Annual Report
2017

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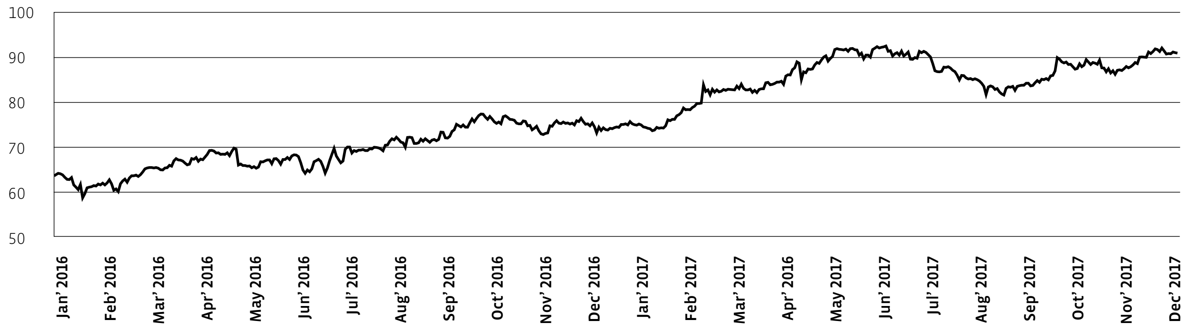
Key Facts and Figures

Key Figures

For the years ended 31 December (CHF in millions)	**2017**	2016	2015
Net interest income	**283.6**	297.7	301.9
Commission and fee income	**112.7**	96.3	86.7
Net revenues	**396.3**	394.0	388.7
Provision for losses	**–45.1**	–44.6	–43.6
Total operating expenses	**–167.9**	–167.5	–161.5
Net income	**144.5**	143.7	145.0
Total assets	**5,099**	4,857	4,745
Net financing receivables	**4,562**	4,073	4,063
Personal loans	**1,782**	1,720	1,784
Auto leases and loans	**1,942**	1,641	1,661
Credit cards	**833**	711	617
Others	**5**	–	–
Shareholders' equity	**885**	848	799
Return on shareholders' equity (ROE in %)	**16.7%**	17.4%	17.7%
Net interest margin (in %)	**6.5%**	7.2%	7.3%
Cost / income ratio (in %)	**42.4%**	42.5%	41.5%
CET 1 capital ratio (in %)	**19.2%**	20.0%	19.8%
Employees (full-time equivalent)	**735**	705	715
Credit rating (S&P)	**A–**	A–	A–
Basic earnings per share (in CHF)	**5.13**	5.10	5.04
Ordinary dividend per share (in CHF)	**3.55**	3.45	3.35
Book value per share (in CHF)	**29.52**	28.27	26.64
Share price (in CHF)	**90.85**	74.20	64.40
Market capitalisation	**2,726**	2,226	1,932

Key Facts and Figures

Share Price Cembra Money Bank AG



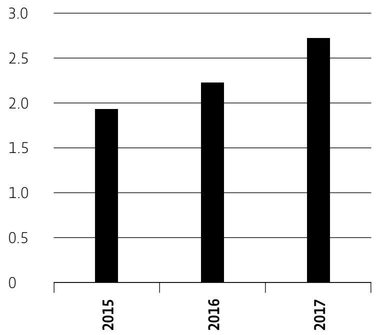
Key Facts

CHF

2,725,500,000

was the market capitalisation of Cembra Money Bank by the end of 2017

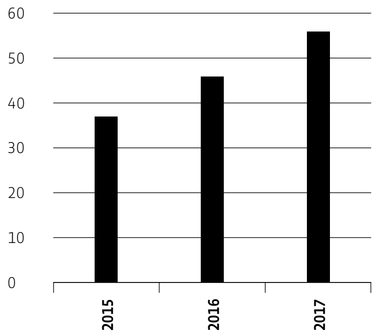
in billion CHF



56,000,000

credit card transactions were processed by Cembra Money Bank in 2017

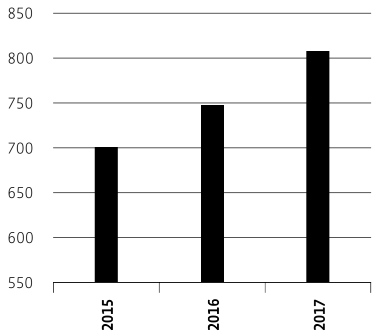
in millions



809,000

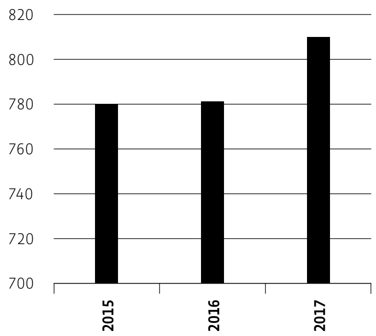
customers trust Cembra Money Bank as their preferred partner

in 1,000



810

employees from 38 different nations work for Cembra Money Bank (735 FTE)



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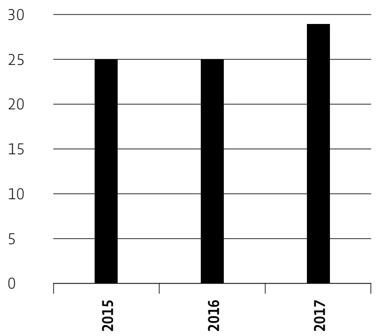
sales area managers serve more than 3,600 car dealers across Switzerland

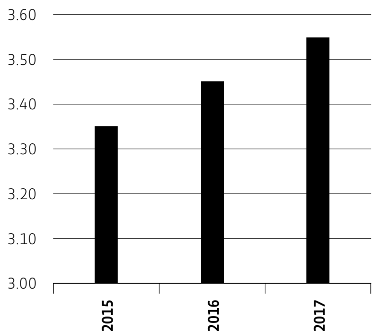


CHF

3.55

ordinary dividend per share proposed to the General Meeting

in CHF



About Cembra Money Bank

Cembra Money Bank is a leading Swiss provider 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 invoice financing, deposit and savings products.

Headquartered in Zurich, the Bank has operations across Switzerland via a network of 18 branches as well as alternative sales channels, such as the internet, credit card partners, independent intermediaries and more than 3,600 car dealers.

Cembra Money Bank is an independent Swiss bank and has been listed on the SIX Swiss Exchange since October 2013. It has over 800 employees from 38 nations and about 809,000 customers.

Dear Shareholders

It is our pleasure to inform about another successful year for Cembra Money Bank. In an environment of increased regulation we achieved a net income of CHF 144.5 million. Our net financing receivables rose 12% to a record CHF 4.6 billion driven by both acquisitions and organic growth. Shareholders will benefit from a CHF 0.10 higher ordinary dividend of CHF 3.55 per share and the Group remains strongly capitalised with a CET 1 capital ratio of 19.2%.

In the financial year 2017 we achieved a net income of CHF 144.5 million corresponding to earnings per share of CHF 5.13. The result was slightly above our initial guidance due to a strong performance in the second half-year 2017. With a return on shareholder's equity (ROE) of 16.7% we again exceeded our 15% medium-term target. Net revenues increased by 1% to CHF 396.3 million despite a 5% lower net interest income of CHF 283.6 million which declined due to the impact from the introduction of the lower interest rate caps. Commission and fee income conversely was 17% higher at CHF 112.7 million mainly due to the strong performance in the credit cards business. Our prudent risk management approach was reflected in low provision for losses of CHF 45.1 million, equivalent to a loss rate of 1.0% of financing receivables. Delinquency metrics in our portfolio remained stable with a non-performing loan ratio of 0.4%. We maintained our cost discipline keeping operating expenses flat at 167.9 million resulting in a cost/income ratio of 42.4%.

Financing Receivables Growth across all Products
The Group's net financing receivables increased by 12% to a record CHF 4,562 million with growth across all products. Also when excluding the positive impact from acquisitions (CHF 327 million), we were able to outperform Swiss GDP growth. Receivables in the personal loan business – including assets from the eny Finance transaction – increased by 4% to CHF 1,782 million in a continued challenging market. The Swiss auto market was very stable in 2017. While new car registrations reduced by 1%, the market for used cars was flat. In the second half-year 2017, we acquired EFL Autoleasing, an independent auto lease and loan provider with net financing receivables of about CHF 278 million. The acquisition was the main driver of the 18% increase in auto financing receivables to CHF 1,942 million. Our credit cards business recorded double digit organic growth again with net financing receivables up 17% to CHF 833 million. The number of credit cards issued by Cembra Money Bank increased by 10% to circa 803,000. Interest income in the credit cards business was up 17% and the fee and commission income was even higher; up 18%.

Balance Sheet Growth to above CHF 5 Billion
The Group's total assets climbed to CHF 5,099 million mainly as a reflection of the strong growth in net financing receivables. Given this strong asset growth, the funding portfolio was expanded to CHF 4,048 million and the mix was adjusted to 65% deposits and 35% non-deposits. The average remaining maturity of the portfolio was increased to just below three years and at the same time the funding costs were further reduced. The Bank tapped capital markets twice in 2017 and raised CHF 350 million through senior unsecured bonds with long durations.

Shareholders' equity increased by 4% to CHF 885 million by the end of December 2017 in consideration of a dividend payment of CHF 125.5 million in May 2017. With a CET 1 capital ratio of 19.2% and a leverage ratio of 15.4% the Group remains very well capitalised. With an internal CET 1 target of at least 18%, we had CHF 49 million of excess capital.

Increasing Ordinary Dividend to CHF 3.55 per Share
As a result of the Group's financial performance in 2017, the Board of Directors proposes to increase the ordinary dividend by CHF 0.10 to CHF 3.55 per share. The dividend will be split into CHF 3.00 from the remaining capital contribution reserves (not subject to Swiss withholding tax) and CHF 0.55 from retained earnings. We have increased our dividend every year since the IPO and are also committed to paying an attractive dividend to our shareholders in the future.

New Partnerships in Auto Leasing and Credit Cards
Besides the acquisitions of EFL Autoleasing and Swissbilling which we made in 2017, we continue to invest in the long-term sustainable growth of our Group. Recently we have signed a number of new partnerships. In the auto leases and loans business, we signed a financing cooperation with a manufacturer of electric vehicles. Following the acquisition of EFL Autoleasing, the Bank is now the exclusive (captive) finance partner for Hyundai, and since 1 January 2018 Cembra is the captive finance partner for Harley-Davidson motorcycles. Beginning February 2018, we introduced Samsung Pay as a mobile payment solution for four of our credit card programmes. Furthermore, and starting in April this year, we will launch a cooperation with the furniture store Interio, which belongs to the Migros group. An Interio-branded credit card will be launched (based on Cumulus Mastercard) and a point-of-sales invoice solution will be developed in the second half of 2018.

Outlook for 2018
Assuming no major change in the current economic environment, the Group is expecting earnings per share between CHF 4.80 and CHF 5.10 for the financial year of 2018. Additional revenues from the recent acquisitions and the ongoing growth of the credit cards business are expected to offset the impact of the rate cap on interest income in the personal loans business. Operating expenses are expected to increase driven by higher headcount and further investment in the digitalisation of the business, translating into a healthy but slightly higher cost/income ratio. Loss performance is expected to be in line with prior years.

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

Dr Felix Weber
Chairman

Robert Oudmayer
CEO

Management Discussion & Analysis

Significant Developments

On 17 February 2017, Cembra Money Bank AG (hereafter referred as "the Bank") announced the acquisition of 100% of the shares of Swissbilling SA. Swissbilling is a Swiss-based invoice financing company with operations mainly in the French-speaking region of Switzerland.

On 26 April 2017, the Bank held its fourth General Meeting of Shareholders as a SIX-listed company in Zurich. All agenda items were approved including a total dividend payment of CHF 125.5 million. The dividend per share was split into an ordinary dividend of CHF 3.45 and an extraordinary dividend of CHF 1.00 as per the refined capital policy. All members of the Board of Directors were re-elected for a further one-year term of office.

On 27 April 2017, the credit rating agency Standard & Poor's reaffirmed the Bank's "A–" long-term counterparty credit rating with a stable outlook.

On 1 June 2017, the Bank successfully placed a CHF 150 million senior unsecured bond with a maturity of eight years (2017–2025) and a coupon of 0.375%.

On 25 July 2017, the Bank announced an agreement to refinance a CHF 42 million personal loan portfolio from eny Finance AG, a Swiss pure online personal loan provider. The financing deal was structured via a special purpose vehicle (SPV).

Since 1 August 2017, the interchange fee on credit card payments throughout Switzerland has been reduced to an average of 44 basis points from an average of 70 basis points. The change is related to an amicable agreement between the Swiss Competition Commission and the credit card issuers.

On 11 October 2017, the Bank announced the acquisition of 100% of the shares of EFL Autoleasing AG. EFL Autoleasing is an auto lease and auto loan financing company based in Winterthur (Switzerland) and had circa CHF 280 million auto lease and loan receivables at the time of the announcement. The transaction was closed on 30 November 2017.

On 18 October 2017, the Bank placed another CHF 200 million senior unsecured bond with a maturity of six and a half years (2017–2024) and a coupon of 0.25%.

Macroeconomic Environment

The Group operates in Switzerland and its financial position and results of operations are strongly influenced by domestic macroeconomic factors, notably, economic trends and interest rates. The Group has limited exposure to foreign currencies.

Gross Domestic Product Switzerland

The development of the Swiss Gross Domestic Product (GDP) is a key indicator for the Group. Switzerland's GDP expanded 1.0% in 2017 compared to 1.4% in 2016. 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 2017 as demonstrated by the 1.2% increase (2016: 1.5%).

Interest Rates

Overall, Swiss interest rates moved slightly higher in 2017, more at the long end than at the short end of the curve. However during the course of 2017, the downward moves of the curve were triggered by the European election worries and the geopolitical tensions between North Korea and the US.

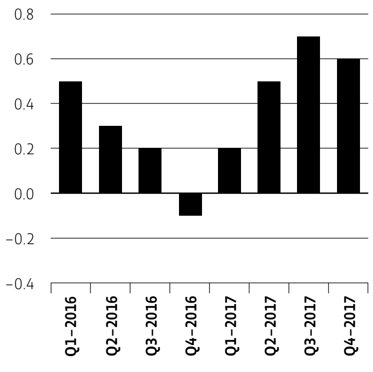
The upward moves were supported by the Federal Reserve rate hikes, the announcement of the reduction of their balance sheet and the European Central Bank's optimistic outlook mid-2017 that quantitative easing could end soon. The Swiss National Bank (SNB) was not yet ready to abandon the negative interest rates despite a recent weakening of the Swiss Franc.

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 2017 remained low at 3.2% and stood at 3.3% at year-end 2017. This is slightly lower than 2016 when the average unemployment rate was 3.3% and 3.5% at 31 December 2016.

Quarterly Swiss GDP

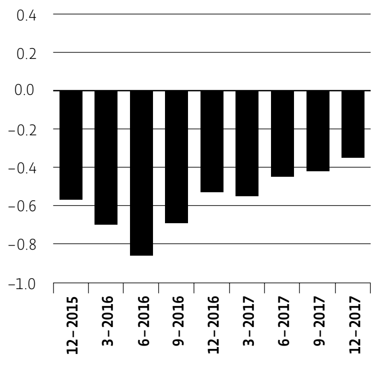
Change versus previous quarter (in %)



Source: SECO

CHF 3-years Swap Rate

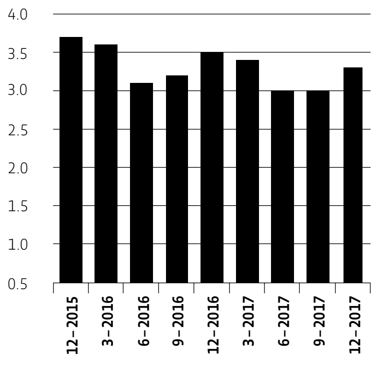
in %



Source: Bloomberg

Unemployment Rate in Switzerland

in %



Source: SECO

Product Markets

Consumer Loan Market

For the first time in several years, the Swiss consumer loan market expanded in 2017. According to the Association Swiss Consumer Finance (KFS), the Swiss consumer loan market increased by 3% from CHF 7,058 million in 2016 to CHF 7,239 million in 2017. The number of loan contracts reduced by 1% to 371,656 in 2017 from 375,909 in 2016. The Group was able to defend its market position in a challenging environment with an estimated market share of approximately 36%.

Auto Market

The Swiss auto market showed again a very stable development. According to auto-schweiz statistics (association of official Swiss car importers), about 314,000 new cars were registered in 2017, a slight decrease of 1% versus 2016. Additionally, 873,000 used cars were sold in Switzerland according to Eurotax Schweiz (independent provider of automotive market data); which was unchanged versus the same period in 2016. Overall, used cars accounted for 65% of the Group's auto lease and loan portfolio, and new cars accounted for 35%. The Group estimates its market share in the auto leasing market to be about 15%. According to data from KFS, the outstanding leasing volume in Switzerland in 2017 increased by 3% to CHF 8,657 million compared to CHF 8,381 million in 2016. The number of leasing contracts grew by 5% to 614,515 in 2017.

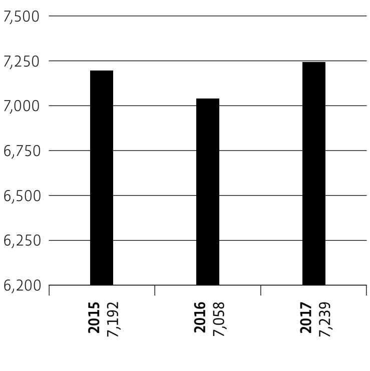
Credit Card Market

The growth trend continued in the credit cards market in 2017. Based on the Swiss National Bank (SNB) statistics, the number of credit cards issued in Switzerland grew by approximately 4% to about 6.6 million in 2017. Circa 92% of all credit cards in Switzerland are equipped with a Near Field Communication (NFC) chip. Transactions conducted via NFC gained further momentum making up circa 22% of all domestic contactless transactions initiated in 2017. The number of transactions increased by 16% from 344.7 million in 2016 to 400.7 million in 2017 driven by the strong development of contactless payments. Overall, the transaction volume increased by 10% to CHF 40.3 billion in 2017.

The Group's credit cards business continued to outgrow the market with the number of cards growing by 10% to about 803,000 compared to year-end 2016. The Group's market share, based on the number of credit cards in circulation, increased from 11% to 12%.

Swiss Consumer Loan Market

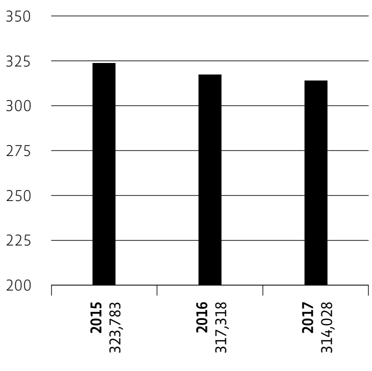
CHF in millions



Source: KFS

New Car Registrations in Switzerland

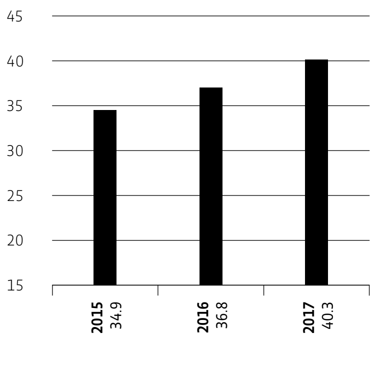
in 1,000



Source: auto-schweiz

Transaction Volume Swiss Credit Cards

CHF in billions



Source: SNB

Reporting

Balance Sheet Analysis

At 31 December (CHF in millions)	2017	2016	Variance	in %
Assets				
Cash and cash equivalents	**418**	669	–251	–38
Net financing receivables	**4,562**	4,073	489	12
Personal loans	**1,782**	1,720	62	4
Auto leases and loans	**1,942**	1,641	301	18
Credit cards	**833**	711	122	17
Other	**5**	–	5	–
Financial investments	**12**	12	–	–
Other assets	**108**	104	4	4
Total assets	**5,099**	**4,857**	**242**	**5**
Liabilities and equity				
Deposits and debt	**4,048**	3,874	174	4
Deposits	**2,627**	2,355	272	12
Debt	**1,421**	1,520	–99	–7
Other liabilities	**166**	135	31	23
Total liabilities	**4,214**	**4,009**	**205**	**5**
Shareholders' equity	**885**	848	37	4
Total liabilities and shareholders' equity	**5,099**	**4,857**	**242**	**5**

Net Financing Receivables
Net financing receivables amounted to CHF 4,562 million as at 31 December 2017, which was an increase of CHF 489 million or 12% compared to CHF 4,073 million as at 31 December 2016. Acquisitions and refinancing transactions contributed CHF 327 million to the increase while organic growth contributed CHF 162 million. At the end of 2017, the Group's personal loans accounted for 39% (2016: 42%), auto leases and loans made up for 43% (2016: 40%), and the credit cards business accounted for 18% (2016: 18%) of the net financing receivables.

Receivables from personal loans increased by 4% to CHF 1,782 million including receivables from the refinancing transaction (CHF 44 million) with eny Finance. Auto leases and loans receivables grew by 18% to CHF 1,942 million at 31 December 2017 compared to CHF 1,641 million at year-end 2016, mainly driven by the acquisition of EFL Autoleasing (CHF 278 million). In 2017, credit cards receivables increased by 17% from CHF 711 million at year-end 2016 to CHF 833 million at year-end 2017. Other net financing receivables of CHF 5 million included the Swissbilling business which was acquired in February 2017.

Funding
The Group maintained its funding diversification throughout 2017. Deposits grew by 12% from CHF 2,355 million as at 31 December 2016 to CHF 2,627 million as at 31 December 2017 in line with the higher receivable base. While the institutional deposit base was 20% higher at CHF 1,705 million, retail deposits slightly declined by 2% to CHF 922 million. The Group's debt (excluding deposits) decreased by 7% from CHF 1,520 million as at 31 December 2016 to CHF 1,421 million as at 31 December 2017. This was primarily driven by a CHF 200 million reduction of bank loans and the maturity of a CHF 250 million senior unsecured bond partially offset by the issuance of two senior unsecured bonds. The Group returned to the capital markets in June 2017 and raised CHF 150 million through an unsecured bond with an eight year maturity (2017–2025). In October 2017, an additional unsecured bond of CHF 200 million with a maturity of 6.5 years (2017–2024)

was placed in the market. Overall, the focus was on extending the overall maturity profile of the book and limiting future maturity concentration whilst further optimising the funding costs.

Shareholders' Equity

Total shareholders' equity increased by CHF 37 million from CHF 848 million at year-end 2016 to CHF 885 million at 31 December 2017. The increase was mainly driven by the current year net income of CHF 144.5 million and was partially offset by the dividend payment for the business year 2016 of CHF 125.5 million in April 2017.

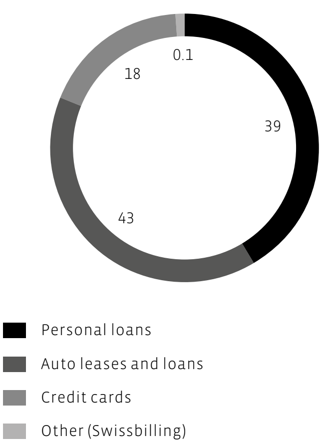
Capital Position

At 31 December (CHF in millions)	**2017**	2016	Variance	in %
Risk-weighted assets	**4,114**	3,758	356	9
Tier 1 capital	**790**	753	37	5
Tier 1 ratio (in %)	**19.2%**	20.0%		

Risk-weighted assets increased by 9% to CHF 4,114 million as per 31 December 2017 compared to CHF 3,758 million as per 31 December 2016. This increase was in line with the development of net financing receivables. The Tier 1 capital increased by CHF 37 million, or 5 %, to CHF 790 million mainly as a result of the net income generated in 2017 adjusted for expected future ordinary dividend payments. This resulted in a Tier 1 ratio of 19.2% as per 31 December 2017 which was significantly above the regulatory requirement of 11.2% and the Group's minimum target of 18.0%.

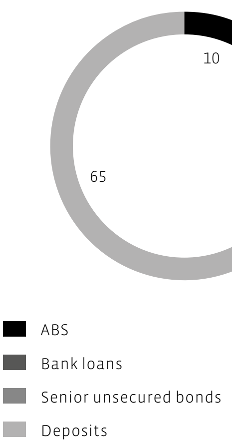
Net Financing Receivables

in %



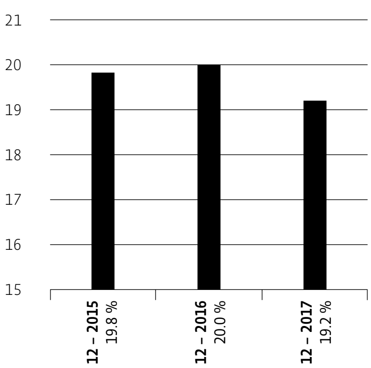
Funding Structure

in %



CET 1 Capital Ratio

in %

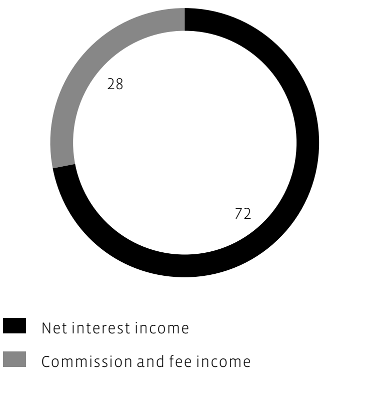


Profit and Loss Analysis

For the years ended 31 December (CHF in millions)	**2017**	2016	Variance	in %
Interest income	**308.3**	324.3	–16.0	–5
Interest expense	**–24.7**	–26.5	–1.8	–7
Net interest income	**283.6**	**297.7**	**–14.1**	**–5**
Commission and fee income	**112.7**	96.3	16.4	17
Net revenues	**396.3**	**394.0**	**2.3**	**1**
Provision for losses on financing receivables	**–45.1**	**–44.6**	**0.5**	**1**
Compensation and benefits	**–99.9**	–100.4	–0.5	0
General and administrative expenses	**–68.0**	–67.1	0.9	1
Total operating expenses	**–167.9**	**–167.5**	**0.4**	**0**
Income before income taxes	**183.3**	**181.9**	**1.4**	**1**
Income tax expense	**–38.8**	–38.2	0.6	2
Net income	**144.5**	**143.7**	**0.8**	**1**
Other comprehensive income / (loss)	**18.0**	–0.1	18.1	n/a
Comprehensive income	**162.5**	**143.6**	**18.9**	**13**

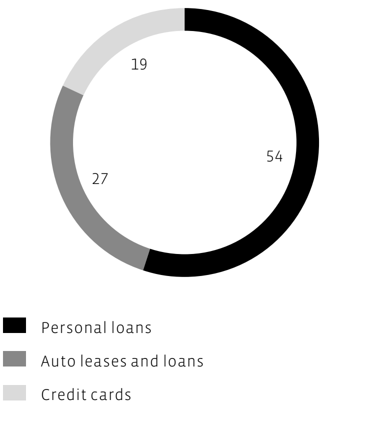
Net Revenues

in %



Interest Income

in % (excluding “other”)



Interest Income

For the years ended 31 December (CHF in millions)	**2017**	2016	Variance	in %
Personal loans	**167.1**	191.3	–24.2	–13
Auto leases and loans	**83.8**	83.5	0.3	0
Credit cards	**60.5**	51.6	8.9	17
Other	**–3.1**	–2.3	–0.8	35
Total	**308.3**	**324.3**	**–16.0**	**–5**

Personal loans accounted for 54% and 59% of interest income in the years ended 31 December 2017 and 2016, respectively. Auto leases and loans accounted for 27% and 25% of interest income in 2017 and 2016, respectively. Credit cards accounted for 19% and 16% of interest income in the years ended 31 December 2017 and 2016, respectively.

The Group's interest income declined by CHF 16.0 million, or 5%, from CHF 324.3 million in 2016 to CHF 308.3 million in 2017. Other interest income included CHF 2.9 million expenses from the negative interest rate on the cash held with the Swiss National Bank and other institutions. Interest income from personal loans decreased by CHF 24.2 million, or 13%, from CHF 191.3 million in 2016 to CHF 167.1 million in 2017 following the implementation of the interest rate caps in July 2016. Consequently, the yield reduced to 9.3% from 10.7% in the previous year. Interest income from the Group's auto leases and loans business increased by CHF 0.3 million to CHF 83.8 million in 2017. Revenues from the newly acquired EFL Autoleasing business were included for the month of December only with a 4.9% yield. Interest income from credit cards increased by CHF 8.9 million, or 17%, from CHF 51.6 million in 2016 to CHF 60.5 million in 2017. The increase was primarily due to higher levels of credit card receivables as a result of an increase in credit card volumes and a change to the interest rate in the Cumulus Mastercard programme. The yield increased slightly to 7.8%.

Cost of Funds

For the years ended 31 December (CHF in millions)	**2017**	2016	Variance	in %
Interest expense on ABS	**1.8**	2.2	–0.4	–18
Interest expense on deposits	**13.2**	15.0	–1.8	–12
Interest expense on debt	**9.7**	9.4	0.3	3
Total	**24.7**	**26.5**	**–1.8**	**–7**

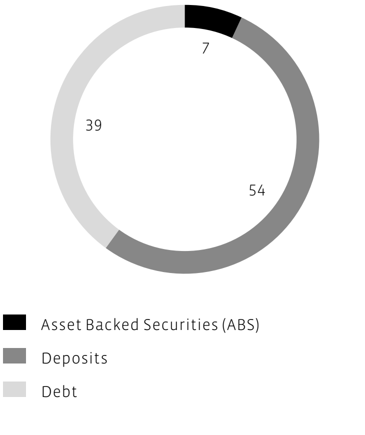
The Group's overall cost of funds decreased by CHF 1.8 million, or 7%, from CHF 26.5 million in 2016 to CHF 24.7 million in 2017. Interest expense on auto lease ABS decreased by 18% to CHF 1.8 million. The decrease was mainly due to the refinancing of an ABS in 2016 at more attractive conditions. Interest expense on deposits decreased by 12%, or CHF 1.8 million, to CHF 13.2 million as a result of favourable market conditions and natural repricing of the deposit portfolio at lower rates, despite a 12% increase of the portfolio. The total interest expense on debt increased by CHF 0.3 million, or 3%, from CHF 9.4 million in 2016 to CHF 9.7 million in 2017.

Commission and Fee Income

For the years ended 31 December (CHF in millions)	**2017**	2016	Variance	in %
Insurance	**23.0**	21.9	1.1	5
Credit cards	**75.0**	63.5	11.5	18
Loans and leases	**11.8**	10.6	1.2	11
Other	**2.9**	0.3	2.6	867
Total	**112.7**	**96.3**	**16.4**	**17**

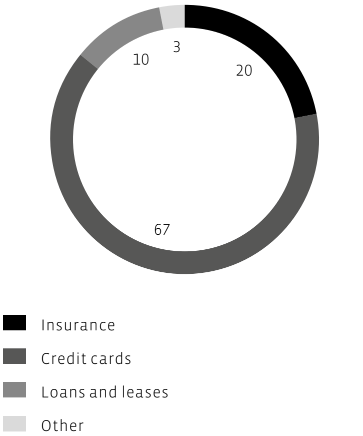
Cost of Funds

in %



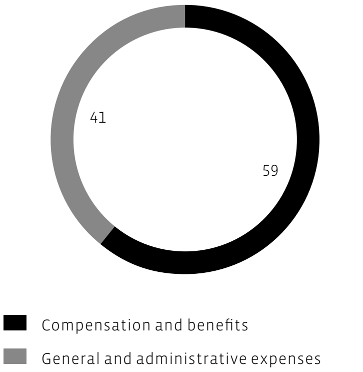
Commission and Fee Income

in %



Operating Expenses

in %



The Group's commission and fee income increased by CHF 16.4 million, or 17%, from CHF 96.3 million in 2016 to CHF 112.7 million in 2017. The increase was mainly due to an 18% increase, or CHF 11.5 million, in fee income on credit cards. The negative effect from the second reduction of the domestic interchange fee was more than compensated by the effect of the growing credit card portfolio. Insurance income, mainly revenues from payment protection insurance products, increased by CHF 1.1 million, or 5% to CHF 23.0 million as a result of higher profit share and a one-off gain. The increase in fees from loans and leases of 1.2 million to CHF 11.8 million was mainly attributable to fee changes. In 2017, the position "Other" includes the fee income from the newly incorporated Swissbilling.

Provision for Losses on Financing Receivables

For the years ended 31 December (CHF in millions)	**2017**	2016	Variance	in %
Provision for losses on personal loans	**26.7**	31.3	–4.6	–15
Provision for losses on auto leases and loans	**8.8**	6.4	2.4	38
Provision for losses on credit cards	**9.0**	6.8	2.2	32
Provision for losses on other	**0.6**	–	0.6	–
Total	**45.1**	**44.6**	**0.5**	**1**

The Group's provision for losses on financing receivables increased by CHF 0.5 million or 1% to CHF 45.1 million in 2017, compared to CHF 44.6 million in 2016. Provision for losses on personal loans decreased by CHF 4.6 million to CHF 26.7 million in 2017, predominantly driven by lower write-offs as a consequence of market dynamics that changed with the implementation of the interest rate cap in 2016. On auto leases and loans the provision for losses increased by CHF 2.4 million from CHF 6.4 million in 2016 to CHF 8.8 million in 2017 following a shift between consumer and product segments. Higher write-offs on credit cards as a consequence of a growing portfolio lead to provision for losses of CHF 9.0 million in 2017, an increase of CHF 2.2 million compared to 2016. Overall, the Group's loss rate in 2017 was 1.0% of financing receivables, a slight improvement compared to 2016 when the loss rate was reported at 1.1% of financing receivables. Delinquency metrics of 30 days past due (1.8% as of 31 December 2017) and non-performing loans (0.4% as of 31 December 2017) remained flat when compared to 2016.

Compensation and Benefits

For the years ended 31 December (CHF in millions)	2017	2016	Variance	in %
Compensation and benefits	**99.9**	**100.4**	**–0.5**	**0**

The Group's compensation and benefits decreased by CHF 0.5 million from CHF 100.4 million in 2016 to CHF 99.9 million in 2017. The decrease was mainly attributable to lower pension costs of CHF 1.5 million driven by the implementation of a lower conversion rate partially offset by higher headcount following the acquisitions of EFL and Swissbilling.

The average number of employees (full-time equivalent – FTE) of Cembra Money Bank AG (excluding the two acquisitions) was 701 in 2017 compared to 705 in 2016. The average cost per FTE was TCHF 140 in 2017 and TCHF 142 in 2016.

General and Administrative Expenses

For the years ended 31 December (CHF in millions)	2017	2016	Variance	in %
Professional services	**11.4**	9.0	2.4	27
Marketing	**6.1**	6.6	–0.5	–8
Collection fees	**5.8**	5.7	0.1	2
Postage and stationery	**9.3**	8.6	0.7	8
Rental expense under operating leases	**4.7**	6.0	–1.3	–22
Information technology	**23.6**	24.1	–0.5	–2
Depreciation and amortisation	**8.7**	7.8	0.9	11
Other	**–1.6**	–0.7	–0.9	117
Total	**68.0**	**67.1**	**0.9**	**1**

The Group's general and administrative expenses increased by CHF 0.9 million, or 1%, from CHF 67.1 million to CHF 68.0 million in the year of 2017. Costs from professional services of CHF 11.4 million increased by 27%, or CHF 2.4 million, due to business development and continued focus on the simplification agenda and regulatory requirements. Marketing expenses were 8% or CHF 0.5 million lower in 2017 as there was a large-scale advertising campaign in 2016. Collection costs increased slightly by 2%, or CHF 0.1 million, to CHF 5.8 million. Costs for postage and stationery increased by 8%, or CHF 0.7 million, to CHF 9.3 million mainly due to growth in credit cards and additional costs driven by the acquisition of Swissbilling. The decrease in rental expenses by 22%, or CHF 1.3 million, to CHF 4.7 million related to the closure of branches in 2016 and lower headquarter rental costs in 2017. Information technology costs of CHF 23.6 million were 2% lower driven by the timing of IT investments and a one-off project related benefit in 2017. Depreciation and amortisation were higher due to costs related to the acquisition of Swissbilling and IT investments. Other included non-recurring costs of CHF 0.6 million in the first half-year of 2016.

The cost/income ratio was 42.4% in 2017 compared to 42.5% in 2016.

Income Tax Expense

For the years ended 31 December (CHF in millions)	2017	2016	Variance	in %
Income tax expense	**38.8**	**38.2**	**0.6**	**2**

The Group's effective tax rate in both 2017 and 2016 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. The Group's income tax expense increased by CHF 0.6 million, from CHF 38.2 million in 2016 to CHF 38.8 million in 2017, as a result of the 1% higher income before taxes.

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

Outlook

Outlook and Guidance for 2018
Assuming no major change in the current economic environment, the Group is expecting earnings per share between CHF 4.80 and CHF 5.10 for the financial year 2018. Additional revenues from the recent acquisitions and the ongoing growth of the credit cards business are expected to offset the impact of the rate cap on interest income in the personal loans business. Operating expenses are expected to increase driven by higher headcount and further investment in the digitalisation of the business, translating into a healthy but slightly higher cost/income ratio. Loss performance is expected to be in line with prior years.

Financial Targets
The Group'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 CET 1 capital ratio of minimum 18%; and
- Ordinary dividend payout ratio between 60% and 70% of net income.

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.

Within its risk appetite and tolerances and in accordance with its strategic objectives, the Group takes and manages risks and controls and monitors them prudently. The Group actively, comprehensively and systematically manages risk and promotes a strong risk and control culture across all business areas. The established risk management process comprises four core elements:
- Identification of risks across all business activities;
- Assessment and measurement of risks, including stress testing;
- Limitation and mitigation of risks; and
- Effective controls, monitoring and reporting.

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 that (i) ensures that material risks are continually assessed and controlled; (ii) oversees the Group's risk profile to ensure it is correctly monitored and managed; and (iii) ensures the correct implementation of the risk management framework and strategies.

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 to risk and its appetite for the amount of risk willing to accept.

The Group has established a risk appetite framework including integrated tolerance limits to control overall risk taking. It contains a diverse set of quantitative metrics and qualitative statements across various risk categories and 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.

Three working committees have been established in delegation of the Board of Directors:

Committee	Risk category
Credit Committee	Credit risk
Asset & Liability Management Committee (ALCO)	Asset & Liability Management, Market & Liquidity Risk, Capital Management
Risk & Controllership Committee (RCC)	Enterprise Risk Framework, Internal Control System, Compliance & Operational Risk Management, Security, Business Continuity Management

The Group's risk and control framework operates along three lines of defence:
- First Line: business functions are responsible for ensuring that a risk and control environment is 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 their 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 main 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 credit programmes which are not within the authority delegated to the Chief Risk Officer (CRO) or specific subsidiaries, 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 the approval of credit programmes, as well as the individual counterparty credit approvals are described within the credit competency policy. Delegated credit competency authorities are actively monitored and reviewed regularly.

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 credit risk rating system, including usage of scorecards, 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 where applicable. 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.

For its lending products, the Group leverages 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 financing receivables (before allowance for losses) at 31 December 2017 and 2016 are distributed along the CR as follows:

At 31 December 2017	Personal loans	Auto leases and loans	Credit cards	Total [1]
CR1	47.6%	52.1%	75.8%	54.7%
CR2	29.9%	32.6%	18.2%	28.9%
CR3	17.8%	12.6%	5.5%	13.3%
CR4	4.1%	2.1%	0.5%	2.6%
CR5	0.6%	0.6%	0.0%	0.5%

[1] Does not include eny Credit GmbH and Swissbilling SA. There is no material impact on the Group's consumer rating of the total financing receivables.

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%	5.1%	13.0%
CR4	4.5%	1.9%	0.3%	2.7%
CR5	0.1%	0.6%	0.0%	0.3%

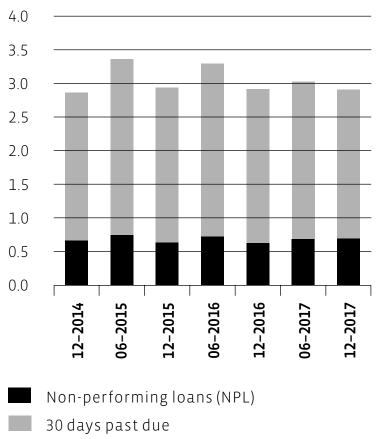
More details on CRs and implied probability of default are described in the Consolidated Financial Statements on page 99.

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

Credit quality is also monitored through delinquency metrics that are further described on page 98. The historic trend is indicated in the below graphs:

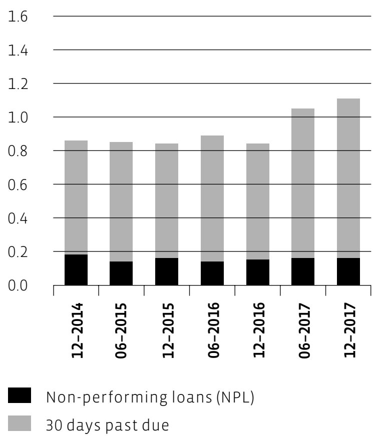
Personal Loans

Delinquencies in %



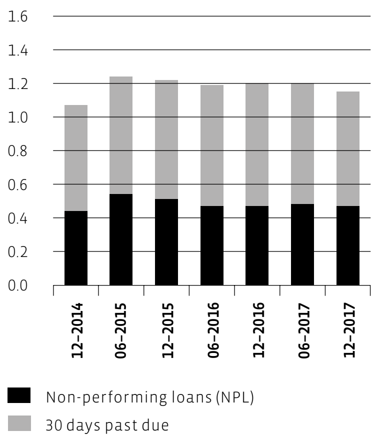
Auto Leases and Loans

Delinquencies in %



Credit Cards

Delinquencies in %



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, their 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.

With a listed entity at the top, 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 to reduce reliance on short term, potentially volatile sources of funding. The Group actively averts building up concentration risk and strategically diversifies its investor base across different business sectors, by individual counterparty, by maturity buckets and across various categories of debt instruments.

For effective risk controlling, the overall condition of funding markets is regularly monitored and assessed against market-wide and Group-specific early warning indicators to ensure the Group's ability to access funding. This 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 liquidity stress testing process, to ensure it can adequately manage its liquidity during times of market stress of differing, yet plausible, magnitudes. This ensures the Group has sufficient controls and mitigation procedures in place to prevent or alleviate the consequences of stressed market conditions. The Group's contingency funding plan is influenced by the results of stress-testing scenarios and integrated into the Business Continuity Management (BCM) framework. The plan is tested annually, and results are reviewed within ALCO and reported to the RCC. Stress-testing results along with other regulatory liquidity measures, such as 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 2017 was 904%, well above the 2017 regulatory requirement of 80% and the 2019 requirement of 100%.

The NSFR complements the LCR as part of the liquidity regulations under Basel III. The Group's NSFR as of 31 December 2017 is 113%, 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.

Due to the Group's predominately fixed interest rate assets and liabilities, it is mainly exposed to repricing 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.

The Group actively manages and monitors IRR performance against internally defined triggers. As per the regulatory requirement, the Group applies different interest rate shock scenarios and reports the impact on the economic value of equity (lifetime) and earnings at risk (next 12 months) on a weekly basis. As of 31 December 2017, 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 2017, 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 a robust framework and appropriate processes to manage them.

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

The Group is exposed to a wide variety of operational risks, including technology and cybersecurity risk that stem from dependencies on information technology, third-party suppliers and the telecommunications infrastructure. The Group acknowledges the evolving cyber risk landscape and therefore developed a comprehensive framework to effectively manage and control this type of risk. This framework addresses latest regulatory requirements, is based on international standards and is supported by the Group's cybersecurity strategy that targets a state of cyber resilience. 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 RCC.

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

Compliance risk is the risk of legal or regulatory sanctions, reputational damage and financial forfeiture or material loss deriving from violations of laws and regulations, internal policies 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 this within the provisions of the Group's Code of Conduct. For operational independency, the Group has a separate Legal & 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 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 standardised approach, as prescribed by the Bank for International Standards under Basel rules, to calculate its regulatory capital requirement. This standardised approach is used for Credit Risk, Operational Risk and Market Risk. This fulfils the qualitative and quantitative requirements of the Capital Adequacy Ordinance (CAO 952.03).

Capital Adequacy Ratio (CAR)
As of 31 December 2017, the applicable regulatory requirements for a category 4 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 2017, the Group's Tier 1 capital ratio was 19.2%.

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 2017, 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 2017 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.

Corporate Social Responsibility

Aspiration and Organisation

Cembra Money Bank ("the Bank") is strongly convinced that it can only generate competitive advantage and sustainable value in the long-term if it takes into account the interests, expectations, and challenges of the stakeholders involved in its value creation. Stakeholders include customers, employees, partners, investors, regulators, and community organisations. The Bank's major responsibilities are of an economic, legal, ethical, and social nature.

Employees from various units within the Bank have been intensely involved in a project to identify what are the key drivers to ensure sustainable value. Having examined the challenges and opportunities the Bank and its stakeholders face, four key areas have been identified:
- Product and service integrity;
- Customer orientation;
- Employee diversity and development; and
- Social engagement.

The Bank's strategic goal is to enhance its position as the leading provider of consumer finance products and services in Switzerland whilst maintaining the corporate social responsibility goals. The critical success factors for achieving this goal are the ability to raise presence in key markets and to continue to differentiate through outstanding service and operational excellence. Product and service integrity is crucial to this strategy and at the same time to preserving the Bank's "licence to operate".

Customer orientation lies at the heart of the Bank and its employees, who are committed to providing responsive and responsible consumer finance products and services. In addition to the very strict consumer credit laws in Switzerland, the Bank also puts a strong emphasis on additional verification and offers personal, face-to-face contact with potential and existing customers.

Employees are the key to Bank's success. They embody and share the Cembra values and drive the Bank's future. Employee diversity and development are a core element of Cembra Money Bank's corporate culture. This is expressed by the Bank's endeavour to offer an inspiring and collaborative workplace for its employees.

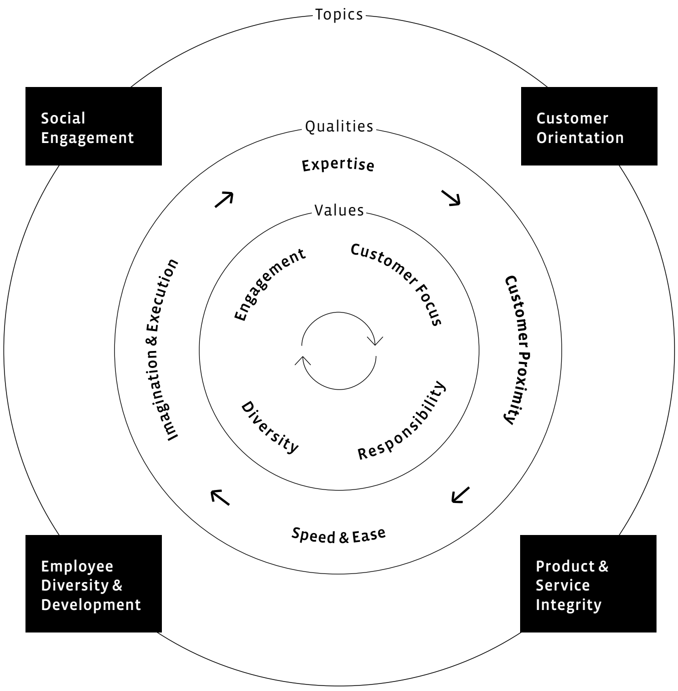
Cembra Money Bank is also committed to social engagement. Volunteering for charitable projects has been anchored in the Bank for the past two decades and it is strongly encouraged by the Bank's management. This is not only to give something back to the community; it also provides an ideal way for employees to take on new responsibilities and further explore and develop their personal skills.

These four topics are interconnected and influence each other. Employee diversity and development considerably influences how the other three topics are approached. Employees' professional and personal skills, attitudes, and beliefs strongly influence the product and service integrity, customer orientation, and social engagement through volunteering.

The Bank's corporate culture and the daily work of its employees are guided by values and qualities. These have been defined in workshops by 140 employees from all departments and language regions of the Bank. The values of engagement, customer focus, responsibility, and diversity are relevant to the four material topics. The qualities of expertise, customer proximity, imagination & execution, and speed & ease help to manage the four topics in an efficient and professional way.

Corporate Social Responsibility (CSR) at Cembra Money Bank is currently managed by a working group composed of senior managers from Compliance, Human Resources, Risk, Legal, Investor Relations, and Communications. The working group reports to the Management Board.

The following sub-chapters explain how the four material topics influence the Bank and its key stakeholders. They show how the Bank addresses these topics by providing details on objectives, responsibilities, measures, and results.



Product and Service Integrity

Since October 2013 Cembra Money Bank has been an independent Swiss Bank listed on the SIX Swiss Exchange. It has to comply with higher regulatory requirements than the majority of its competitors, which often operate without a banking licence. Though this entails additional controls, reporting, and results in higher cost, the Bank is convinced that it helps to create customer trust and differentiation on the market. Transparent information is part of the value creation and trust building in particular for customers and shareholders, who expect to be informed also on non-financial matters.

One of the Bank's four values is "Responsibility" and states that employees always act in the best interest of the Bank and its customers. Employees are accountable for their actions, must ensure full transparency, and behave with integrity. The quality of "Expertise" underlines that employees are highly knowledgeable about products, processes, and the market environment and that they stay up to date with trends, innovations as well as regulations.

The Bank has various formal processes in place to ensure high quality of product service and integrity. These processes are based on a binding framework and guidance for employees in their day-to-day operational activities.

Employees: Code of Conduct
The Bank has had a Code of Conduct in place for more than 15 years. To keep up with societal developments and trends in the financial industry, the Bank revised its Code of Conduct in December 2016. The Code outlines the vision, the ethical fundamentals and the professional standards, as well as the business values which form the basis for the long-term success of the Bank. It is an integral part of the employment contracts and trainings, and it is binding to all of the Bank's employees as well as third-party providers.

In May 2017, all employees received the revised version of the Code of Conduct followed by a Bank-wide e-learning programme. All employees completed the mandatory training and confirmed their compliance with the terms of the Code.

A whistleblower process is included in the Code where any alleged violation of the law, regulatory requirements or of the Code must be reported. Information on this employees' right and duty of notification as well as the process and responsibilities in the event of an actual or suspected violation of laws, regulations, ordinances, internal guidelines and the principles are enumerated in the Code, in the respective directive and on the Bank's intranet. In addition to internal reporting points (supervisor, Human Resources, Compliance, internal ombudspersons), an external ombudsperson is also appointed and accessible.

The Code of Conduct and the duty of notification are part of regular compliance trainings, and a breach of the rules of the Code has a negative impact on the employees' performance evaluations and may lead to a reduction in the financial incentivation. New Bank employees are introduced to the Code and the ombuds system during a separate training session held by an internal compliance expert and one of the ombudsperson.

Partners: Independent Intermediaries, Car Dealers, and Partnerships in the Credit Card Segment
The Bank has operations across Switzerland via a network of 18 branches as well as alternative sales channels comprising the internet, credit card partners, independent intermediaries (personal loans), and car dealers (auto leases and loans). Collaboration with partners is based on mutual trust and, in most cases, has been developed over several decades. To ensure quality and product integrity, there are formal processes for the selection, training, instruction, and monitoring of independent intermediaries and car dealers. The quality of portfolios and specific customer segments is periodically assessed. In the segment of personal loans, assessments of the independent intermediaries are done on a quarterly basis. Car dealers are typically reviewed every one to three years.

The Bank imposes high requirements on its independent intermediaries and car dealers in regard to integrity. For instance, when the Bank took over EFL Autoleasing (EFL) in 2017, EFL's car dealers were critically reviewed. About 40 of these car dealers did not meet the high requirements of the Bank and consequently the relationship has been terminated. Currently, the Bank partners with 3,600 car dealers in the auto leases and loans business. The number of active independent intermediaries in the personal loans business has been intentionally reduced over the last few years in order to focus on long-term partnerships that have proven to be valuable in the past: in 2017, 140 independent intermediaries offered the Bank's personal loans, which is about 80 fewer than in previous years.

In 2015/2016, training sessions for independent intermediaries were introduced focusing on the strategy of the independent intermediaries business, products, processes, and compliance. In 2017, the Bank conducted one such training. The responses to these trainings were overall positive. Regular trainings are also conducted for car dealers. Usually, four events are held in Zurich each year and one to two events in the French and Italian part of Switzerland.

Clearly defined selection, monitoring, and reporting processes ensure the quality and integrity of independent intermediaries and car dealers. Various departments (e.g. compliance, underwriting and via escalation processes, also risk) are involved in these processes. Moreover, specific guidelines for independent intermediaries are in place to ensure professional service provision and ethical behaviour. To minimise any potential risk of non-compliance that could result from long-term partnerships, the specific guidelines for independent intermediaries are an inherent part of every professional relationship. 29 sales area managers of the Bank visit the car dealers regularly and report on discussed topics in an online tool. Any abnormalities are investigated in detail. The Bank has longstanding relationships with its car dealers. These personal relationships are absolutely necessary in a "people's business" and lead to innumerable benefits and insights. More than 50% of the volume is done with car dealers that have been partners for at least 25 years. Sales area managers are with the Bank for an average of 18 years.

Although the independent intermediaries and car dealers onboard credit applications of potential customers, the budget calculation and underwriting processes are performed internally by operational Bank entities. The final responsibility for providing a loan or car lease is always with the Bank, which also carries the risks of any potential losses due to default.

In 2017, the Bank renewed its long-term partnerships in the credit card segment. Migros was the Bank's first partner in the cards business. Together with Switzerland's biggest retailer, the Bank launched its first credit card in 2006, which was the first credit card in the Swiss market without an annual fee. This credit card is tied to Migros customer loyalty programme "Cumulus" which offers attractive benefits to customers. The cooperation agreement for the Cumulus-Mastercard has been adapted and renewed with a new card generation until 2022. The partnership with Conforama in Switzerland (partner in the credit card segment since 2008) also continues. In addition, Touring Club Switzerland has been a reliable partner since 2011 and its programme was relaunched in December 2017. The credit card programme with the French retail chain Fnac that was launched in 2016 set for continued growth.

Monitoring Processes
The Bank uses the three lines of defence model, a state of the art control framework in modern banking (see Risk Management report starting on page 20 for more details) to ensure compliance with legal requirements, internal regulations and to mitigate risk. Additionally, there are processes in place to ensure that the Bank is compliant with the relevant regulations.

As a financial intermediary, the Bank is subject to the Anti-Money Laundering Act and therefore maintains a programme to combat any illegal form of transactions. Customers and partners are systematically checked against watch lists before the Bank enters into a contract or business relationship. This comprehensive onboarding procedure ensures that the Bank does not engage with persons who are listed on international sanctions lists. Politically exposed persons (PEPs) and high-risk relations are thoroughly examined. Even after entering into a contract or business relationship, customers and partners are regularly reviewed. In addition to continuous screening of the watch lists, there is also ongoing monitoring of the transactions and payment history of customers. Any suspicious transactions are automatically identified by an “alerts triggering” system and are investigated by the Bank’s compliance officers.

All new Bank employees receive introductory trainings about the Bank’s anti-money laundering programme, followed by regular refresher trainings over the following years.

Customer Orientation

Customer orientation lies at the heart of Cembra Money Bank. The Bank's vision is to provide individual and responsible solutions for its customers. Customer proximity as one of the four core qualities emphasises the importance of the needs of customers. The personal relationship with customers is key to the Bank's culture.

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.

Responsible Lending

Cembra Money Bank takes its responsibility towards customers and society very seriously and is committed to protecting customers against over-indebtedness. For consumer loan, the Bank checks each application systematically in order to ensure it complies with the very strict Consumer Credit Act (KKG) in Switzerland and performs an adequate assessment of the client´s individual situation. Detailed budget calculations based on the customer's outgoings are performed as part of the underwriting process. If an applicant does not meet the eligibility criteria, the Bank declines the credit request. A personal loan is granted only if the customer understands the risks involved and if the credit is unlikely to result in financial hardship for the customer. Once a personal loan is approved, there is a 14-day cool-off period during which the customer can still step back from the contract. During the contractual term of the loan, the customer can pay back the loan at any time without penalty, which reduces residual debt and interest on debt. Furthermore, the Bank aims to have reasonable loan terms instead of maximising the duration of loans and payback periods. As for leasing and credit cards, the Bank applies similar processes as for the personal loans business to ensure compliance with the relevant regulations.

Personal interactions with customer are at the core of the Bank's business. Knowing the customer and the customer's personal situation not only supports the Bank in its underwriting process, but also contributes to find a suitable financial solution for the customer. Should a customer nevertheless experience difficulties in paying back a credit due to unforeseen events such as unemployment, illness, or divorce, the Bank supports the customer and debt advisors in an advisory capacity help to find a fair and affordable solution for repaying the debt. The Bank's internal collection management is specialised for the various products, which also helps to take specific situations into account. The performance of new business is monitored to ensure that underwriting procedures are followed correctly and, in particular, that the credit approval process continues to effectively mitigate the potential credit risk. Underwriters receive regular feedback from their supervisors, ensuring that decisions which led to undesired outcomes will not be repeated. The very low rate of default confirms the efficiency of underwriting and risk management.

Responsible Marketing and Business Conduct

The Bank commits itself to responsibly market its products and its advertising is targeted to adults only. The Bank does not engage in any aggressive advertising. As of 1 January 2016, aggressive advertising for consumer credits is prohibited. The members of the Association of Swiss Consumer Finance (KFS), the Swiss Leasing Association (SLV) and further credit and leasing institutions agreed on a self-regulation regarding consumer credit advertising and the implementation of preventive measures. The respective convention entered into force on 1 January 2016.

Internal policies guide the conduct of employees towards customers. Specific business conduct guidelines are described in an internal directive.

The Bank performs customer surveys on a regular basis. Last year over 80% of customers interviewed in the business areas of personal loans, auto leasing, and credit cards gave at least 7 out of 10 points for general satisfaction with the Bank and for the Banks' customer service. In addition, the Bank's credit card programmes received top ratings from Comparis and Bonus.ch in customer satisfaction surveys.

Employee Diversity and Development

The management of Cembra Money Bank holds its employees in high esteem because it is convinced that they are essential for upholding the trust of customers, business partners, and other key stakeholders. The employees embody the values of the company culture: engagement, customer focus, responsibility, and diversity. A number of different programmes, initiatives, and specific training courses are aimed at retaining and promoting qualified and responsible-minded staff.

Internal Training
Cembra Money Bank offers a wide range of training programmes for its employees. These include management and leadership courses as well as social skills training. The latter includes topics such as communication (e.g. feedback, performance discussions), business effectiveness (e.g. change management), personal effectiveness (e.g. personal branding, time management, emotional intelligence), and vitality (e.g. movement, sleep). In 2017, 330 training days were completed from the Bank's internal training programmes.

The Bank also supports external trainings. Each division has a budget for technical and functional trainings that are conducted by external providers.

Additional functional trainings are conducted internally with in-house trainers. Cembra Money Bank engages a team of 6.5 full-time equivalent (FTE) trainers. In 2017, a total of 1,155 participants have been trained in 54 different courses.

Apprenticeship Programme
One important pillar of the Bank's efforts in developing new talents for the future is its internal apprenticeship programme. The Bank hires seven new apprentices every year. In 2017, Cembra Money Bank employed a total of 21 apprentices (three cohorts) from 14 different nationalities. 18 of these apprentices are in a commercial apprenticeship and three in IT. Over the last seven years, all of the apprentices finished their programme successfully. It is also important for the Bank to offer continued employment to the apprentices after their successful degree. Since 2012, 82% of the apprentices stayed with the Bank after finishing their programme.

Junior Talent Programme Radix
In 2016, Cembra Money Bank set up the junior talent programme "Radix". This training and development programme aims at promoting 13 young talents within the Bank. Young employees from various departments who demonstrate a high level of motivation, engagement, and personal responsibility are trained in professional and personal skills in order to prepare them for a potential next career step. During a total of 22 days, the candidates attend internal training sessions and participate in projects regarding process or product development, join a mentoring programme, and thereby build up their networks within the Bank.

Each participant is requested to show a high level of personal commitment and takes part in at least 80% of the training days. From 2018 onwards, Radix will form part of a CAS (Certified Advanced Studies) in general management in partnership with the HWZ Hochschule für Wirtschaft Zürich.

Connect Programme
"Connect" is an internal programme that provides women with a professional platform 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. The Connect team organises talks and panel discussions with internal and external speakers as well as events on topics such as diversity, networking, and personal appearance. The programme also supports participation in the annual Pink Ribbon Charity Walk against breast cancer and donates to the Women's Shelter Zurich. In 2017, the events were organised under the theme "Diversity rocks!".

Connect is sponsored by the Bank's Chief of Staff. Two women from the management level (Senior HR manager Learning & Development and Cards Operations Leader) lead the programme. Nine other employees contribute to the organisation of events. Participation and reactions to this programme are encouraging. The Bank further developed the programme during a workshop within the Connect team in early 2018 .

Advance – Women in Swiss Business
"Advance" is a corporate, membership-led association and network which complements the Connect programme. As a founding member, the Bank supports the association's aim to increase the share of women in leading positions in Swiss companies and to help boost gender diversity. Advance offers its 75 member companies skill-building and mentorship programmes as well as role model exposure and best practice sharing on innovative working models that are conducive to combining career and other interests and maintaining balance for sustainable success. Advance organises various events and leverages the most innovative talent management tools of each associated organisation.
As a Gold Member of Advance, the Bank has access to 15 exclusive training days for talented women in middle and upper management. The Bank sends its employees to various workshops, seminars, and networking events offered throughout the year.

The Bank's HR Learning & Development Leader is a board member of Advance and responsible for the work stream "Future Workplace". The Bank's CEO Robert Oudmayer serves on the advisory board. Cembra Money Bank hosts at least one of the platform's yearly events by making its facilities available.

Vitality Programme
With the Vitality programme, the Bank supports its employees in achieving a healthy work-life balance. The Vitality team organises sporting events, such as football tournaments, bowling nights, or a 10,000-steps-a-day challenge, as well as various campaigns and training sessions on nutrition, health, and well-being.

The Bank also offers its employees a state-of-the-art in-house gym at no charge as well as a chill-out room and lounges for relaxation. Sports classes, massages, and healthy meals are offered at substantially reduced rates thanks to Bank subsidies.

There are various ways for employees to get involved in the Vitality initiative: Besides taking part in the events, interested employees can lead or support an initiative or actively influence the programme with ideas for specific themes. Health and work-life balance are increasingly important in today's working environment. This is why Cembra Money Bank plans to further develop the Vitality programme (which has been in place for ten years) and integrate it into a holistic workplace health management system.

Key HR Performance Indicators

Year	Turnover rate – permanent contracts	Turnover rate – temporary contracts	Average years of employment	New recruits 50+
2015	12%	3%	9.1	8
2016	14%	2%	9.3	8
2017	13%	1%	9.6	5

In 2016, the employee turnover rate increased slightly compared to the previous year mainly due to the closure of six branches. In 2017, the average rate decreased again to 13%, close to the level of 2015. The comparatively high average years of employment with the Bank also reflect employees' loyalty and engagement. The call centres, which are typically intermediary stages for young professionals, have traditionally a significantly higher turnover rate. In this area the turnover rate is around five times higher than the Bank's average.

Period	Returns after maternity leave[1]
July 2014 – June 2015	76%
July 2015 – June 2016	75%
July 2016 – June 2017	100%

1 Returns in the same or next year

Wherever possible, the Bank offers part-time employment after maternity leave. This depends not only on the desired workload, but also on the position and the actual team constellation.

Cembra Money Bank values and promotes diversity, not only regarding gender, but also regarding nationalities, professional competencies, and age. The Bank's workforce is made up of 38 different nationalities. The Bank and its stakeholders benefit from a diverse workforce in various ways, such as enhanced understanding of the customer base, an increased skill set, improved employee onboarding and retention, a larger talent pool, and raised productivity. In addition, the Board of Directors is diverse in terms of background, gender and nationalities.

Headcount as of 31 December 2017[1]	Female	Male	Total
Employee level	289	211	500
Senior employee level	63	138	201
Management level	16	38	54
Senior management level	0	11	11
Total	**368**	**398**	**766**
in %	48%	52%	

1 Cembra Money Bank AG only; does not include Swissbilling SA and EFL Autoleasing AG

Overall, the share of women in the Bank is 48%. At the employee level (including employee and senior employee level), the ratio of female employees is 50%. At the management level (including management and senior management level), it is almost 25%. Female representation on the Board of Directors is 29% (two out of seven members).

Part-time work share as of 31 December 2017[1]	Female	Male	Total (headcount)
Employee level	140	35	175
Senior Employee level	26	8	34
Management level	6	2	8
Total	**172**	**45**	**217**
in %	79%	21%	
in % of all employees	22%	6%	28%

1 Cembra Money Bank AG only; does not include Swissbilling SA and EFL Autoleasing AG

Part-time work is a reality for both men and women. 28% of all employees were working part-time as per year-end 2017. Many of the part-time employees are working mothers. The Bank's "Ways of Working Programme" offers flexible working solutions such as part time, flex time, and home office. The Bank is convinced that flexible ways of working can increase job satisfaction, employee commitment, productivity, and retention.

Social Engagement

The Bank encourages its employees to get involved in charitable projects. Every employee of the Bank is entitled to spend two working days each year to volunteer with qualified organisations. The Bank's volunteer programme aims not only at giving something back to the community, but is also a way to advance employees' notion of social responsibility. Volunteering is a promising way of taking on new responsibilities and to further develop personal skills. It complements the existing employee development programmes.

The Bank has partnered with various organisations for over 15 years. The partnerships are initiated primarily bottom-up by the Bank's employees thereby focusing on civil society organisations with local activities and readiness for longer-term engagements. Each initiative is sponsored through the senior management team. Activities are identified together with the respective committees.

Some of the volunteering projects and initiatives are the following:
- Theodora Foundation (Stiftung Theodora): The Bank has a formal partnership with the foundation since December 2015. The foundation's "Giggle Doctors" are bringing magical moments to children in hospitals. Every year in June, a Kids' Day with Race & Charity for all families and interested parties takes place at the Dielsdorf race course. In 2017, 30 Cembra employees participated in this event on behalf and for the benefit of the Theodora Foundation.
- YES: Young Enterprise Switzerland (YES) is a non-profit organisation which develops and supports practice-oriented business training programmes for students, linking the business community and schools. As part of "YES – Personal Economics", a programme that focuses on important business-related topics, the Bank's employees teach at schools (primary schools, mostly 3rd grade / secondary schools, 9th and 10th grade career choice schools) to provide students with practical business knowledge.
- Kinderkrebshilfe Schweiz: The partnership with Kinderkrebshilfe Schweiz goes back to 2006. Every year about 25 employees volunteer in the children's holiday camps in Engelberg and Lenzerheide to engage with the patients and their families.
- Blood drive / Swiss Red Cross (Blutspendeaktionen, Schweizerisches Rotes Kreuz): Together with the Swiss Red Cross, the Bank organises blood donation days at its headquarters twice a year. Usually, more than 100 employees take part.

The volunteer programme is sponsored by various "ambassadors" of the senior management team. Two employees manage the programme. Eight other employees contribute to the organisation of the events.

Every year, 150 employees volunteer for one of the projects with a total of 700 hours of volunteer work. In order to continuously improve the volunteer programme, the Bank collects feedback from the employees and the organisations after every event.

Corporate Governance

Information Relating to the 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 Group's internal governance framework including the articles of incorporation ("Articles of Incorporation") and the organisational regulations ("Organisational Regulations") embodies the principles required in order for the business of the Bank to be managed and supervised in accordance with good corporate governance standards.

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

The Organisational Regulations, which are published on the website (www.cembra.ch/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

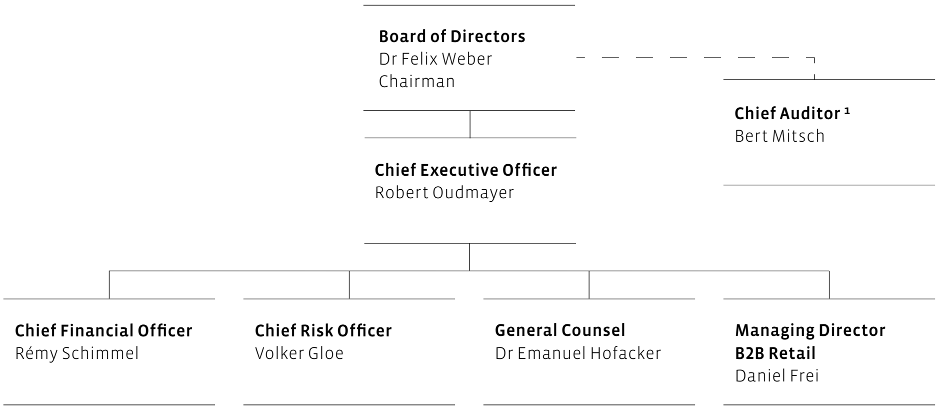
1.1 Group Structure

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 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 18 branches as well as through alternative distribution channels, such as internet, credit card partners (including Migros, Conforama, Fnac and Touring Club Schweiz), independent intermediaries and auto dealers. The 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, insurance products and invoice financing. The corporate functions include Finance, Information Technology, Legal & Compliance, Communications, Risk Management as well as Human Resources.

Organisational Group Structure as of 31 December 2017:

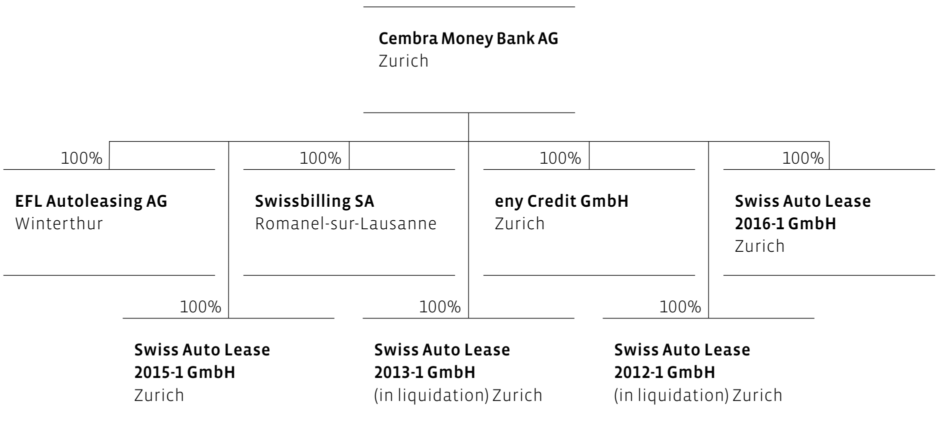


[1] The Internal Audit department is an independent function with a reporting line to the Board of Directors and the Audit and Risk Committee (see section 3.5).

1.1.2 Group Entities

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

- Swissbilling SA (with registered office in Romanel-sur-Lausanne, Switzerland, share capital CHF 100,000, shares 10,000 x CHF 10);
- EFL Autoleasing AG (with registered office in Winterthur, Switzerland, share capital CHF 10,000,000, shares 10,000 x CHF 1,000);
- eny Credit GmbH (with registered office in Zurich, stated capital CHF 20,000, shares 1 x CHF 20,000);
- Swiss Auto Lease 2016-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100); and
- Swiss Auto Lease 2015-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100);
- Swiss Auto Lease 2013-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100; in liquidation); and
- Swiss Auto Lease 2012-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100; in liquidation).



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 2017, the Bank's issued nominal share capital amounted to CHF 30,000,000 and the Bank's market capitalisation was CHF 2,726 million.

FINMA granted Swissbilling SA exemption, subject to certain conditions, from some of the requirements of consolidated supervision.

1.2 Significant Shareholders

The shareholding structure of the Bank as of 31 December 2017 is shown in the table below:

Shareholder	Number of registered shares	% of voting rights
Cembra Money Bank AG [1]	1,814,170	6.05%
UBS Fund Management (Switzerland) AG	1,623,913	5.41%
Pictet Asset Management SA	1,501,000	5.00%
Credit Suisse Funds AG	900,181	3.00%
Other Shareholders	24,160,736	80.54%
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 2017 was 9,706 who held 19.6 million shares. Unregistered shares (in disposition) including nominees amounted to 10.4 million or 35%, respectively. As of 31 December 2017, the Bank held 1,814,170 treasury shares.

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 2017, 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 15 to the Consolidated Financial Statements.

2.2 Authorised and Conditional Capital in Particular

2.2.1 Authorised Capital
The Bank's authorised share capital of CHF 3,000,000 is available for the issuance of up to 3,000,000 Shares.

The Board of Directors is authorised to increase the share capital, at any time until 26 April 2019, by no more than CHF 3,000,000 by issuing up to 3,000,000 Shares with a par value of CHF 1.00 each. The amount of CHF 3,000,000 corresponds to 10% of the existing share capital. An increase of the share capital (i) by means of an offering underwritten by a financial institution, a syndicate of financial institutions or another third party or third parties, followed by an offer to the then existing shareholders of the Bank; and (ii) in partial amounts shall be permissible. The subscription and acquisition of the new shares and any subsequent assignment of the Shares shall be subject to the restrictions of art. 8 of the Articles of Incorporation (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles).

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

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

In addition, the share capital may be increased – based on art. 6 of the Articles of Incorporation (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles) – 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 2015, 2016 and 2017, 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 will be regarded as a nominee ("Nominee"). A Nominee may be entered in the Share Register as a shareholder with voting rights for Shares representing up to 3% of the total outstanding share capital of the Bank. With respect to Shares in excess of this limit, a Nominee may only be entered into the Share Register as a shareholder with voting rights if he or she declares in writing that he or she is prepared to disclose the name, address and shareholding of any person for whose account he or she is holding 0.5% or more of the Bank's total outstanding share capital.

For purposes of determining if a 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 2017, 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.

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

The table below sets forth the name, function and committee membership of each member of the Board of Directors as of 31 December 2017, 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	2018
Prof. Dr Peter Athanas	CH/UK	Member	Chairman Audit and Risk Committee	2013 [1]	2018
Urs Baumann	CH	Member	Chairman Compensation and Nomination Committee	2014	2018
Denis Hall	UK	Member	Member Audit and Risk Committee	2013	2018
Dr Monica Mächler	CH	Member	Member Audit and Risk Committee	2015	2018
Katrina Machin	UK	Member	Member Compensation and Nomination Committee	2016	2018
Ben Tellings	NL	Vice-Chairman	Member Compensation and Nomination Committee	2016	2018

1 Effective 1 January 2014

Name	Dr Felix Weber
Nationality	Swiss
Function	Chairman
First elected	2013
End current period	2018

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 2018. 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:
- Since 2017: Vice-Chairman Climatex AG (Altendorf, Switzerland)
- Since 2013: Board Member BLR & Partners AG (Thalwil, Switzerland)

Previous board memberships:
- 2000–2013: Member of the Board of Directors and Chairman of the Compensation Committee of Syngenta Ltd (Basel, Switzerland), listed on SIX and New York Stock Exchange
- 2011–2013: Chairman of the Board of Directors of Nomura Socrates Re (Switzerland) and Nomura Re (Guernsey)
- 2011–2012: Member of the Board of Directors of 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	2018

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 2018. 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 2017: Member of the Board of Kontivia AG (Zurich, Switzerland)
- Since 2016: Member of the Board of Skuani AG (Zurich, Switzerland)
- Since 2015: Member of the Foundation Board of the Swiss Study Foundation (Zurich, Switzerland)
- Since 2014: Member of the Board of Directors, Chairman of the Nomination and Compensation Committee and member of the Audit Committee of Also Holding AG (Emmen, Switzerland), 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	2018

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 2018. Mr. Baumann holds a Master of Arts 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 2017: Member of the Board of IHFS Holding AG (Zurich, Switzerland)
- Since 2016: Member of the Board of Privatbank IHAG Zürich AG (Zurich, Switzerland)
- Since 2015: Member of the Board of PG Impact Investments AG (Baar, Switzerland)
- Since 2010: Member of the Board of Directors of 3Horizons AG (Schindellegi, Switzerland)

Denis Hall

Name	Denis Hall
Nationality	British
Function	Member
First elected	2013
End current period	2018

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 2018. 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); Head Credit Cards Germany (1990–1995); Citibank Privatkunden AG, European Credit Cards Officer (1985–1990), Citibank International plc

Other board memberships and activities:
- Since 2017: Non-Executive Board member and Chairman of the Board Risk Committee, Skipton Building Society (Skipton, UK)
- Since 2016: Member of the Supervisory Board and member of both the Risk and Audit committees of Moneta Money Bank Czech (Prague, Czech Republic), listed on the Prague Stock Exchange
- Since 2016: Member 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	2018

Katrina Machin

British national and UK resident, born in 1966

Mrs Machin was appointed as a member of the Board of Directors on 27 April 2016. She is also a member of the Compensation and Nomination Committee. Her current term expires at the General Meeting in 2018. 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 MBNA International Bank (London, UK): Senior Vice President, Head of Customer Marketing (1997–2000); Head of Business Development Operations Administration (1996–2007); Relationship Manager (1994–1996)

Other board memberships and activities:
- Since 2017: Board Director of Homeserve plc (Walsall, UK)
- Since 2015: Board Member of ABTA and member of the Risk Committee (formerly Association of British Travel Agents) (London, UK)
- Since 2012: Board Member and Chair of the Credit and Operational Risk Committee at Shop Direct Finance Company Ltd (Liverpool, 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	2018

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 2018. 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, Berne Switzerland), whereby serving as a member of the Executive Committee and Chair of the Technical Committee of the International Association of Insurance Supervisors (IAIS) (Basel, Switzerland)
- 2007–2008: Director of the Swiss Federal Office of Private Insurance (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 2017: Member of the Board of the Europa Institut at the University of Zurich (Zurich, Switzerland)
- Since 2014: Member of the Board of the "Stiftung für schweizerische Rechtspflege" (Solothurn, Switzerland)
- Since 2013: Member of the Board of Directors of Zurich Insurance Group Ltd (Zurich, Switzerland) and Zurich Insurance Company Ltd (Zurich, Switzerland), whereby serving as member of the Audit Committee and the Risk and Investment 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 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

Ben Tellings

Name	Ben Tellings
Nationality	Dutch
Function	Vice-Chairman
First elected	2016
End current period	2018

Dutch national and resident, born in 1956

Mr Tellings was appointed as a member of the Board of Directors on 27 April 2016. Since 1 April 2017 he is Vice-Chairman. He is also a member of the Compensation and Nomination Committee. His current term expires at the General Meeting in 2018. 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 2017: Chairman of the Investment Board of Universal Invest (Frankfurt, Germany)
- Since 2010: Member of the “Kuratorium” Deutsche National Stiftung (Hamburg, Germany)

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

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 (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principle), 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 2017/1 Corporate governance – banks ("FINMA Circular 17/1"), at least one-third of the members of the Board of Directors should be independent within the meaning of the FINMA Circular 17/1.

As of 31 December 2017, all members of the Board of Directors met the independence criteria prescribed in the FINMA Circular 17/1.

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

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

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 (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles), the presence of the majority of the members of the Board of Directors is required for passing valid Board resolutions. Resolutions of the Board of Directors and of its committees are passed by way of the absolute majority of the votes represented. In the case of a tie of votes, the acting Chairman or committee chairperson has the deciding vote. If a committee consists of two members only, the respective chairperson's right for a casting vote shall no longer apply, and for a valid resolution unanimity is required. Resolutions passed by circular resolutions are only deemed to have passed if: (a) at least the majority of all members of the Board of Directors cast a vote or give written notice that they abstain; (b) the required majority to approve the proposed resolution is reached in accordance with the Organisational Regulations (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles); 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 2017, the Board of Directors met ten 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 2017:

Date	Dr Felix Weber	Prof. Dr Peter Athanas	Urs Baumann	Denis Hall	Katrina Machin	Dr Monica Mächler	Ben Tellings
19 January [1]	X	X	X	X	X	X	X
22 February	X	X	X	X	X	X	X
23 March	X	X	X	X	X	X	X
24 May	X	X	X	X	X	X	X
24 July	X	X	X	X	X	X	X
16 August	X	X	X	X	X	X	X
21 September [1]	X	X	X	E	X	X	X
2 October [1]	X	E	X	X	X	X	X
25 October	X	X	X	X	X	X	X
12 December [1]	X	X	X	X	X	X	X

[1] Conference call
E = Excused

3.5.2 Committees

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

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

Audit and Risk Committee

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

The Audit and Risk Committee 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 17/1 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 three hours and are also attended at minimum by members of the Management Board, the Bank's Chief Auditor and the External Auditor. During 2017, the Audit and Risk Committee met eight times.

Please see details in the table below:

Date	Prof. Dr Peter Athanas	Denis Hall	Dr Monica Mächler
21 February	X	X	X
22 March	X	X	X
23 May	X	X	X
24 July [1]	X	X	X
15 August	X	X	X
4 October	X	X	X
24 October	X	X	X
6 December	X	X	X

1 Conference call

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 2017, the Compensation and Nomination Committee met six times.

See details in the table below:

Date	Urs Baumann	Katrina Machin	Ben Tellings
19 January	x	x	x
21 February	x	x	x
23 May	x	x	x
15 August	x	x	x
24 October	x	x	x
6 December [1]	x	x	x

[1] Conference call

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 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 2017, 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 (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles). 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 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 requires that it is fully informed about all matters that materially impact the Group. It requires that it receives sufficient information from the Management Board to perform its supervisory duty and to take decisions.

The Board of Directors meets at least four times a year as specified in the Organisational Regulations (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles); 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, the CFO gives immediate notice to the CEO and to the Management Board about extraordinary events or urgent financial matters regarding the Group.

The General Counsel informs the Management Board and the Board of Directors at least on a quarterly basis about the supervisory, legal and regulatory situation of the Group. He informs these bodies immediately about any extraordinary legal and regulatory developments and 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 20.

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 (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles), 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 (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles) 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 [1]	Chief Executive Officer (CEO)
Rémy Schimmel	FR	2016	Chief Financial Officer (CFO)
Daniel Frei	CH	1997 [1]	Managing Director B2B Retail
Volker Gloe	GER	2013 [1]	Chief Risk Officer (CRO)
Dr Emanuel Hofacker	CH	2014	General Counsel

1 Appointed in predecessor organisations prior to IPO

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 in 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 is Chairman of the Board of Directors of the Bank's subsidiaries Swissbilling SA and EFL Autoleasing AG.

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 holds a Master of Sciences in Economics from H.E.C. Business School (University of Montreal, Canada) and a Master in International Trade from ESCD 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, UK)
- 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 Lloyds TSB and Halifax Bank of Scotland at Lloyds Bank (London, UK)
- 2008–2009: Senior Manager Strategy at Lloyds Bank
- 2006–2007: Finance Business Partner for the COO of Corporate Banking at Lloyds Bank
- 2005–2006: Pricing Analyst at General Electric (now Genworth Financials; London, UK)
- 2004–2005: Pricing Analyst at Kimberly-Clark (Reigate, UK)
- 2002–2004: European Finance Graduate Programme at Kimberly-Clark

Mr Schimmel is president of the Managing Directors of the Bank's subsidiary eny Credit GmbH and member of the Board of Directors of the Bank's subsidiary Swissbilling SA and EFL Autoleasing AG.

Daniel Frei

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

Swiss national and resident, born in 1959

Mr Frei has been Managing Director and Sales Leader Cards since 2008 and Managing 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 and Board member of SPA (Swiss Payment Association).

Volker Gloe

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

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 is manager of the Managing Directors of the Bank's following subsidiaries Swiss Auto Lease 2016-1 GmbH, Swiss Auto Lease 2015-1 GmbH, Swiss Auto Lease 2013-1 GmbH in liquidation, Swiss Auto Lease 2012-1 GmbH in liquidation, as well as eny Credit 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 is president of the Managing Directors of the Bank's following subsidiaries Swiss Auto Lease 2016-1 GmbH, Swiss Auto Lease 2015-1 GmbH, Swiss Auto Lease 2013-1 GmbH in liquidation, Swiss Auto Lease 2012-1 GmbH in liquidation, as well as member of the Board of Directors of Swissbilling SA and EFL Autoleasing AG. Furthermore, he is 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 2017, and no such contracts are in place as per 31 December 2017.

5 Compensation, Shareholdings and Loans

Information about compensation, shareholdings and loans can be found in the Compensation Report starting on page 64.

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 (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles) require that such request including details of agenda items and motions is communicated to the Board of Directors at least 45 calendar days prior to the next 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 33⅓% 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 Executive Variable Compensation Plan ("EVCP") as further described in the section Compensation Report on page 64 (www.cembra.ch/en/investor → Reports and Presentations → Financial reports).

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. The current audit partner for the Group since 2014 is Mr Cataldo Castagna, Partner.

8.2 Auditing Fees

Expenses related to the Group's financial and regulatory audit amounted to CHF 1,010,800 for the financial year 2017.

8.3 Additional Fees

Expenses related to assurance-related services amounted to CHF 175,608 for the financial year 2017.

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 2017, the Chief Auditor as well as the auditor in charge who represents the External Auditor attended all eight 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 2017. 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 the Chief Auditor. Criteria assessments include qualifications, expertise, effectiveness, independence and performance of the External Auditor.

9 Information Policy

General Information
The Bank informs its shareholders and the public by means of the annual and half-year reports, letters to shareholders as well as press releases and presentations. These documents are available to the public in electronic form under: www.cembra.ch/en/investor.

Ad-hoc Publicity and E-mail Distribution Service
The Bank reports in accordance with the ad hoc publicity requirements pursuant to art. 53 of the Listing Rules of the SIX Swiss Exchange. Ad hoc announcements may be viewed at www.cembra.ch/en/investor → News & Media.

Interested parties can also subscribe to the e-mail distribution service to receive free and timely notifications of ad hoc announcements: www.cembra.ch/en/investor → Investor Relations → 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).

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 2017 Compensation Report of Cembra Money Bank AG (hereafter referred as “the Bank”, together with its subsidiaries, “the Group”).

In 2017 the Group achieved another solid performance for the year despite pressure on revenues resulting from regulatory changes. With a net income of CHF 144.5 million and a corresponding return on equity (ROE) of 16.7%, we delivered again solid results on previous year’s level. Net financing receivables increased by 12% to CHF 4,562 million driven by both acquisitions and organic growth. We made further steps in executing on our strategy for growth with the acquisitions of Swissbilling and EFL Autoleasing as well as the refinancing transaction with eny Finance. The Group’s performance was also reflected in the share price performance leading to a total shareholder return (including dividend) of 28% in 2017.

These achievements are reflected in the compensation decisions for 2017. As a result of the strong financial performance, the total compensation for the Group’s Management Board was TCHF 4,035 for 2017, as compared to the budget of TCHF 5,300 comprising the fixed compensation approved by the General Meeting 2016 and the variable compensation approved by the General Meeting 2017. The total compensation in the previous year was TCHF 3,891 compared to an approved total compensation of TCHF 5,300.

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

Our Executive Variable Compensation Plan consists of a short-term incentive and a separate long-term incentive programme:
- For the short-term variable compensation, the performance is predominantly tied to financial results (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.

For the further development of our compensation strategy, we consider the opinion of our stakeholders as relevant and highly valuable. You will have the opportunity to express your opinion on the compensation programmes through a non-binding, consultative shareholders' vote on this Compensation Report at the General Meeting in April 2018. Furthermore, we will ask you to vote on the maximum aggregate compensation amount for the Board of Directors for the General Meeting 2018 to General Meeting 2019 term of office and on the maximum aggregate compensation for the Management Board to be paid out in the financial year 2019.

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

Urs Baumann
Chairman of the Compensation and Nomination Committee

1 Compensation Policy and Guiding Principles

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

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

Pay for Performance in Alignment with the Bank's Values
We endorse a performance-oriented approach coupled with sound risk management practices. The compensation policy supports a culture that differentiates and rewards excellent performance and recognises behaviours in line with the Bank's values of customer focus, engagement, responsibility and diversity. Variable compensation of the Management Board is based on the achievements of the Bank's objectives as well as 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 management 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 adhere to the rules set by the Ordinance against Excessive Compensation in Listed Corporations (OaEC). Furthermore, the Bank's compensation guidelines take into consideration the rules of the FINMA Circular 2010/1 "Remuneration schemes".

2 Compensation Governance

2.1 Compensation and Nomination Committee

According to the Articles of Incorporation, the Organisational Regulations (available under www.cembra.ch/en/investor/ → Corporate Governance → Regulations and Principles) 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 2017, the CNC held six meetings and performed the following activities:

- Determination of Board of Directors compensation for following term of office;
- Nomination of CNC members 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 and evolution of organisation;
- Approval of the Bank's variable incentive compensation pool for the performance year 2016 and salary budget for 2017;
- Performance evaluation and determination of variable compensation payout for previous year for Management Board;
- Strategic lookback assessment for performance year 2016;
- Review of the Executive Variable Compensation Plan;
- Goal setting 2017 for Management Board;
- Determination of long-term incentive targets;
- Draft and approval of Compensation Report;
- Review of the CNC charter;
- Great Place to Work survey results;
- Review of the goal framework; 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 2017, 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 Manager Compensation & Benefits. For further governance-related information refer to section Corporate Governance starting on page 37.

2.2 Method of Determination of Compensation

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

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

2.3 Involvement of Shareholders

The Group's shareholders are involved and have decision authority on various compensation matters. First of all, shareholders annually approve the maximum aggregate compensation amounts of the Board of Directors and the Management Board. In addition, the principles of compensation are governed by the Articles of Incorporation, which 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 → Corporate Governance → Regulations and Principles) and are summarised below:

- Compensation principles (Articles 25c, 25d, 25h, 25i): The compensation of the Board of Directors consists of fixed compensation for services rendered as a member of the Board of Directors and – if applicable – as a committee member or a committee chairperson, which may be paid out partially in cash and partially in blocked, registered shares of the Bank. The compensation for the Management Board consists of a (i) fixed base salary paid in cash; (ii) further compensation elements such as housing allowances, school fees and the like as deemed appropriate by the CNC; and (iii) a variable compensation. Variable compensation may comprise short-term and long-term elements. Compensation may be paid in cash, shares or other benefits (see Article 25h for more details).
- 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 its 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 (Article 25g): Members of the Board of Directors and of the Management Board may be granted loans, credits and pension benefits in an amount which in total shall not exceed 50% of the last aggregate maximum compensation amount approved by the 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 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 current pay structure (basic 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.

The fee structure was set in 2015 and has remained unchanged since then. Since the General Meeting 2016, one third of the 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 2017

The following tables disclose the compensation awarded to the members of the Board of Directors for 2017 and 2016, respectively. For 2017, members of the Board of Directors received a total compensation of TCHF 1,403 (previous year TCHF 1,231). The increase is driven by the following factors:

- Denis Hall is no longer employed by General Electric Group, which did not allow its employees to accept any compensation for a board membership. Therefore he is compensated since 2017 by the Bank as member of the Board of Directors. This means from a compensation perspective, there was one additional member in 2017 compared to 2016;
- In addition, Ben Tellings was appointed as Vice-Chairman and received an additional chair fee.

For the year ended 31 December 2017 (CHF)

Name	Function	Basic fee	Committee/ Chair fee	Employer social security contributions	Total	Thereof in shares in CHF [3]	Number of shares
Dr Felix Weber	Chairman	450,000	–	25,659	475,659	150,056	1,755
Ben Tellings [1]	Vice-Chairman, Member CNC	100,000	50,357	13,747	164,103	50,193	583
Denis Hall [2]	Member Audit and Risk Committee	93,441	34,380	15,775	143,595	42,803	501
Prof. Dr Peter Athanas	Chairman Audit and Risk Committee	100,000	65,000	11,651	176,651	55,030	644
Urs Baumann	Chairman CNC	100,000	50,000	10,634	160,634	50,056	586
Dr Monica Mächler	Member Audit and Risk Committee	100,000	35,000	9,571	144,571	45,056	527
Katrina Machin	Member CNC	93,622	29,832	14,167	137,621	41,076	480
Total compensation of the members of the Board of Directors		1,037,062	264,569	101,203	1,402,834	434,270	5,075

1 Vice-Chairman since 26 April 2017
2 Compensated by the Bank AG since 1 January 2017.
3 Number of shares reflects shares granted 1 March 2017 for the period 1 January 2017 until General Meeting 2017 and shares granted 1 February 2018 for the period General Meeting 2017 until 31 December 2017. For the grant 1 March 2017 the share price is CHF 76.45 – volume-weighted average price (VWAP) 60 trading days before and including grant date (source: Bloomberg). For the grant 1 February 2018 the share price is CHF 90.50 – VWAP 60 trading days before and including grant date (source: SIX). Due to the blocking period statutory withholdings are made on discounted share value. The discount is 25.274% according to the table published by the Zurich tax office.

For the year ended 31 December 2016 (CHF)

Name	Function	Basic fee	Committee/ Chair fee	Employer social security contributions	Total	Thereof in shares in CHF [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 As an employee of General Electric Group., he was not allowed to receive any compensation for board memberships.
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.

Total compensation (including pre-estimated social security contributions) for the period from the General Meeting 2017 to the General Meeting 2018 for the Board of Directors will amount to TCHF 1,413 and is within the maximum aggregate compensation amount of TCHF 1,450 approved by the General Meeting on 26 April 2017.

Reconciliation between the Reported Compensation of the Board of Directors and the Amounts Approved by the Shareholders at the General Meeting (GM)

	Compensation earned during financial year as reported (A)	Less compensation earned from Jan to GM of financial year (B)	Plus compensation accrued from Jan to GM of following year (C)	Total compensation earned for the period from GM to GM (A-B+C)	Amount approved by shareholders at respective GM	Ratio of compensation earned for the period from GM to GM versus amount approved by shareholders
General Meeting 2017–General Meeting 2018	**2017**	**1 Jan 2017 to 2017 GM**	**1 Jan 2018 to 2018 GM**	**2017 to 2018 GM**	**2017 GM**	**2017 GM**
Board of Directors (total)	**1,402,834**	**442,021**	**452,007**	**1,412,820**	**1,450,000**	**97%**
General Meeting 2016–General Meeting 2017	2016	1 Jan 2016 to 2016 GM	1 Jan 2017 to 2017 GM	2016 to 2017 GM	2016 GM	2016 GM
Board of Directors (total)	1,231,165	380,159	442,021	1,293,027	1,400,000	92%

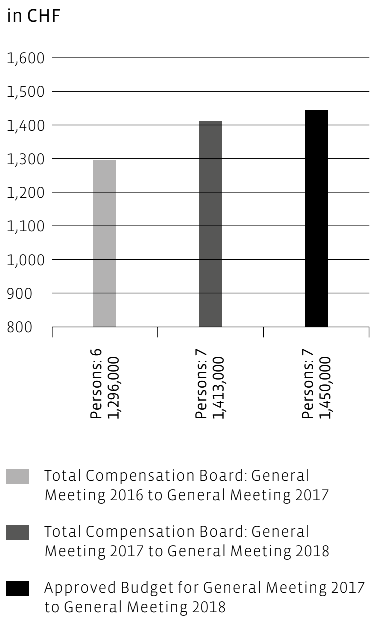
Compensation of Members of the Board of Directors who Left the Bank during the Reporting Period
No such compensation was paid during the reporting period.

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 2017, please refer to sub-chapter 6 "Loans and Credits: Amounts due from Members of Governing Bodies" of this report.

Compensation, Loans or Credits to Related Parties
No compensation, loans or credits have been paid or granted, 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 of this report.

Total Compensation Board of Directors



4 Compensation of the Management Board

4.1 Compensation Architecture for the Management Board in 2017

The compensation of the Management Board is governed by the provisions in the Articles of Incorporation (available under: www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles), the individual employment contracts, the Executive Variable Compensation Plan (EVCP) and internal directives such as the Fringe Benefits Policy.

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

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

The table below provides an overview of the compensation architecture for the Management Board as of 2017:

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

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

To determine the compensation levels for the members of the Management Board, the benchmark methodology of Hay Group has been used. The following companies were selected as peer group for the benchmark conducted in 2015: 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.

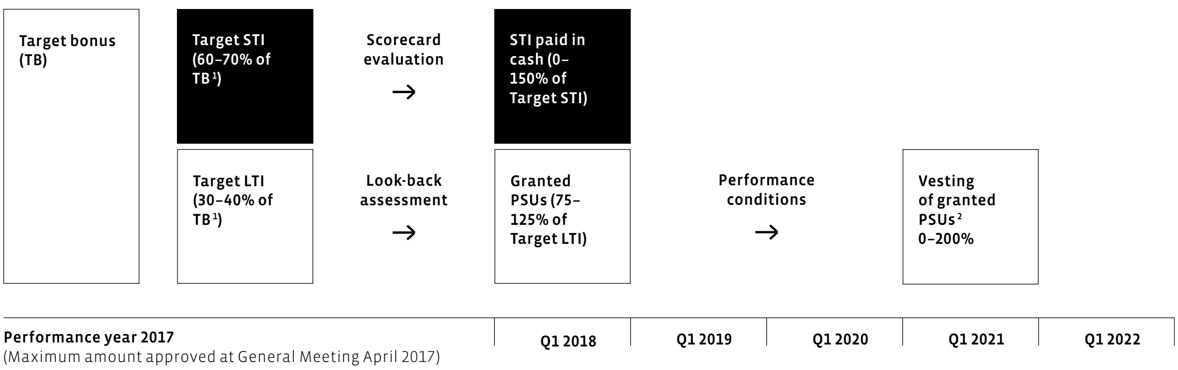
Annual Base Salary
Annual base salaries are established on the basis of the following factors:
- Scope, size and responsibilities of the role, skills required to perform the role;
- External market value of the role; and
- Skills, experience and performance of the individual in the role.

Executive Variable Compensation Plan

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

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

Executive Variable Compensation Framework



[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 Management Board to participate in the Bank's success while being rewarded for individual contributions. The target STI amounts to 60% of the target bonus for the CEO and to 70% for the other Management Board members. The payout may vary between 0% and 150% of target 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 2017, for the Managing Director B2B Retail the Bank's financial goals had 45% weight and the divisional financial goals 25% weight.
[2] For enabling functions partially qualitative

The weightings under the current 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.

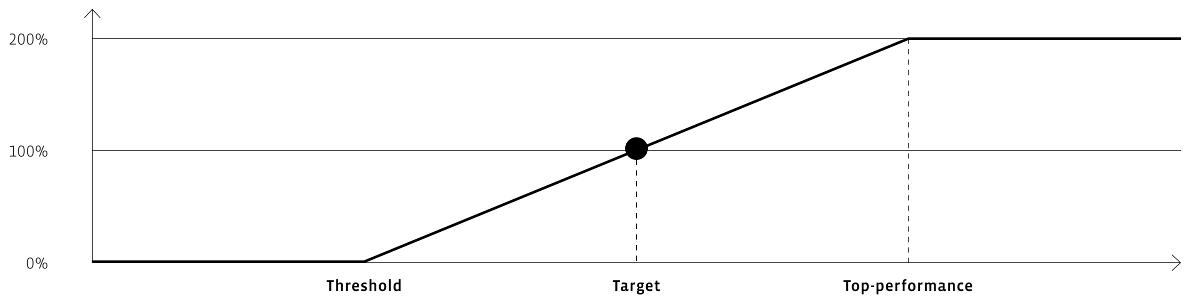
Long-term Incentive (LTI)
The LTI is a Performance Share Unit (PSU) plan that rewards the achievement of predefined performance goals over a three-year vesting period.

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 cumulative EPS is calculated by giving 50% weight to the second and 50% weight to the third financial year following the grant date.

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

Payout Factor of Originally Granted PSUs



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:

Pay Out Factor of Originally Granted PSUs

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 Bank without cause or termination following change of control, the unvested PSUs are subject to an accelerated pro-rata vesting based on the number of full months that have expired during the actual vesting period in relation to the full vesting period.

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

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

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 37.

4.2 Compensation Awarded to the Management Board for 2017

The total compensation paid to the active members of the Management Board for the performance year 2017, respectively 2016, is disclosed in the table below.

	2017			2016		
For the performance year ended 31 December (CHF)	**CEO**	**Management Board**	**Total compensation**	CEO	Management Board	Total compensation
Base salary	**630,000**	**1,240,754**	**1,870,754**	630,000	1,106,587	1,736,587
Social security	**59,637**	**96,575**	**156,212**	60,465	90,379	150,844
Pension plan	**108,324**	**177,859**	**286,183**	108,324	157,256	265,580
Other compensation [1]	**218,189**	**48,650**	**266,839**	206,737	117,141	323,878
Replacement award [2]	**–**	**–**	**–**	–	69,965	69,965
Total fixed compensation	**1,016,149**	**1,563,839**	**2,579,988**	**1,005,526**	**1,541,327**	**2,546,854**
STI / EVCP paid in cash [3]	**451,537**	**550,186**	**1,001,723**	464,778	437,220	901,998
LTI / EVCP granted in PSUs / RSUs	**204,972**	**168,344**	**373,316**	219,113	150,432	369,545
Number of PSUs / RSUs granted [4]	**2,507**	**2,059**	**4,566**	2,967	2,037	5,004
Value per PSU / RSU [5]	**81.76**	**81.76**	**81.76**	73.85	73.85	73.85
Social security	**38,156**	**41,417**	**79,573**	38,902	33,354	72,255
Total variable compensation for the performance year	**694,665**	**759,947**	**1,454,612**	**722,793**	**621,006**	**1,343,799**
Total compensation for the performance year	**1,710,815**	**2,323,786**	**4,034,600**	**1,728,319**	**2,162,333**	**3,890,652**
Number of persons receiving compensation [6]			**5**			6
FTE receiving compensation			**5.00**			4.67

1 Includes certain benefits for relocated employees such as school fees as well as other benefits such as company cars.
2 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.
3 Paid out in March 2018, respectively March 2017.
4 PSUs granted in 2018 and 2017 for the performance years 2017 and 2016.
5 PSUs for 2017: Fair Market Value is based on the risk-adjusted volume-weighted average price (VWAP) 60 trading days before grant date 1 February 2018 (CHF 90.50 – source: SIX). 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). Determination through a Monte Carlo simulation algorithm.
6 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 2017. For compensation details, please refer to the table above.

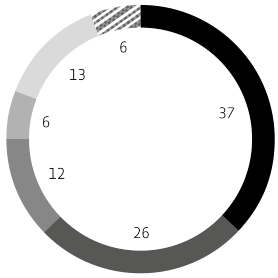
Compensation of Management Board Members who Left the Bank during the Reporting Period
No compensation was paid in 2017 to former Management Board members who left the Bank in the performance year 2017.

Explanation of Deviations versus the Previous Year:
- The total compensation of the Management Board members for the performance year 2017 amounts to TCHF 4,035 (previous year TCHF 3,891). This change is mainly driven by the increase in FTEs receiving variable compensation for the performance year 2017.
- The total fixed compensation of the members of the Management Board for the business year 2017 amounts to TCHF 2,580 (previous year TCHF 2,547). This amount is within the maximum fixed compensation amount of TCHF 3,100 approved by the General Meeting 2016.

– The total variable compensation for the performance year 2017 amounts to TCHF 1,455 (previous year TCHF 1,344), which is below the amount of TCHF 2,200 approved by the General Meeting 2017 as part of the total fixed and variable compensation of the Management Board. For the performance year 2017, the variable compensation amounted to 36% of the total compensation (compared to 35 % in 2016). The increase in the variable compensation amount is due to the fact that the CFO received a pro-rata variable compensation for the performance year 2016 given his start date of 1 August 2016 and a full year-variable compensation for the performance year 2017. Furthermore, the 2017 financial year has been a good year for the Bank despite challenging market circumstances.

Performance Year 2017 Compensation Structure

in %

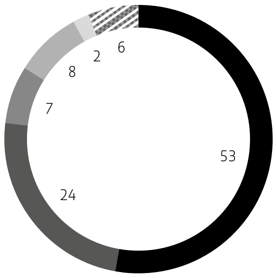


Chief Executive Officer

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

Performance Year 2017 Compensation Structure

in %



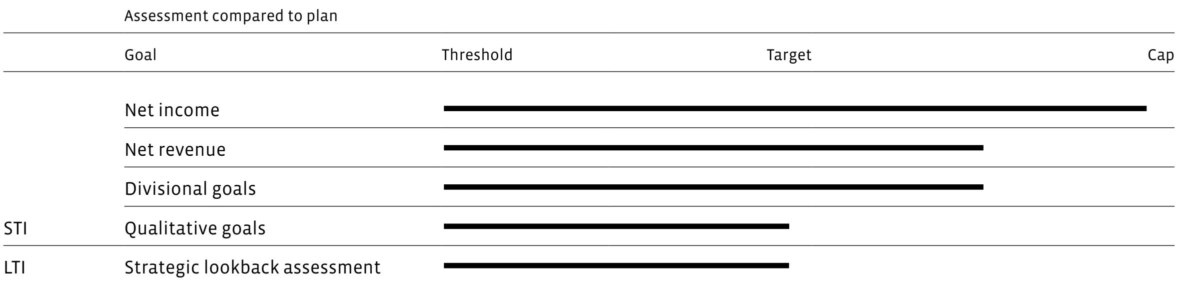
Management Board (excl. CEO)

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

Assessment Compared to Plan

The individual overall short-term incentive payout percentage which is based on the achievement of Bank and divisional financial goals as well as qualitative KPIs ranged from 122% to 133% in 2017 for the members of the Management Board including the CEO (previous year 110% to 137%).

The long-term incentive grant for the performance year 2017 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 sub-chapter "Long-term Incentive (LTI)" of this report.



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 2017	Value at vesting 2017 (in CHF) [1]
EVCP 2013	2014	2015	2016	2017	1,629	132,764
EVCP 2014	2015	2016	2017	2018	1,817	148,086
EVCP 2015	2016	2018	2019	2020	n/a	n/a
EVCP 2016 [2]	2017	n/a	n/a	2020	n/a	n/a
EVCP 2017 [3]	2018	n/a	n/a	2021	n/a	n/a

1 EVCP vesting on 1 March 2017 valued with share price of CHF 81.50
2 3-year-cliff vesting on 1 March 2020
3 3-year-cliff vesting on 1 February 2021

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 2017 please refer to sub-chapter 6 “Loans and Credits: Amounts due from Members of Governing Bodies” of this report.

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

5 Compensation Awarded to All Bank Employees in 2017

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 are paid semi-annually or annually in cash.

The following table includes information regarding the aggregated compensation awarded to all employees for the business years 2017 and 2016, including compensation for members of the Management Board. The Bank had 696 and 705 employees (full-time equivalents) as of 31 December 2017 and as of 31 December 2016 respectively.

	2017		2016	
For the performance year ended 31 December	**Amount (in TCHF)[2]**	**Eligible employees (FTE)**	Amount (in TCHF)	Eligible employees (FTE)
Base salaries	**71,453**		71,475	
Variable compensation [1]	**5,258**	**230**	4,964	208
Total	**76,711**	**696**	**76,439**	**705**

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 2017, respectively 2016.
2 Covers only employees of Cembra Money Bank AG.

6 Shareholdings and Loans

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

Shareholdings of the Board of Directors

At 31 December		2017		2016	
Name	Function	Number of shares	Number of blocked shares	Number of shares	Number of blocked shares
Dr Felix Weber	Chairman	**7,250**	**1,963**	7,250	–
Ben Tellings	Vice-Chairman	**–**	**567**	–	–
Denis Hall [1]	Member	**–**	**180**	–	–
Prof. Dr Peter Athanas	Member	**–**	**720**	–	–
Urs Baumann	Member	**7,200**	**655**	7,200	–
Dr Monica Mächler	Member	**–**	**589**	–	–
Katrina Machin	Member	**–**	**537**	–	–

[1] Compensated by Cembra Money Bank AG since 1 January 2017.

The members of the Board of Directors do not hold any share options as of 31 December 2017 and as of 31 December 2016, respectively.

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

At 31 December		2017			2016		
Name	Position	Number of shares	Number of RSUs	Number of PSUs	Number of shares	Number of RSUs	Number of PSUs
Robert Oudmayer	CEO	**7,734**	**4,194**	**2,967**	5,807	6,121	–
Rémy Schimmel	CFO	**–**	**1,042**	**288**	–	1,042	–
Volker Gloe	CRO	**3,266**	**1,136**	**589**	2,742	1,660	–
Dr Emanuel Hofacker	General Counsel	**1,421**	**984**	**540**	1,026	1,379	–
Daniel Frei	Managing Director B2B Retail	**3,455**	**1,182**	**620**	2,855	1,782	–

The members of the Management Board do not hold any share options as of 31 December 2017 and as of 31 December 2016, respectively.

Loans and Credits: Amounts due from Members of Governing Bodies

At 31 December (CHF in thousands)	2017	2016
Amounts due from members of governing bodies	**17**	21

Amounts due from members of governing bodies as of 31 December 2017 are in connection with credit card balances. Due to the insignificance of the amounts involved, there was no disclosure by name for members of the Board of Directors and the Management Board.

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

We have audited the compensation report of Cembra Money Bank AG for the year ended December 31, 2017. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 3.2, 4.2 and 6 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the compensation report for the year ended December 31, 2017 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
March 15, 2018

Financial Report 2017

Consolidated Financial Statements

Consolidated Statements of Income

For the years ended 31 December (CHF in thousands)	Notes	**2017**	2016
Interest income	21	**308,305**	324,257
Interest expense	22	**–24,706**	–26,511
Net interest income		**283,599**	**297,746**
Commission and fee income	23	**112,744**	96,260
Net revenues		**396,344**	**394,006**
Provision for losses on financing receivables	**4**	**–45,089**	**–44,557**
Compensation and benefits		**–99,930**	–100,398
General and administrative expenses	24	**–68,017**	–67,140
Total operating expenses		**–167,947**	**–167,538**
Income before income taxes		**183,308**	**181,910**
Income tax expense	16	**–38,816**	–38,204
Net income		**144,492**	**143,707**
Earnings per share			
Basic	15	**5.13**	5.10
Diluted	15	**5.12**	5.09

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the years ended 31 December (CHF in thousands)	**2017**	2016
Net income	**144,492**	143,707
Net prior service cost	**–778**	–336
Actuarial gain / (loss)	**18,732**	207
Unrealised gains / (losses) on investment securities	**16**	–15
Total other comprehensive gain / (loss)	**17,971**	–144
Comprehensive income	**162,463**	**143,563**

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Financial Position

At 31 December (CHF in thousands)	Notes	2017	2016
Assets			
Cash and cash equivalents		**418,422**	668,948
Financing receivables, net	4	**4,561,500**	4,072,617
Investment securities	5	**11,754**	11,961
Property, plant and equipment, net	6	**5,819**	4,912
Intangible assets, net	7	**26,403**	23,379
Goodwill	8	**14,508**	–
Other assets	9	**57,788**	67,161
Deferred income taxes	16	**3,175**	8,119
Total assets [1]		**5,099,369**	**4,857,097**
Liabilities and equity			
Deposits	10	**2,626,786**	2,354,569
Accrued expenses and other payables		**144,473**	91,967
Short-term debt	11	**100,000**	449,894
Long-term debt	11	**1,321,370**	1,069,868
Other liabilities	13	**21,278**	42,601
Total liabilities [1]		**4,213,908**	**4,008,899**
Common shares		**30,000**	30,000
Additional paid in capital (APIC)		**294,544**	390,931
Treasury shares		**–101,004**	–100,385
Retained earnings		**677,451**	561,154
Accumulated other comprehensive loss (AOCI)		**–15,530**	–33,501
Total shareholders' equity		**885,460**	**848,198**
Total liabilities and shareholders' equity		**5,099,369**	**4,857,097**

[1] The Group's consolidated assets as at 31 December 2017 and 31 December 2016, include total assets of 535,446 and TCHF 487,550, 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 2017 and 31 December 2016 include liabilities of the VIEs of 398,866 and TCHF 398,238, 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 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**
Net income	–	–	–	144,492	–	144,492
Dividends paid	–	–	−97,276	−28,196	–	−125,471
Change in APIC due to share based compensation	–	824	23	–	–	847
Treasury shares	–	−1,443	–	–	–	−1,443
Movements related to the Group's benefit plan obligation, net of deferred tax of 3,833	–	–	–	–	13,045	13,045
Reclassifications from accumulated other comprehensive loss net of deferred tax of −1,433 [1]	–	–	–	–	4,909	4,909
Unrealised gains / losses on available-for-sale debt securities, net of deferred tax of 4	–	–	–	–	16	16
Other [2]	–	–	866	–	–	866
Balance at 31 December 2017	**30,000**	**−101,004**	**294,544**	**677,451**	**−15,530**	**885,460**

[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.
[2] Related to the acquisitions of Swissbilling SA and EFL Autoleasing AG.

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended 31 December (CHF in thousands)	Notes	2017	2016
Cash flows from operating activities			
Net income		**144,492**	143,707
Adjustments to reconcile net income to cash provided from operating activities:			
Provision for losses on financing receivables		**45,089**	44,557
Deferred income taxes		**–602**	–578
Depreciation		**1,332**	1,429
Amortisation of intangible assets		**7,400**	6,418
Decrease (–) / Increase in accrued expenses		**52,506**	2,605
Decrease / Increase (–) in tax receivables		**–4,758**	2,939
Decrease / Increase (–) in other receivables		**15,166**	–17,483
All other operating activities		**2,662**	6,085
Net cash provided by operating activities		**263,287**	**189,679**
Cash flows from investing activities			
Net change in financing receivables	26	**–533,972**	–55,122
Proceeds from sale of loss certificates		**–**	1,198
Purchase of investment securities		**–**	–11,961
Additions to property, plant and equipment		**–1,618**	–1,007
Decrease / Increase (–) in restricted cash		**–1,502**	14,490
Additions to intangible assets		**–7,240**	–3,426
Investments in subsidiaries and other investments		**–18,502**	–
All other investing activities		**397**	–
Net cash used in investing activities		**–562,437**	**–55,829**
Cash flows from financing activities			
Net change in deposits		**272,217**	108,323
Issuance of non-recourse long-term borrowings		**–**	200,000
Issuance of long-term debt		**351,143**	200,000
Repayments of non-recourse borrowings		**–**	–200,000
Repayments of short-term and long-term debt		**–449,894**	–250,000
Dividends paid		**–125,471**	–94,464
Purchase of treasury shares		**–1,443**	–292
All other financing activities		**2,072**	–909
Net cash used in financing activities		**48,624**	**–37,343**
Net increase / decrease (–) in cash and cash equivalents		**–250,526**	**96,507**
Cash and cash equivalents			
Beginning of the period		**668,948**	572,440
End of period		**418,422**	**668,948**
Supplemental disclosure			
Interest paid		**–23,561**	–25,633
Income taxes paid		**–33,467**	–35,946

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 in liquidation, Swiss Auto Lease 2015-1 GmbH, Swiss Auto Lease 2016-1 GmbH, Swissbilling SA, eny Credit GmbH and EFL Autoleasing AG (collectively "the Group"). The Group is a leading provider 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 18 branches and operating subsidiaries 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 US (US GAAP) and in compliance with the Swiss law. The Group's financial year ends on 31 December. The Consolidated Financial Statements are stated in Swiss francs (CHF) and have been derived from the historical accounting records. The abbreviation TCHF within these financial statements refers to thousands of Swiss francs. The numbers published in the notes 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 and lending 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 the reported amounts and the related disclosures in the financial statements. Although the Group's current estimates take into account current conditions and how management expects them to change in the future, as appropriate, it is reasonably possible that in 2018 and beyond actual conditions could be worse than anticipated in those estimates, which could materially affect the Group's results of operations and financial position. Among other effects, such changes could result in future impairments of goodwill, intangible 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 at the time at which the account becomes 90 days past due. The Group resumes interest recognition on nonaccrual, nonrestructured commercial loans only when (a) payments are received that bring the account to earning status according to the loan's original terms; and (b) future payments are reasonably assured. The Group resumes interest recognition on nonaccrual consumer loans when the customer's account cures to less than 90 days past due as a result of payments received.

Interest Income on Leases

Financing lease income is recognised using the interest method to produce a level yield on the outstanding principal. Interest on leases also includes amortisation of initial direct costs. Estimated residual values at the date of lease inception are based upon the Group's initial best estimates of the value of the leased asset at the end of the lease term. The Group uses various data sources in determining this estimate, including information obtained from third parties which is adjusted for the attributes of the specific asset being evaluated. 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 sub-chapter "Interest Income on Loans and Credit Cards" above. Fee revenue is reduced by the costs of any applicable reward programme.

Depreciation and Amortisation

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

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

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

"Troubled debt restructurings" (TDRs) are loans or leases where the customer has experienced financial difficulties and is unable to meet the contractual obligations, and as a result the Group has granted concessions to the customer that it would not otherwise consider. The Group 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 for both new and used vehicles (primarily cars but also other auto vehicles including light commercial vehicles, motorcycles and caravans) to private and self-employed individuals and small businesses. These lease transactions are considered and accounted for as direct financing leases as they fulfil the relevant criteria set out in ASC 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 accumulated other comprehensive income (AOCI). Amounts reported in AOCI are net of income taxes. Amortisation of premiums or discounts is recorded in interest income using the effective interest method through the maturity date of the security.

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

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

Goodwill

Goodwill arises on the acquisition of subsidiaries. It is measured as the excess of the fair value of the consideration transferred, the fair value of any noncontrolling interest in the acquiree and the fair value of any previously held equity interest in the acquired subsidiary, over the net fair values of the identifiable assets acquired less the liabilities assumed at the acquisition date. Goodwill is not amortised, instead it is tested for impairment annually, or if events or changes in circumstances happen which indicate that goodwill may be impaired. Goodwill is allocated to the Group’s reporting units for the purposes of the impairment test. Please refer to note 8 for further details.

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. Please refer to note 7 for further details.

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. It accounts for the compensation cost from share-based payment transactions according to the fair-value-based method. The compensation cost is measured based on the grant-date fair value of the shares and is recognised over the requisite service period with a corresponding credit to equity. The compensation cost for an award with only service conditions that has a graded vesting schedule is recognised on a straight-line basis over the requisite service period for each separately vesting portion of the award. The programmes are described in detail in note 25.

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, employee turnover, and updates them to reflect its experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

Accumulated and projected benefit obligations are measured using the present value of expected payments. The Group discounts the cash payments using the weighted average of market-observed yields for high-quality corporate bonds with maturities that correspond to the expected payment of benefits.

To determine the expected long-term rate of return on pension plan assets, the Group considers current asset allocations, as well as historical and expected returns on various categories of plan assets. In developing future long-term return expectations for its benefit plan assets, the Group formulates views on the future economic environment. The Group evaluates general market trends and historical relationships among a number of key variables that impact asset class returns, such as expected earnings growth, inflation, valuations, yields and spreads, using both internal and external sources. The Group also takes into account expected volatility by asset class and diversification across classes to determine expected overall portfolio results given current allocations.

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 would occur at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

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

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

Off-Balance Sheet Arrangements

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 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.

Recently Issued Accounting Standards to be Effective in Future Periods

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 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. There is no material impact from the adoption of the new standard on the Group's 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 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. There is no material impact from the adoption of the new standard on the Group's financial statements.

On 5 January 2017, the FASB issued ASU 2017-1 "Business Combinations (Topic 805): Clarifying the Definition of a Business", which amends the definition of a business with the objective of adding guidance to evaluation whether transactions should be accounted for as acquisitions (or disposals) of businesses. The amendments in this update provide a screen to determine when a set is not a business. The guidance is effective for fiscal years beginning after 15 December 2017, including interim periods therein. The Group does not expect a material impact from the adoption of the new standard on its financial statements.

On 26 January 2017, the FASB issued ASU 2017-4 "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment", which amends goodwill impairment test by eliminating Step 2 that measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Instead, under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The guidance is effective for fiscal years beginning after 15 December 2020, including interim periods therein. The Group is evaluating the effect of adoption of the new standard on its financial statements.

On 10 March 2017, the FASB issued ASU 2017-7 "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost", which amends the presentation of net periodic pension cost and net periodic postretirement benefit cost. The amendments in this update require that an employer report the service cost component in the same line item as other compensation costs arising from services rendered by the employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component. The guidance is effective for fiscal years beginning after 15 December 2017, including interim periods therein. There is no material impact from the adoption of the new standard on the Group's financial statements.

3. Business Developments

On 16 February 2017, the Group acquired 100% of shares of Swissbilling SA, a Swiss invoice financing company with operations mainly in the French speaking region of Switzerland. The transaction did not have a material impact on the Group's financial statements.

On 21 July 2017, the Group signed an agreement to refinance a CHF 42 million personal loan portfolio from eny Finance AG, a Swiss online personal loan provider. The deal was structured through a special purpose vehicle (SPV), eny credit GmbH, that is fully owned, controlled and consolidated by the Group. See note 19 for further details.

On 30 November 2017, the Group acquired 100% of shares of EFL Autoleasing AG (EFL). EFL is an established auto lease and auto loan financing company based in Winterthur (Switzerland). As of 31 December 2017, EFL had auto lease and auto loan receivables (net) of circa CHF 278 million.

4. Financing Receivables and Allowance for Losses

As at 31 December 2017 and 2016, 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)	**2017**	2016
Loans	**2,915,033**	2,695,204
Deferred costs, net	**29,120**	28,019
Total loans, including deferred costs, net	**2,944,153**	**2,723,223**
Investment in financing leases, net of deferred income	**1,662,214**	1,393,951
Other [1]	**4,810**	–
Financing receivables before allowance for losses	**4,611,177**	**4,117,175**
Less allowance for losses	**–49,676**	–44,557
Financing receivables, net	**4,561,500**	**4,072,617**

1 Other included Swissbilling SA.

The majority of the investment in financing leases is related to auto leases. Components of the Group's net investment in financing leases, which are included in financing receivables above, are shown below:

At 31 December (CHF in thousands)	**2017**	2016
Total minimum lease payments receivable	**1,798,191**	1,505,950
Deferred income [1]	**–135,978**	–111,998
Investment in direct financing leases	**1,662,214**	**1,393,951**
Less allowance for losses	**–7,117**	–4,791
Net investment in direct financing leases	**1,655,097**	**1,389,160**

1 Included 14,613 and TCHF 14,158 of initial direct costs on direct financing leases as at 31 December 2017 and 31 December 2016, respectively.

The subsidiaries held TCHF 503,018 and TCHF 460,803 of net investment in direct financing leases as at 31 December 2017 and 2016, respectively, as collateral to secure third-party debt in securitisations. See note 19 to the Consolidated Financial Statements for further details of securitisations.

As at 31 December 2017, the Group's contractual maturities for loans and financing leases were:

Due in (CHF in thousands)	Loans	Minimum lease payments receivable
2018	**52,512**	**171,038**
2019	**159,642**	**303,579**
2020	**277,034**	**447,254**
2021	**377,968**	**522,600**
2022	**566,077**	**326,559**
2023 and later	**622,523**	**27,161**
Credit cards and revolving loans	**859,277**	**–**
Total	**2,915,033**	**1,798,191**

Actual maturities may differ from contractual maturities.

The following table provides further information about financing receivables:

At 31 December (CHF in thousands)	2017	2016
Personal loans	**1,814,810**	1,751,350
Auto leases and loans	**1,952,211**	1,648,085
Credit cards	**839,346**	717,739
Other [1]	**4,810**	–
Financing receivables, before allowance for losses	**4,611,177**	**4,117,175**
Allowance for losses	**−49,676**	−44,557
Financing receivables, net	**4,561,500**	**4,072,617**

1 Other included Swissbilling SA.

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

CHF in thousands	Balance at 1 January 2017	Provision for losses	Amounts written off	Recoveries	Other	Balance at 31 December 2017
Personal loans	**31,427**	**26,663**	**−71,714**	**43,975**	**2,471**	**32,822**
Auto leases and loans	**6,866**	**8,816**	**−20,509**	**12,259**	**2,455**	**9,888**
Credit cards	**6,264**	**8,991**	**−15,742**	**7,152**	**–**	**6,665**
Other [1]	**–**	**619**	**−339**	**166**	**−143**	**302**
Total	**44,557**	**45,089**	**−108,305**	**63,551**	**4,784**	**49,676**
As a % of total financing receivables, net						**1.1%**

1 Other included Swissbilling SA.

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%

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:

	2017		2016	
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%**	**0.7%**	2.9%	0.6%
Auto leases and loans	**1.1%**	**0.2%**	0.8%	0.2%
Credit cards	**1.1%**	**0.5%**	1.2%	0.5%
Total [1]	**1.8%**	**0.4%**	**1.8%**	**0.4%**

1 Does not include Swissbilling SA. There is no material impact on the Group's past due financing receivables.

Nonaccrual Financing Receivables

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

At 31 December (CHF in thousands)	**2017**	2016
Personal loans	**12,291**	10,750
Auto leases and loans	**3,143**	2,496
Credit cards	**3,969**	3,313
Total [1]	**19,403**	**16,559**
Nonperforming loan coverage [2]	**256.0%**	269.1%

1 Does not include Swissbilling SA. There is no material impact on the Group's nonaccrual financing receivables.
2 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.

			2017		
At 31 December (CHF in thousands)	**CR1**	**CR2**	**CR3**	**CR4**	**CR5**
Personal loans	**842,674**	**528,318**	**314,332**	**71,904**	**11,415**
Auto leases and loans	**1,017,965**	**635,868**	**245,310**	**42,079**	**10,989**
Credit cards	**636,384**	**152,895**	**46,308**	**3,735**	**24**
Total [1]	**2,497,022**	**1,317,082**	**605,950**	**117,718**	**22,428**
As a % of total financing receivables before allowance for losses [1]	**54.8%**	**28.9%**	**13.3%**	**2.6%**	**0.5%**

1 Does not include eny Credit GmbH and Swissbilling SA. There is no material impact on the Group's consumer ratings.

			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%

5. Investment Securities

Investment securities are comprised of debt securities available for sale.

At 31 December (CHF in thousands)	2017	2016
Debt securities available-for-sale	**11,754**	11,961
Total investment securities	**11,754**	**11,961**

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

	2017				2016			
At 31 December (CHF in thousands)	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	**2,033**	**18**	**−14**	**2,037**	2,051	2	–	2,053
Debt securities issued by Swiss municipal authorities	**1,004**	**4**	**−4**	**1,004**	1,032	1	−3	1,030
Debt securities issued by Swiss Mortgage institutions	**8,715**	**92**	**−94**	**8,713**	8,897	10	−29	8,878
Debt securities available-for-sale	**11,752**	**114**	**−112**	**11,754**	**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)	2017	2017
Within 1 year	**1,004**	**1,004**
From 1 to 5 years	**10,748**	**10,750**
From 5 to 10 years	–	–
After 10 years	–	–
Total debt securities	**11,752**	**11,754**

6. Property, Plant and Equipment

At 31 December (CHF in thousands)	Estimated useful lives (years)	2017	2016
Original cost			
Buildings and improvements	(5−40)	**5,976**	5,596
Office equipment	(3−10)	**11,811**	7,286
Total		**17,787**	**12,882**

Accumulated depreciation		
Buildings and improvements	**–3,430**	–3,014
Office equipment	**–8,538**	–4,956
Total	**–11,968**	**–7,970**
Net carrying value		
Buildings and improvements	**2,546**	2,582
Office equipment	**3,273**	2,330
Total	**5,819**	**4,912**

Depreciation expense was TCHF 1,332 in 2017 and TCHF 1,429 in 2016, respectively. The Group did not recognise any impairment losses in both 2017 and 2016.

7. Intangible Assets

At 31 December (CHF in thousands)	**2017**	2016
Original cost	**45,714**	35,101
Accumulated amortisation	**–19,311**	–11,722
Net carrying value	**26,403**	**23,379**

Capitalised software is amortised over a useful life from one to five years. Amortisation expense related to intangible assets was TCHF 7,400 in 2017 and TCHF 6,418 in 2016. The weighted average amortisation period of intangible assets was five years as of 31 December 2017. The intangible assets comprise mainly of internally developed and capitalised software. The increase is related to intangible assets recognised in the acquisition of Swissbilling SA and EFL Autoleasing AG. As at 31 December 2017, the Group estimates the annual pre-tax amortisation for intangible assets over the next five years to be as follows:

CHF in thousands	2018	2019	2020	2021	2022
Estimated pre-tax amortisation	8,417	8,094	5,853	2,618	1,421

8. Goodwill

On 16 February 2017, the Group acquired 100% of shares of Swissbilling SA, a Swiss invoice financing company with operations mainly in the French speaking region of Switzerland. On 30 November 2017, the Group acquired 100% of outstanding shares of EFL Autoleasing AG, a Swiss auto leasing company domiciled in Winterthur. Goodwill related to these acquisitions is presented below:

CHF in thousands	**Balance at 1 January 2017**	**Goodwill acquired during the period**	**Other**	**Balance at 31 December 2017**
Gross amount of goodwill	–	**14,508**	–	**14,508**
Accumulated impairment	–	–	–	–
Net book value	–	**14,508**	–	**14,508**

The Group continually assesses whether or not there has been a triggering event requiring a review of goodwill. In estimating the fair value of the reporting units, the Group applied the income approach. This approach is based on a discount rate which reflects the relevant risks and projected cash flows determined from the Group's updated five-year strategic business plan that included significant management assumptions and estimates based on its view of current and future economic conditions.

Based on its goodwill impairment analysis performed as of 31 December 2017, the Group concluded that the estimated fair value for all of the reporting units with goodwill substantially exceeded their related carrying values and no impairment was necessary as of 31 December 2017.

9. Other Assets

At 31 December (CHF in thousands)	2017	2016
Restricted cash	**28,213**	26,710
Tax receivables	**20,227**	15,468
Other receivables	**7,083**	22,250
Deferred expenses	**1,386**	1,204
Other	**879**	1,528
Total other assets	**57,788**	**67,161**

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 28,213 and TCHF 26,710 of restricted cash related to the consolidated VIEs (see note 19) as at 31 December 2017 and 2016, respectively.

The tax receivables as per 31 December 2017 consisted of VAT input tax. Other receivables have decreased due to a repayment of deposit on the credit card settlement account.

10. Deposits

The following table shows the maturities of the Group’s customers’ saving deposits, term deposits and prepaid cards as at 31 December 2017 and 2016, respectively:

At 31 December (CHF in thousands)	2017	2016
On demand	**195,399**	202,778
Less than 3 months	**284,600**	255,943
3 to less than 6 months	**246,923**	292,639
6 to less than 12 months	**523,535**	429,515
12 months plus, thereof	**1,376,329**	1,173,695
due in 2018	–	405,768
due in 2019	**377,878**	142,928
due in 2020	**340,415**	147,759
due in 2021	**169,939**	117,014
due in 2022	**167,603**	110,554
due in 2023 and later	**320,494**	249,672
Total	**2,626,786**	**2,354,569**

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 0.48% and 0.59% as at 31 December 2017 and 2016, respectively.

11. Short-term and Long-term Debt

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

		2017		2016	
At 31 December (CHF in thousands)	Maturity	**Amount**	**Contractual interest rate**	Amount	Contractual interest rate
Short-term portion					
External debt (bank loan)	2017	–	–	150,000	0.89 %
External debt (unsecured bond)	2017	–	–	249,894	1.13 %
External debt (bank loan)	2018	**100,000**	**0.20 %**	50,000	0.42 %
Long-term portion					
External debt (bank loan)	2018	–	–	100,000	0.42 %
External debt (unsecured bond)	2019	**100,034**	**0.75 %**	100,054	0.75 %
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 %**	200,000	0.22 %
External debt (unsecured bond)	2021	**175,000**	**0.50 %**	175,000	0.50 %
External debt (unsecured bond)	2022	**99,966**	**1.25 %**	99,959	1.25 %
External debt (unsecured bond)	2023	**200,000**	**0.18 %**	200,000	0.18 %
External debt (unsecured bond)	2024	**200,255**	**0.25 %**	–	–
External debt (unsecured bond)	2025	**150,889**	**0.38 %**	–	–
Debt issuance costs		**– 4,774**	–	– 5,145	–
Total short-term and long-term debt		**1,421,370**		**1,519,762**	

1 Related to consolidated VIEs.

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 2017, the Group had fixed rate funding only.

The Group defers the debt issuance costs and amortises them over the expected life-time of the relevant debt instrument. Debt issuance costs are presented within debt instead of other assets. As per 31 December 2017 and 2016, unamortised debt issuance costs amounted to TCHF 4,774 and TCHF 5,145 , respectively. Commitment fees are recognised as incurred over the commitment period.

In 2014, the Group signed an agreement with a syndicate of Swiss banks over TCHF 150,000 which was fully repaid in 2017.

The Group signed a TCHF 150,000 bilateral term loan with an international bank in 2014 with maturity in 2018. As at 31 December 2017, the outstanding balance was TCHF 100,000 which will mature in 2018. A tranche of TCHF 50,000 was repaid in 2017. The remaining facility bears interest on a fixed rate basis.

In July 2015, the Group signed a revolving credit facility with a Swiss bank for a three year term. The facility matures in 2018 and consists of a TCHF 100,000 unsecured commitment. As at 31 December 2017, the facility was undrawn and has an applicable commitment fee as at 31 December 2017 of 0.35%.

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

On 3 February 2016, the Group signed a revolving credit facility with an international bank with a committed term until 2019. The facility consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

On 4 December 2017, the Group signed a rollover of a revolving credit facility with a Swiss bank with a committed term until 2020. The new facility consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

As at 31 December 2017 and at 31 December 2016, the Group maintained TCHF 350,000 of undrawn committed facilities. The weighted average contractual commitment fee for all facilities was 0.24% at 31 December 2017 and 31 December 2016, respectively.

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.

On 1 June 2017, the Group issued a TCHF 150,000 senior unsecured bond at 100.63% with maturity of eight years and a coupon of 0.375%. On 18 October 2017, the Group issued a TCHF 200,000 senior unsecured bond at 100.13% with maturity of six and half years and a coupon of 0.25%.

The Group has a total outstanding of TCHF 925,000 of senior unsecured bonds issued as at 31 December 2017. These bonds have been issued in 2014 (maturing in 2019 and 2022), 2015 (maturing in 2021), 2016 (maturing 2023) and 2017 (maturing in 2024 and 2025). On 29 November 2017, the TCHF 250,000 outstanding senior unsecured bond issued in 2013 was fully repaid with no further amounts due to bondholders.

12. Pension Plans

The Bank and its subsidiaries (collectively "the Group") participate in pension plans that provide benefits in accordance with the requirements of the Swiss Occupational Pension Act (BVG). The Group's participation in these pension plans has been accounted for as defined benefit plans in the Consolidated Financial Statements. The funding policy of the Group's pension plans is compliant with the local government and tax requirements.

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 plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality rates, assumed rates of return, compensation increases and employee turnover rates. The Group reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The Group believes that the assumptions utilised in recording its obligations under its plans are reasonable based on its experience and market conditions. The net periodic costs are recognised as employees render the services necessary to earn the postretirement benefits. Apart from temporary staff with an expected duration of employment of less than three months and people receiving a disability pension whose degree of incapacity to perform day-to-day tasks is greater than 70%, all employees aged at least 17 and with an annual base salary exceeding 75% of the applicable maximum single old-age state pension are insured. As a general rule, the statutory retirement age is 65; however, early retirement, starting from the age of 58, is possible. The pension plans insure both mandatory occupational benefits and extra mandatory benefits. The Group uses a 31 December measurement date for the plans.

The Group’s pension plan participants as at 31 December 2017 and 2016, respectively, were as follows:

At 31 December	2017	2016
Active employees	**771**	745
Beneficiaries and pensioners	**121**	119
Total	**892**	**864**

The cost of the pension plans is presented below:

For the years ended 31 December (CHF in thousands)	2017	2016
Service cost for benefits earned	**6,537**	7,361
Prior service credit amortisation	**–984**	–425
Expected return on plan assets	**–5,162**	–5,185
Interest cost on benefit obligations	**1,215**	1,651
Net actuarial loss amortisation	**7,199**	6,797
Pension plan cost	**8,805**	**10,199**

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	2017	2016
Discount rate	**0.50%**	0.50%
Compensation increases	**2.17%**	2.17%
Expected return on assets	**2.50%**	2.50%

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

The funding policy of the pension plan is aimed to contribute an amount sufficient to meet minimum funding requirements, as set forth in employee benefit and tax laws, plus any additional amounts which may be determined appropriate by the management. The management expects to contribute approximately TCHF 7,835 to the pension plan in 2018.

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 243,815 and TCHF 234,325 for 31 December 2017 and 2016, respectively.

The changes in the projected benefit obligation are presented below:

CHF in thousands	2017	2016
Balance at 1 January	**242,226**	**227,471**
Service cost for benefits earned	**6,537**	7,361
Interest cost on benefit obligations	**1,215**	1,651
Participant contributions	**4,923**	4,726
Actuarial loss / gain (–), net	**3,815**	7,614
Benefits paid (–) / received, net	**–4,244**	–6,597
Business combinations	**4,731**	–
Plan change [1]	**–7,507**	–
Balance at 31 December	**251,696**	**242,226**

[1] In 2017, the board of the pension fund decided to reduce the conversion rate from 6.0% (at age 65) to 5.0%. The plan amendment gain of TCHF 7,507 corresponds to the PBO reduction due to these plan changes.

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	2017	2016
Balance at 1 January	**202,284**	**190,697**
Actual return on plan assets	**19,080**	6,264
Employer contributions	**7,509**	7,194
Participant contributions	**4,923**	4,726
Benefits paid (–) / received, net	**–4,244**	–6,597
Business combinations	**3,625**	–
Balance at 31 December	**233,177**	**202,284**

The asset allocations are described below:

At 31 December	2017 Target allocation	2017 Actual allocation
Equity securities		
Swiss equity securities	**13%**	**13%**
Non-Swiss equity securities	**23%**	**21%**
Debt securities		
Swiss bonds	**18%**	**15%**
Non-Swiss bonds	**17%**	**19%**
Real estate funds	**19%**	**21%**
Other investments	**10%**	**11%**

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:

	2017			
At 31 December (CHF in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities				
Swiss equity securities	**29,631**	**–**	**–**	**29,631**
Non-Swiss equity securities	**49,055**	**–**	**–**	**49,055**
Debt securities				
Swiss bonds	**35,635**	**–**	**–**	**35,635**
Non-Swiss bonds	**44,965**	**–**	**–**	**44,965**
Real estate funds	**–**	**48,120**	**–**	**48,120**
Other investments [1]	**–**	**25,494**	**–**	**25,494**
Total investments	**159,286**	**73,614**	**–**	**232,900**
Other				**277**
Total assets				**233,177**

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

	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.

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

At 31 December (CHF in thousands)	**2017**	2016
Funded status	**–18,519**	–39,942
Pension liability recorded in the statement of financial position		
Other liabilities		
due after one year	**–18,519**	–39,942
Net amount recognised	**–18,519**	**–39,942**
Amounts recorded in shareholders' equity (unamortised)		
Prior service credit	**–7,630**	–1,452
Net actuarial loss	**26,538**	43,840
Total	**18,908**	**42,388**

In 2018, the Group estimates that it will amortise TCHF 1,477 of prior service credit and TCHF 4,336 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	2018	2019	2020	2021	2022	2023–2026
Pension plan	16,154	16,481	15,367	15,233	14,060	61,210

13. Other Liabilities

This section primarily reflects the pension plans funded status of TCHF 18,519 and TCHF 39,942 as at 31 December 2017 and 2016, respectively. It also comprises deferred compensation related to the Group's jubilee plan amounting to TCHF 2,759 and TCHF 2,659 as at 31 December 2017 and 2016, respectively. The jubilee plan is a voluntary benefit provided by the Group to its employees based on their years of service.

14. Capital Adequacy

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

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 2017, which were prepared in accordance with FINMA requirements, and calculated in accordance with applicable Swiss regulatory requirements. The Group uses the "SA-BIS" approach to calculate the minimum capital 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 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 2017, the Group adheres to the applicable regulatory requirements for a category 4 bank set by FINMA. The Group aims to consistently operate with a capital base that is well above this mark. The Group was adequately capitalised under the regulatory provisions outlined by FINMA and the Bank for International Settlements.

At 31 December (CHF in thousands)	**2017**	2016
Eligible regulatory capital		
Tier 1 capital	**789,660**	752,667
of which CET1 capital	**789,660**	752,667
Total eligible capital	**789,660**	**752,667**
Risk-weighted assets		
Credit risk	**3,510,926**	3,151,966
Non counterparty risk	**29,028**	28,541
Market risk	**899**	7,244
Operational risk	**573,188**	569,848
Total risk-weighted assets	**4,114,040**	**3,757,600**
Capital ratios		
CET1 ratio	**19.2%**	20.0%
Tier 1 ratio	**19.2%**	20.0%
Total capital ratio	**19.2%**	20.0%

15. Earnings Per Share and Additional Share Information

For the years ended 31 December	**2017**	2016
Net income attributable to shareholders for basic earnings per share (CHF in thousands)	**144,492**	143,707
Net income attributable to shareholders for diluted earnings per share (CHF in thousands)	**144,492**	143,707
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	**1,811,379**	1,803,818
Weighted-average numbers of common shares outstanding for basic earnings per share	**28,188,621**	**28,196,182**
Dilution effect number of shares	**19,699**	16,885
Weighted-average numbers of common shares outstanding for diluted earnings per share	**28,208,320**	**28,213,066**
Basic earnings per share (in CHF)	**5.13**	**5.10**
Diluted earnings per share (in CHF)	**5.12**	**5.09**

The amount of common shares outstanding has changed as follows:

	2017	2016
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	**1,807,627**	**1,803,627**
Share based compensation	**–10,457**	–5,980
Purchase	**17,000**	9,980
Balance at end of period	**1,814,170**	**1,807,627**
Common shares outstanding	**28,185,830**	**28,192,373**

16. Income Tax Expense

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

For the years ended 31 December (CHF in thousands)	**2017**	2016
Current tax expense	**39,418**	38,782
Deferred tax expense from temporary differences	**–602**	–578
Income tax expense	**38,816**	**38,204**

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)	**2017**	2016
Assets		
Pension plans	**3,799**	8,388
Other	**936**	586
Total deferred tax assets	**4,735**	**8,974**
Liabilities		
Deferred loan origination fees and costs	**–678**	–855
Other	**–882**	–
Total deferred tax liabilities	**–1,561**	**–855**
Net deferred tax assets	**3,175**	**8,119**

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.

17. 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 7,478 and TCHF 7,372 as at 31 December 2017 and 2016, respectively. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 31 December 2017, the Group considers the probability of a material loss from this obligation to be remote.

As at 31 December 2017, minimum rental commitments under noncancellable operating leases aggregated TCHF 15,757 for the Group. Amounts payable over the next five years are shown below.

CHF in thousands	2018	2019	2020	2021	2022
Minimum rental commitments	4,972	3,939	3,525	2,948	373

For details of rental expense, refer to note 24.

18. 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.

	2017		2016	
At 31 December (CHF in thousands)	**Carrying amount net**	**Estimated fair value**	Carrying amount net	Estimated fair value
Assets				
Loans	**2,899,904**	**2,962,668**	2,683,457	2,769,155
Liabilities				
Deposits	**–2,626,786**	**–2,666,924**	–2,354,569	–2,399,086
Borrowings	**–1,421,370**	**–1,438,351**	–1,519,762	–1,537,373

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 12 for further details on pension fund.

19. Variable Interest Entities

The Group primarily uses variable interest entities to securitise auto lease financing receivables. The financing receivables are originated by the Bank in the ordinary course of business and transferred to the VIEs. The financing receivables in the VIEs have similar risks and characteristics to the Bank's other lease financing receivables and were underwritten to the same standard. Accordingly, the performance of these assets has been similar to the Bank's other lease financing receivables.

The Group completed 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 3¾ 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 VIEs' economic performance and an obligation to absorb losses, or a right to receive benefits from the VIEs. Hence the VIEs are being consolidated.

On 21 July 2017, the Group signed an agreement to refinance a CHF 42 million personal loan portfolio from eny Finance AG, a Swiss online personal loan provider. The Group has also agreed to partially refinance future personal loan volume from this provider. The deal was structured through a VIE that is fully owned, controlled and consolidated by the Group. The Bank is the co-servicer of the VIE and holds the subordinated interests issued by the VIE that were used to refinance the loan portfolio from eny Finance AG. The Bank is considered primary the beneficiary of the VIE as it has both the power to direct the activities that most significantly impact the VIE's economic performance and an obligation to absorb losses, or a right to receive benefits from the VIE.

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

At 31 December (CHF in thousands)	**2017**	2016
Assets		
Financing receivables, net	**503,018**	460,803
Other assets	**32,428**	26,747
Total assets	**535,446**	**487,550**
Liabilities		
Accrued expenses and other payables	**6,277**	2,668
Non-recourse borrowings	**398,866**	398,238
Total liabilities	**405,142**	**400,906**

Revenues from the consolidated VIEs amounted to 24,331 in 2017 and TCHF 27,568 in 2016, respectively. Related expenses consisted primarily of provisions for losses of TCHF 2,120 and TCHF 1,503 and interest expense of TCHF 1,602 and TCHF 1,846 for the years ended 31 December 2017 and 2016, respectively. These amounts did not include intercompany revenues and costs, principally fees and interest between the Bank and the VIEs, which are eliminated for consolidation purposes.

20. Related-Party Transactions

The Group had no related-party transactions in 2017 and 2016.

21. Interest Income

The details of interest income are shown below:

For the years ended 31 December (CHF in thousands)	**2017**	2016
Personal loans	**167,115**	191,342
Auto leases and loans	**83,820**	83,546
Credit cards	**60,487**	51,623
Other	**−3,117**	−2,254
Total	**308,305**	**324,257**

22. Interest Expense

The details of interest expense are shown below:

For the years ended 31 December (CHF in thousands)	2017	2016
Interest expense on ABS	1,808	2,166
Interest expense on deposits	13,217	14,972
Interest expense on debt	9,681	9,373
Total	**24,706**	**26,511**

23. Commission and Fee Income

The details of commission and fee income are shown below:

For the years ended 31 December (CHF in thousands)	2017	2016
Insurance	22,990	21,869
Credit cards	75,014	63,466
Loans and leases	11,801	10,644
Other	2,939	281
Total	**112,744**	**96,260**

24. General and Administrative Expenses

The details of general and administrative expenses are shown below:

For the years ended 31 December (CHF in thousands)	2017	2016
Professional services	11,427	8,979
Marketing [1]	6,057	6,643
Collection fees	5,780	5,737
Postage and stationery	9,289	8,568
Rental expense under operating leases	4,744	5,979
Information technology	23,578	24,119
Depreciation and amortisation	8,731	7,847
Other	–1,588	–732
Total	**68,017**	**67,140**

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

25. Share-Based Compensation

Under the Executive Variable Compensation Plan (EVCP) that was set up for the senior management team in 2013 each member of the Group's senior management team received at grant a number of restricted stock units (RSUs) as part of their annual variable compensation. Vesting for the RSUs takes place in three equal tranches. The last grant of RSUs was in 2016 for the performance year 2015. For further details related to this plan, please refer to the Compensation Report in the Annual Report 2015.

The total number of RSUs under this plan was 9,785 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 a share price of CHF 65.58. The fair value used for each RSU was calculated as the market price of the Bank's stock on the date of the grant. RSUs issued under this plan will be settled out of shares acquired by the Group for such purpose. Participants will pay no consideration for the receipt of RSUs or the shares in which those RSUs will be settled.

The following table summarises RSUs outstanding as at 31 December 2017 and 2016, respectively:

	2017		2016	
	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	**17,962**	**1,127,032**	14,103	835,945
Granted	**–**	**–**	9,839	645,208
Vested	**–5,246**	**–310,643**	–5,980	–354,121
Forfeited	**–466**	**–30,337**	–	–
RSUs outstanding at 31 December	**12,250**	**786,052**	17,962	1,127,032
RSUs expected to vest	**12,250**	**786,052**	**17,962**	**1,127,032**

The total recognised compensation cost was TCHF 294 and TCHF 417 for the years 2017 and 2016, respectively. The remaining unrecognised cost of TCHF 227 is expected to be recognised over a weighted-average period of 24 months.

In 2016, the EVCP plan was adapted, and since the performance year 2016 the senior management team receives under the long-term incentive programme (LTI), which is one part of the EVCP, a part of their variable compensation in performance share units (PSUs). The PSUs vest after a three-year period depending on the achievement of performance conditions which include relative total shareholder return (TSR) and cumulative fully diluted earnings per share (EPS). The actual LTI bonus of each participant is determined in the first quarter after each performance year in a range of 75% to 125% of the target LTI bonus based on a lookback assessment in a guided discretion by the Board of Directors. The actual LTI bonus is granted in PSUs. The first grant took place in March 2017. For details regarding the plan, please refer to Compensation Report on page 64.

	2017		2016	
	Number of PSUs	**Weighted average grant date fair value (CHF)**	Number of PSUs	Weighted average grant date fair value (CHF)
PSUs outstanding at 1 January	**–**	**–**	–	–
Granted	**7,446**	**549,887**	–	–
Vested	**–**	**–**	–	–
Forfeited	**–686**	**–50,661**	–	–
PSUs outstanding at 31 December	**6,760**	**499,226**	–	–
PSUs expected to vest	**7,564**	**558,611**	**–**	**–**

The fair value of a PSU was calculated as the arithmetic average of the daily volume weighted average price (VWAP) of a Bank's share during the 60 trading days ending on the last trading day (inclusive) before the grant date, risk-adjusted for the performance condition. At the grant date of 1 March 2017 the fair value of a PSU was calculated at CHF 73.85, and one PSU was equal to one ordinary share of the Bank. At 31 December 2017 the conversion ratio of one PSU was 112% based on performance conditions.

The total recognised compensation cost was TCHF 155 in 2017. The remaining unrecognised cost of TCHF 403 is expected to be recognised over a weighted-average period of 26 months.

26. Supplemental Cash Flow Information

Certain supplemental information related to cash flows is shown below:

For the years ended 31 December (CHF in thousands)	**2017**	2016
Increase in loans to customers	**–1,782,663**	–1,697,260
Principal collections from customers – loans	**1,655,991**	1,720,556
Investment in equipment for financing leases	**–1,038,222**	–760,583
Principal collections from customers – financing leases	**766,247**	784,205
Net change in credit card receivables and other	**–135,324**	–102,041
Net change in financing receivables	**–533,972**	**–55,122**

27. Off-Balance Sheet Arrangements

As at 31 December 2017 and 2016, 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)	**2017**	2016
Ordinary course of business lending commitments	**58,502**	57,625
Unused revolving loan facilities	**56,841**	50,333
Unused credit card facilities	**2,859,117**	2,666,614

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.

28. Subsequent Events

The Group has evaluated subsequent events from the financial position date through 15 March 2018, the date at which the financial statements were available to be issued. There were no subsequent events at that date.

KPMG

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, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity, and cash flows, and notes thereto (page 84 to 117) for the years ended December 31, 2017 and 2016.

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, 2017 and 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with U.S. Generally Accepted Accounting Principles and comply with Swiss law.

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

Valuation of allowance for losses on financing receivables

Valuation of goodwill

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of allowance for losses on financing receivables

Key Audit Matter

As per December 31, 2017 gross financing receivables (smaller-balance, homogenous loans, including credit card receivables, personal loans as well as auto leases and loans) amounted to CHF 4,611.2 million (representing 90% of total assets). At the same time, the Group has recorded an allowance for losses on financing receivables of CHF 49.7 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 2017, Basis of presentation and summary of significant accounting policies, Allowance for losses

KPMG

Valuation of goodwill

Key Audit Matter

As at December 31, 2017 the Group recognised goodwill of CHF 14.5 million arising from two acquisitions in the reporting period.

Due to the inherent uncertainty of forecasting and discounting future cash flows in relation with the Group's recognised goodwill, this is deemed to be a significant area of judgment.

Goodwill impairment testing is performed at the Reporting Unit (RU) level and involves a comparison of the estimated fair value of each RU to its carrying amount. The estimates of fair values are determined by discounting future projected cash flows.

Our response

Our procedures included, amongst others, the assessment of the Group's processes and key controls for testing of goodwill impairment, including the assumptions used.

We tested the key assumptions and methodologies forming the Group's fair value calculations, including the cash flow projections and discount rates. We assessed the reasonableness of cash flow projections and compared key inputs, such as the discount rates and growth rates, to externally available industry, economic and financial data and the Group's own historical data and performance.

Additionally, we considered whether the Group's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with the goodwill impairment.

For further information on valuation of goodwill refer to the following:

— Annual Report 2017, Basis of presentation and summary of significant accounting policies, Goodwill

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
March 15, 2018

Individual Financial Statements

Balance Sheet

At 31 December (CHF in thousands)	Notes	2017	2016
Assets			
Liquid assets		**405,410**	662,425
Amounts due from banks		**3,016**	4,494
Amounts due from customers	7.1	**4,075,753**	3,625,397
Financial investments	7.2	**49,032**	49,277
Accrued income and prepaid expenses		**47,065**	46,117
Participations		**56,988**	120
Tangible fixed assets		**28,354**	28,423
Other assets	7.3	**8,878**	23,675
Total assets		**4,674,496**	**4,439,928**
Total subordinated claims		**292,990**	50,990
Liabilities			
Amounts due to banks		**147,000**	385,000
Amounts due in respect of customer deposits		**1,012,278**	997,820
Cash bonds		**1,576,887**	1,276,792
Bond issues and central mortgage institution loans		**926,144**	824,907
Accrued expenses and deferred income		**50,070**	41,578
Other liabilities	7.3	**62,555**	34,904
Provisions	7.6	**1,371**	1,538
Bank's capital	7.7	**30,000**	30,000
Statutory capital reserves		**84,760**	182,036
of which reserve from tax-free capital contribution		**84,760**	182,036
Statutory retained earnings reserves		**15,000**	15,000
Voluntary retained earnings reserves		**722,304**	605,000
Own shares	7.11	**–101,004**	–100,385
Profit carried forward		**237**	42
Profit (result of the period)		**146,893**	145,695
Total liabilities		**4,674,496**	**4,439,928**
Total subordinated liabilities		**–**	–
Off-Balance-Sheet Transactions			
Contingent liabilities	7.1	**58,502**	57,625
Irrevocable commitments	7.1	**7,478**	7,372

Income Statement

For the years ended 31 December (CHF in thousands)	Notes	2017	2016
Result from interest operations			
Interest and discount income	8.1	**326,336**	344,804
Interest and dividend income from financial investments		**871**	121
Interest expense	8.1	**–23,167**	–24,665
Gross result from interest operations		**304,040**	**320,260**
Changes in value adjustments for default risks and losses from interest operations		**–32,338**	–34,331
Subtotal net result from interest operations		**271,702**	**285,929**
Result from commission business and services			
Commission income from other services		**141,319**	127,942
Commission expense		**–65,702**	–71,219
Subtotal result from commission business and services		**75,617**	**56,722**
Other result from ordinary activities			
Income from participations		**249**	–
Other ordinary income		**3,736**	4,022
Other ordinary expenses		**–**	–
Subtotal other result from ordinary activities		**3,986**	**4,022**
Operating expenses			
Personnel expenses	8.2	**–98,473**	–98,524
General and administrative expenses	8.3	**–56,803**	–55,548
Subtotal operating expenses		**–155,276**	**–154,072**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		**–8,186**	–7,853
Operating result		**187,843**	**184,748**
Extraordinary income	8.4	**–**	1,198
Taxes	8.5	**–40,949**	–40,251
Profit (result of the period)		**146,893**	**145,695**

Appropriation of Profit

For the years ended 31 December (CHF in thousands)	**2017**	2016
Profit	**146,893**	145,695
Profit carried forward	**237**	42
Distributable profit	**147,131**	**145,737**
Reclassification from statutory capital reserves	**84,595**	97,284
Reclassification from voluntary retained earnings reserves	**15,509**	28,198
Total available to the General Meeting	**247,234**	**271,219**
Appropriation of profit		
Allocations to statutory retained earnings reserves	**–**	–
Allocations to voluntary retained earnings reserves	**–147,000**	–145,500
Dividends declared	**–100,104**	–125,482
of which distributed from distributable profit	**–15,509**	–28,198
of which distributed from statutory capital reserves	**–84,595**	–97,284
New profit carried forward	**131**	**237**

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 2017	**30,000**	**182,036**	**15,000**	**605,042**	**–100,385**	**145,695**	**877,388**
Appropriation of profit 2016							
Allocation to legal reserves	–	–	–	–	–	–	**–**
Allocation to voluntary reserves	–	–	–	145,500	–	–145,500	**–**
Dividends	–	–97,276	–	–28,196	–	–	**–125,471**
Net change in profit carried forward	–	–	–	195	–	–195	**–**
Acquisition of own shares	–	–	–	–	–619	–	**–619**
Profit (result of the period)	–	–	–	–	–	146,893	**146,893**
Equity at 31 December 2017	**30,000**	**84,760**	**15,000**	**722,541**	**–101,004**	**146,893**	**898,191**

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 18 branches in Switzerland.

2. Accounting and Valuation Principles

General Principles

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

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

General Valuation Principles

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 behaviour which is subject to management judgement.

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

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

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

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

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

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

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

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

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

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	5–10 years
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 risk provisions are built in the balance sheet.

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

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

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

The Bank pays over-mandatory contributions to the Bank's pension fund, which insures personnel against the financial consequences of old age, death and disability. The employer contributions to the pension plans are recorded under "Personnel expenses" of the corresponding reporting period.

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

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

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

There were no significant changes in the accounting and valuation principles in 2017 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.

Three 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
Risk & Controllership Committee (RCC)	Enterprise Risk Framework, Internal Control System, Compliance & Operational Risk Management, Security, Business Continuity Management

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 & Risk Committee and Board of Directors quarterly.

Asset and Liability Management

Asset and liability management (ALM) forms part of the Bank's risk management framework and can be considered as the coordinated management of various inherent risk types, such as liquidity, funding and market risk, in order to achieve the Bank's objectives whilst operating within prudent and predetermined risk limits and concentrations. The 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 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 repricing 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 2017, 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:
- Operational Risk Assessments: regular identification and 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; and
- External Events Analysis: external operational risk events applicable to the Bank's risk profile analysed to identify emerging risks and evaluate controls.

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 statements date through 15 March 2018, the date at which the financial statements were available to be issued. There were no subsequent events at that date.

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

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

7. Notes to the Balance Sheet

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

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

At 31 December 2017 (CHF in thousands)	Secured by mortgage	Other collateral	Unsecured	Total
Financing receivables				
Amounts due from customers	**–**	**360,803**	**3,714,950**	**4,075,753**
Total financing receivables	**–**	**360,803**	**3,714,950**	**4,075,753**
Prior year	–	342,923	3,282,474	3,625,397
Off-balance sheet				
Contingent liabilities	**–**	**–**	**58,502**	**58,502**
Irrevocable commitments	**–**	**–**	**7,478**	**7,478**
Total off-balance sheet	**–**	**–**	**65,980**	**65,980**
Prior year	–	–	64,997	64,997

Impaired financing receivables are as follows:

At 31 December 2017 (CHF in thousands)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments [1]
Impaired loans / receivables	**14,160**	**1,153**	**13,006**	**–**
Prior year	14,827	1,408	13,419	–

[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 2017 (CHF in thousands)	**2017**	2016	**2017**	2016
Debt securities held to maturity	**37,200**	37,200	**37,408**	37,244
Debt securities available for sale	**11,744**	11,959	**11,744**	11,959
Repossessed vehicles held for sale	**88**	118	**88**	118
Total	**49,032**	**49,277**	**49,240**	**49,321**

The breakdown of counterparties by rating is following:

At 31 December 2017 (CHF in thousands)	AAA to AA–	A+ to A–	BBB+ to BBB–	Lower than B–	Not rated
Book value of debt securities	**10,740**	**37,200**	**–**	**–**	**1,004**

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

7.3 Other Assets and Liabilities

	2017		2016	
At 31 December (CHF in thousands)	**Other assets**	**Other liabilities**	Other assets	Other liabilities
Indirect taxes	**920**	**950**	58	2,386
Settlement accounts	**562**	**60,852**	528	29,265
Amounts due from the sale of insurance products	**2,182**	**–**	4,587	–
Various assets and liabilities	**5,213**	**752**	18,503	3,254
Total other assets and liabilities	**8,878**	**62,555**	**23,675**	**34,904**

7.4 Liabilities to Own Pension Plans

At 31 December (CHF in thousands)	**2017**	2016
Amounts due in respect of customer deposits	**–**	989
Total due to own pension plans	**–**	**989**

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

7.5 Economic Position of Own Pension Plans

At 31 December (CHF in thousands)			2017		Influence of ECR on personnel expenses	
Employer contribution reserves (ECR)[1]	**Nominal value**	**Waiver of use**	**Net amount**	Net amount end of prior year	**2017**	2016
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 2016 and 2015 of Employer Pension Plan of Cembra Money Bank AG in accordance with FER 26 and material changes during the reporting period

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

Economic benefit / obligation and pension expense[1]	**Overfunding / underfunding at 31.12.2017**		Economic interest of the bank	Change in economic interest versus prior year	**Contributions paid 2017**	Pension expense in personnel expense	
CHF in thousands		**2017**	2016			**2017**	2016
Employer sponsored funds / schemes	–	–	–	–	–	–	–
Pension plans without overfunding / underfunding	–	–	–	–	–	–	–
Pension plans with overfunding	**10,584**	–	–	–	**7,403**	**7,877**	7,194
Pension plans with underfunding	–	–	–	–	–	–	–

1 Based on audited financial statements 2016 and 2015 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 2016	Use in conformity with designated purpose	Recoveries, past due interest	New provisions charged to income	Releases to income	**Balance as per 31 December 2017**
Value adjustments and provisions for default risks	43,831	−103,555	61,406	52,971	−11,249	**43,404**
Provision for pension benefit obligations	–	–	–	–	–	–
Other provisions	1,538	−135	–	11	−42	**1,371**
Total value adjustments and provisions	**45,368**	**−103,690**	**61,406**	**52,982**	**−11,291**	**44,776**

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

7.7 Bank's Capital

Bank's capital	2017 Total par value in CHF	2017 Number of shares	2017 Capital eligible for dividend in CHF	2016 Total par value in CHF	2016 Number of shares	2016 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 December		Value (CHF) at 31 December		Number as of 31 December		Value (CHF) at 31 December [1]	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Members of the Board of Directors	**19,661**	14,450	**1,786,202**	1,072,190	**–**	–	**–**	–
Members of the Management Board	**15,876**	12,430	**1,442,335**	922,306	**13,542**	11,984	**917,429**	751,940
Employees	**4,971**	4,411	**451,615**	327,296	**5,468**	5,978	**367,880**	375,092
Total	**40,508**	**31,291**	**3,680,152**	**2,321,792**	**19,010**	**17,962**	**1,285,309**	**1,127,032**

[1] Weighted yearly average price since grant date

Under the Executive Variable Compensation Plan (EVCP) that was set up for the senior management team in 2013 each member of the Group's senior management team received at grant a number of restricted stock units (RSUs) as part of their annual variable compensation. Vesting for the RSUs takes place in three equal tranches. The last grant of RSUs was in 2016 for the performance year 2015. For further details related to this plan, please refer to the Compensation Report in the Annual Report 2015.

In 2016 the EVCP plan was adapted and since the performance year 2016 the senior management team receives under the long-term incentive programme (LTI), which is one part of the EVCP, a part of their variable compensation in performance share units (PSUs). The PSUs vest after a three-year period depending on the achievement of performance conditions which include relative total shareholder return (TSR) and cumulative fully diluted earnings per share (EPS). The actual LTI bonus of each participant is determined in the first quarter after each performance year in a range of 75% to 125% of the target LTI bonus based on a lookback assessment in a guided discretion by the Board. The actual LTI bonus is granted in PSUs. The first grant took place in March 2017. For details regarding the plan, please refer to Compensation Report on page 64.

7.9 Related Parties

At 31 December (CHF in thousands)	**2017**	2016
Amounts due from related companies	**339,691**	52,524
Amounts due to related companies	**10,443**	4,968

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)	**2017**	2016
Amounts due from members of governing bodies	**17**	21
Amounts due to members of governing bodies	**429**	912

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:

	2017			2016		
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	**1,814,170**	**1,814,170**	**6.0%**	1,807,627	1,807,627	6.0
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)	**2017**	Average transaction price (CHF)
Balance at 1 January	**1,807,627**	
Purchase	**17,000**	84.88
Share-based compensation	**–10,457**	63.74
Balance at 31 December	**1,814,170**	

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

Non-distributable Reserves

At 31 December (CHF in thousands)	**2017**	2016
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		2017		2016	
Name	Function	**Number of shares**	**Number of blocked shares**	Number of shares	Number of blocked shares
Dr Felix Weber	Chairman	**7,250**	**1,963**	7,250	–
Ben Tellings [1]	Vice-Chairman	**–**	**567**	–	–
Denis Hall	Member	**–**	**180**	–	–
Prof. Dr Peter Athanas	Member	**–**	**720**	–	–
Urs Baumann	Member	**7,200**	**655**	7,200	–
Dr Monica Mächler	Member	**–**	**589**	–	–
Katrina Machin	Member	**–**	**537**	–	–

1 Vice-Chairman since 26 April 2017

Management Board

At 31 December		2017			2016		
Name	Position	**Number of shares**	**Number of RSUs**	**Number of PSUs**	Number of shares	Number of RSUs	Number of PSUs
Robert Oudmayer	CEO	**7,734**	**4,194**	**2,967**	5,807	6,121	–
Rémy Schimmel	CFO	**–**	**1,042**	**288**	–	1,042	–
Volker Gloe	CRO	**3,266**	**1,136**	**589**	2,742	1,660	–
Dr Emanuel Hofacker	General Counsel	**1,421**	**984**	**540**	1,026	1,379	–
Daniel Frei	Managing Director B2B Retail	**3,455**	**1,182**	**620**	2,855	1,782	–

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)	2017	2016
Negative interest on assets (reduction of interest income)	**2,863**	2,040
Negative interest on liabilities (reduction of interest expense)	**253**	231

8.2 Personnel Expenses

For the years ended 31 December (CHF in thousands)	**2017**	2016
Salaries	**81,845**	82,593
of which share-based compensation and alternative forms of variable compensation	**464**	441
Social security benefits	**14,102**	13,633
Other compensation	**2,526**	2,298
Compensation and benefits	**98,473**	**98,524**

8.3 General and Administrative Expenses

For the years ended 31 December (CHF in thousands)	**2017**	2016
Office space expenses	**6,613**	8,605
Expenses from furniture and fixtures	**1,222**	1,176
Expenses for information and communication technology	**23,142**	24,046
Audit fees	**837**	947
Other operating expense	**24,989**	20,775
Total	**56,803**	**55,548**

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

For the years ended 31 December (CHF in thousands)	**2017**	2016
Sale of a portfolio of loss certificates	**–**	1,198
Total	**–**	**1,198**

8.5 Current and Deferred Taxes

For the years ended 31 December (CHF in thousands)	**2017**	2016
Current tax expense	**40,949**	40,251
Income tax expense	**40,949**	**40,251**

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 122 to 139) for the year ended December 31, 2017.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended December 31, 2017 comply with Swiss law and the company's articles of incorporation.

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

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

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

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

Key Audit Matter

As per December 31, 2017 amounts due from customers (smaller-balance, homogenous loans, including credit card receivables, personal loans as well as auto leases and loans) amounted to CHF 4,075.8 million (representing 87% of total assets) and included an allowance for losses of CHF 43.4 million.

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

In particular, the valuation of the collective allowance for losses on amounts due from customers is based on significant estimates, such as future client payment 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 2017, Accounting and valuation principles, Amounts due from banks/customers

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 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
March 15, 2018

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

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

Financial Calendar

Annual General Meeting	18 April 2018
Publication of half-year 2018 results	24 July 2018

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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.