABILITIES		
Accrued expenses and other payables	2,668	3,705
Non-recourse borrowings	398,238	398,935
Total liabilities	**400,906**	**402,640**

Revenues from the consolidated VIEs amounted to TCHF 27,568 in 2016 and TCHF 29,298 in 2015, respectively. Related expenses consisted primarily of provisions for losses of TCHF 1,503 and TCHF 1,133 and interest expense of TCHF 1,846 and TCHF 2,521 for the years ended 31 December 2016 and 2015, 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.

18. Related Party Transactions

In May 2015, General Electric Group, the former sole shareholder of the Group, sold its remaining investment in the Group. Since then, General Electric Group is treated as an external party. 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. Following the IPO, the Group entered into the Transitional Service Agreement ("TSA"). Under this agreement, GECC and the Group agreed to provide to each other certain transitional services. In particular, GECC provided 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 were necessary for the Group to run as a standalone business for a transitional period during which the Group was establishing its own information technology systems. The Group also provided certain limited reverse services to GECC. The TSA was effective until 30 October 2015.

The Group had no related party transactions in 2016.

19. Interest Income

The details of interest income are shown below:

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Personal loans	191,342	207,924
Auto leases and loans	83,546	85,380
Credit cards	51,623	45,712
Other	– 2,254	– 675
Total	**324,257**	**338,340**

20. Interest Expense

The details of interest expense are shown below:

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Interest expense on ABS	2,166	3,014
Interest expense on deposits	14,972	16,248
Interest expense on debt	9,373	17,133
Total	**26,511**	**36,395**

21. Commission and Fee Income

The details of commission and fee income are shown below:

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Insurance	21,869	20,652
Credit cards	63,466	55,491
Personal loans and other	10,925	10,596
Total	**96,260**	**86,739**

22. General and Administrative Expenses

The details of general and administrative expenses are shown below:

For the years ended 31 December (CHF in thousands)	2016	2015
Professional services	8,979	10,906
Marketing [1]	6,643	7,701
Collection fees	5,737	6,716
Postage and stationery	8,568	7,696
Rental expense under operating leases	5,979	5,555
Depreciation and amortisation	7,847	4,485
Information technology	24,119	14,632
GECC assessment / TSA	–	2,211
Other	– 732	1,786
Total	**67,140**	**61,686**

[1] *Marketing includes advertising costs, which are expensed as incurred.*

23. Share-Based Compensation

The Group had one active share-based compensation programme in 2016.

In connection with the IPO, the Group has established a One-Off Share Programme as an incentive instrument eligible for active employees at the time of IPO. 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 RSUs issued by the Group under the One-Off Share Programme was 39,215 based on the offer price of CHF 51.00. This programme was fully settled in October 2015.

The second programme was set up for the senior management team in March 2014. Under this programme, each member of the Group's senior management team generally receives a number of RSUs every year based on various factors such as goals and performance. For further details related to this programme, please refer to the Compensation Report in the Annual Report 2016.

The total number of RSUs under the senior management programme was 9,785 based on the share price of CHF 58.87 at the grant date 1 March 2014 and 9,911 with a share price of CHF 59.50 at the grant date 1 March 2015. In 2016, the Group granted 9,839 shares with an average share price of CHF 65.58 under the senior management programme. RSUs issued under this programme will be settled out of shares acquired by the Group for such purpose. Participants in this programme will pay no consideration for the receipt of RSUs or the shares in which those RSUs will be settled.

The following table summarises information about restricted stock units outstanding as at 31 December 2016 and 2015 respectively:

	2016		2015	
	Number of RSUs	Weighted average grant date fair value (CHF)	Number of RSUs	Weighted average grant date fair value (CHF)
RSUs outstanding at 1 January	14,103	835,945	43,345	2,278,371
Granted	9,839	645,208	11,455	672,557
Vested	– 5,980	– 354,121	– 36,451	– 1,885,224
Forfeited	–	–	– 4,246	– 229,759
RSUs outstanding at 31 December	17,962	1,127,032	14,103	835,945
RSUs expected to vest	**17,962**	**1,127,032**	**14,103**	**835,945**

The fair value used for each RSU was calculated as the market price of the Bank's stock on the date of the grant. The weighted average grant date fair value of RSUs granted during 2016 for the senior management plan was CHF 65.58.

The total recognised compensation cost related to One-Off Share programme was TCHF 704 in 2015. The programme was fully settled in 2015.

For the senior management programme, the total recognised compensation cost was TCHF 417 and TCHF 430 for the years 2016 and 2015, respectively. The remaining unrecognised cost of TCHF 551 is expected to be recognised over a weighted-average period of 33 months.

24. Supplemental Cash Flow Information

Certain supplemental information related to cash flows is shown below:

For the years ended 31 December (CHF in thousands)	2016	2015
Increase in loans to customers	– 1,697,260	– 1,671,904
Principal collections from customers – loans	1,720,556	1,691,666
Investment in equipment for financing leases	– 760,583	– 729,052
Principal collections from customers – financing leases	784,205	745,902
Net change in credit card receivables	– 102,041	– 70,127
Net change in financing receivables	**– 55,122**	**– 33,515**

25. Off-Balance Sheet Arrangements

As at 31 December 2016 and 2015, 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)	**2016**	**2015**
Ordinary course of business lending commitments	57,625	37,956
Unused revolving loan facilities	50,333	50,719
Unused credit card facilities	2,666,614	2,479,213

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Loan commitments are most often uncollateralised and may be drawn up to the total amounts to which the Group is committed. Total commitment amounts do not necessarily represent future cash requirements as the lines of credit may expire or be terminated without being fully drawn upon. No additional allowance for losses was deemed necessary for these unused commitments since the Group can terminate the lines of credit at any time unilaterally.

26. Subsequent Events

The Group has evaluated subsequent events from the financial position date through 23 March 2017, the date at which the financial statements were available to be issued. On 16 February 2017 the Group announced it reached an agreement to acquire for an undisclosed amount 100 % of the shares of Swissbilling S.A., a Swiss invoice financing company with operations mainly in the French speaking region of Switzerland. The transaction will not have a significant effect on the Group's financial statements.

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Cembra Money Bank AG and subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows, and notes thereto (pages 130 to 167) for the years ended December 31, 2016 and 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Swiss law and Swiss Auditing Standards as well as Auditing Standards Generally Accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements as of and for the years ended December 31, 2016 and 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with U.S. Generally Accepted Accounting Principles and comply with Swiss law.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Valuation of allowance for losses on financing receivables

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of allowance for losses on financing receivables

Key Audit Matter

As per 31 December 2016, gross financing receivables (smaller-balance, homogenous loans, including credit card receivables, personal loans as well as auto leases and loans) amounted to CHF 4,117.2 million (representing 85% of total assets). At the same time, the Group has recorded an allowance for losses on financing receivables of CHF 44.6 million.

The valuation of collective allowance for losses on financing receivables relies on the application of significant management judgment in determining the methodology and parameters in calculating the allowance and requires specific knowledge of developments in the Group's financing receivables portfolio. The use of different modelling techniques and assumptions (e.g. current trends, conditions and macroeconomic factors) could result in significantly different estimates of allowances for losses on financing receivables.

In particular, the valuation of the collective allowance for losses on financing receivables is based on significant estimates, such as future client payment behaviour, which is subject to management judgment and requires specific knowledge and competencies in determining allowances.

Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of the allowance for losses on financing receivables. This included controls over the calculation, approval, recording and monitoring of allowances. This also included controls over model approval, validation and approval of key data inputs and qualitative considerations for potential impairment that were not captured by management's models.

For a sample of allowances for losses on financing receivables calculated on a collective basis we tested the underlying models including the model approval and validation process. We also tested the reasonableness of the inputs to those models, such as delinquency and payment behaviour, by comparing data and assumptions made to historical accuracy of estimates.

For a sample of financing receivables, and with the use of our own valuation specialists, we critically examined and challenged the assumptions and models used or we re-performed an independent assessment of the valuation allowance.

For further information on valuation of allowance for losses on financing receivables refer to the following:

— Annual Report 2016, Basis of presentation and summary of significant accounting policies, Allowance for losses (page 137)

KPMG

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

Cataldo Castagna Licensed Audit Expert Auditor in Charge	Daniel Merz Licensed Audit Expert

Zurich, 23 March 2017

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Balance Sheet

At 31 December (CHF in thousands)	**Notes**	**2016**	**2015**
ASSETS			
Liquid assets		662,425	565,652
Amounts due from banks		4,494	6,041
Amounts due from customers	7.1	3,625,397	3,634,535
Financial investments	7.2	49,277	22,705
Accrued income and prepaid expenses		46,117	52,939
Participations		120	90
Tangible fixed assets		28,423	31,843
Other assets	7.3	23,675	8,903
Total assets		**4,439,928**	**4,322,708**
Total subordinated claims	7.9	50,990	97,672
LIABILITIES			
Amounts due to banks		385,000	410,000
Amounts due in respect of customer deposits		997,820	1,248,121
Cash bonds		1,276,792	1,138,633
Bond issues and central mortgage institution loans		824,907	624,804
Accrued expenses and deferred income		41,578	40,326
Other liabilities	7.3	34,904	32,698
Provisions	7.6	1,538	1,677
Bank's capital	7.7	30,000	30,000
Statutory capital reserves		182,036	276,500
of which reserve from tax-free capital contribution		182,036	276,500
Statutory retained earnings reserves		15,000	15,000
Voluntary retained earnings reserves		605,000	438,000
Own shares	7.11	– 100,385	– 100,093
Profit carried forward		42	264
Profit (result of the period)		145,695	166,778
Total liabilities		**4,439,928**	**4,322,708**
Total subordinated liabilities		–	–
OFF-BALANCE-SHEET TRANSACTIONS			
Contingent liabilities	7.1	57,625	37,956
Irrevocable commitments	7.1	7,372	6,374

Income Statement

For the years ended 31 December (CHF in thousands)	Notes	2016	2015
RESULT FROM INTEREST OPERATIONS			
Interest and discount income	8.1	344,804	359,432
Interest and dividend income from financial investments		121	70
Interest expense	8.1	– 24,665	– 33,874
Gross result from interest operations		**320,260**	**325,628**
Changes in value adjustments for default risks and losses from interest operations		– 34,331	– 32,888
Subtotal net result from interest operations		**285,929**	**292,740**
RESULT FROM COMMISSION BUSINESS AND SERVICES			
Commission income from other services		127,942	112,427
Commission expense		– 71,219	– 69,331
Subtotal result from commission business and services		**56,722**	**43,096**
OTHER RESULT FROM ORDINARY ACTIVITIES			
Other ordinary income		4,022	4,035
Other ordinary expenses		–	–
Subtotal other result from ordinary activities		**4,022**	**4,035**
OPERATING EXPENSES			
Personnel expenses	8.2	– 98,524	– 101,051
General and administrative expenses	8.3	– 55,548	– 49,955
Subtotal operating expenses		**– 154,072**	**– 151,006**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		– 7,853	– 4,490
Operating result		**184,748**	**184,375**
Extraordinary income	8.4	1,198	13,144
Taxes	8.5	– 40,251	– 30,741
Profit (result of the period)		**145,695**	**166,778**

Appropriation of Profit

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Profit	145,695	166,778
Profit carried forward	42	264
Distributable profit	**145,737**	**167,042**
Reclassification from statutory capital contribution reserves	97,284	94,464
Reclassification from voluntary retained earnings reserves	28,198	–
Total available to the General Meeting	**271,219**	**261,506**
Appropriation of profit		
Allocations to statutory retained earnings reserves	–	–
Allocations to voluntary retained earnings reserves	– 145,500	– 167,000
Dividends declared	– 125,482	– 94,464
of which distributed from distributable profit	– 28,198	–
of which distributed from statutory capital contribution reserves	– 97,284	– 94,464
New profit carried forward	**237**	**42**

Statement of Changes in Equity

CHF in thousands	**Bank's capital**	**Statutory capital reserves**	**Statutory retained earnings reserves**	**Voluntary retained earnings reserves and profit carried forward**	**Own Shares**	**Result of the period**	**Total**
Equity at 1 January 2016	**30,000**	**276,500**	**15,000**	**438,264**	**– 100,093**	**166,778**	**826,448**
Appropriation of profit 2015	–	–	–	–	–	–	–
Allocation to legal reserves	–	–	–	–	–	–	–
Allocation to voluntary reserves	–	–	–	167,000	–	– 167,000	–
Dividends	–	– 94,464	–	–	–	–	– 94,464
Net change in profit carried forward	–	–	–	– 222	–	222	–
Acquisition of own shares	–	–	–	–	– 292	–	– 292
Profit (result of the period)	–	–	–	–	–	145,695	145,695
Equity at 31 December 2016	**30,000**	**182,036**	**15,000**	**605,042**	**– 100,385**	**145,695**	**877,388**

Notes to the Individual Financial Statements

1. The Company, Legal Form and Domicile of the Bank

Cembra Money Bank AG (the "Bank") is a public company under the Swiss law. The services are rendered at the Bank's headquarters in Zurich as well as through 21 branches (18 branches as per 1 January 2017) in Switzerland.

2. Accounting and Valuation Principles

General Principles

Accounting and valuation principles for the statutory individual financial statements are based on the Code of Obligations, the Banking Law, its relevant regulation and the Circular 15/1 of the Swiss Financial Market Supervisory Authority FINMA. The individual financial statements with reliable assessment describe the economic situation of the Bank in the way that enables third parties to make a reliable opinion. The individual financial statements can contain hidden reserves.

The numbers published in the notes are rounded, however they are calculated on full numbers, therefore rounding differences can occur.

General Valuation Principles

The financial statements are prepared under the going concern assumption. Assets result from past business transactions or events. They are tangible or intangible assets under the control of the Bank, from which the Bank is likely to benefit or future cash inflow is probable. Asset values must be determined in a reliable manner. If no sufficient reliable estimate is possible, then the asset is considered as contingent.

Liabilities result from past business transactions or events where future cash outflow is probable (e.g. due to the purchase of goods or services, liabilities resulting from the provision of guarantees, or liability claims for services rendered). The amount required to meet the liability (settlement value) must be determined or estimated reliably. Where this is not possible, liabilities are considered as contingent liabilities.

The balance sheet line items are valued on an individual basis. The transitional provision requiring implementation of individual valuation for participations, tangible fixed assets and intangible assets by 1 January 2020, is not applied.

Offsetting of assets and liabilities as well as income and expense is generally not permitted. The exceptions are made for: offsetting value adjustments that are directly attributable to individual assets against the respective assets; for receivables and payables as long as they are related to similar transactions with the same counterparty, in the same currency and the same or earlier maturity of the receivables that do not result in counterparty risk.

Liquid Assets
Liquid assets are recorded at nominal value.

Amounts Due from Banks, Amounts Due from Customers

Amounts due from banks and customers are recorded at nominal value less value adjustments.

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

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

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

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

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

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

Changes in value adjustments for default risks and losses from interest operations is the expense related to maintaining the allowance for losses at an appropriate level to absorb the estimated probable future losses on financing receivables as at each period end date.

Delinquent receivables are classified as regular when outstanding instalments and interest are paid in a timely manner according to contractual terms and when further credit worthiness criteria are fulfilled as well. The release of allowance is recorded through the income statement position "Change in value adjustments for default risks from interest operations".

Amounts Due to Banks, Amounts Due to Customers in Savings and Deposit Accounts
These items are recorded at nominal value.

Financial Investments
Financial assets comprise debt securities and vehicles that have been acquired as a result of credit transactions and are designated for resale. Financial investments valued according to the principle of the lower of cost or market value: an upwards revaluation to the acquisition cost at maximum is required where the market value has fallen below the acquisition cost and then recovers. The balance of adjustments in the book value is to be recorded under the position “other ordinary income” or “other ordinary expenses”, as applicable.

Debt securities held to maturity are valued at acquisition cost with premium or discount amortised to maturity under the accrual method. Value adjustments for default risks are recorded in the income statement position “Change in value adjustments for default risks from interest operations”.

Debt securities without intent to hold to maturity are valued according to the principle of lower of cost or market value. Value adjustments from subsequent measurement are recorded in the income statement under the position “other ordinary income” or “other ordinary expenses”, as applicable. Value adjustments for default risks are recorded in income statement under position “Change in value adjustments for default risks from interest operations”.

Participations
Participations are equity securities owned by the Bank in undertakings, where those securities are held with the intention of a permanent investment irrespective of the percentage of voting shares held. Participations are valued individually at acquisition cost less economically necessary value adjustments. At every balance sheet date participations are tested for impairment. This test results from indicators that individual assets may be impaired. In such case realisable value of the asset is determined, which is the higher of net market value and utility value. An asset is impaired if the book value is higher than realisable value. In case of impairment the book value is written down to realisable value and the impairment charge is recorded in the position “Value adjustments on participations and depreciation and amortisation of fixed assets and intangible assets”.

Tangible Fixed Assets
Investments in tangible fixed assets are capitalised when they are used for more than one accounting period and exceed a threshold of CHF 3,000. Tangible fixed assets are recorded at acquisition cost less accumulated depreciation. Depreciation is recognised in accordance with a schedule on a straight line over the useful life of the asset and recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. On every balance sheet date fixed assets are tested on impairment. This test results from indicators that individual assets may be impaired. In such case realisable value of the asset is determined, which is the higher of net market value and utility value. An asset is impaired if the book value is higher than the realisable value. In case of an impairment, the book value is reduced to the realisable value and the value adjustment is recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. The estimated useful life of the fixed asset categories is as follows:

– Buildings	40 years
– Leasehold improvements	lease term
– Office equipment	5–10 years
– Hardware	3 years
– Software	5 years

Provisions
Legal and factual obligations are valued on a regular basis. When a value outflow is probable and can be measured reliably, a corresponding provision is established.

Existing provisions are assessed at every balance sheet date. Provisions are recorded in the income statement position "Changes in provisions and other impairments and losses". Based on the new assessment, provisions are increased, retained or released. Provisions are released through income statement in case they are not economically necessary anymore and cannot be used to cover for similar exposures.

Taxes
Current taxes are recurring annual income and capital taxes. Transaction-based taxes are not included in current taxes. Liabilities resulting from current income and capital taxes are disclosed under "Accrued expenses". The current income and capital tax expense is disclosed under "Taxes" in the income statement.

Off-balance Sheet
Off-balance sheet items are recorded at nominal value. For foreseeable risks provisions are built in the balance sheet.

Own Shares
Acquired own shares are recorded initially at cost value on the purchase date under "Own shares" as a negative position in the shareholders' equity. There is no subsequent measurement.

Realised gain from the sale of own shares is recorded under "Statutory retained earnings reserve". The position "Own shares" is reduced for the sale at acquisition cost value.

Pension Liability
The employees of the Bank are insured by the pension fund of the Bank. The pension liabilities as well as pension assets to cover these liabilities are transferred to a legally independent foundation. The organisation, management and financing of the pension plan are done in accordance with applicable regulations, the articles of the foundation as well as the valid pension regulations. The entire pension and post-retirement benefit plans of the Bank are based on a defined contribution principle.

The Bank bears the pension cost of the employees and their survivors in accordance with the applicable regulations. The employer's contributions to the pension and post-retirement benefit plans are recorded under "Personnel expenses" of the corresponding reporting period.

The Bank assesses at every balance sheet date if there is an economic benefit or an economic liability against the pension plan. It is based on the contractual agreements and annual reports of the pension fund prepared under FER 26 in Switzerland, as well as other calculations relevant to the assessment of financial situation as well as existing over/underfunding of the plan.

Share-based Compensation
The Bank has share-based compensation programmes in place. The Bank accounts for the compensation cost from share-based payment transactions according to the fair value based method. The compensation cost is measured based on the fair value of the shares at grant date and is recognised over the requisite service period with a corresponding credit to equity. Any differences at settlement are recorded as "Personnel expenses". For details to share-based compensation please refer to the Compensation Report.

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

There were no significant changes in the accounting and valuation principles in 2016 compared to previous year.

Recording of Transactions

All transactions concluded by the balance sheet date are recorded at trade date in the books and valued according to the valuation principles as described above.

Treatment of Overdue Interest

Overdue interest and corresponding commissions are not recorded as interest income. As such are considered interest and commissions that are due for more than 90 days but not paid. From this point of time, the future interest and commissions are no longer recorded as “Interest and discount income” until there is no overdue interest outstanding. Overdue interest is not cancelled retroactively. The interest due from the period up to 90 days (due, unpaid and accrued interest) is written off through the position “Changes in value adjustments for default risks and losses from interest operations”.

Foreign Currency Translation

Transactions in foreign currencies are booked using daily exchange rates. At the balance sheet date assets and liabilities are translated at closing exchange rates. Foreign currency translation gains and losses are recorded in the income statement. As of balance sheet date, the Bank had no significant foreign exchange exposures.

3. Risk Management

Risk is broadly defined as the possibility that an uncertain event or outcome results in adverse variations of profitability or in losses. In the process of performing its function as a financial intermediary, the Bank exposes itself to various categories of risk, such as credit risk, asset and liability management risk, operational risk and other risks.

The Bank ensures relevant legal and regulatory requirements are complied with at all times. In accordance with its strategic objectives, risk profile, risk appetite and tolerance levels, the Bank prudently takes, controls and monitors its risks.

The Bank actively, comprehensively and systematically manages risk and promotes a strong risk culture across all business areas. The established risk management process comprises four 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.

The Board of Directors is ultimately responsible for determining the Bank's risk strategy, risk appetite and corresponding tolerance levels. It ensures that an adequate and effective internal control system is in place to continually assess, monitor and control material risks and oversees the Bank's risk profile and implementation of the risk management framework and strategies.

The Bank has set regulations governing the risk management and control processes. These ensure all material risks are recorded, mitigated and supervised. These processes are supported by a framework of approved policies and directives, which describe the principles guiding the Bank's attitude and propensity to risk.

Four working committees have been established:

Committee	**Risk Category**
Credit Committee	Credit Risk
Asset & Liability Management Committee ("ALCO")	Asset & Liability Management, Market & Liquidity Risk, Capital Management
Controllership Council & Enterprise Risk Management Committee	Corporate Governance, Compliance & Operational Risk Management, Internal Control System
Security Council	Physical Security, Business Continuity Management, Disaster Recovery & IT Security

Credit Risk

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

As per the delegation from the Board of Directors, the Credit Committee serves as the decision-making body for credit decisions and regularly reviews the Bank's credit risk performance. The Credit Committee is responsible for making credit decisions on individual counterparties and existing programme renewals which are not within the authority delegated to the Chief Risk Officer (CRO) but within the authority determined by the Board of Directors. Credit decisions that exceed the Credit Committee's authority would need to be approved by the Board of Directors. The Credit Committee is chaired by the CRO who, along with the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), are mandatory members for decision making.

The guidelines for credit decisions for new product introductions, existing programme renewals, as well as the individual counterparty credit approvals are described within a credit competency policy. Delegated credit competency authorities are actively monitored and reviewed regularly to ensure alignment with the risk appetite.

The Bank maintains a stringent underwriting process, which is continually monitored and optimised to ensure that credit risk is adequately managed. Prior to granting credit, the customer's creditworthiness, credit capacity and, where applicable, collateral are assessed. The customer's creditworthiness is evaluated by an automated internal credit risk rating system (scorecard) by leveraging available information about the customer. This ensures consistent and systematic decision making across all lending products.

The credit capacity of consumers is further evaluated according to the legal regulations of the Swiss Consumer Credit Act. Internal models determine the credit amount based on the risk profile of the customer. Manual underwriting complements the automated system decision in cases where additional information may be required.

The quality of portfolios and specific customer segments are thoroughly and periodically assessed. The quality and performance of new business is monitored to ensure that the credit approval process continues to effectively mitigate credit risk and underwriting procedures are being correctly followed. Scorecards are regularly monitored and back-tested to ensure their performance remains 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 behaviours and to ensure optimal resource allocation and effective mitigation of credit risk.

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

The credit risk metrics and portfolio performance reports are reviewed by the Credit Committee monthly. Summaries of the Bank's credit risk performance are reported to the Audit Committee and Board of Directors quarterly.

Asset and Liability Management

Asset & Liability Management ("ALM") forms part of the Bank's risk management framework and can be considered as the coordinated management of various inherent risk types, such as liquidity, funding and market risk, in order to achieve the Bank's objectives whilst operating within prudent and predetermined risk limits and concentrations. The decision-making committee for asset and liability management activities, as per the delegation from the Board of Directors, is the Asset & Liability Management Committee ("ALCO"). The ALCO has overall responsibility for the administration of finance policies, its monitoring and reporting. The ALCO is chaired by the CFO and requires the mandatory attendance of the CEO and CRO.

Liquidity and Funding Risk

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

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

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

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

Market Risk

Market risk encompasses the risk of financial losses due to adverse movements in the market prices. The Bank's business model leads to a very limited exposure to market risk factors. The Bank's main source of market risk is interest rate risk ("IRR"). IRR is the risk of a potential reduction in earnings and/or capital that stems from changes in the prevailing market interest rates that is borne by interest-sensitive assets, liabilities and capital.

IRR has various primary components and is not simply linked to falling or rising interest rates. Due to the Bank's predominately fixed interest rate assets and liabilities, it is mainly exposed to re-pricing risk. This is the risk of adverse consequence due to increasing or decreasing interest rates because of difference in time of when these rate changes affect the Bank's assets and liabilities. The Bank faces relatively low option and basis risk. Consequently, the Bank focuses on IRR repricing risk.

The Bank actively monitors and manages IRR performance against internally defined triggers. As per the regulatory requirement, the Bank reports forecasted values of economic value of equity (lifetime) and earnings at risk (next 12 months) on a weekly basis. As of 31 December 2016, the Bank does not employ hedging instruments to manage IRR.

Operational Risk and Other Risks

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

Key instruments:
- Annual Risk & Control Self-Assessment ("RCSA"): bank-wide assessment of the likelihood of risks and their potential impact.
- Key Risk Indicators ("KRI"): regularly monitored risk metrics that serve as early warning indicators for potentially material risks.
- Loss Data Collection ("LDC"): historical dataset of loss events used to identify high risk areas.

The Bank 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 and the Bank has implemented an enhanced and comprehensive framework dealing with protecting client identifying data.

4. Methods Used for Identifying Default Risks and Determining the Need for Value Adjustments

For its lending products, the Bank uses consumer ratings (CR) to assess overall credit quality. There are five consumer ratings, each having an implied probability of default based on historical default experience, with a default definition of 90 days past due.

For private customers the consumer rating is derived from a credit score application that is calculated through one of the Bank's internal scorecards. Each credit score translates into one of the consumer ratings. For commercial customers, an obligor rating (OR) is assigned. The obligor rating can be translated into the grades of the consumer rating. In addition to regular scorecard monitoring, a parity test is run on a quarterly basis to monitor at portfolio level whether the consumer ratings adequately reflect the credit quality. The parity tests confirm that although a consumer rating may have been assigned more than 12 months ago and so the initial 12-month window for probability of default has passed, the rating still accurately reflects the probability of default.

5. Events after the Balance Sheet Date

The Bank has evaluated subsequent events from the financial position date through 23 March 2017 the date at which the financial statements were available to be issued. On 16 February 2017 the Group announced it reached an agreement to acquire for an undisclosed amount 100% of the shares of Swissbilling S.A., a Swiss invoice financing company with operations mainly in the French speaking region of Switzerland. The transaction will not have a significant effect on the Group's financial statements.

6. Reasons that led to the Premature Resignation of the Auditor

The external auditor is elected for a period of one year at the General Meeting. The General Meeting has elected KPMG AG, Zurich as the statutory auditors of the Bank. KPMG AG was first appointed as statutory auditors in 2005. The auditors have not prematurely resigned from their function.

7. Notes to the Balance Sheet

7.1 Collateral for Financing Receivables and Off-Balance Sheet and Impaired Financing Receivables

The collateral for financing receivables and off-balance sheet is as follows:

At 31 December 2016 (CHF in thousands)	Secured by mortgage	Other collateral	Unsecured	Total
Financing receivables				
Amounts due from customers	–	342,923	3,282,474	3,625,397
Total financing receivables	**–**	**342,923**	**3,282,474**	**3,625,397**
Prior year	–	324,719	3,309,816	3,634,535
Off-balance sheet				
Contingent liabilities	–	–	57,625	57,625
Irrevocable commitments	–	–	7,372	7,372
Total off-balance sheet	**–**	**–**	**64,997**	**64,997**
Prior year	–	–	44,330	44,330

Impaired financing receivables are as follows:

At 31 December 2016 (CHF in thousands)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments [1]
Impaired loans / receivables	**14,827**	**1,408**	**13,419**	**–**
Prior year	15,015	966	14,049	–

[1] *The Bank has only allowance for losses that is calculated on the total of financing receivables. See note 7.6. for details.*

The net debt amount remained stable against prior year, which is in line with the development of receivables.

7.2 Financial Investments

	Book value		Fair value	
At 31 December (CHF in thousands)	**2016**	**2015**	**2016**	**2015**
Debt securities held to maturity	37,200	22,600	37,244	22,394
Debt securities available for sale	11,959	–	11,959	–
Repossessed vehicles held for sale	118	105	118	105
Total	**49,277**	**22,705**	**49,321**	**22,499**

The breakdown of counterparties by rating is following:

At 31 December 2016 (CHF in thousands)	AAA to AA-	A+ to A-	BBB+ to BBB-	Lower than B-	Not rated
Book value of debt securities	**10,928**	**37,200**	**–**	**–**	**1,030**

The Bank uses the rating classes of Fitch, Moody's and Standard & Poor's.

7.3 Other Assets and Liabilities

	2016		2015	
At 31 December (CHF in thousands)	Other assets	Other liabilities	Other assets	Other liabilities
Indirect taxes	58	2,386	2,321	2,157
Settlement accounts	528	29,265	1,168	29,661
Amounts due from the sale of insurance products	4,587	–	2,443	–
Various assets and liabilities	18,503	3,254	2,971	880
Total other assets and liabilities	**23,675**	**34,904**	**8,903**	**32,698**

7.4 Liabilities to Own Pension Plans

At 31 December (CHF in thousands)	2016	2015
Amounts due in respect of customer deposits	989	–
Total due to own pension plans	**989**	**–**

The pension fund does not hold any equity instruments of the Bank.

7.5 Economic Position of Own Pension Plans

At 31 December (CHF in thousands)			2016		Influence of ECR on personnel expenses	
Employer contribution reserves (ECR)[1]	Nominal value	Waiver of use	Net amount	Net amount end of prior year	2016	2015
Pension plan	2,915	–	2,915	2,915	–	–
Total due to own pension plans	**2,915**	**–**	**2,915**	**2,915**	**–**	**–**

[1] *Based on audited financial statements 2015 and 2014 of Employer Pension Plan of Cembra Money Bank AG in accordance with FER 26 and material changes during the reporting period*

The employer contribution reserves are recorded at nominal value according to pension plan statement under the position “Other assets” in the balance sheet. The nominal value of employer contribution reserve is not discounted. Ordinary interest rate is applied to employer contribution reserve. The interest is recorded in the personnel expense. There are no unrecognised employer contribution reserves.

CHF in thousands

Economic benefit / obligation and pension expense [1]	Overfunding / underfunding at 31.12.2016	Economic interest of the bank		Change in economic interest versus prior year	Contributions paid 2016	Pension expense in personnel expense	
		2016	2015			2016	2015
Employer sponsored funds / schemes	–	–	–	–	–	–	–
Pension plans without overfunding / underfunding	–	–	–	–	–	–	–
Pension plans with overfunding	12,836	–	–	–	7,194	7,194	7,061
Pension plans with underfunding	–	–	–	–	–	–	–

[1] *Based on audited financial statements 2015 and 2014 of Employer Pension Plan of Cembra Money Bank AG in accordance with FER 26 and material changes during the reporting period*

All regular employees of the Bank are insured in the pension fund of the Bank. Temporary employees are exempt. The plan is a defined contribution plan. The accounting of the pension plan follows the guidelines of Swiss GAAP FER 26. There are no further obligations of the employer.

7.6 Value Adjustments and Provisions

CHF in thousands	Balance as per 31 December 2015	Use in conformity with designated purpose	Reclassifications	Recoveries, past due interest	New provisions charged to income	Releases to income	Balance as per 31 December 2016
Value adjustments and provisions for default risks	43,453	– 106,667	800	61,961	58,184	– 13,899	43,831
Provision for pension benefit obligations	–	–	–	–	–	–	–
Other provisions	1,677	–	– 800	–	687	– 26	1,538
Total value adjustments and provisions	**45,129**	**– 106,667**	**–**	**61,961**	**58,871**	**– 13,926**	**45,369**

Value adjustments and provisions for default risks are related to financing receivables. Please refer to Risk Management section for details. Other provisions contain provisions for fraud losses, litigation and others.

7.7 Bank's Capital

	2016			2015		
Bank's capital	**Total par value in CHF**	**Number of shares**	**Capital eligible for dividend in CHF**	**Total par value in CHF**	**Number of shares**	**Capital eligible for dividend in CHF**
Share capital	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Total	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000

Share capital is fully paid in. There are no special rights related to share capital.

7.8 Share and Option Holdings of the Members of the Board of Directors, the Management Board and the Employees

	Equity shares				Options (RSUs)			
	Number as of 31.12.		**Value (CHF) at 31.12.**		**Number as of 31.12.**		**Value (CHF) at 31.12. [1]**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Members of the Board of Directors	14,450	19,450	1,072,190	1,252,580	–	–	–	–
Members of the Management Board	12,430	11,255	922,306	724,822	11,984	10,218	751,940	605,322
Employees	4,411	–	327,296	–	5,978	3,885	375,092	230,624
Total	**31,291**	**30,705**	**2,321,792**	**1,977,402**	**17,962**	**14,103**	**1,127,032**	**835,945**

[1] *Weighted yearly average price since grant date*

The Bank had one active share-based compensation programme in 2016.

The programme for the senior management team was set up in March 2014. Under this programme, each member of the Bank's senior management team generally receives a number of RSUs every year based on various factors such as goals and performance. Further details to share based compensation can be found in the Compensation Report.

7.9 Related Parties

At 31 December (CHF in thousands)	**2016**	**2015**
Amounts due from related companies	52,524	99,055
Amounts due to related companies	4,968	239

There are no off-balance items from related parties. Related party transactions are concluded at arm's length conditions.

There are following transactions with governing bodies:

At 31 December (CHF in thousands)	**2016**	**2015**
Amounts due from members of governing bodies	21	10
Amounts due to members of governing bodies	912	376

The governing bodies conclude usual banking transactions at personnel conditions.

7.10 Holders of Significant Participations

The following parties hold participations with more than 5 % of voting rights:

			2016			**2015**
Significant shareholders with voting rights	**Total par value in CHF**	**Number of shares**	**Share as %**	**Total par value in CHF**	**Number of shares**	**Share as %**
Cembra Money Bank AG	1,807,627	1,807,627	6.0	1,803,627	1,803,627	6.0
Allianz SE	–	–	–	1,748,347	1,748,347	5.8
UBS Fund Management	1,623,913	1,623,913	5.4	1,623,913	1,623,913	5.4

7.11 Own Shares

Treasury shares (number)	2016	Average transaction price (CHF)
Balance at 1 January	**1,803,627**	
Share based compensation	– 5,980	59.22
Purchase	9,980	65.58
Balance at 31 December	**1,807,627**	

Own shares were purchased at fair value during the reporting period.

Non-distributable Reserves

At 31 December (CHF in thousands)	2016	2015
Non-distributable statutory capital reserves	–	–
Non-distributable statutory retained earnings reserves	15,000	15,000
Total non-distributable reserves	**15,000**	**15,000**

The statutory retained earnings reserves and the statutory capital reserves, to the extent they do not exceed one-half of the share capital, may be used only to cover losses or for measures designed to sustain the Bank through difficult times, to prevent unemployment or to mitigate its consequences.

7.12 Holdings of the Governing Bodies and Compensation Report

Board of Directors

At 31 December		2016		2015	
Name	**Function**	**Number of shares**	**Number of RSUs**	**Number of shares**	**Number of RSUs**
Dr. Felix Weber	Chairperson	7,250	–	7,250	–
Christopher Chambers [1]	Vice-Chairperson	n / a	n / a	5,000	–
Denis Hall	Member	–	–	–	–
Prof. Dr. Peter Athanas	Member	–	–	–	–
Urs Baumann	Member	7,200	–	7,200	–
Dr. Monika Mächler	Member	–	–	–	–
Katrina Machin [2]	Member	–	–	n / a	n / a
Ben Tellings [2]	Member	–	–	n / a	n / a

[1] *until 27 April 2016*
[2] *from 27 April 2016*

Management Board

At 31 December		2016		2015	
Name	**Function**	**Number of shares**	**Number of RSUs**	**Number of shares**	**Number of RSUs**
Robert Oudmayer	CEO	5,807	6,121	3,880	4,842
Rémy Schimmel [1]	CFO	–	1,042	n / a	n / a
Volker Gloe	CRO	2,742	1,660	2,218	1,316
Dr. Emanuel Hofacker	General Counsel	1,026	1,379	631	1,045
Daniel Frei	Managing Director B2B Retail	2,855	1,782	2,255	1,507
Antoine Boublil [2]	CFO	n / a	n / a	2,271	1,508

[1] *from 1 August 2016*
[2] *until 31 March 2016*

For details refer to the Compensation Report.

8. Notes to the Income Statement

8.1 Negative Interest Revenue

Negative interest on assets is recorded as a reduction of interest income. Negative interest on liabilities is recorded as a reduction of interest expense.

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Negative interest on assets (reduction of interest income)	2,040	2,029
Negative interest on liabilities (reduction of interest expense)	231	41

8.2 Personnel Expenses

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Salaries	82,593	83,176
of which share-based compensation and alternative forms of variable compensation	441	1,134
Social security benefits	13,633	14,446
Other compensation	2,298	3,429
Compensation and benefits	**98,524**	**101,051**

8.3 General and Administrative Expenses

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Office space expenses	8,605	7,530
Expenses from furniture and fixtures	1,176	1,374
Expenses for information and communication technology	24,046	16,316
Audit fees	947	1,195
Other operating expense	20,775	23,540
Total	**55,548**	**49,955**

8.4 Explanatory Notes on Extraordinary Income and Value Adjustments and Provisions No Longer Required

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Sale of a portfolio of loss certificates	1,198	217
Tax goodwill amortisation	–	12,677
Other income	–	250
Total	**1,198**	**13,144**

8.5 Current and Deferred Taxes

For the years ended 31 December (CHF in thousands)	**2016**	**2015**
Current tax expense	40,251	30,741
Income tax expense	**40,251**	**30,741**

The effective tax rates of the Bank for each of the two years ended 31 December was approximately 21 %. There were no deferred taxes.

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Cembra Money Bank AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 174 to 194) for the year ended 31 December 2016.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

KPMG

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Valuation of allowance for losses on amounts due from customers (financing receivables)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of allowance for losses on amounts due from customers (financing receivables)

Key Audit Matter

As per 31 December 2016, amounts due from customers (smaller-balance, homogenous loans, including credit card receivables, personal loans as well as auto leases and loans) amounted to CHF 3,625.4 million (representing 82% of total assets) and included an allowance for losses of CHF 43.8 million.

The valuation of collective allowance for losses on amounts due from customers relies on the application of significant management judgment in determining the methodology and parameters in calculating the allowance and requires specific knowledge of developments in the Bank's amounts due from customers. The use of different modelling techniques and assumptions (e.g. current trends, conditions and macroeconomic factors) could result in significantly different estimates of allowances for losses on amounts due from customers.

In particular, the valuation of the collective allowance for losses on amounts due from customers is based on significant estimates, such as future client payment behaviour, which is subject to management judgment and requires specific knowledge and competencies in determining allowances.

Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of the allowance for losses on amounts due from customers. This included controls over the calculation, approval, recording and monitoring of allowances. This also included controls over model approval, validation and approval of key data inputs and qualitative considerations for potential impairment that were not captured by management's models.

For a sample of allowances for losses on amounts due from customers calculated on a collective basis we tested the underlying models including the model approval and validation process. We also tested the reasonableness of the inputs to those models, such as delinquency and payment behaviour, by comparing data and assumptions made to historical accuracy of estimates.

For a sample of amounts due from customers, and with the use of our own valuation specialists, we critically examined and challenged the assumptions and models used or we re-performed an independent assessment of the valuation allowance.

For further information on valuation of allowance for losses on amounts due from customers (financing receivables) refer to the following:

— Annual Report 2016, Accounting and valuation principles, Amounts due from banks/customers (page 179)

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

Cataldo Castagna Licensed Audit Expert Auditor in Charge	Daniel Merz Licensed Audit Expert

Zurich, 23 March 2017

Information for Shareholders

Cembra Money Bank AG Registered Shares

Stock exchange listing	SIX Swiss Exchange
ISIN	CH0225173167
Security number	22517316
Par value	CHF 1.00
Number of shares	30,000,000
Major indices	SPI®, Swiss All Share Index, STOXX® Europe 600

Ticker Symbols

Bloomberg	CMBN SW
Reuters	CMBN.S

Credit Ratings

Credit Suisse	Mid A
Standard & Poor's	A– (long-term)
Standard & Poor's	A–2 (short-term)
Bank Vontobel	A–
Zürcher Kantonalbank	A–

Financial Calendar

Annual General Meeting	26 April 2017
Publication of half-year 2017 results	25 July 2017

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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 is published in English and German. In the event of inconsistencies between the English or German version of the Annual Report, the original English version prevails.