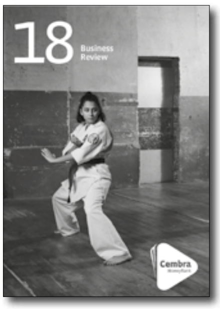
Annual Report
2018

Table of Contents



Business Review
for the Financial Year 2018

Find the online report, a video interview with the CEO and 10 inspirational portraits of our employees on reports.cembra.ch

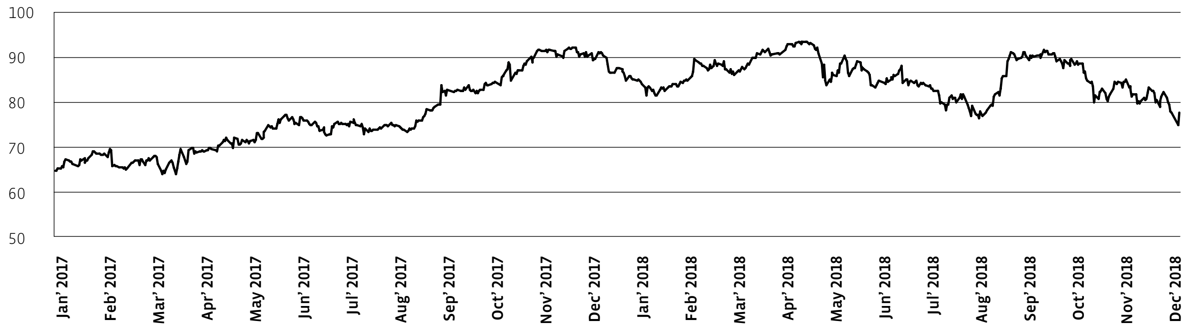
Key Facts and Figures

Key Figures

For the years ended 31 December (CHF in millions)	**2018**	2017	2016
Net interest income	**309.2**	283.6	297.7
Commission and fee income	**129.6**	112.7	96.3
Net revenues	**438.8**	396.3	394.0
Provision for losses	**–50.1**	–45.1	–44.6
Total operating expenses	**–193.0**	–167.9	–167.5
Net income	**154.1**	144.5	143.7
Total assets	**5,440**	5,099	4,857
Net financing receivables	**4,807**	4,562	4,073
Personal loans	**1,885**	1,782	1,720
Auto leases and loans	**1,974**	1,942	1,641
Credit cards	**940**	833	711
Others	**8**	5	–
Shareholders’ equity	**933**	885	848
Return on shareholders’ equity (ROE in %)	**16.9%**	16.7%	17.4%
Net interest margin (in %)	**6.5%**	6.5%	7.2%
Cost/ income ratio (in %)	**44.0%**	42.4%	42.5%
Tier 1 capital ratio (in %)	**19.2%**	19.2%	20.0%
Employees (full-time equivalent)	**783**	735	705
Credit rating (S&P)	**A–**	A–	A–
Basic earnings per share (in CHF)	**5.47**	5.13	5.10
Ordinary dividend per share (in CHF)	3.75	3.55	3.45
Book value per share (in CHF)	**31.10**	29.52	28.27
Share price (in CHF)	**77.85**	90.85	74.20
Market capitalisation	**2,336**	2,726	2,226

Key Facts and Figures

Share Price Cembra Money Bank AG



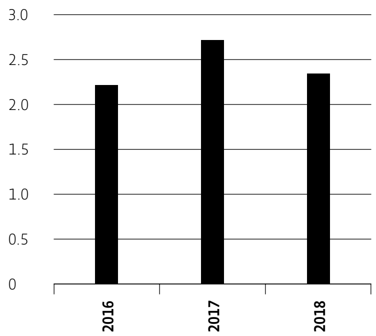
Key Facts

CHF

2,335,500,000

was the market capitalisation of Cembra Money Bank by the end of 2018

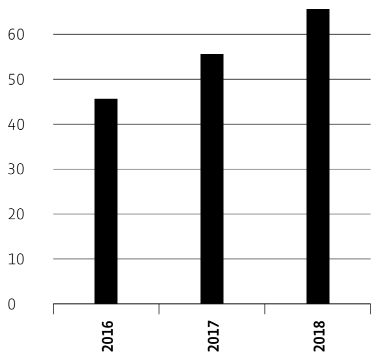
in billion CHF



66,500,000

credit card transactions were processed by Cembra Money Bank in 2018

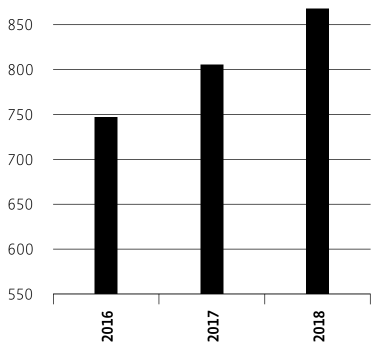
in millions



870,000

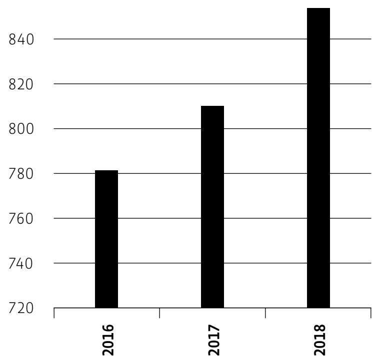
customers trust Cembra Money Bank as their preferred partner

in 1,000



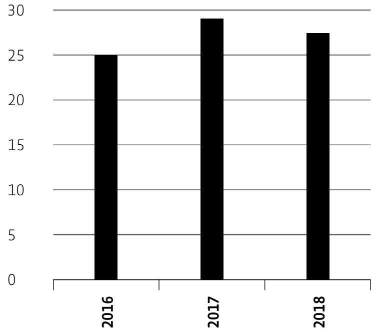
855

employees from 37 different nations work for Cembra Money Bank (783 FTE)



27

sales area managers serve more than 3,900 car dealers across Switzerland

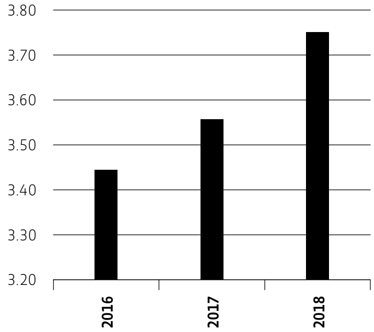


CHF

3.75

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 3,900 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 850 employees from 37 nations and about 870,000 customers.

Dear Shareholders

It is our pleasure to inform you about another successful year for Cembra. Our net income in 2018 increased by 7% to CHF 154.1 million. All products contributed to this record result. This translated into a 16.9% return on shareholders' equity coupled with a strong Tier 1 capital ratio of 19.2%. A 6% higher dividend per share of CHF 3.75 will be presented to the Annual General Meeting on 17 April 2019 in Zurich.

Growth across all products
The Group's net financing receivables increased by 5% to a record CHF 4,807 million with organic growth across all products. In the personal loan business receivables increased by 6% to CHF 1,885 million while interest income declined by 3% to CHF 161.3 million, mainly due to the lower yield of the personal loan business which amounted to 8.6% (2017: 9.3%).

Net financing receivables in the auto leases and loans business increased by 2% to CHF 1,974 million. Interest income increased by 17% to 98.4 CHF million mainly driven by the acquisition of EFL Autoleasing. The yield of the auto financing business increased slightly to 5.0% (FY 2017: 4.9%).

In the credit cards business, net financing receivables recorded 13% growth reaching CHF 940 million by year-end 2018. Interest income in the cards business grew by 19% to CHF 71.7 million with an 8.0% yield. The number of credit cards issued by Cembra Money Bank amounted to 892,000. This corresponds to a growth of about 89,000 credit cards issued (+11%) compared to the previous year.

Net revenues +11%
Net revenues increased by 11% to CHF 438.8 million with organic growth of 7%. Net interest income, which accounted for 70% of net revenues, increased by 9% to CHF 309.2 million. Interest income grew 7% (organic growth 2%) largely driven by higher credit card volumes and expansion in the loan business. Cembra continued to benefit from the favourable interest rate environment with a decline of 16% in interest expense.

Commissions and fee income contributed to 30% of net revenues compared to 28% in 2017. The 15% growth to CHF 129.6 million was mainly driven by strong credit card fee income.

Asset quality stable
Provision for losses of CHF 50.1 million were 11% higher as a result of growth of the loan portfolio, and the full-year impact of acquisitions. Asset quality remained robust with a loss rate of 1.1% (2017: 1.0%) and a stable non-performing loans (NPL) ratio of 0.4% (2017: 0.4%).

Investing in digitisation and extending product portfolio
Total operating expenses increased by 15% to CHF 193.0 million. Personnel expenses of CHF 105.8 million increased by 8% driven by 48 additional FTEs. General and administrative expenses of CHF 87.2 million were 24% higher mainly due to investments in technology and growth initiatives in the second half of 2018. This lead to a cost/income ratio of 44.0% (adjusted cost/income ratio of 43.1% before reclassification for new revenue recognition US GAAP standards implemented in 2018).

Cembra continues to invest in new origination and servicing platforms and launches further growth initiatives in order to extend the products into new customer segments and distribution channels. This also includes new propositions from Swissbilling which was acquired in 2017. The Group expects total additional costs of about CHF 40 million for the next 3-4 years.

Continued optimisation of funding
The Group further grew its funding portfolio to CHF 4,329 million with a stable funding mix of 65% deposits and 35% non-deposits. The weighted average remaining maturity was 2.7 years and the period-end funding cost declined from 52 to 49 basis points.

Shareholders' equity increased by 5% to CHF 933 million. Cembra Money Bank remains very well capitalised with a strong Tier 1 capital ratio of 19.2% and a leverage ratio of 14.7%. Excess capital above the Bank's minimum Tier 1 target of 18% amounts to CHF 52 million.

Increasing the dividend
In line with the financial performance, the Board of Directors will propose a CHF 3.75 ordinary dividend per share (a 69% pay-out ratio) at the next Annual General Meeting on 17 April 2019 translating into a 6%, or CHF 0.20, increase.

Outlook for 2019
Assuming no major change in the economic environment, the Group is expecting increased earnings per share between CHF 5.40 and CHF 5.70 for the financial year of 2019. Continued growth in credit cards should offset the remaining impact of the rate cap on interest income in the personal loans business. The continued cost discipline is expected to benefit from efficiency gains which will be offset by further investments in digitisation and product development.

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	**Robert Oudmayer**
Chairman	CEO

Management Discussion & Analysis

Significant Developments

On 28 March 2018, Cembra Money Bank AG (hereafter referred as the "Bank", together with its subsidiaries, the "Group") announced a partnership with the start-up Lendico Schweiz AG. Lendico, a 100% subsidiary of PostFinance AG, is a small and medium enterprise (SME) loan marketplace active in Switzerland since the end of 2016, based in Zurich.

On 18 April 2018, the Bank held its fifth General Meeting of Shareholders as a SIX-listed company in Zurich. All agenda items were approved including a total dividend payment of CHF 100.1 million, or CHF 3.55 per share. All members of the Board of Directors were re-elected for a further one-year term of office.

On 27 April 2018, the Bank appointed Niklaus Mannhart as Chief Operating Officer (COO). He assumed the newly created position on 1 August 2018 and became a member of the Bank's Management Board. Niklaus Mannhart is a proven IT and operations expert with more than 20 years professional experience in IT, strategy consulting and as a Chief Operating Officer.

On 25 May 2018, the credit rating agency Standard & Poor's reaffirmed the Bank's "A–" long-term counterparty credit rating with a stable outlook.

On 8 June 2018, EFL Autoleasing AG (acquired in October 2017) was successfully merged with and integrated in the Bank. The transaction strengthened the Bank's position as the leading independent auto leases and loans provider in Switzerland.

On 29 June 2018, Jörg Fohringer was appointed as Managing Director B2B of the Bank. He assumed this function on 1 November 2018 and became a member of the Bank's Management Board. Jörg Fohringer has extensive experience in business transformation, development and implementation of strategies and marketing in the financial services, retail and telecommunications industries.

On 1 September 2018, Pascal Perritaz was appointed new Chief Financial Officer. He assumed his function and became a member of the Bank's Management Board on 1 October 2018, succeeding Rémy Schimmel. Pascal Perritaz is a proven finance expert with more than 20 years of experience at a global financial services group.

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 2.5% in 2018 compared to 1.6% in 2017. 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 2018 as demonstrated by the 1.0% increase (2017: 1.1%).

Interest Rates

In 2018, Swiss interest rates ended almost at the same levels as at the start of the year, despite large movements during the year. Overall interest rates did not have a clear trend in 2018 and have become more volatile on the back of numerous events with respect to the geopolitical and macroeconomic environment.

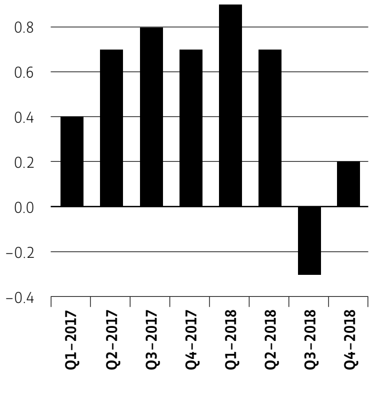
In the reporting period, the upward moves in interest rates were supported by Federal Reserve rate hikes, good macroeconomic data and the European Central Bank's announcement to stop bond purchases. The downward moves were triggered by budget concerns regarding Italy, uncertainties regarding Brexit and protectionism, as well as higher credit risk premiums and deteriorating equity markets towards the end of the year. The Swiss National Bank (SNB) maintained the interest rate differential between the Eurozone and Switzerland. Low interest rates enabled the Group to raise new funding at favourable conditions and to continue to reduce its overall cost of funds.

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 2018 remained low at 2.6% and stood at 2.7% at year-end 2018. This is again lower than 2017 when the average unemployment rate was 3.2% and 3.3% at 31 December 2017.

Quarterly Swiss GDP

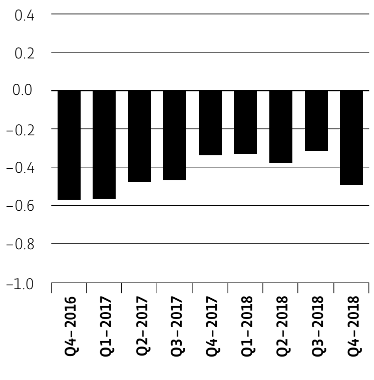
Change versus previous quarter (in %)



Source: SECO

CHF 3-years Swap Rate

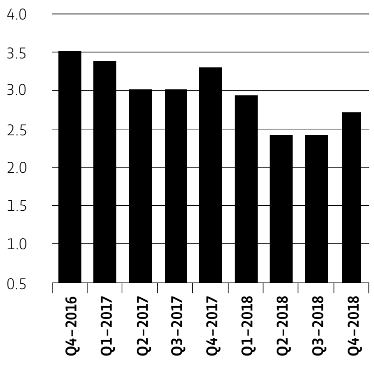
in %



Source: Bloomberg

Unemployment Rate in Switzerland

in %



Source: SECO

Product Markets

Consumer Loan Market

In 2018, the Swiss consumer loan market expanded for the second year. According to the Swiss central credit information bureau (ZEK), the Swiss consumer loan market continued its growth in the second half of 2018 and increased by 6% from CHF 7,239 million in 2017 to CHF 7,657 million of outstanding assets in 2018. The number of loan contracts outstanding reduced by 1% to 369,123 in 2018 from 371,656 in 2017. In a challenging environment, the Bank had an estimated market share of approximately 34% of consumer loans outstanding.

Auto Market

The Swiss auto market slightly decreased mainly driven by delivery delays for new cars due to the introduction of the worldwide harmonised light vehicles test standard (WLTP) in 2018. According to “auto-schweiz” statistics (association of official Swiss car importers), about 300,000 new cars were registered in 2018, a decrease of 5% versus 2017. Additionally, 856,000 used cars were sold in Switzerland according to Eurotax Schweiz (independent provider of automotive market data); which was 2% lower compared to 2017 (873,000). On the other hand, the number of leasing contracts grew by 2% to 626,684 in 2018. The overall consumer outstanding leasing volume in Switzerland in 2018 increased by 2% according to data from ZEK. The Group estimates its auto leasing market share to be stable at about 17% of total leasing volumes outstanding in 2018.

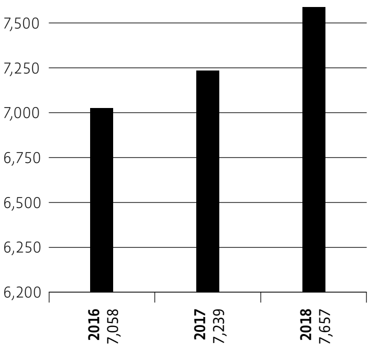
Credit Card Market

The growth trend continued in the credit cards market in 2018. Based on the Swiss National Bank statistics, the number of credit cards issued in Switzerland grew by approximately 5% to about 6.9 million in 2018. Transactions conducted via Near Field Communication (NFC) gained further momentum making up circa 34% of all domestic transactions initiated in 2018. The number of transactions increased by 16% from 400.7 million in 2017 to 465.4 million in 2018 driven by the strong development of contactless payments. Overall, the credit card transaction volume increased by 9% to CHF 43.9 billion in 2018.

The Group’s credit cards business continued to outgrow the market with the number of cards growing by about 89,000 or 11% to about 892,000 compared to year-end 2017. The Group’s market share, based on the number of credit cards in circulation, increased from 12% to 13%.

Swiss Consumer Loan Market

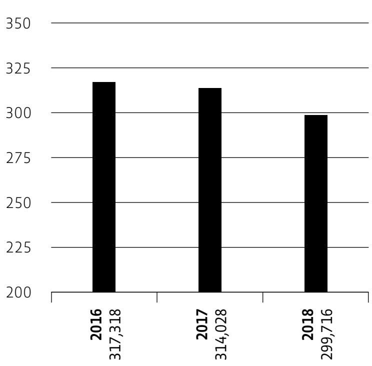
CHF in millions



Source: ZEK

New Car Registrations in Switzerland

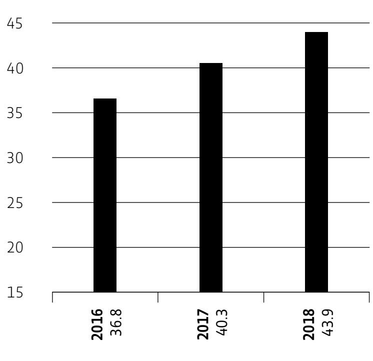
in 1,000



Source: auto-schweiz

Transaction Volume Swiss Credit Cards

CHF in billions



Source: SNB

Reporting

Balance Sheet Analysis

At 31 December (CHF in millions)	2018	2017	Variance	in %
Assets				
Cash and cash equivalents	**499**	418	81	19
Net financing receivables	**4,807**	4,562	245	5
Personal loans	**1,885**	1,782	103	6
Auto leases and loans	**1,974**	1,942	32	2
Credit cards	**940**	833	107	13
Other	**8**	5	3	67
Financial investments	**11**	12	– 1	– 9
Other assets	**124**	108	16	15
Total assets	**5,440**	**5,099**	**341**	**7**
Liabilities and equity				
Deposits and debt	**4,325**	4,048	277	7
Deposits	**2,827**	2,627	200	8
Debt	**1,498**	1,421	77	5
Other liabilities	**182**	166	16	10
Total liabilities	**4,507**	**4,214**	**293**	**7**
Shareholders' equity	**933**	885	48	5
Total liabilities and shareholders' equity	**5,440**	**5,099**	**341**	**7**

Net financing receivables amounted to CHF 4,807 million, an increase of 5% or CHF 245 million, compared to year-end 2017. At the end of 2018, the Group's personal loans accounted for 39% (2017: 39%), auto leases and loans made up for 41% (2017: 43%), and the credit cards business accounted for 20% (2017: 18%) of the net financing receivables.

As of 31 December 2018, net financing receivables from personal loans were 6% higher at CHF 1,885 million compared to year-end 2017. Auto leases and loans grew by 2% to CHF 1,974 million compared to CHF 1,942 million at the end of 2017. Credit cards increased by 13% from CHF 833 million to CHF 940 million in the reporting period. Other net financing receivables of CHF 8 million (FY 2017: CHF 5 million) included the Swissbilling business which was acquired in February 2017.

Funding
The Group maintained its funding diversification throughout 2018. The deposit base increased by 8% from CHF 2,627 million at 31 December 2017 to CHF 2,827 million at 31 December 2018. The institutional deposit base was 10% higher at CHF 1,868 million while retail deposits grew by 4% to CHF 959 million. The Group's non-deposit debt increased by 5% from CHF 1,421 million as at 31 December 2017 to CHF 1,498 million as at 31 December 2018, mainly due to the issuance of two senior unsecured bonds. In February 2018, the Group raised CHF 50 million through a Floating Rate Note Private Placement with a two-year maturity (2018–2020). In May 2018, an additional unsecured bond of CHF 125 million with a maturity of 8 years (2018–2026) was placed in the market.

Equity

Total shareholders' equity increased by CHF 48 million from CHF 885 million to CHF 933 million at year-end 2018. The increase was mainly driven by the net income of CHF 154.1 million and was partially offset by the dividend payment for the business year 2017 of CHF 100.1 million in April 2018.

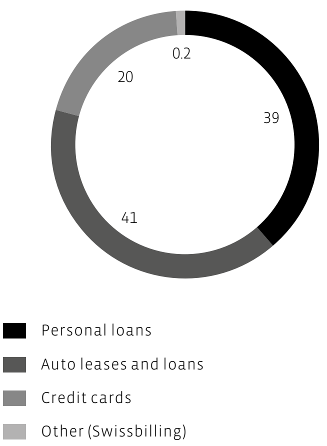
Capital Position

At 31 December (CHF in millions)	**2018**	2017	Variance	in %
Risk-weighted assets	**4,346**	4,114	232	6
Tier 1 capital	**834**	790	44	6
Tier 1 ratio (in %)	**19.2%**	19.2%		

Risk-weighted assets increased by 6% to CHF 4,346 million as per 31 December 2018 compared to CHF 4,114 million as per 31 December 2017. This increase was largely in line with the development of net financing receivables. The Tier 1 capital increased by CHF 44 million, or 6%, to CHF 834 million mainly as a result of the statutory net income generated in 2018 adjusted for the expected future dividend payment. This resulted in a Tier 1 capital ratio of 19.2% as per 31 December 2018 which was significantly above the regulatory requirement of 11.2% and the Group's minimum target of 18.0%.

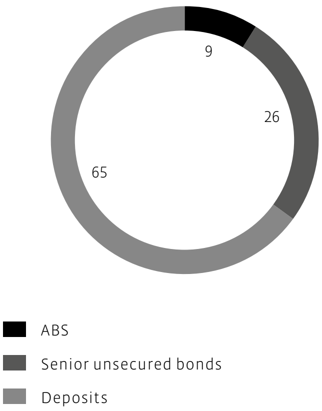
Net Financing Receivables

in %



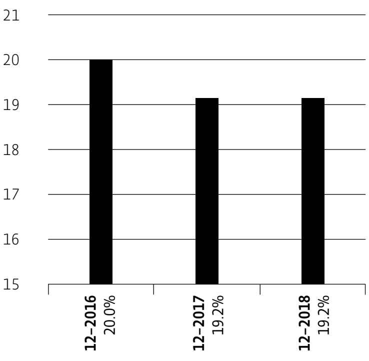
Funding Structure

in %



Tier 1 Capital Ratio

in %

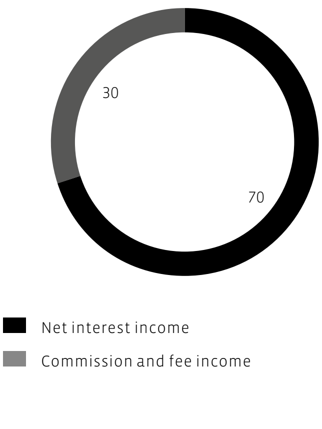


Profit and Loss Analysis

For the years ended 31 December (CHF in millions)	2018	2017	Variance	in %
Interest income	**330.0**	308.3	21.7	7
Interest expense	**– 20.8**	– 24.7	– 3.9	– 16
Net interest income	**309.2**	**283.6**	**25.6**	**9**
Commission and fee income	**129.6**	112.7	16.9	15
Net revenues	**438.8**	**396.3**	**42.5**	**11**
Provision for losses on financing receivables	**– 50.1**	**– 45.1**	**5.0**	**11**
Compensation and benefits	**– 105.8**	– 97.7	8.1	8
General and administrative expenses	**– 87.2**	– 70.3	16.9	24
Total operating expenses	**– 193.0**	**– 167.9**	**25.1**	**15**
Income before income taxes	**195.7**	**183.3**	**12.4**	**7**
Income tax expense	**– 41.6**	– 38.8	2.8	7
Net income	**154.1**	**144.5**	**9.6**	**7**
Other comprehensive income / (loss)	**– 6.3**	18.0	24.3	n/a
Comprehensive income	**147.8**	**162.5**	**– 14.7**	**– 9**

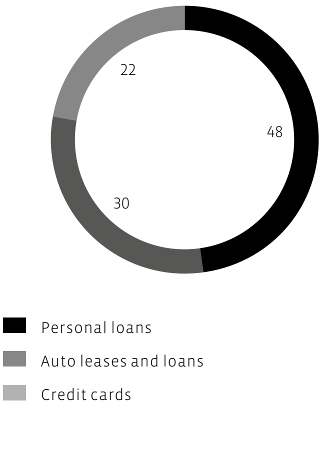
Net Revenues

in %



Interest Income

in % (excluding "Other")



Interest Income

For the years ended 31 December (CHF in millions)	**2018**	2017	Variance	in %
Personal loans	**161.3**	167.1	– 5.8	– 3
Auto leases and loans	**98.4**	83.8	14.6	17
Credit cards	**71.7**	60.5	11.2	19
Other	**– 1.5**	– 3.1	1.6	51
Total	**330.0**	**308.3**	**21.7**	**7**

Overall, the contribution of personal loans to interest income reduced from 54% to 48%, the relative weight of auto leases and loans increased to 30% from 27% whilst the weight of credit cards rose to 22% compared to 19% in the prior year's period.

Total interest income increased by 7%, or CHF 21.7 million, to CHF 330.0 million in 2018. Interest income from personal loans decreased by CHF 5.8 million, or 3%, to CHF 161.3 million, following the introduction of the new rate cap as of 1 July 2016 and subsequent reduction in pricing. Consequently, the yield declined to 8.6% from 9.3% in the reporting period.

Interest income from the Group's auto leases and loans increased by CHF 14.6 million, or 17%, from CHF 83.8 million to CHF 98.4 million in 2018, mainly due to the acquisition of EFL in 2017. The yield increased slighly to 5.0% compared to 4.9% in the previous year. Interest income from credit cards increased by CHF 11.2 million, or 19%, to CHF 71.7 million in 2018. The increase was primarily due to higher levels of credit card receivables as a result of an increase in credit card volumes and an increase in the number of credit cards issued. The yield increased slightly to 8.0%. Other interest income included CHF 1.5 million expenses from the negative interest rate on the cash held with the Swiss National Bank and other institutions.

Cost of Funds

For the years ended 31 December (CHF in millions)	**2018**	2017	Variance	in %
Interest expense on ABS	**1.8**	1.8	–	–
Interest expense on deposits	**12.6**	13.2	– 0.6	– 5
Interest expense on debt	**6.4**	9.7	– 3.3	– 34
Total	**20.8**	**24.7**	**– 3.9**	**– 16**

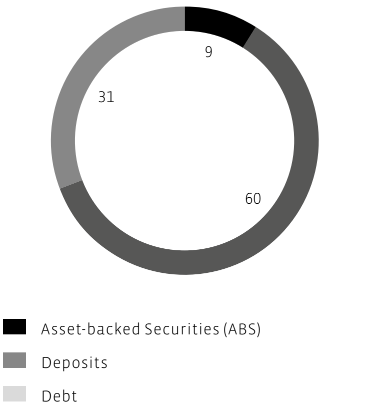
The Group's overall cost of funds decreased by CHF 3.9 million, or 16%, from CHF 24.7 million in 2017 to CHF 20.8 million in 2018. Interest expense on auto lease asset-backed securities (ABS) remained unchanged at CHF 1.8 million. Interest expense on deposits decreased by 5% to CHF 12.6 million as a result of favourable market conditions and repricing of the deposit portfolio at lower rates, despite a 8% increase of the portfolio. The total interest expense on non-deposit debt decreased by CHF 3.3 million, or 34%, from CHF 9.7 million to CHF 6.4 million in 2018. The main reason was the replacement of bank loans (2017/2018 maturities) and of a bond maturity in November 2017 with several unsecured bond issuances at low coupons over the last two years.

Commission and Fee Income

For the years ended 31 December (CHF in millions)	**2018**	2017	Variance	in %
Insurance	**20.5**	23.0	– 2.5	– 11
Credit cards	**92.6**	75.0	17.6	23
Loans and leases	**13.4**	11.8	1.6	14
Other	**3.2**	2.9	0.3	10
Total	**129.6**	**112.7**	**16.9**	**15**

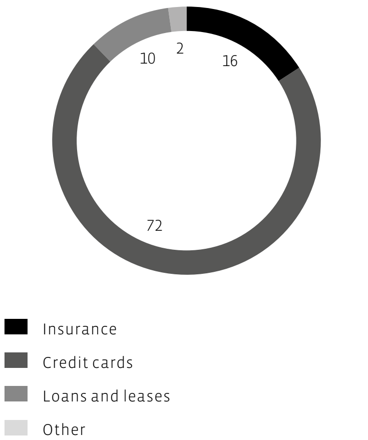
Cost of Funds

in %



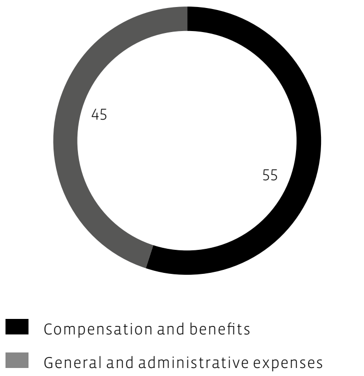
Commission and Fee Income

in %



Operating Expenses

in %



The Group’s commission and fee income increased by CHF 16.9 million, or 15%, from CHF 112.7 million in 2017 to CHF 129.6 million. The increase was mainly due to higher fee income on credit cards of 23% or CHF 17.6 million. The reduction in domestic interchange fees that came into effect on 1 August 2017 was more than compensated by portfolio growth and product initiatives. "Other" includes fee income from Swissbilling.

Insurance income, mainly revenues from payment protection insurance products, declined by CHF 2.5 million, or 11% to CHF 20.5 million following the termination of a partnership agreement. The increase in fees from loans and leases of CHF 1.6 million to CHF 13.4 million was mainly attributable to an US GAAP accounting change.

Provision for Losses on Financing Receivables

For the years ended 31 December (CHF in millions)	**2018**	2017	Variance	in %
Provision for losses on personal loans	**29.6**	26.7	2.9	11
Provision for losses on auto leases and loans	**11.2**	8.8	2.4	27
Provision for losses on credit cards	**8.4**	9.0	–0.6	–7
Provision for losses on other	**1.0**	0.6	0.4	65
Total	**50.1**	**45.1**	**5.0**	**11**

The Group’s provision for losses on financing receivables increased by CHF 5.0 million or 11% to CHF 50.1 million in 2018, compared to CHF 45.1 million in 2017. This is predominantly driven by growth in the financing receivables across portfolios that typically leads to higher allowances for losses and consequently to write-offs. Provision for losses on personal loans increased by CHF 2.9 million to CHF 29.6 million in 2018. Provision for losses on the auto leases and loans increased by CHF 2.4 million from CHF 8.8 million in 2017 to CHF 11.2 million in 2018. Provision for losses on cards of CHF 8.4 million in 2018 decreased by CHF 0.6 million compared to 2017. Execution of the recovery strategies in 2018 over-compensated the effect of growth of financing receivables in this portfolio. The Group’s loss rate for the year 2018 was 1.1% of financing receivables compared to 1.0% in 2017. Delinquency metrics of 30 days past due (1.8% as of 31 December 2018) and non-performing loans (0.4% as of 31 December 2018) remained at the same level as in 2017.

Compensation and Benefits

For the years ended 31 December (CHF in millions)	2018	2017	Variance	in %
Compensation and benefits	**105.8**	**97.7**	**8.1**	**8**

The Group's compensation and benefits expenses increased by CHF 8.1 million, or 8%, to CHF 105.8 million. The increase in cost was primarily driven by a higher number of headcount after the acquisitions of Swissbilling and EFL Autoleasing AG.

The average number of employees (full-time equivalent – FTE) of the Group was 759 in 2018 compared to 701 (excluding acquisitions) in the corresponding prior-year period. The average cost per FTE of TCHF 140 in 2018 was stable compared to 2017.

General and Administrative Expenses

For the years ended 31 December (CHF in millions)	2018	2017	Variance	in %
Professional services	**18.6**	11.4	7.2	63
Marketing	**8.5**	6.1	2.4	40
Collection fees	**10.9**	5.8	5.1	88
Postage and stationery	**9.9**	9.3	0.6	6
Rental expense under operating leases	**4.9**	4.7	0.2	4
Information technology	**24.9**	23.6	1.3	6
Depreciation and amortisation	**13.0**	8.7	4.3	49
Other	**– 3.5**	0.7	– 4.2	n/a
Total	**87.2**	**70.3**	**16.9**	**24**

The Group's general and administrative expenses increased by CHF 16.9 million, or 24%, from CHF 70.3 million to CHF 87.2 million in the year of 2018. Costs from professional services of CHF 18.6 million increased by 63% or CHF 7.2 million, mainly due to business development and strategic innovation projects. Marketing expenses were 40% or CHF 2.4 million higher due to the adoption of ASC 606 revenue recognition standard as of 1 January 2018 which resulted in a reclassification of CHF 3.4 million of revenues from marketing.

Collection fees increased by 88%, or CHF 5.1 million, to CHF 10.9 million due to increased activities with third party collection services and the adoption of ASC 606 revenue recognition standard as of 1 January 2018 which resulted in a reclassification of CHF 3.2 million of revenues from collection costs to commission and fee income. Costs for postage and stationery increased slightly from CHF 9.3 million to CHF 9.9 million. Rental expenses slightly increased from CHF 4.7 million to CHF 4.9 million in 2018. Information technology costs of CHF 24.9 million were 6% higher. Depreciation and amortisation was 49% higher, mainly driven by a CHF 2.8 million increase due to investments in IT and projects. "Other" costs decreased by CHF 4.2 million, primarily driven by lower pension costs.

The cost/income ratio was 44.0% in 2018 compared to 42.4% in 2017.

Income Tax Expense

The Group's income tax expense increased by CHF 2.8 million, or 7%, to CHF 41.6 million in 2018 as a result of the 7% higher income before taxes. The Group's effective tax rate was 21% which was in line with the statutory tax rate resulting from the combination of federal, cantonal and communal corporation taxes in Switzerland.

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

Outlook

Outlook and Guidance for 2019
Assuming no major change in the current economic environment, the Group is expecting earnings per share between CHF 5.40 and CHF 5.70 for the financial year 2019. Continued growth in credit cards should offset the remaining impact of the rate cap on interest income in the personal loans business. The continued cost discipline is expected to benefit from efficiency gains which will be offset by further investments in digitisation and product development. Loss performance is expected to be in line with prior years.

The Group's financial mid-term targets are as follows:
- Average return on shareholders' equity (ROE) of at least 15%;
- Consolidated Tier-1 capital ratio of minimum 18%; and
- Ordinary dividend payout ratio between 60% and 70% of net income.

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.

Risk Governance Structure

The Board of Directors is ultimately responsible for determining the Group's risk strategy, risk appetite and corresponding tolerance levels. It has established an effective internal control system that: (i) ensures that material risks are assessed and controlled; (ii) oversees the Group's risk profile to ensure it is correctly monitored and managed; and (iii) ensures 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. As part of the Group Risk Policy, it is annually reviewed 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 tolerance limits on a regular basis. Summary reports are reviewed by the Audit and Risk Committee and reported to the Board of Directors.

Three working committees have been established. Attendance of the members of the Management Board is required on regular committee meetings:

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

The Group's risk and control framework operates along three lines of defence:
- First Line: business functions are responsible for ensuring that a risk and control environment is 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 further detail the expected principles of risk management and control for each risk category.

Credit Risk

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

The Credit Committee serves as the main decision-making body for credit strategies and exposures 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.

The guidelines for the approval of credit programmes, as well as the individual counterparty credit approvals are described within the credit risk 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 within expected levels and, if required, model changes are implemented. Segmented collection strategies are implemented to tailor activities to customer groups with different payment behaviours and to ensure optimal resource allocation and effective mitigation of credit risk.

For its lending products, the Group uses consumer ratings (CR) to assess overall credit quality. There are five consumer ratings, each having an implied probability of default based on historical default experience, with a default definition of 90 days past due. The Group's financing receivables (before allowance for losses) at 31 December 2018 and 2017 are distributed along the CR as follows:

At 31 December 2018	Personal loans	Auto leases and loans	Credit cards	Total [1]
CR1	51.1%	51.6%	74.2%	56.0%
CR2	29.6%	32.7%	18.8%	28.7%
CR3	16.3%	12.8%	6.3%	12.9%
CR4	2.6%	2.1%	0.6%	2.0%
CR5	0.3%	0.7%	0.0%	0.4%

[1] Does not include eny Credit GmbH, Swissbilling SA and Swiss SME Loans 2018-1 GmbH. There is no material impact on the Group's consumer rating of the total financing receivables.

At 31 December 2017	Personal loans	Auto leases and loans	Credit cards	Total [1]
CR1	47.7%	52.1%	75.8%	54.8%
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

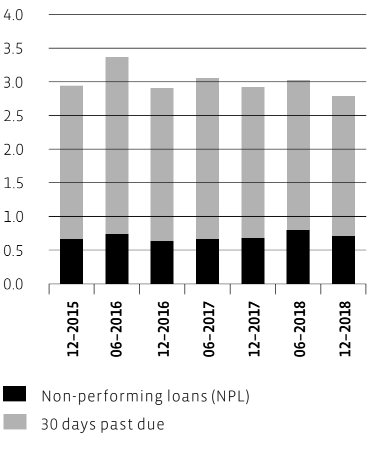
More details on CRs and implied probability of default are described in the Consolidated Financial Statements on page 108.

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 risk in specific portfolios is also monitored through asset quality metrics such as delinquency metrics that are further described on page 107. The historic trend is indicated in the below graphs:

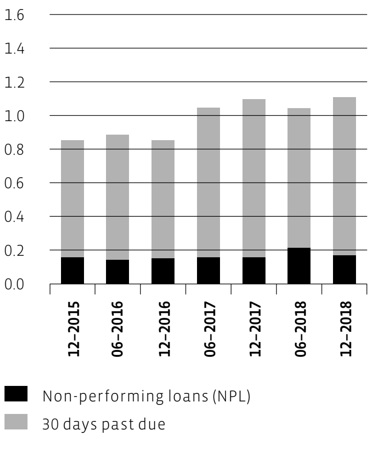
Personal Loans

Delinquencies in %



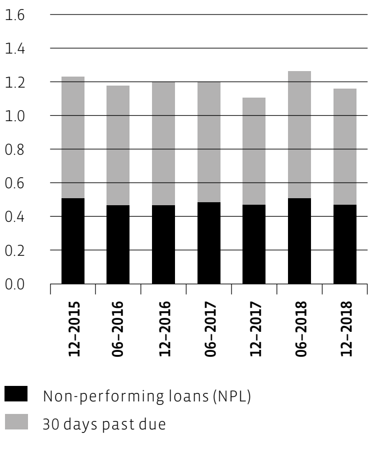
Auto Leases and Loans

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 and has overall responsibility for the administration of respective policies, their monitoring and reporting. The ALCO is chaired by the CFO.

Liquidity and Funding Risk
Liquidity risk is defined as the risk of the 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 the Board of Directors. The Group's average LCR for 2018 was 766%, well above the 2018 regulatory requirement of 90% 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 2018 is 112%, above the recommended level of 100%.

Further quantitative information is contained in the separate document "Capital Adequacy and Liquidity Disclosures 2018" published on the Cembra website (www.cembra.ch/en/investor → Reports and Presentations → Financial Reports).

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

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 IRRBB monitoring on repricing risk.

The Group actively manages and monitors IRRBB 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 net interest income (next 12 months) on a weekly basis. As of 31 December 2018, the Group does not employ hedging instruments to manage IRRBB.

Another type of the market risk is the foreign exchange (FX) risk which is defined as the financial risk from adverse movements in the exchange rate on operations denominated in a currency other than the base currency of the institution. 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 2018, the Group does not use hedging instruments to manage its FX risk.

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 International standard approach ("SA-BIS" approach) as described in the Basel Minimum Standards, which are the standards defined by the Basel Committee on Banking Supervision and relevant for calculating the capital adequacy requirements. The standardised approach is used for Credit Risk, Market Risk and Operational Risk. Thus it also fulfils the qualitative and quantitative requirements of the Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO, SR 952.03).

Capital Adequacy Ratio
As of 31 December 2018, 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 2018, 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 2018, the Group's leverage ratio was 14.7%, well above the recommended 3.0%.

Further quantitative information is contained in the separate document "Capital Adequacy and Liquidity Disclosures 2018" published on the Cembra website (www.cembra.ch/en/investor → Reports and Presentations → Financial Reports).

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 2018 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.

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;
- Control catalogue: execution of a set of documented controls aligned with business processes and their inherent risks;
- Key Risk Indicators: regularly monitored risk metrics that serve as early warning indicators for potentially material operational risks;
- Loss Data Collection: historical dataset of loss events used to identify operational risks deriving from process inefficiencies or control gaps; and
- 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 or third-party suppliers. 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 regulatory requirements, is based on international standards and is supported by a cybersecurity strategy that aims for cyber resilience. A set of cyber threats is regularly assessed, and corresponding measures are considered. Specific response plans are maintained for cases where this type of risk materialises. Information security, data confidentiality and integrity are of critical importance, and the Group has implemented a comprehensive framework aiming to ensure the protection of client identifying data and related information technology systems. This includes both the specific training of relevant staff and making use of vulnerability and penetration tests to protect sensitive data and systems.

The Group is aware that severe events beyond its control (such as natural disaster) may result in an inability to fulfil some or all of its business obligations, particularly where its physical, telecommunications or IT infrastructure would be damaged or made inaccessible. In compliance with the Recommendation for Business Continuity Management (BCM) issued by the Swiss Bankers Association, the Group has implemented a BCM programme, 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. Comprehensive crisis management plans are maintained that define processes to be followed in case of a business emergency. This aims to safeguard the continuity of the Group's business critical activities and to control major 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 is exposed to this type of risk as a consequence of being a market participant in the financial services industry with its legal and regulatory requirements and their respective evolvement. For operational independence, 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. The Group acknowledges the increasing importance of behavioural compliance related to conduct risk in the banking sector and addresses this within the provisions of the Group's Code of Conduct.

Strategic risk is defined as possible losses that arise from uncertainties or untapped opportunities inherent in the Group's strategic 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.

Corporate Social Responsibility

Aspiration and Organisation

Cembra Money Bank generates competitive advantage and wealth for its stakeholders in the long-term by actively taking into account the interests and expectations of its most relevant stakeholders. In this way, the Bank always aims to adhere to highest responsibility standards from an economic, legal, ethical, and discretionary perspective.

Based on challenges and opportunities that the Bank faces, four key areas of corporate social responsibility have been identified. This report is structured along these areas, similar to the Corporate Social Responsibility (CSR) Report in the previous reporting period:

- Integrity of products and services;
- Customer orientation;
- Employee diversity and development;
- Social engagement.

The Bank's strategic goal is to enhance its position as a leading provider of consumer finance products and services in Switzerland whilst maintaining its identified corporate social responsibility objectives. 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. Hence, the **integrity of products and services** is crucial to this strategy and to preserving the Bank's future success. In addition to complying with the regulatory requirements, the Bank takes its responsibility seriously and requires that employees always act in the best interests of the Bank and its customers.

Customer orientation lies at the heart of the Bank and its employees, who ensure to provide responsible consumer finance products and services. In addition to the credit capacity of customers that is evaluated according to the legal regulations of the Swiss Consumer Credit Act, the Bank also puts a strong emphasis on thorough verification of the customer's creditworthiness. Embedded in systematic and consistent decision-making and supported by personal, face-to-face customer contact when needed, this process leads to predictable and stable default rates within the defined risk tolerance of the Bank (see Risk Management Report on page 20).

Employees are the key to the Group'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 present in the Bank for the past two decades and 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 key areas are interconnected and they influence each other. Employee diversity and development have a considerable impact on how the other three areas are approached. Employees' professional and personal skills, attitudes and beliefs strongly influence 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 were 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 key areas. The qualities of expertise, customer proximity, imagination & execution, and speed & ease help to manage the four areas in an efficient and professional way.

CSR at Cembra Money Bank is currently managed by a working group composed of senior managers from Compliance, Human Resources, Legal, Sourcing, Communications and Investor Relations. The working group reports to the Management Board. CSR is also addressed regularly by the Board of Directors where the feedback and concerns of institutional investors and proxy advisors are considered. In particular, questions regarding remuneration, Board composition, and shareholder rights are dealt with transparently.

The relevance matrix that resulted from the stakeholder engagement in 2018 will be addressed more systematically in the 2019 reporting cycle. For the identified material topics, the Bank will work on the management approach and respective indicators in the first half of 2019. For the financial year 2019, the Bank aims to publish a report in accordance with the GRI Standards: Core option.

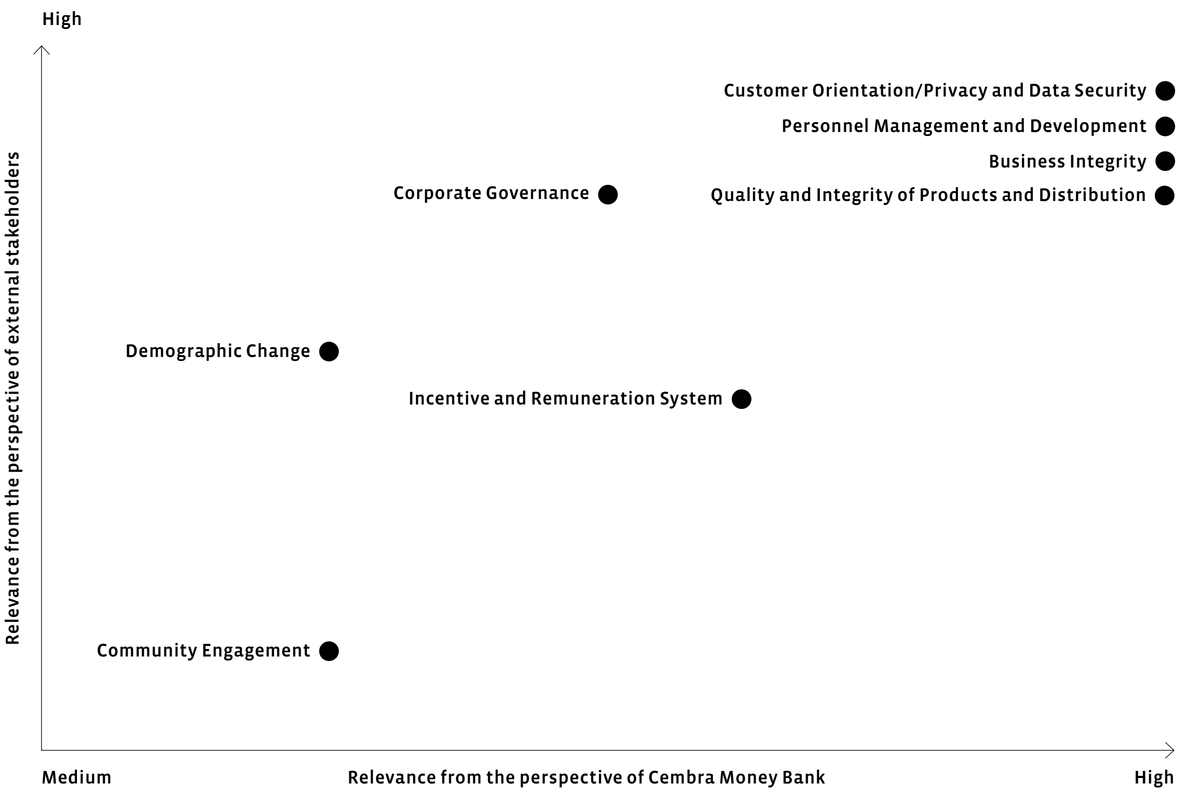
Most Relevant Corporate Responsibility Topics

As each of the defined key areas ultimately is linked to one or more of the Bank's stakeholders, Cembra chose to involve its relevant stakeholders. A relevant stakeholder is a person, group, or organisation that has an interest in or concern with an organisation and its activities because it is influenced by the organisation and its activities (= interest) and/or has an influence on the organisation and its activities (= influence).

The Bank's most relevant stakeholders are customers, employees, shareholders, business-related associations and authorities, and non-governmental organisations. Cembra employees from various business functions are in close contact with individuals from these groups. The Bank interacts with other stakeholders such as representatives of civil society, local communities, and non-governmental organisations on a case-by-case basis.

In 2018, Cembra Money Bank reviewed its material topics that were defined in the previous year. The topics were comprehensively discussed during several interviews with relevant external stakeholders as well as with internal stakeholders (employees), who were invited to evaluate the topics from their perspective. The results of this stakeholder engagement are shown in the relevance matrix 2018.

Relevance Matrix 2018



Seven out of eight topics are of medium to high relevance for the Bank: business integrity, corporate governance, demographic change, incentive and remuneration system, personnel management and development, quality and integrity of products and distribution, as well as customer orientation/data security and privacy (see text box for definitions on page 31).

These topics should not be viewed in isolation; they are usually interconnected, and sometimes improvements in one can lead to changes in another. It is expected that development over time (next five years) will increase for all but one of these issues. Only in regard to the incentive and remuneration system do the stakeholders anticipate unchanging relevance over time.

One topic was rated with medium relevance from an internal perspective, but with low relevance from an external stakeholder view: community engagement. Development over time is expected to be unchanging for the next five years.

The following topics were discussed with internal and external stakeholders regarding their relevance from an environmental, social and governance (ESG) perspective:

- **Business Integrity** covers the compliance with environmental and socioeconomic laws and regulations. This includes compliance with international declarations, conventions and treaties, as well as national, subnational, regional, and local regulations. Business integrity can relate to accounting and tax fraud, corruption, bribery, competition, the provision of products and services, or labour issues.
- **Corporate Governance** refers to good and transparent corporate management. This includes topics such as shareholders' and employees' participation rights, compensation and participation of the top management level or information and control instruments of the Board of Directors vis-à-vis the Management Board.
- **Demographic Change** addresses the consequences of aging, migration and cultural change with effects on consumer behaviour, indebtedness, solvency risks, etc., in Switzerland.
- **Incentive and Remuneration System** deals with responsible compensation policy and practices, compensation of executive management and senior management, and the design and criteria of the Bank's incentive system.
- **Personnel Management and Development** refers to recruitment, education and training, work-life balance, diversity management, health promotion, the performance review process, and communication and embedding of company values.
- **Quality and Integrity of Products and Distribution** covers social and environmental criteria in lending, responsible investing, client advisory, pricing, digitalisation services, product safety, sustainable products and services, fair marketing, and access to affordable products and services.
- **Customer Orientation/Data Security and Privacy** addresses responsive and responsible consumer finance products and services in Switzerland. It also deals with the protection of the privacy of customers with regard to the processing and transfer of their data.
- **Community Engagement** concerns the impact of the Bank's activities on local communities and how to engage with them. An organisation can generate a positive impact through local employment and procurement or through social engagement in the community.
- **Operational Environmental Management**. Due to the Bank's relatively limited environmental footprint as a financial services provider that provides credit in its home market Switzerland only, Operational Environmental Management was deemed not particularly relevant by the stakeholders. It is thus not represented in the relevance matrix.

  However, further optimising processes and outputs with environmental impact are addressed within the Bank in several areas, and co-ordinated by the working group (see page 29). Cembra expects electric vehicle leasing to generate a larger share of revenues (see box p 33). The Bank furthers commuting by public transportation as a part of the employee benefits (see page 39).

  As for all sustainability topics, Operational Environmental Management is being reviewed as part of regular materiality assessments, and in cases the topic is deemed relevant by the stakeholders the management approach will be adapted.

Integrity of Products and Services

Cembra Money Bank is an independent Swiss bank that has been listed on the SIX Swiss Exchange since October 2013. As a listed company, it meets high regulatory requirements and provides a higher transparency than most of its competitors, many of which are neither listed nor have a banking license. However, the Bank is convinced that higher regulatory requirements and transparency are also a good way to inspire greater confidence among customers and other key stakeholders and to differentiate itself in the marketplace. Transparent information is viewed as an essential part of value generation and confidence building, particularly among customers and shareholders who want to know about the Bank's financial and non-financial services and business practices.

The Bank has various formal processes in place to ensure the high quality of product and service integrity. These processes are based on a framework of guidelines for employees to follow in day-to-day operations.

Responsibility, one of the Bank's four values, states that employees should always act in the best interests of the Bank and its customers. Employees are responsible for their actions, should ensure complete transparency and need to conduct themselves with integrity. Classifying "expertise" as a quality underscores the fact that employees have outstanding knowledge of products, processes and market conditions and stay on top of the latest trends, innovations, and regulations.

Employees: Code of Conduct
The Bank introduced a Code of Conduct 15 years ago. Its last revision was at the end of 2016 to reflect changes in society and financial industry trends. The Code summarises the vision, ethical principles, professional standards and company values that drive the Bank's long-term success. It is an integral part of all employment contracts and training courses; compliance with the Code is mandatory for all Bank employees, for the members of the Board of Directors as well as for subsidiaries. The Code of Conduct is available in three languages.

The Code of Conduct describes employees' reporting rights and obligations and the process for reporting any and all suspected breaches of laws, regulations and the Code itself (whistleblowing process). The Code of Conduct, various directives, and the Bank's intranet provide information on the whistleblowing process for employees and on the procedures and responsibilities that apply to actual or suspected violations of laws, regulations, administrative or judicial orders, and internal policies or procedures. Employees can report suspected violations internally (to their supervisor, Human Resources, Compliance, internal ombudspersons) or to an independent external ombudsperson. All employees are informed about the ombudsperson and educated about what to do and whom to contact if they uncover possible violations. The Bank's operating subsidiaries can submit whistleblowing reports to these individuals and departments as well. Whistleblowers can report their concerns confidentially and anonymously. Cembra does not tolerate reprisals against anyone who reports alleged violations in good faith.

All new employees are given the Code of Conduct with their employment contract and attend an in-depth workshop on the Bank's corporate values and Code of Conduct as part of an obligatory introduction package. After induction, all employees are required to attend annual compliance classes that cover key components of the Code of Conduct. They take annual tests to demonstrate that they understand the contents of the Code of Conduct and all related procedures. Code violations have a negative impact on employee performance reviews and may affect performance bonuses. Code violations may also result in dismissal. Regular controls based on the three lines of defence model ensure that compliance risks regarding the Code of Conduct are identified and actively mitigated as needed. Suspected employee violations of laws, regulations, or the Code of Conduct must be reported to the alleged offender's supervisor, the Compliance department, the Human Resources department, or the ombudsperson (whether internal or external). Violations by the Management Board must be reported to the Chairman of the Board of Directors.

All employees attended the obligatory classes in 2018 and pledged to comply with the provisions of the Code. Code violations were addressed rigorously.

Partners: Independent Intermediaries, Car Dealers and Partnerships in the Credit Card Segment
The Bank conducts business across Switzerland via a network of 18 branches as well as alternative sales channels such as the internet, credit card partners, independent intermediaries (personal loans), and car dealers (auto leases and loans). In many cases, partnerships have evolved over several decades. To ensure quality and product integrity, formal processes govern the selection, training, instruction, and monitoring of independent intermediaries and car dealers. The precautions and requirements for independent intermediaries are particularly strict and tightly regulate the Bank's business dealings with them. The following paragraphs cover the processes for **independent intermediaries** and **car dealers** as well as for the **credit card** business.

The portfolios and specific customer segments are regularly assessed for quality. Independent intermediaries in the personal loans segment are reviewed monthly, with more in-depth reviews conducted quarterly. Car dealers are normally reviewed yearly or at least every three years.

The Bank requires its independent intermediaries and car dealers to meet high standards for integrity. The number of active independent intermediaries in the personal loans segment has been deliberately reduced in recent years in order to focus on long-term partnerships that have proven valuable, with continuity, performance, and integrity of partners being key criteria. In 2018, 140 independent intermediaries originated personal loans for the Bank. In the auto leases and loans segment, the Bank partners with more than 3,900 car dealers.

The Bank provides training for independent intermediaries, focusing on business and product strategy, products, processes, and compliance. Regular training is provided for car dealers, too. Four classes are generally taught in Zurich each year, and one to two classes are taught in the French and Italian regions of Switzerland. All told, 70 to 80 car dealerships and 140 independent intermediaries receive training each year.

Various departments (including Compliance, Underwriting and – through guidelines and escalation processes – Risk Management) are involved in the quality assurance processes described above. Specific policies for independent intermediaries ensure professional delivery of services and full compliance with ethics requirements. These policies are included in every business relationship in order to minimise compliance risk. Car dealers are regularly visited by the Bank's 27 sales area managers, who report their findings via an online tool. Abnormal findings are investigated, and in case of non-compliance of the dealer the partnership is terminated.

The Bank maintains close, longstanding relationships with its distribution partners, who are needed to excel in a "people's business" and are viewed as a business asset. Over 50% of business volume is transacted through car dealers that have been Bank partners for at least 25 years. The average sales area manager has been with the Bank for 18 years.

While independent intermediaries and car dealers enter potential customers' credit applications in the application system, Bank departments handle the budget calculations and underwriting processes internally. The Bank, in other words, always has the ultimate responsibility for approving a loan or car lease and bears the risk for possible losses due to default.

In the **credit card** business, the bank offers attractive value propositions to retail customers. Most of the 892,000 credit cards issued (+11% in 2018) charge no annual fee, and in independent consumer ratings the Bank's credit cards regularly receive top ratings in terms of customer value. In 2018, the Bank continued its longstanding partnerships. Switzerland's largest retailer, Migros, was the Bank's first credit card partner. In 2006, the Bank and Migros launched one of the first credit cards in the Swiss market to charge no annual fee. The card is linked to Cumulus, the Migros loyalty programme that provides customers with attractive special benefits. The Bank is also continuing its relationships with Conforama in Switzerland (credit card partner since 2008), Touring Club Schweiz (since 2011) and French retailer Fnac (since 2016).

Electromobility

The Bank has a relationship with an electric car manufacturer in the area of auto leases and loans in Switzerland. In 2018, the Bank's share of electric vehicles saw a significant year-on-year increase from a low level and now stands at approximately 2.5% which is roughly in line with the overall market. The Bank offers loans and leases for electric vehicles at highly favourable terms. Electric vehicle leasing is expected to generate a much larger share of the Bank's total revenue over the long term. Declining prices for electric vehicles and a larger supply of used vehicles will further strengthen the significance of electromobility, as will tighter CO_2 requirements and regulations.

Monitoring Process
The Bank uses the three lines of defence, a proven governance framework, to manage risk and monitor compliance with legal requirements and internal policies. See the Risk Management Report on page 20 for details.

Binding, regularly updated processes likewise ensure that the Bank follows all applicable laws and regulations. As a financial intermediary, the Bank is subject to the Anti-Money Laundering Act and thus operates a programme to prevent illegal transactions. It systematically assesses customers and partners before entering into a contract or business relationship. This exhaustive onboarding process protects the Bank from engaging in relationships with individuals or entities that have been placed on international sanctions lists. Politically exposed persons (PEPs) and high-risk relationships are thoroughly analysed. Customers and partners continue to be regularly reviewed after the contract or business relationship has been formed. Apart from the continuous review of customers, transactions and payment practices are constantly monitored. Suspicious transactions are flagged and reviewed by the Bank's Compliance officers.

All new Bank employees receive an introducton training that covers the Bank's anti-money laundering programme and then attend regular refresher classes in subsequent years.

Third parties such as advisors, intermediaries, sales representatives, suppliers, outsourcing service providers and independent contractors who represent the Bank are also required to comply with the Code of Conduct. Compliance is confirmed when concluding new contracts with these third parties and is regularly verified thereafter.

Data Security and Data Protection
The Bank cares deeply about information security, data protection and data integrity, which is why it has implemented an extensive framework to protect customer data. Various directives and internal policies cover employees' use of electronic media and their handling of Bank and customer data while ensuring compliance with relevant laws on banking secrecy, data protection, and record retention. The Bank's business requires it to respect and safeguard privacy. Customers rightly want to know that their assets and privacy are protected. The Bank constantly reviews and optimises its processes in order to protect customer data now and in the future. Employees also receive regular training on issues relating to information security and data protection.

Customer Orientation

Customer focus is one of the four core values at Cembra Money Bank. The Bank's goal is to provide its customers with personalised solutions. The Bank has also made customer proximity one of its four core competencies, underscoring the importance it attributes to customer needs. Personal customer relationships and responsible, competent advisory services drive the Bank's success.

To satisfy the needs of its customers of tomorrow, the Bank invests in forward-looking infrastructure, including the development of a user-friendly, needs-based digital platform. The Bank pursues a smart follower strategy with regard to new payment technologies.

Responsible Lending
Cembra Money Bank takes its responsibility to customers and society very seriously. This explains its commitment to preventing over indebtedness: the Bank evaluates every consumer loan application carefully and systematically, assessing the customer's financial circumstances and personal situation. Its evaluation extends to the applicant's borrowing capacity and creditworthiness. The borrowing capacity assessment is based on the legal provisions of the Consumer Credit Act. The assessment of creditworthiness is supported by an automated scorecard-based credit risk rating system that relies on available customer information. These tools enable consistent, systematic decision-making for all credit products and take account of risk tolerance and risk limit requirements that apply throughout the Bank.

Lending, or rather the underwriting process, requires detailed budget calculations based on the customer's current inputs as to the current incomes and expenses. Applicants who do not meet the necessary criteria are denied credit. Customers should be granted loans only if they understand how the loan repayment works and are expected to deal with it without financial difficulties. Once approved, customers have a legal 14-day cooling-off period based on the Consumer Credit Act in which they can cancel the contract. Furthermore, customers can make additional early repayments at any time during the contract term, which lowers their total interest payments. The Bank has also set itself the goal of establishing responsible credit terms instead of maximising contract terms and repayment periods.

Personal customer contact is absolutely essential to the Bank's business. Knowing the borrower and the borrower's personal situation not only keeps the underwriting process concise, but also helps enormously in identifying the best possible financial solution for the customer's individual situation. The Bank has also set itself the goal of establishing responsible credit terms instead of maximising contract terms and repayment periods.

If loan repayment difficulties nonetheless arise due to unforeseen events such as unemployment, sickness or divorce, the Bank always aims to find a fair, affordable repayment solution. The Bank's internal collections department thus can respond appropriately and fast to any unusual situations. In addition, the quality of new transactions is regularly monitored internally to ensure that underwriting requirements are fulfilled and that the loan approval process still contains credit risk effectively. Underwriters receive regular feedback from their supervisors so that decisions leading to unwanted outcomes are prevented.

The combined assessment of borrowing capacity, creditworthiness and personal contacts reduces the risk of customer over indebtedness and enables a solid portfolio quality and moderate default rates.

The Bank exercises an equal amount of caution to ensure responsible lending in the car leasing and credit card business.

Responsible Marketing and Business Practices
The Bank is committed to marketing its products responsibly. Its advertising targets adults. The members of Swiss Consumer Finance (KFS), the Swiss Leasing Association (SLV), and other lending and leasing institutions have agreed to self-regulate their advertising for consumer loans and take appropriate preventive measures. The self-regulation agreement, which was approved by the Federal Council, took effect on 1 January 2016. The Bank has expressly adopted the agreement.

A new advertising campaign developed in 2018 states that loans should be taken out only for good reasons. The campaign addresses certain situations in life when a loan might be considered: education, housing and vehicle purchases. A loan, in other words, needs to be more than just "simple, quick and discreet"; it should also be an appropriate response to life circumstances.

Internal policies govern how employees treat customers. Specific policies on business practices are laid out in an internal directive.

The Bank regularly surveys its customers. In 2017, over 80% of customers surveyed in the personal loans, auto leases and loans and credit cards business units gave a score of at least 7 out of 10 points when asked about their overall satisfaction with the Bank and its customer service. The Bank's credit card programmes also regularly garner top scores in Comparis product comparisons and in Bonus.ch's 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. Every year the organisation's needs are assessed in order to offer the most appropriate instructor-led courses. The Bank strives to find a balance to ensure that employees are given the opportunity to develop skills to help them professionally but also personally. In 2018, 311 training days were completed from the Bank's internal training curriculum.

Employee training is an essential part of employee performance, satisfaction, and retention. By training employees well, we enable them to reach their full potential. This starts with the welcome-aboard training offered during the first days of employment to all new hires. New employees, supervisors and team leaders who will be working in an operations role within the Bank attend a specific on-boarding training aimed to prepare them for future responsibilities. These trainings are developed and carried out by internal functional trainers, who are well versed in the detailed requirements of the various jobs, have become subject matter experts themselves, and are able to share their know-how and understanding with newly hired employees. The trainings last between two and five weeks and are a mix of classroom and online training, one-to-one coaching, testing, self-studying, job-monitoring and many other exercises. The structure is adapted to the specific needs and resources of the employee, and we aim to make the learning content as personalised as possible.

Ongoing functional refresher training to improve the operational readiness is also given when necessary. This includes instructing employees on changes in the IT and solutions environment and on new or modified products. Further trainings are given when management intends to re-emphasise a special topic in the behaviour of customer service employees, e.g. managing complaining customers, improving negotiation skills, handling retention issues, and cross-sell or up-sell activities.

Cembra Money Bank engages a team of 6.5 full-time equivalent (FTE) functional trainers, and in 2018 about 1,500 participants were trained in 44 different courses.

As part of the Bank's benefits programme, the Bank also supports external trainings. Each division has a budget for technical and functional trainings that are conducted by external providers. Cembra generously supports employees in their language skills and further professional development.

Apprenticeship Programme
One important pillar of the Bank's efforts in developing new talents for the future is its internal apprenticeship programme. Generally, the Bank hires seven new apprentices every year. Over the past eight years, 30 apprentices successfully finished their programme at the Bank, of which 13 are still employed at the Bank. After the apprenticeship, the Bank aims to take on all the apprentices and offer them the desired position, often successfully.

Once the apprenticeship has come to and end, the Bank supports young employees in completing their vocational secondary education with the possibility to work part-time. Of the apprentices in 2018, three are still working in a 60% job position and attending vocational education.

Junior Talent Programme
In 2016, Cembra Money Bank launched the junior talent programme "Radix". Since 2018, the programme has been conducted in collaboration with the University of Applied Sciences in Business Administration Zurich (HWZ) for a CAS (Certificate of Advanced Studies) and has been extended by a module in General Management. The new Bank-wide programme consists of 22 training days over a period of eight months. It is designed to further develop professional and personal competencies. Graduates have the opportunity to sharpen their business understanding, gain new perspectives, and learn to develop solutions based on challenging cases as well as to expand their network. Nine talents started the programme in 2018, selected on the basis of their engagement and skills

Dedicated Development Programmes for Women
The internal "Connect" programme provides women across different functions and hierarchies with various platforms to facilitate personal growth, to encourage career advancement and to foster an exchange of ideas in line with the Bank's values. A team of ten employees contributes to the organisation of the talks, panel discussions with internal and external speakers, and events on topics such as diversity, networking and courage. The programme also supports participation in the annual Pink Ribbon Charity Walk for the prevention of breast cancer and donates to the Women's Shelter Zurich. In 2018, the events were organised under the theme "Just go for it". The programme is open to all female staff within the organisation, some events are also open to men, and it is sponsored by a member of the Management Board.

Cembra is a founding member of the "Advance" network for women. "Advance" aims to increase the share of women in leading positions and to further increase gender diversity. "Advance" offers its approximately 100 member companies skill-building and mentorship programmes as well as role-model exposure and best practice sharing on innovative working models. "Advance" organises various events and leverages the most innovative talent management tools of each associated organisation. As a premium member, the Bank has access to 17 exclusive training days for talented women in middle and upper management, the mentorship programme for one selected female employee, and a variety of workshops, seminars, and networking events offered throughout the year. Giving female employees the opportunity to take part in this external networking group is an efficient way for women to come together and offer each other peer support, to meet valuable contacts, and to gain ideas, and it provides them with a space to discuss gender issues and equality without judgement.

The Bank's HR Learning & Development Leader is a board member of "Advance". Cembra Money Bank hosts at least one of the platform's annual events by making its facilities available.

Work-Life Balance and Employee Health Programme
The Bank aims to give employees the opportunity to develop their skills not only professionally but also personally. The Bank offers courses such as change management, business networking, conflict management, mindfulness and positive psychology for everyday work life as well as health & leadership, digital detox, and sleep and movement management (all about remaining physically and mentally fit) as complementary trainings to help foster better work-life balance.

The "Vitality" initiative helps employees find a healthy work-life balance. In 2018, it included sports events, and the company took part in a workplace health and engagement programme ("Virgin Pulse Global Challenge") measuring the daily distance covered on foot by more than 350 million people around the world tracked using pedometers. Cembra Money Bank has been taking part since early 2014. In 2018, 119 employees in 17 teams participated and together tracked 122,933,988 steps or 78,678 km.

Other offerings of the "Vitality" programme include an in-house gym at the Cembra head office at no charge to all employees, massages at reduced rates, outdoor activities, seasonal fruit, a one-day seminar on quitting smoking, a test of individual fitness levels provided by an external partner, as well as information sessions and awareness campaigns on various topics related to nutrition, well-being, and first aid. Employees outside the head office receive financial support for individual workout programmes.

Employee Satisfaction Surveys
Cembra has conducted employee surveys every two years since 2016. The first survey in autumn 2016 resulted in an overall employee satisfaction index of 67% with a participation rate of 72%. Specific measures implemented include bottom-up feedback, more productive work environment, information sharing, and a communication platform for senior management to become more approachable to all levels of staff. The impact of these measures was evaluated by a follow-up survey in 2017.

In autumn 2018, another employee survey was conducted. 77% of all employees participated in the survey. The measures introduced in response to the feedback received in the 2016 survey clearly contributed to better results. The overall employee satisfaction index increased from 67% to 69%.

The Great Place to Work® Trust-Index© employee survey is taken by millions of employees in more than 50 countries every year. The companies that get the best feedback from their employees are awarded each year. Detailed information about this label is available on www.greatplacetowork.com.

Employee key figures[1]	Turnover rate – permanent contracts	Turnover rate – temporary contracts	Average years of employ-ment	New recruits 50+	Nationa-lities
2015	12%	3%	9.1	8	
2016	14%	2%	9.3	8	
2017	13%	2%	9.6	5	38
2018	13%	1%	9.3	19	37

1 Cembra Money Bank AG including Swissbilling SA

In 2018, the employee turnover rate remained stable compared to the previous year. The comparatively high average number of years of employment with the Bank reflects employees' loyalty and engagement. The call centres, which are typically intermediary stages for young professionals, traditionally have a significantly higher turnover rate. In this area the turnover rate is about five times higher than the Bank's average. The number of new employees over the age of 50 increased significantly in the reporting year.

Headcount as of 31.12.2018[1]	Female	Male	Total
Employee level	303	217	520
Senior Employee level	68	162	230
Management level	22	40	62
Senior Management level	0	11	11
Total	**393**	**430**	**823**
in %	48	52	

1 Cembra Money Bank AG only

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 37 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. The Board of Directors is likewise diverse in terms of background, gender and nationalities.

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 30%. Female representation on the Board of Directors is 29%, or two out of seven members.

Part-time share as of 31.12.2018[1]	Female	Male	Total (headcount)
Employee level	142	35	177
Senior Employee level	24	13	37
Management level	6	2	8
Total	**172**	**50**	**222**
in %	77	23	
in % of all employees	21	6	27

1 Cembra Money Bank AG only

The Bank offers flexible solutions such as part-time or home office work as it is convinced that flexible ways of working can increase job satisfaction, employee commitment, productivity, and retention. As per year-end 2018, 27% of all employees were working part-time. Many of the part-time employees are working parents. 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 current team constellation.

Top to Median Salary Ratio
The ratio of the top to median compensation is 12.5 (2017: 12.7). The median is based on the annual base salary plus variable target compensation for the previous financial year. The annual base salary is extrapolated to full-time working hours.

Non-Salary Employee Benefits
Employees are offered various non-salary (fringe) benefits. As from 1 July 2018, the Bank broadened these benefits for all employees following a review, with the aim of ensuring that all employees can gain equally from these fringe benefits.

The new non-salary benefits include vouchers for public transport, additional offerings for employees with families, and increased amounts for Schweizer Reisekasse (Reka) Genossenschaft checks. All benefits are also published on Cembra's Human Resources website (www.cembra.ch/en/career → What do we offer → Additional benefits).

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 further developing 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, focusing on civil society organisations with local activities and readiness for longer-term engagements. Activities are identified together with the respective committees.

Some of the volunteering projects and initiatives are the following:
- Volunteer work: Every year, about 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. By actively participating in the programmes, employees can give back to society. In addition, employees also gain insight into charitable institutions and can therefore be seen as “ambassadors” of the respective organisation. The Bank is convinced that social engagement strengthens employee loyalty to the company.
- Theodora Foundation (Stiftung Theodora), partnership since 2015: The foundation's “Giggle Doctors” bring 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 2018, 30 Cembra employees participated in the Kids' Day with Race & Charity for all families.
- Young Enterprise Switzerland (YES), partnership since 2004: YES develops and supports practice-oriented business training programmes for students. The Bank's employees teach business-relatied topics at schools to provide students with practical business knowledge.
- Childhood Cancer Switzerland (Kinderkrebshilfe Schweiz), partnership since 2006: In 2018, about 25 employees volunteered in the children's holiday camps in Engelberg and Lenzerheide to engage with the patients and their families.
- Blood drives, Swiss Red Cross (Schweizerisches Rotes Kreuz), partnership since 2005: Together with the Swiss Red Cross, the Bank organises blood donation days at its headquarters twice a year. About 70 employees took part in 2018.

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 outline the duties, powers and regulations of the governing bodies of the Bank.

1 Group Structure and Shareholders

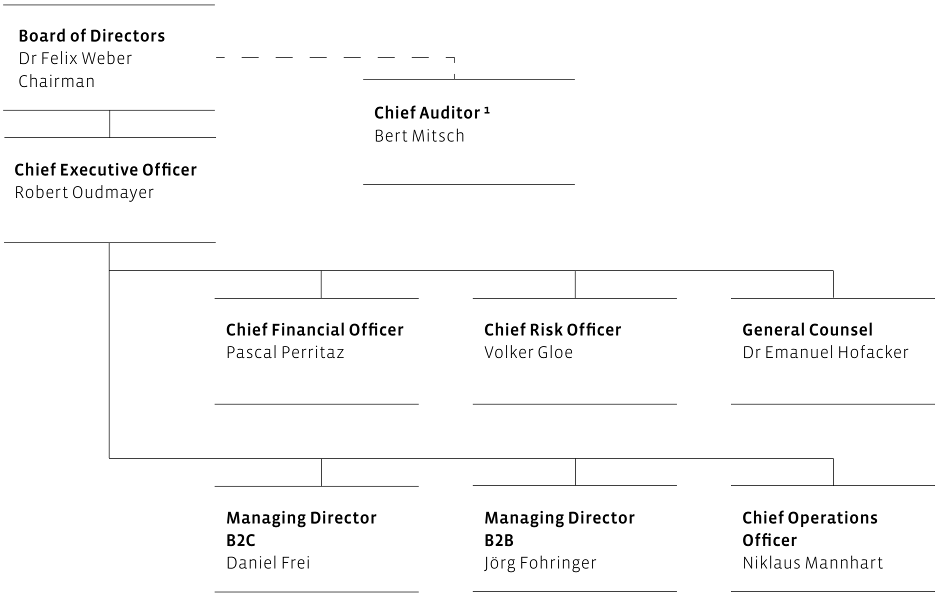
1.1 Group Structure

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 and insurance products sold with these products as well as invoice financing. The corporate functions include Finance, Operations, Legal & Compliance, Communications, Risk Management, Internal Audit as well as Human Resources.

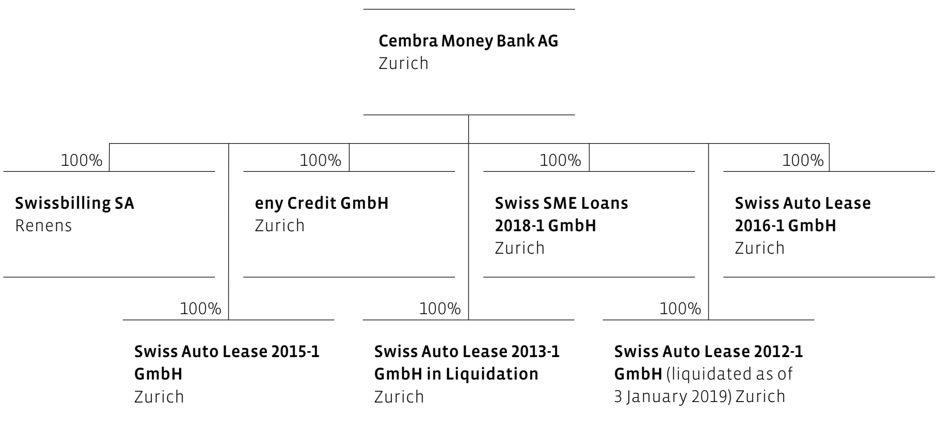
Organisational Group Structure as of 31 December 2018:



[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 Renens, Switzerland, share capital CHF 100,000, shares 10,000 x CHF 10);
- eny Credit GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 1 x CHF 20,000);
- Swiss SME Loans 2018-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 1 x CHF 20,000)
- Swiss Auto Lease 2016-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100);
- Swiss Auto Lease 2015-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100);
- Swiss Auto Lease 2013-1 GmbH in Liquidation (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100); and
- Swiss Auto Lease 2012-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100; liquidated as of 3 January 2019).



In March 2018, the Bank signed an agreement with Lendico Schweiz AG , a fully owned subsidiary of PostFinance AG to refinance loans to Swiss small and medium-sized enterprises originated through the Lendico online platform. The transaction is structured through a special purpose vehicle, Swiss SME Loans 2018-1 GmbH, which is fully owned, controlled and consolidated by the Bank. In June 2018, EFL Autoleasing AG (acquired in October 2017) was successfully merged with and integrated in the Bank. The transaction strengthened the Bank's position as the leading independent auto leases and loans provider in Switzerland.

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 2018, the Bank's issued nominal share capital amounted to CHF 30,000,000 and the market capitalisation amounted to CHF 2,336 million.

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

1.2 Significant Shareholders

The significant shareholders of the Bank as of 31 December 2018 (based on notifications by such shareholders to the Bank and the Disclosure Office of the SIX Exchange Regulation) are shown in the table below:

Shareholder	% of voting rights [2]
Cembra Money Bank AG [1]	6.12%
UBS Fund Management (Switzerland) AG	5.41%
Pictet Asset Management SA	4.99%
Credit Suisse Funds AG	3.00%
BlackRock Inc.	3.38%

1 Treasury shares
2 The shareholding percentage is based on the number of voting rights held by the relevant shareholder at the time of the last disclosure by the shareholder to the Bank and the Disclosure Office of the SIX Exchange Regulation. The number of voting rights held by the shareholder and the shareholding percentage may have changed since the date of such disclosure

For the full disclosure of all 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.

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 2018, 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.

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 amount of CHF 3,000,000 corresponds to 10% of the existing share capital.

The Board of Directors is authorised to increase the share capital, at any time until 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. 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 in aggregate is available for the issuance of up to 3,900,000 Shares with a nominal value of CHF 1.00 each. The amount of CHF 3,900,000 corresponds to 13% of the existing share capital.

The Bank's share capital may be increased – based on art. 5 of the Articles of Incorporation (www.cembra.ch/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.

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

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 2016, 2017 and 2018, 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).

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

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

2.7 Convertible Bonds and Options

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 2018, 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 2018, 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	2019
Prof. Dr. Peter Athanas	CH/UK	Member	Chairman Audit and Risk Committee	2013 [1]	2019
Urs Baumann	CH	Member	Chairman Compensation and Nomination Committee	2014	2019
Denis Hall	UK	Member	Member Audit and Risk Committee	2013	2019
Katrina Machin	UK	Member	Member Compensation and Nomination Committee	2016	2019
Dr. Monica Mächler	CH	Member	Member Audit and Risk Committee	2015	2019
Ben Tellings	NL	Vice Chairman	Member Compensation and Nomination Committee	2016	2019

[1] Effective 1 January 2014.

Name	Dr. Felix Weber
Nationality	Swiss
Function	Chairman
First elected	2013
End current period	2019

Dr. Felix Weber

Swiss national and resident, born in 1950

Dr. Weber was appointed as chairman of the Board of Directors ("Chairman") on 22 August 2013. His current term expires at the Annual General Meeting in 2019. 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 (Zurich, Switzerland)
- 2006–2008: Managing Director of Investment Banking at Lehman Brothers Finance AG (Zurich, Switzerland)
- 1998–2004: Executive Vice President and Chief Financial Officer at Adecco SA (Chéserex, Switzerland), Redwood City (USA) and Zurich (Switzerland)
- 1984–1997: Associate, Engagement Manager & 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 2018: Chairman of BLR Capital AG (Thalwil, Switzerland)
- Since 2017: Vice Chairman Climatex AG (Altendorf, Switzerland)
- Since 2013: Board member BLR & Partners AG (Thalwil, Switzerland)

Previous board memberships:
- 2000–2013: Member of the Board of Directors and Chairman of the Compensation Committee of Syngenta Ltd (Basel, Switzerland), listed on SIX and New York Stock Exchange
- 2011–2013: Chairman of the Board of Directors of Nomura Socrates Re (Switzerland) and Nomura Re (Guernsey)
- 2011–2012: Member of the Board of Directors of 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	2019

Prof. Dr. Peter Athanas

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

Prof. Dr. Athanas was appointed as member of the Board of Directors on 2 October 2013, with effect from 1 January 2014. He is also Chairman of the Audit and Risk Committee. His current term expires at the Annual General Meeting in 2019. 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 (Hergiswil, Switzerland)
- 2004–2008: Chief Executive Officer of Ernst & Young Switzerland (Zurich, Switzerland)
- 2001–2002: Chief Executive Officer of Arthur Andersen Switzerland (Zurich, Switzerland)
- 1994–2001: Head of Tax and Legal Practice of Arthur Andersen Switzerland
- 1990–1994: Partner of the worldwide Arthur Andersen organisation

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

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

Name	Urs Baumann
Nationality	Swiss
Function	Member
First elected	2014
End current period	2019

Urs Baumann

Swiss national and resident, born in 1967

Mr Baumann was appointed as a member of the Board of Directors on 13 May 2014. He is also Chairman of the Compensation and Nomination Committee. His current term expires at the Annual General Meeting in 2019. 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)

Name	Denis Hall
Nationality	British
Function	Member
First elected	2013
End current period	2019

Denis Hall

British national and UK resident, born in 1955

Mr Hall was appointed as a member of the Board of Directors on 24 September 2013. He is also a member of the Audit and Risk Committee. His current term expires at the Annual General Meeting in 2019. 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 am Main, 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. (Panama, Costa Rica), in which General Electric Group held an interest
- 2008–2011: Member of the Board of Directors of Turkiye Garanti Bankasi A.S. (Istanbul, Turkey) in which General Electric Group held an interest

Name	Katrina Machin
Nationality	British
Function	Member
First elected	2016
End current period	2019

Katrina Machin

British national and UK resident, born in 1966

Mrs Machin was appointed as a member of the Board of Directors on 27 April 2016. She is also a member of the Compensation and Nomination Committee. Her current term expires at the Annual General Meeting in 2019. 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 2018: Chair as well as a member of the Audit Committee, the People Committee and the Nomination Committee of Remco at Homeserve plc (Walsall, UK)
- Since 2017: 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 2014: 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	2019

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 Annual General Meeting in 2019. 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, Bern 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 (Bern, Switzerland)
- 1990–2006: Key positions at Zurich Insurance Group (Zurich, Switzerland): Corporate Legal Advisor (1990–1998), Group General Counsel (1999–2006) and member of the Group Management Board (2001–2006)
- 1985–1990: Attorney at Law at De Capitani, Kronauer & Wengle (Zurich, Switzerland)

Other board memberships and activities:
- Since 2018: Member of the Board of GAM Holding AG (Switzerland), member of the Audit Committee and of the Governance and Nomination Committee, a company listed on SIX
- 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 of the Governance, Nomination & Corporate Responsibility Committee of the respective companies, listed on SIX
- Since 2012: Member of the Advisory Board of the International Center for Insurance Regulation at the Goethe University (Frankfurt am Main, Germany), serving as Chair since 2015

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

Name	Ben Tellings
Nationality	Dutch
Function	Vice Chairman
First elected	2016
End current period	2019

Ben Tellings

Dutch national and resident, born in 1956

Mr Tellings was appointed as a member of the Board of Directors on 27 April 2016. 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 Annual General Meeting in 2019. 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 am Main, Germany)
- Since 2010: Member of the "Kuratorium" Deutsche National Stiftung (Hamburg, Germany)

Previous board memberships:
- 2010–2016: Chairman of the Supervisory Board of ING-DiBa AG (Frankfurt am Main, Germany), Chairman of the Credit Committee Supervisory Board of ING-DiBa AG 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 Annual General Meetings, respectively, if a member is elected at an extraordinary Annual General Meeting, to the time period between the extraordinary and the next ordinary Annual General Meeting. Each member of the Board of Directors, including the Chairman, is individually elected by the Annual General Meeting. Re-election is possible and there is no mandatory term limit for members of the Board of Directors.

As the Bank is subject to the Swiss Federal Banking Act and the Banking Ordinance, no member of the Board of Directors may also be a member of the Bank's management. In addition, in accordance with FINMA Circular 2017/1 Corporate governance – banks ("FINMA Circular 17/1"), at least one-third of the members of the Board of Directors should be independent within the meaning of the FINMA Circular 17/1. As of 31 December 2018, 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 2018, the Board of Directors met nine 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 2018:

Date	Dr. Felix Weber	Prof. Dr. Peter Athanas	Urs Baumann	Denis Hall	Katrina Machin	Dr. Monica Mächler	Ben Tellings
21 February 2018	X	E	X	X	X	X	X
15 March 2018	X	X	X	X	X	X	X
30 May 2018	X	X	X	X	X	X	X
13 June 2018 [1]	X	X	X	X	X	X	X
12 July 2018 [1]	X	X	X	X	X	X	X
23 July 2018 [1]	X	X	X	X	X	E	X
15 August 2018	X	X	X	X	X	X	X
24 October 2018	X	X	X	X	X	X	X
5 December 2018	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 typically has a supervisory and monitoring function, particularly regarding the Bank's internal control systems, risk management and internal and external audit. It makes recommendations to the Bank's Board of Directors and proposes measures where necessary. The Audit and Risk Committee's duties include the following items: (i) the financial reporting and the integrity of the financial statements of the Group; (ii) monitoring the effectiveness of the internal control system, specifically also the Risk control, the Compliance function and Internal Audit; (iii) discussing the Group-wide risk management framework, assessing annually the Group-wide risk management framework and ensuring that necessary changes are made; (iv) the control of adequacy and effectiveness of the risk management and its processes in relation to the risk situation of the Group, (v) the monitoring of the implementation of risk strategies, ensuring in particular that they are in line with the defined risk tolerance and risk limits defined in the Group-wide risk management framework; (vi) supervising the Group's approach to internal controls; (vii) the appreciation of the capital and liquidity planning; (viii) the monitoring and assessment of the effectiveness and independence of the External Auditors and their interaction with Internal Audit, including discussion of the audit reports with the lead auditor; (ix) 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; (x) the assessment of the regulatory audit plan, audit rhythm and audit results of Internal Audit and the External Auditors, and (xi) monitoring the Bank's compliance with regulatory and financial reporting requirements. The Bank's Auditors report directly to the Audit and Risk Committee. The Audit and Risk Committee's duties and responsibilities are determined in compliance with FINMA Circular 17/1.

The Audit and Risk Committee holds meetings as often as required, but in any event at least once every quarter. The meetings are convened by the Chairman of the Audit and Risk Committee or are initiated by an Audit and Risk Committee member. Meetings typically last three hours and are also attended at by all members of the Management Board, the Bank's Chief Auditor and the External Auditor. During 2018, the Audit and Risk Committee met seven times.

Please see details in the table below:

Date	Prof. Dr. Peter Athanas	Denis Hall	Dr. Monica Mächler
20 February 2018	E	X	X
14 March 2018	X	X	X
29 May 2018	X	X	X
23 July 2018 [1]	X	X	X
14 August 2018	X	X	X
23 October 2018	X	X	X
5 December 2018	X	X	X

[1] Conference call
E = Excused

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

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

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

Please refer to the Compensation Report on page 70 information on (i) responsibilities and procedures involved in determining the compensation, (ii) the compensation, shareholdings and loans of the members of the Board of Directors and the Management Board and (iii) the rules in the Articles of Incorporation regarding the compensation, loans and the vote on pay at the General Meeting.

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 2018, the Compensation and Nomination Committee met seven times.

See details in the table below:

Date	Urs Baumann	Katrina Machin	Ben Tellings
25 January 2018	x	x	x
20 February 2018	x	x	x
14 March 2018	x	x	x
29 May 2018	x	x	x
14 August 2018	x	x	x
23 October2018	x	x	x
14 December 2018 [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, the Chief Operating Officer (COO) and such other members who lead significant business units. These members are appointed by the Board of Directors. As of 1 October 2018 the organisational layer of the Senior Management Team below the Management Board was removed. The tasks of some of the former members of the Senior Management Team have been included in those of the Management Board, which in turn has been upstaffed with two additional members to reach a total of seven. As of 31 December 2018, in addition to the CEO, the Management Board consisted of the CFO, the CRO, the General Counsel, the COO, the Managing Director B2C and the Managing Director B2B (see also section 4.1 below).

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

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

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

The Board of Directors supervises the Management Board 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 on quarterly basis 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. All members of the Management Board attend each of the Board of Directors' meetings and are available to answer questions from the Board of Directors.

The CEO ensures that the Chairman and the Board of Directors are provided with information in a timely manner and in a form and of a quality appropriate to enable the Board of Directors to 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. The information to the Board of Directors further covers quarterly reports on the statement of income, cash flow and balance sheet development, investments, personnel and other pertinent 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 based on the group risk framework. The process focuses on credit, market, liquidity and operational risks within the Group. Detailed information on the management and monitoring of these risks can be found in the Risk Management Report on page 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. Further, the External Auditor is present at the meeting of the Board of Directors in which the annual financial statements are approved by the Board of Directors as well as further meetings to the extent required, which was not the case in the reporting year.

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

4 Management Board

4.1 Members of the Management Board

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 may be a member of the Board of Directors.

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

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

[1] Appointed in predecessor organisations prior to IPO

Robert Oudmayer

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

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 (Lissabon, Portugal)
- 2003–2005: P&L Leader Auto & Retail of GE Capital Bank AG (Brugg, Switzerland)
- 2001–2003: Managing Director TIP and GE Capital Rail Services (Rotterdam, The Netherlands)
- 1999–2001: Multiple roles at GE TIP Trailer Services, including Chief Operating Officer, Operations & Quality Director Europe and Managing Director Benelux
- 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 subsidiary Swissbilling SA.

Jörg Fohringer

Name	Jörg Fohringer
Nationality	Swiss
Appointed	2018
Position	Managing Director B2B

Swiss national and resident, born in 1967

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

Professional experience:
- 2016–2018: Managing Director at Accarda AG (Wangen-Brüttisellen, Switzerland)
- 2013–2016: Head of Tactical Marketing and CRM at Migros Genossenschaftsbund (Zurich, Switzerland)
- 2010–2013: Head of CRM and loyalty systems at Migros Genossenschaftsbund (Zurich, Switzerland)
- 2007–2010: Director Consumer Marketing at upc Cablecom AG (Wallisellen, Switzerland)
- 2005–2007: Director Marketing Wireline & Internet at Sunrise AG (Zurich, Switzerland)
- 2004–2005: Head of Product Development at Sunrise AG (Zurich, Switzerland)
- 2002–2004: Manager (Strategic Advisor) at Accenture (Zurich, Switzerland)
- 2001: Product Developer at Sunrise AG (Zurich, Switzerland)
- 2000: Business Developer at diAx AG (Zurich, Switzerland)
- 1998–1999: Product Developer at diAx AG (Gommiswald, Switzerland)
- 1993–1998: Software Developer at Siemens Schweiz AG (Zurich, Switzerland)

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

Name	Daniel Frei
Nationality	Swiss
Appointed	1997
Position	Managing Director B2C

Daniel Frei

Swiss national and resident, born in 1959

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

Professional experience:
- 2016–2018: P&L Director B2B Retail at Cembra Money Bank AG (Zurich, Switzerland)
- 2008–2016: P&L Director Cards at GE Money Bank AG (Zurich, Switzerland)
- 2005–2008: Delegate to the Board and P&L Director at Flexikredit AG (subsidiary of GE Capital Bank AG) (Zurich, Switzerland)
- 2002–2004: P&L Director Motor Solutions at GE Capital Bank AG (Brugg, Switzerland)
- 1997–2002: Chief Operations Officer at GE Capital Bank AG (Brugg, Switzerland)
- 1993–1997: Logistic Director and member of the Senior Management Team at Bank Aufina AG (Brugg, Switzerland)
- 1989–1992: Assistant Logistics Director at Bank Aufina AG (Brugg, Switzerland)
- Before 1989: Various assignments outside the Bank as Accountant and Project Manager

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

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

Volker Gloe

German national and Swiss resident, born in 1968

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

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

Mr Gloe is Vice Chairman of the Board of 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 (liquidated as of 3 January 2019), as well as eny Credit GmbH and Swiss SME Loans 2018-1 GmbH.

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

Dr. Emanuel Hofacker

Swiss national and resident, born in 1968

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

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

Dr. Hofacker is Chairman of the Board of 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 liquidated as of 3 January 2019, as well as member of the Board of Directors of Swissbilling SA. Furthermore, he is member of the Bank's Pension Fund Board, Board member of IKO (Information Center regarding Consumer Loans Association) as well as of KFS (Swiss Consumer Finance Association).

Name	Niklaus Mannhart
Nationality	Swiss
Appointed	2018
Position	Chief Operating Officer (COO)

Niklaus Mannhart

Swiss national and resident, born in 1967

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

Professional experience:
- 2016–2018: COO IT & Operations Swiss Universal Bank at Credit Suisse AG (Zurich, Switzerland)
- 2015–2016: COO Operations Swiss Universal Bank at Credit Suisse AG (Zurich, Switzerland)
- 2012–2015: COO Operations Utilities and Operations Region Switzerland at Credit Suisse AG (Zurich, Switzerland)
- 2010–2012: Director at Credit Suisse AG (Zurich, Switzerland)
- 2001–2010: Associate Principal at McKinsey & Company (Zurich, Switzerland)
- 1995–2001: Research Associate, Teaching Assistant and System Administrator at Institute of Scientific Computing, ETH Zürich (Zurich, Switzerland)
- 1994: Programmer at Waterloo Maple Inc. (Waterloo, Canada)

Name	Pascal Perritaz
Nationality	Swiss
Appointed	2018
Position	Chief Financial Officer (CFO)

Pascal Perritaz

Swiss national and resident, born in 1972

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

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

Mr Perritaz is Chairman of the Board of Managing Directors of the Bank's subsidiaries eny Credit GmbH and Swiss SME Loans 2018-1 GmbH. Furthermore, he is Vice Chairman of the Board of Directors of Swissbilling SA.

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 Management Board the following Activities do not fall under the above restrictions:
- Activities in entities controlled by the Group;
- Activities in entities controlling the Group; and
- Activities in associations, charitable institutions as well as welfare and pension institutions.

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

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

4.4 Management Contracts

The Bank has not entered into management contracts with third parties in 2018, and no such contracts are in place as per 31 December 2018.

5 Compensation, Shareholdings and Loans

Information about compensation, shareholdings and loans can be found in the Compensation Report on page 70.

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).

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, an Annual 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.

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

6.4 Inclusion of an Item on the Agenda

One or more shareholders holding Shares with an aggregate par value of at least CHF 1,000,000 or representing at least 10% of the Bank's share capital registered in the Commercial Register have the right to request that a specific proposal be put on the agenda for the next Annual General Meeting. The Articles of Incorporation (www.cembra.ch/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 Annual General Meeting.

6.5 Registrations in the Share Register

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

7 Changes of Control and Defence Measures

7.1 Duty to Make an Offer

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

7.2 Clauses on Changes of Control

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

The contracts of the Management Board do not make provision for any agreements in the case of a change of corporate control other than the accelerated vesting provision in the Executive Variable Compensation Plan (EVCP) as further described in the section Compensation Report on page 70.

In particular, no protection measures such as:
- Severance payments in the event of a takeover;
- Special provisions on the cancellation of contractual arrangements;
- Agreements concerning special notice periods or longer-term contracts where they exceed 12 months;
- The waiver of lock-up periods; and / or
- Additional contributions to pension funds

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

8 Auditors

8.1 Duration of Mandate and Term of Office of External Auditor

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

8.2 Auditing Fees

Expenses related to the Group's financial and regulatory audit amounted to CHF 1,051,500 for the financial year 2018.

8.3 Additional Fees

Expenses related to assurance-related services amounted to CHF 74,000 for the financial year 2018.

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 2018, 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 2018. 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, in the Swiss Official Gazette of Commerce as well as through press releases and presentations. These documents are available to the public in electronic form under: www.cembra.ch/investors.

The Bank also publishes an annual Business Review, available in English and German. Printed copies are sent to the Bank's shareholders upon request. The Bank's online annual report is available under: www. cembra.ch/en/gb2018.

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.

Contact Address

Cembra Money Bank AG
Bändliweg 20
8048 Zurich
Switzerland

Investor Relations

E-mail: investor.relations@cembra.ch
Telephone: +41 (0)44 439 8572

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 2018 Compensation Report of Cembra Money Bank AG (hereafter referred as "the Bank", together with its subsidiaries, "the Group").

In 2018 the Group achieved a record result for the year with all products contributing to the profitable growth. With a net income of CHF 154.1 million and a corresponding return on equity (ROE) of 16.9%, we delivered the best full-year result in the history of our company. Net financing receivables increased by 5% to CHF 4,807 million. At the same time the Group's performance was not reflected in the share price performance with a total shareholder return of –11% in the reporting period, following a 28% total shareholder return in 2017.

These achievements are reflected in the compensation decisions for 2018. As a result of the strong financial performance, the total compensation for the Group's Management Board was TCHF 4,544 for 2018, as compared to the budget of TCHF 5,700 comprising the fixed compensation approved by the Annual General Meeting 2017 and the variable compensation approved by the Annual General Meeting 2018. The total compensation in the previous year was TCHF 4,035 compared to an approved total compensation of TCHF 5,300. The total compensation for 2018 was higher than for the previous year because of the two additional Management Board members who joined in 2018 in connection with the implementation of the new Management Board structure.

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. Therefore we engage in a regular dialogue with our investors and proxy advisors. You will have the opportunity to express your opinion on the compensation programmes through a non-binding, consultative shareholders' vote on this Compensation Report at the Annual General Meeting in April 2019. Furthermore, we will ask you to vote on the maximum aggregate compensation amount for the Board of Directors for the Annual General Meeting 2019 to Annual General Meeting 2020 term of office and on the maximum aggregate compensation for the Management Board to be paid out in the financial year 2020.

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".

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

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

2 Compensation Governance

2.1 Compensation and Nomination Committee

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 Annual General Meeting regarding the compensation of the members of the Board of Directors and the Management Board.

The CNC annually reviews and makes a recommendation to the Board of Directors 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 individual compensation is concerned.

Furthermore, the CNC annually (a) reviews and assesses the objectives upon which the compensation of the CEO and the other members of the Management Board is based; and (b) evaluates the performance of the CEO and reviews, based on the assessment of the CEO, the performance of the other members of the Management Board in the light of these objectives. Based on the performance evaluation, the CNC makes a recommendation to the Board of Directors of the individual compensation of the CEO. With regard to the other members of the Management Board, the CNC makes based on the proposal by the CEO 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 Annual General Meeting in matters related to the compensation of the Board of Directors and the Management Board:

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

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

The CNC holds meetings as often as required, but at least once every quarter. During 2018, the CNC held seven meetings (including one phone conference) and performed the following activities:
- Benchmarking analysis of Board of Directors compensation level, structure and pay-mix;
- 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 Annual General Meeting;
- Succession planning for Management Board and evolution of organisation;
- Confirmation of the Bank's variable incentive compensation pool for the performance year 2017;
- Performance evaluation and determination of variable compensation payout for previous year for Management Board;
- Strategic look-back assessment for performance year 2017;
- Benchmarking analysis of Management Board compensation level and structure;
- Review of the Executive Variable Compensation Plan;
- Goal setting 2018 for Management Board;
- Determination of long-term incentive targets;
- Draft and approval of Compensation Report;
- Review of the CNC charter;
- Great Place to Work employee 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 2018, HCM International Ltd. and Kienbaum Consultants International based in Zurich were mandated to provide services related to executive compensation matters. These companies do not have other mandates with the Bank. In addition, support and expertise are provided by internal compensation experts such as the HR Director and the Senior Manager Compensation & Benefits. For further governance-related information refer to section Corporate Governance starting on page 41.

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 have been approved by the shareholders. The provisions of the Articles of Incorporation on compensation can be found on the Corporate Governance website (www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles) and are summarised below:

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

3 Compensation of the Board of Directors

3.1 Compensation Architecture for the Board of Directors

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

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

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

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

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

Structure of the Board of Directors Compensation:

In TCHF	Basic Fee	Committee / Chair Fee
Chairman of the Board of Directors [1]	450	
Member of the Board of Directors	100	
Vice Chairman		30
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 Annual 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 stand for re-election at the Annual General Meeting, the initial blocking period will be lifted, but the shares will remain blocked until the earlier of two years after such date or the regular expiry of the blocking period. In case of death, disability or change of control, the blocking period may be lifted immediately.

3.2 Compensation Awarded to the Board of Directors for 2018

The following tables disclose the compensation awarded to the members of the Board of Directors for 2018 and 2017, respectively. For 2018, members of the Board of Directors received a total compensation of TCHF 1,409 (previous year TCHF 1,403).

For the year ended 31 December 2018 (CHF)

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

1 Number of shares reflects shares granted 1 February 2018 for the period 1 January 2018 until Annual General Meeting 2018 and shares granted 1 February 2019 for the period Annual General Meeting 2018 until 31 December 2018. For the grant 1 February 2018 the share price is CHF 90.50 – volume-weighted average price (VWAP) 60 trading days before and including grant date (source: Bloomberg). For the grant 1 February 2019 the share price is CHF 82.79 – VWAP 60 trading days before and including grant date (source: SIX). Due to the blocking period statutory withholdings are made on discounted share value. The discount is 25.274% according to the table published by the Zurich tax office

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**
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**
Denis Hall [2]	Member Audit and Risk Committee	**93,441**	**34,380**	**15,775**	**143,595**	**42,803**	**501**
Katrina Machin	Member CNC	**93,622**	**29,832**	**14,167**	**137,621**	**41,076**	**480**
Dr Monica Mächler	Member Audit and Risk Committee	**100,000**	**35,000**	**9,571**	**144,571**	**45,056**	**527**
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 since 1 January 2017
3 Number of shares reflects shares granted 1 March 2017 for the period 1 January 2017 until Annual General Meeting 2017 and shares granted 1 February 2018 for the period Annual 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

Total compensation (including pre-estimated social security contributions) for the period from the Annual General Meeting 2018 to the Annual General Meeting 2019 for the Board of Directors will amount to TCHF 1,419 and is within the maximum aggregate compensation amount of TCHF 1,450 approved by the Annual General Meeting on 18 April 2018.

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

	Compensation earned during financial year as reported (A)	Less compensation earned from Jan to AGM of financial year (B)	Plus compensation accrued from Jan to AGM of of following year (C)	Total compensation earned for the period from AGM to AGM (A–B+C)	Amount approved by shareholders at respective AGM	Ratio of compensation earned for the period from AGM to AGM versus amount approved by shareholders
AGM 2018–AGM 2019	**2018**	**1 Jan 2018 to 2018 AGM** [1]	**1 Jan 2019 to 2019 AGM**	**2018 to 2019 AGM**	**2018 AGM**	**2018 AGM**
Board of Directors (total)	**1,408,598**	**410,875**	**420,834**	**1,418,557**	**1,450,000**	**98%**
AGM 2017–AGM 2018	2017	1 Jan 2017 to 2017 AGM	1 Jan 2018 to 2018 AGM [1]	2017 to 2018 AGM	2017 AGM	2017 AGM
Board of Directors (total)	**1,402,834**	**442,021**	**452,007**	**1,412,820**	**1,450,000**	**97%**

1 The difference to the 2017 figures is due to the calculation basis GV+365 days, i.e. 26 April 2017 to 25 April 2018 vs. 18 April 2018 to 17 April 2019

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

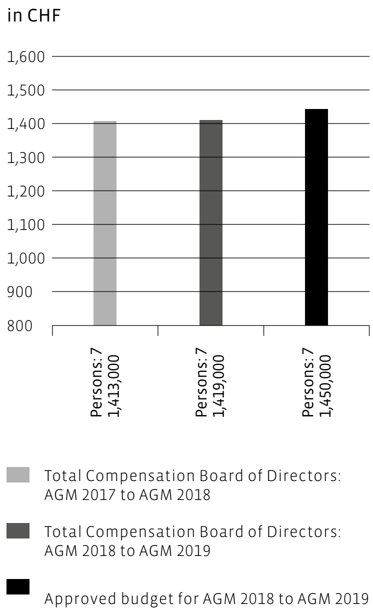
Other Compensation, Fees and Loans to Members or Former Members of the Board of Directors
No other compensation or fees than the amounts reported in the tables above were accrued for, or paid to, any member or former member of the Board of Directors during the reporting period.

For details related to loans outstanding as of 31 December 2018, 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 contain change of control clauses other than regarding the lifting of the blocking period for shares as described in section 3.1 of this report.

Total Compensation Board of Directors



4 Compensation of the Management Board

4.1 Compensation Architecture for the Management Board in 2018

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:

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

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

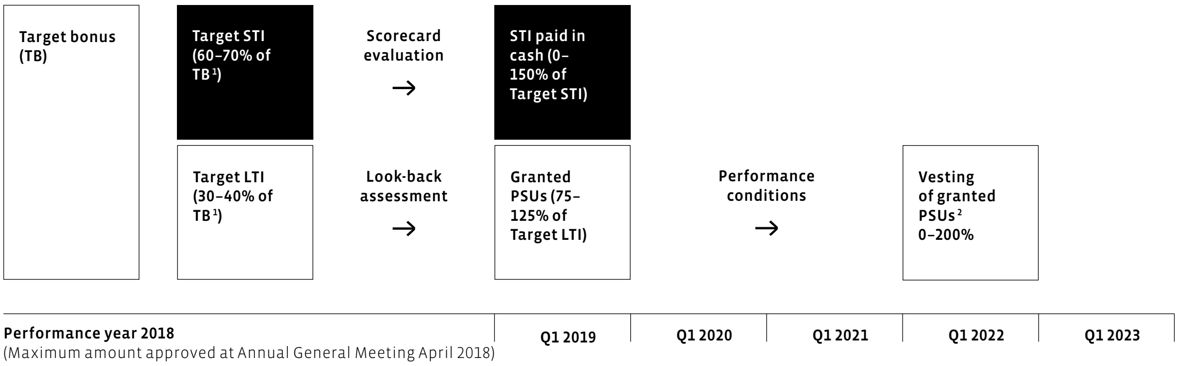
To determine the compensation levels for the members of the Management Board, a compensation analysis has been conducted by Kienbaum Consultants International in 2018 for its executive functions. The following peer group was selected for this benchmark study: Financial Services, including retail banks, cantonal banks, regional Swiss banks as well as divisions of large banks and insurance companies. Only market data for positions comparable in scope and responsibilities have been included. In cases of significantly larger companies, only functions below executive board level but comparable in regard of function-specific responsibilities were considered. No significant changes are deemed necessary as result of this benchmarking study.

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

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

Executive Variable Compensation Framework



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
Bank financial goals	Net Income Net Revenues	80%	25%-40%
Divisional financial goals[1]	As defined in the scorecard approved by the Board of Directors	–	30%-45%
Qualitative goals	Customer Satisfaction Employee Commitment Leadership & Values	20%	30%

1 For control functions 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.

Malus: The STI is subject to a stringent malus condition in case of:
- Financial loss at group or divisional level;
- Breach of regulatory Tier 1 ratio;
- Compliance, risk, regulatory and reputational issues or incidents.

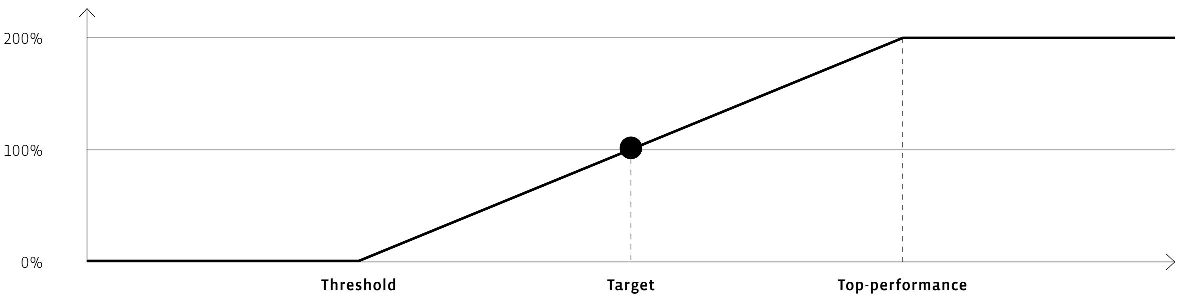
Long-term Incentive (LTI)
The LTI is a Performance Share Unit (PSU) plan that rewards the achievement of predefined performance goals over a three-year vesting period.

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

The LTI is granted in form of PSUs by dividing the LTI grant value by the average of the daily volume-weighted average share price during the 60 trading days before the grant date. The PSUs are subject to a three-year cliff-vesting conditional upon the achievement of two performance conditions, both equally weighted:
- Relative total shareholder return (rTSR): The Bank's total shareholder return (TSR) is compared to the SPI Financial Services Index over a three-year period; and
- Fully diluted earnings per share (EPS): The Board of Directors sets an objective three-year target during the annual target setting process, taking into account (i) analysts' views/shareholder expectations and (ii) internal strategic plans. The cumulative EPS is calculated by giving 50% weight to the second and 50% weight to the third financial year following the grant date.

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

Payout Factor of Originally Granted PSUs



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

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

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

Payout Factor of Originally Granted PSUs

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

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

The LTI awards are subject to clawback provisions in the case of material accounting restatement due to noncompliance with financial reporting requirements, of serious misconduct detrimental to the Bank or its reputation, of fraudulent or criminal activities, of breach of internal risk management or compliance procedures, or of noncompliance 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%
Pay out / vesting range in % of annual base salary	0-81%	0-90% [1]	0-53%	0-38% [1]

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

Performance Objectives under STI and LTI
Due to the commercial sensitivity of financial and qualitative objectives 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 12 months. The contracts concluded with the members of the Management Board do not contain any clauses relating to severance payments.

Clauses on Changes of Control
The contracts of the Management Board do not contain change of control clauses other than the accelerated vesting provision in the EVCP as described in section 4.1. For further information refer to section Corporate Governance starting on page 41.

Share Ownership Guidelines
Share Ownership Guidelines do not exist for the CEO or the other Management Board members.

4.2 Compensation Awarded to the Management Board for 2018

The total compensation paid to the active members of the Management Board for the performance year 2018, respectively 2017, is disclosed in the table below.

	2018			2017		
For the performance year ended 31 December (CHF)	CEO	Management Board [7]	Total Compensation	CEO	Management Board	Total Compensation
Base Salary	630,000	1,534,504	2,164,504	630,000	1,240,754	1,870,754
Social Security	60,780	118,629	179,408	59,637	96,575	156,212
Pension Plan	108,324	218,397	326,721	108,324	177,859	286,183
Other Compensation [1]	200,588	33,873	234,461	218,189	48,650	266,839
Replacement Award [2]	–	248,122	248,122	–	–	–
Total Fixed Compensation	999,692	2,153,525	3,153,216	1,016,149	1,563,839	2,579,988
STI / EVCP paid in cash [3]	475,023	494,630	969,653	451,537	550,186	1,001,723
LTI / EVCP granted in PSUs / RSUs	196,951	147,642	344,593	204,972	168,344	373,316
Number of PSUs / RSUs granted [4]	2,740	2,054	4,794	2,507	2,059	4,566
Value per PSU / RSU [5]	71.88	71.88	71.88	81.76	81.76	81.76
Social Security	39,478	37,374	76,852	38,156	41,417	79,573
Total Variable Compensation for the Performance Year	711,452	679,646	1,391,098	694,665	759,947	1,454,612
Total Compensation for the Performance Year	1,711,144	2,833,170	4,544,314	1,710,815	2,323,786	4,034,600
Number of persons receiving compensation [6]			8			5
FTE receiving compensation			5.83			5.00

1 Includes benefits for relocated employees such as school fees as well as other benefits such as company cars
2 Replacement Award for the COO for forfeiture of deferred equity awards with previous employer. Award is granted in RSUs in August 2018 with a vesting period of 3 years after grant date
3 Paid out in March 2019, respectively March 2018
4 PSUs granted in 2019 and 2018 for the performance years 2018 and 2017
5 PSUs for 2018: Fair Market Value is based on the risk-adjusted volume-weighted average price (VWAP) 60 trading days before grant date 1 February 2019 (CHF 82.79 – source: SIX). 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). Determination through a Monte Carlo simulation algorithm
6 8 persons end of 2018 because of new Management Board structure with 7 Management Board members in total plus the new hire of the CFO function effective 1 October 2018 and the garden leave of the previous CFO until 31 March 2019
7 Includes compensation paid to the former CFO in 2018 after his withdrawal from the Management Board

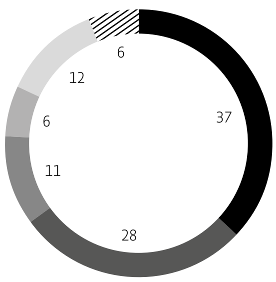
Highest Total Compensation
Robert Oudmayer, CEO, received the highest total compensation in 2018. For compensation details, please refer to the table above.

Compensation of Management Board Members who Left the Bank during the Reporting Period
No compensation was paid in 2018 to former Management Board members who left the Bank in the performance year 2018.

Explanation of Deviations versus the Previous Year:
– The total compensation of the Management Board members for the performance year 2018 amounts to TCHF 4,544. The total amount of TCHF 4,544 is within the approved maximum aggregate compensation amount of TCHF 5,700 (consisting of the sum of the expected portion of fixed compensation of TCHF 3,100 approved by the Annual General Meeting 2017 and the expected portion of variable compensation of TCHF 2,600 approved by the Annual General Meeting 2018).
– The total fixed compensation of the members of the Management Board for the business year 2018 amounts to TCHF 3,153 (previous year TCHF 2,580). The total fixed compensation amount is higher than in the previous year due to the appointment of two additional Management Board members in 2018 (bringing the total number of Management Board members from five to seven) in connection with the implementation of the new Management Board structure as well as the appointment of the new CFO as Management Board member as of 1 October 2018 and the overlap with the garden leave of the previous CFO.
– The total variable compensation for the performance year 2018 amounts to TCHF 1,391 (previous year TCHF 1,455). For the performance year 2018, the variable compensation amounted to 31% of the total compensation (compared to 36 % in 2017). The total variable compensation amount is lower than in the previous business year due to the former CFO leaving the Bank and the new Management Board members only being eligible for variable compensation on a pro-rata basis.

Performance Year 2018 Compensation Structure

in %

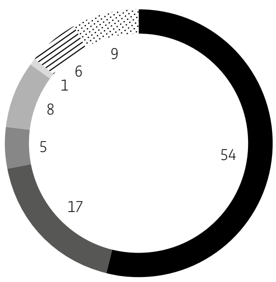


Chief Executive Officer

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

Performance Year 2018 Compensation Structure

in %



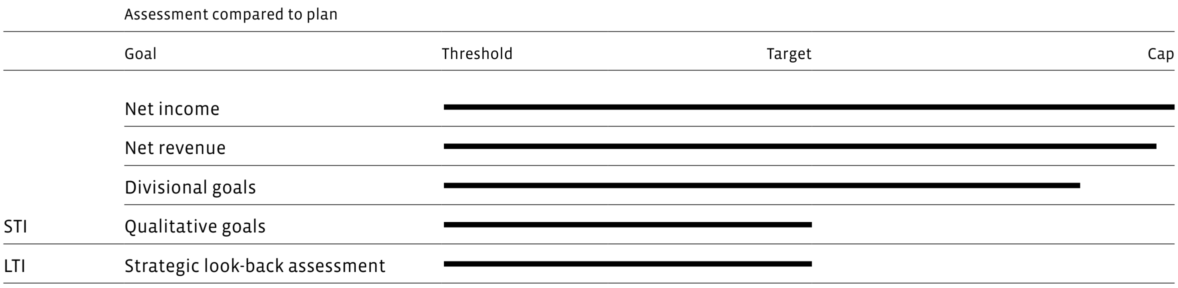
Management Board (excl. CEO)

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

Assessment Compared to Plan

The individual overall short-term incentive payout percentage, which is based on the achievement of Bank and divisional financial goals as well as qualitative KPIs, ranges from 100% to 140% for the performance year 2018 for the members of the Management Board including the CEO (previous year 122% to 133%).

The long-term incentive grant for the performance year 2018 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 2018	Value at vesting 2018 (in CHF) [1]
EVCP 2013	2014	2015	2016	2017	n/a	n/a
EVCP 2014	2015	2016	2017	2018	1,818	162,257
EVCP 2015	2016	2018	2019	2020	1,891	168,772
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
EVCP 2018 [4]	2019	n/a	n/a	2022	n/a	n/a

1 EVCP vesting on 1 March 2018 valued with share price of CHF 89.25
2 3-year-cliff vesting on 1 March 2020
3 3-year-cliff vesting on 1 February 2021
4 3-year-cliff vesting on 1 February 2022

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 2018 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 2018

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 functions are paid semi-annually or annually in cash.

The following table includes information regarding the aggregated compensation awarded to all employees for the business years 2018 and 2017, including compensation for members of the Management Board. The Bank had 754 and 696 employees (full-time equivalents) as of 31 December 2018 and as of 31 December 2017 respectively.

	2018		2017	
For the performance year ended 31 December	**Amount (in TCHF)**[2]	**Eligible Employees (FTE)**	Amount (in TCHF)	Eligible Employees (FTE)
Base Salaries	**75,025**		71,453	
Variable Compensation [1]	**5,998**	**253**	5,258	230
Total	**81,023**	**754**	**76,711**	**696**

[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 2018, respectively 2017.
[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		2018		2017	
Name	Function	**Number of shares**	**Number of blocked shares**	Number of shares	Number of blocked shares
Dr Felix A. Weber	Chairman	**7,250**	**3,621**	7,250	**1,963**
Ben Tellings	Vice Chairman	**–**	**1,157**	–	**567**
Prof. Dr Peter Athanas	Member	**–**	**1,328**	–	**720**
Urs D. Baumann	Member	**7,200**	**1,208**	7,200	**655**
Denis Hall	Member	**–**	**651**	–	**180**
Katrina Machin	Member	**–**	**991**	–	**537**
Dr Monica Mächler	Member	**–**	**1,087**	–	**589**

The members of the Board of Directors do not hold any share options as of 31 December 2018 and as of 31 December 2017, respectively.

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

At 31 December		**2018**			2017		
Name	Position	**Number of shares**	**Number of RSUs**	**Number of PSUs**	Number of shares	Number of RSUs	Number of PSUs
Robert Oudmayer	CEO	**9,790**	**2,138**	**5,474**	7,734	4,194	2,967
Jörg Fohringer	Managing Director B2B	**–**	**–**	**–**	n/a	n/a	n/a
Daniel Frei	Managing Director B2C	**4,053**	**584**	**1,144**	3,455	1,182	620
Volker Gloe	CRO	**3,823**	**579**	**1,087**	3,266	1,136	589
Dr Emanuel Hofacker	General Counsel	**1,919**	**486**	**996**	1,421	984	540
Niklaus Mannhart	COO	**–**	**3,038**	**–**	n/a	n/a	n/a
Pascal Perritaz	CFO	**–**	**–**	**–**	n/a	n/a	n/a
Rémy Schimmel	former CFO	**282**	**927**	**–**	–	1,042	288

The members of the Management Board do not hold any share options as of 31 December 2018 and as of 31 December 2017, respectively.

Loans and Credits: Amounts due from Members of Governing Bodies

At 31 December (CHF in thousands)	**2018**	2017
Amounts due from members of governing bodies	**22**	17

Amounts due from members of governing bodies as of 31 December 2018 are in connection with credit card balances. Due to the insignificance of the amounts involved, there was no disclosure by name for members of the Board of Directors and the Management Board.

7 Compensation Outlook: Refined Goal Framework

In 2018, the CNC reviewed and further developed the Management Board's goal framework consisting of company financial goals, divisional financial goals and qualitative goals. Such efforts were mainly triggered by the aim to better reflect business strategy in the targets of the goal framework and to further strengthen the alignment between shareholders and management. The amendments mainly pertain to the structure and weighting of the targets. Other aspects of the current framework, including target STI level (60% of the target bonus for the CEO and to 70% for the other Management Board members) and payout range (0% to 150% of target STI) remain unchanged.

As of 2019, the goal framework for all Management Board members will be based on the following four pillars:
- Financials;
- Customer & Market;
- Operational Excellence; and
- People and Leadership.

Financial targets will be purely of quantitative nature, while targets for the other three pillars are a mix of quantitative and qualitative targets. The weights of these four pillars will depend on the role assumed by members of the Management Board. For 2019 the following weights are applicable:

Goal Pillar	Weight CEO	Weight Management Board (excl. CEO)
Financials	60%	30%-60%
Customer & Market	15%	15%
Operational Excellence	10%	10%-40%
People and Leadership	15%	15%

KPMG

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

We have audited the compensation report of Cembra Money Bank AG for the year ended December 31, 2018. 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, 2018 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 19, 2019

Financial Report 2018

Consolidated Financial Statements

Consolidated Statements of Income

For the years ended 31 December (CHF in thousands)	Notes	2018	2017
Interest income	22	**329,955**	308,305
Interest expense	23	**– 20,771**	– 24,706
Net interest income		**309,184**	**283,599**
Commission and fee income	24	**129,646**	112,744
Net revenues		**438,830**	**396,344**
Provision for losses on financing receivables	**4**	**– 50,056**	**– 45,089**
Compensation and benefits		**– 105,850**	– 97,662
General and administrative expenses	25	**– 87,177**	– 70,285
Total operating expenses		**– 193,026**	**– 167,947**
Income before income taxes		**195,748**	**183,308**
Income tax expense	17	**– 41,622**	– 38,816
Net income		**154,126**	**144,492**
Earnings per share			
Basic	15	**5.47**	5.13
Diluted	15	**5.46**	5.12

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the years ended 31 December (CHF in thousands)	**2018**	2017
Net income	**154,126**	144,492
Net prior service cost, net of tax	**– 1,182**	– 778
Actuarial gain / (loss), net of tax	**– 5,130**	18,732
Unrealised gains / (losses) on investment securities, net of tax	**6**	16
Total other comprehensive gain / (loss), net of tax	**– 6,306**	17,971
Comprehensive income	**147,820**	**162,463**

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Financial Position

At 31 December (CHF in thousands)	Notes	2018	2017
Assets			
Cash and cash equivalents		**499,323**	418,422
Financing receivables, net	4	**4,806,759**	4,561,500
Investment securities	5	**10,558**	11,754
Property, plant and equipment, net	6	**7,413**	5,819
Intangible assets, net	7	**33,152**	26,403
Goodwill	8	**15,877**	14,508
Other assets	9	**62,586**	57,788
Deferred income taxes	17	**4,564**	3,175
Total assets [1]		**5,440,231**	**5,099,369**
Liabilities and equity			
Deposits	10	**2,827,254**	2,626,786
Accrued expenses and other payables		**156,566**	144,473
Short-term debt	11	**300,015**	100,000
Long-term debt	11	**1,197,749**	1,321,370
Other liabilities	13	**25,197**	21,278
Total liabilities [1]		**4,506,780**	**4,213,908**
Common shares		**30,000**	30,000
Additional paid in capital (APIC)		**209,590**	294,544
Treasury shares		**– 100,972**	– 101,004
Retained earnings		**816,069**	677,451
Accumulated other comprehensive loss (AOCI)		**– 21,235**	– 15,530
Total shareholders' equity		**933,451**	**885,460**
Total liabilities and shareholders' equity		**5,440,231**	**5,099,369**

[1] The Group's consolidated assets as at 31 December 2018 and 31 December 2017 include total assets of TCHF 609,644 and TCHF 535,446, 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 2018 and 31 December 2017 include liabilities of the VIEs of TCHF 399,494 and TCHF 398,866, 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 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**
Net income	–	–	–	154,126	–	154,126
Dividends paid	–	–	– 84,589	– 15,508	–	– 100,097
Change in APIC due to share based compensation	–	879	237	–	–	1,115
Treasury shares	–	– 847	–	–	–	– 847
Movements related to the Group's benefit plan obligation, net of deferred tax of 2,226	–	–	–	–	– 7,954	– 7,954
Reclassifications from accumulated other comprehensive loss net of deferred tax of –593 [1]	–	–	– 601	–	2,243	1,642
Unrealised gains / losses on available-for-sale debt securities, net of deferred tax of 2	–	–	–	–	6	6
Balance at 31 December 2018	**30,000**	**– 100,972**	**209,590**	**816,069**	**– 21,235**	**933,451**

[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	2018	2017
Cash flows from operating activities			
Net income		**154,126**	144,492
Adjustments to reconcile net income to cash provided from operating activities:			
Provision for losses on financing receivables		**50,056**	45,089
Deferred income taxes		**776**	– 602
Depreciation		**2,910**	1,332
Amortisation of intangible assets		**10,093**	7,400
Decrease (–) / Increase in accrued expenses		**14,093**	52,506
Decrease / Increase (–) in tax receivables		**1,032**	– 4,758
Decrease / Increase (–) in other receivables		**– 4,107**	15,166
All other operating activities		**– 5,096**	2,662
Net cash provided by operating activities		**223,884**	**263,287**
Cash flows from investing activities			
Net change in financing receivables	27	**– 297,332**	– 533,972
Proceeds from sale of loss certificates		**2,017**	–
Additions to property, plant and equipment		**– 4,505**	– 1,618
Additions to intangible assets		**– 16,711**	– 7,240
Investments in subsidiaries and other investments		**– 1,369**	– 18,502
All other investing activities		**1,064**	397
Net cash used in investing activities		**– 316,835**	**– 560,935**
Cash flows from financing activities			
Net change in deposits		**200,467**	272,217
Issuance of long-term debt		**175,561**	351,143
Repayments of short-term and long-term debt		**– 100,000**	– 449,894
Dividends paid		**– 100,097**	– 125,471
Purchase of treasury shares		**– 847**	– 1,443
All other financing activities		**– 654**	2,072
Net cash used in financing activities		**174,429**	**48,624**
Net increase / decrease (–) in cash and cash equivalents		**81,478**	**– 249,024**
Cash and cash equivalents, including restricted cash classified in "Other assets"			
Beginning of the period		**446,634**	695,658
thereof restricted cash		**28,213**	26,710
End of period		**528,113**	**446,634**
thereof restricted cash		**28,790**	28,213
Supplemental disclosure			
Interest paid		**– 18,683**	– 23,561
Income taxes paid		**– 40,215**	– 33,467

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 (liquidated as of 3 January 2019), 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 Swiss SME Loans 2018-1 GmbH (collectively "the Group"). The Group is a leading Swiss provider of consumer finance products and services in Switzerland. The main products comprise loans, leasing, credit cards and saving products.

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

Consolidation

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 2019 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

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

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

Depreciation and Amortisation

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 has minimal exposure to TDRs as this type of restructuring only would be granted in exceptional individual cases.

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. Unsecured closed-end instalment loans originated by the Bank and consumer auto finance leases are written off on the monthly write-off date after the contract reaches 120 days contractually past due. Unsecured open-end revolving loans and commercial auto finance leases are written off on the monthly write-off date after the contract reaches 180 days contractually past due. For credit cards, the Group writes off the account on the date the account becomes 180 days contractually past due. Unsecured consumer loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within the defined write-off periods, whichever occurs earlier.

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. The measurement periods for the valuation of assets acquired and liabilities assumed end as soon as information on the facts and circumstances that existed as of the acquisition dates becomes available, but do not exceed 12 months. Adjustments in purchase price allocations may require a change in the amounts allocated to goodwill during the periods in which the adjustments are determined within this 12 month period. Please refer to note 8 for further details.

Intangible Assets

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 26.

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 28 May 2014, the FASB issued the final standard on revenue from contracts with customers. The standard, issued as ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new revenue standard defers to other guidance within US GAAP, but supersedes certain existing revenue recognition guidance, including certain industry-specific guidance. The standard is effective for public business entities for the first interim period within annual reporting periods beginning after December 15, 2017. The Group adopted the standard as of 1 January 2018 using the modified retrospective approach without restating comparative information. There was no transition adjustment recognised in retained earnings. The implementation of the new standard did not have a material impact on the Group's financial statements. The guidance did not apply to revenue associated with loans and leases that are accounted for under other US GAAP guidance. The new revenue recognition criteria required the Group to present certain credit card related fee income gross of offsetting expenses in contrast to prior periods in which the financial statements presented these amounts net of offsetting expenses. For details please refer to note 16.

On 17 November 2016, the FASB issued ASU 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash", which clarifies guidance on the classification and presentation of restricted cash in the statement of cash flows. Under the new guidance, an entity should include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. Changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows. The guidance is effective for fiscal years beginning after 15 December 2017, including interim periods therein. The Group adopted the new standard as of 1 January 2018. 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 adopted the new standard as of 1 January 2018. There is no impact from the adoption of the new standard on the Group's 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 reports 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. ASU 2017-07 is required to be applied retrospectively to all periods presented beginning in the year of adoption. The Group adopted the new standard as of 1 January 2018. Please refer to note 12 for details regarding impact from the adoption of the new standard.

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 in their statement of financial position. 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 in the statement of financial position. The standard is effective for annual periods beginning after 15 December 2018, and interim periods within those years. Please refer to note 18 for details regarding impact from the adoption of the new standard.

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 26 January 2017, the FASB issued ASU 2017-4 "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment", which amends goodwill impairment test by eliminating step two 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 18 July 2018, the FASB issued ASU 2018-10 "Codification Improvements to Topic 842, Leases", which affects certain aspects of the guidance issued in the amendments in the ASU 2016-02 related to transition. The effective date and transition requirements issued in this update will be the same as the effective date and transition requirements in Topic 842 (ASU 2016-02). The Group will consider those amendments in the implementation of "Topic 842, Leases" at 1 January 2019.

On 30 July 2018, the FASB issued ASU 2018-11 "Leases (Topic 842): Targeted Improvements", where the FASB provided another transition method in addition to the existing transition method by allowing entities to initially apply the new leases standard at the adoption date (such as 1 January 2019, for calendar year-end public business entities) and recognise a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 842, Leases). An entity that elects this additional transition method must provide the required Topic 842 disclosures for all periods that continue to be in accordance with Topic 840. The amendments do not change the existing disclosure requirements in Topic 842. The Group is going to apply this transition method in applying Topic 842 Leases at 1 January 2019.

In addition, this ASU provides the lessor with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component, similar to the expedient provided for lessees and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (Topic 606). This practical expedient is not relevant for the Group in applying Topic 842 Leases.

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

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

3. Business Developments

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. In June 2018, EFL Autoleasing AG was successfully merged with and integrated in the Bank.

On 28 March 2018, the Bank signed an agreement with Lendico Schweiz AG (Lendico), a fully owned subsidiary of Postfinance AG, to refinance loans to Swiss small and medium-sized enterprises (SME) originated through Lendico online platform. Lendico is a company domiciled in Zurich and operates a SME loans online platform since the end of 2016. The transaction was structured through a special purpose vehicle, Swiss SME Loans 2018-1 GmbH, which is fully owned, controlled and consolidated by the Bank. See note 20 for further details.

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

4. Financing Receivables and Allowance for Losses

As at 31 December 2018 and 2017, 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)	**2018**	2017
Loans	**3,130,931**	2,915,033
Deferred costs, net	**33,424**	29,120
Total loans, including deferred costs, net	**3,164,354**	**2,944,153**
Investment in financing leases, net of deferred income	**1,686,124**	1,662,214
Other [1]	**8,294**	4,810
Financing receivables before allowance for losses	**4,858,772**	**4,611,177**
Less allowance for losses	**– 52,013**	– 49,676
Financing receivables, net	**4,806,759**	**4,561,500**

1 Other include Swissbilling SA

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

At 31 December (CHF in thousands)	2018	2017
Total minimum lease payments receivable	**1,826,088**	1,798,191
Deferred income [1]	**– 139,964**	– 135,978
Investment in direct financing leases	**1,686,124**	**1,662,214**
Less allowance for losses	**– 7,365**	– 7,117
Net investment in direct financing leases	**1,678,759**	**1,655,097**

[1] Included TCHF 16,881 and TCHF 14,613 of initial direct costs on direct financing leases as at 31 December 2018 and 31 December 2017, respectively

The subsidiaries held TCHF 580,854 and TCHF 503,018 of net financing receivables as at 31 December 2018 and 2017, respectively, as collateral to secure third-party debt in securitisations. See note 20 to the Consolidated Financial Statements for further details of securitisations.

As at 31 December 2018, the Group's contractual maturities for loans and financing leases were:

Due in (CHF in thousands)	Loans	Minimum lease payments receivable
2019	**54,121**	**171,290**
2020	**155,300**	**300,124**
2021	**269,859**	**430,625**
2022	**400,260**	**544,792**
2023	**555,367**	**348,680**
2024 and later	**723,690**	**30,576**
Consumer revolving loans	**972,334**	**–**
Total	**3,130,931**	**1,826,088**

Actual maturities may differ from contractual maturities.

The following table provides further information about financing receivables:

At 31 December (CHF in thousands)	2018	2017
Personal loans	**1,918,898**	1,814,810
Auto leases and loans	**1,984,277**	1,952,211
Credit cards	**947,303**	839,346
Other [1]	**8,294**	4,810
Financing receivables, before allowance for losses	**4,858,772**	**4,611,177**
Allowance for losses	**– 52,013**	– 49,676
Financing receivables, net	**4,806,759**	**4,561,500**

[1] Other include Swissbilling SA

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

CHF in thousands	Balance at 1 January 2018	Provision for losses	Amounts written off	Recoveries	Other	Balance at 31 December 2018
Personal loans	**32,822**	**29,550**	**– 70,713**	**42,120**	**–**	**33,779**
Auto leases and loans	**9,888**	**11,181**	**– 24,442**	**13,364**	**273**	**10,262**
Credit cards	**6,665**	**8,366**	**– 17,800**	**10,111**	**–**	**7,342**
Other [1]	**302**	**959**	**– 698**	**66**	**–**	**629**
Total	**49,676**	**50,056**	**– 113,653**	**65,661**	**273**	**52,013**
As a % of total financing receivables, net						**1.1%**

1 Other include Swissbilling SA

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 include Swissbilling SA

Credit Quality of Financing Receivables

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

Past Due Financing Receivables

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

	2018		2017	
At 31 December	**Over 30 days past due**	**Over 90 days past due**	Over 30 days past due	Over 90 days past due
Personal loans	**2.8%**	**0.7%**	2.9%	0.7%
Auto leases and loans	**1.2%**	**0.2%**	1.1%	0.2%
Credit cards	**1.2%**	**0.5%**	1.1%	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

Non-accrual Financing Receivables

The following table provides further information about financing receivables that are classified as non-accrual:

At 31 December (CHF in thousands)	2018	2017
Personal loans	**12,971**	12,291
Auto leases and loans	**3,354**	3,143
Credit cards	**4,447**	3,969
Total [1]	**20,772**	**19,403**
Non-performing loan coverage [2]	**250.4%**	256.0%

1 Does not include Swissbilling SA. There is no material impact on the Group's non-accrual financing receivables
2 Calculated as allowance for losses divided by non-accrual 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.

	2018				
At 31 December (CHF in thousands)	CR1	CR2	CR3	CR4	CR5
Personal loans	**916,726**	**529,832**	**292,926**	**47,424**	**5,520**
Auto leases and loans	**1,024,359**	**649,064**	**254,591**	**42,530**	**13,733**
Credit cards	**703,049**	**178,358**	**59,999**	**5,857**	**40**
Total [1]	**2,644,134**	**1,357,254**	**607,516**	**95,812**	**19,293**
As a % of total financing receivables before allowance for losses [1]	**56.0%**	**28.7%**	**12.9%**	**2.0%**	**0.4%**

1 Does not include eny Credit GmbH, Swissbilling SA and Swiss SME Loans 2018-1 GmbH. There is no material impact on the Group's consumer ratings

	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

5. Investment Securities

Investment securities are comprised of debt securities available for sale.

At 31 December (CHF in thousands)	2018	2017
Debt securities available for sale	**10,558**	11,754
Total investment securities	**10,558**	**11,754**

All investment securities are Level 1 instruments in the fair value hierarchy. The following table summarises amortised cost, fair value and unrealised gains and losses of debt securities available for sale by category.

	2018				2017			
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	**2,016**	**24**	**– 21**	**2,018**	2,033	18	– 14	2,037
Debt securities issued by Swiss municipal authorities	**–**	**4**	**– 4**	**–**	1,004	4	– 4	1,004
Debt securities issued by Swiss mortgage institutions	**8,533**	**145**	**– 138**	**8,540**	8,715	92	– 94	8,713
Debt securities available for sale	**10,549**	**173**	**– 164**	**10,558**	**11,752**	**114**	**– 112**	**11,754**

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

	Amortised cost	Fair value
At 31 December (CHF in thousands)	2018	2018
within 1 year	**4,788**	**4,795**
from 1 to 5 years	**5,760**	**5,763**
from 5 to 10 years	**–**	**–**
after 10 years	**–**	**–**
Total debt securities	**10,549**	**10,558**

6. Property, Plant and Equipment

At 31 December (CHF in thousands)	Estimated useful lives (years)	2018	2017
Original cost			
Buildings and improvements	(5–40)	**7,878**	5,976
Office equipment	(3–10)	**11,097**	11,811
Total		**18,975**	**17,787**
Accumulated depreciation			
Buildings and improvements		**– 4,044**	– 3,430
Office equipment		**– 7,518**	– 8,538
Total		**– 11,562**	**– 11,968**
Net carrying value			
Buildings and improvements		**3,834**	2,546
Office equipment		**3,579**	3,273
Total		**7,413**	**5,819**

Depreciation expense was TCHF 2,910 in 2018 and TCHF 1,332 in 2017, respectively. The Group did not recognise any impairment losses in both 2018 and 2017.

7. Intangible Assets

At 31 December (CHF in thousands)	2018	2017
Original cost	**62,425**	45,714
Accumulated amortisation	**– 29,273**	– 19,311
Net carrying value	**33,152**	**26,403**

Capitalised software is amortised over a useful life from one to five years. Amortisation expense related to intangible assets was TCHF 10,093 in 2018 and TCHF 7,400 in 2017. The weighted average amortisation period of intangible assets was five years as of 31 December 2018. The intangible assets comprise mainly of internally developed and capitalised software. As at 31 December 2018, the Group estimates the annual pre-tax amortisation for intangible assets over the next five years to be as follows:

CHF in thousands	2019	2020	2021	2022	2023
Estimated pre-tax amortisation	10,519	9,173	5,854	4,901	2,705

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 2018	Goodwill acquired during the period	Other [1]	Balance at 31 December 2018
Gross amount of goodwill	**14,508**	–	**1,369**	**15,877**
Accumulated impairment	–	–	–	–
Net book value	**14,508**	–	**1,369**	**15,877**

[1] Adjustments in the purchase price allocation related to the EFL transaction were made as new information became available during the measurement period in accordance with ASC 850-10-25-15. The adjustment resulted in an increase of goodwill by TCHF 1,369, with a corresponding reduction of financing receivables by TCHF 1,732 (net of deferred taxes of TCHF 363). Accordingly, the Group recorded an additional allowance for losses of TCHF 980 in the current period net earnings to align this portfolio with the Group Risk Policy

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 2018, 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 2018. There are no deferred taxes booked related to goodwill.

9. Other Assets

At 31 December (CHF in thousands)	2018	2017
Restricted cash	**28,790**	28,213
Tax receivables	**19,195**	20,227
Other receivables	**11,190**	7,083
Deferred expenses	**1,471**	1,386
Other	**1,940**	879
Total other assets	**62,586**	**57,788**

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 28,790 and TCHF 28,213 of restricted cash related to the consolidated VIEs (see note 20) as at 31 December 2018 and 2017, respectively.

The tax receivables as per 31 December 2018 consisted of VAT input tax.

10. Deposits

The following table shows the maturities of the Group's customers' saving deposits, term deposits and prepaid cards as at 31 December 2018 and 2017, respectively:

At 31 December (CHF in thousands)	**2018**	2017
On demand	**194,503**	195,399
Less than 3 months	**225,085**	284,600
3 to less than 6 months	**316,471**	246,923
6 to less than 12 months	**570,452**	523,535
12 months plus, thereof	**1,520,743**	1,376,329
due in 2019	**–**	377,878
due in 2020	**508,403**	340,415
due in 2021	**282,357**	169,939
due in 2022	**220,247**	167,603
due in 2023	**224,456**	163,128
due in 2024 and later	**285,280**	157,366
Total	**2,827,254**	**2,626,786**

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 0.45% and 0.48% as at 31 December 2018 and 2017, respectively.

11. Short-Term and Long-Term Debt

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

At 31 December (CHF in thousands)	Maturity	2018 Amount	2018 Contractual interest rate	2017 Amount	2017 Contractual interest rate
Short-term portion					
External debt (bank loan)	2018	–	–	100,000	0.20%
Non-recourse borrowings (Auto ABS) [1]	2019	**200,000**	**0.23%**	–	–
External debt (unsecured bond)	2019	**100,015**	**0.75%**	–	–
Long-term portion					
Non-recourse borrowings (Auto ABS)	2019	–	–	200,000	0.23%
External debt (unsecured bond)	2019	–	–	100,034	0.75%
Non-recourse borrowings (Auto ABS) [1]	2020	**200,000**	**0.22%**	200,000	0.22%
External debt (Floating Rate Note)	2020	**50,316**	**0.00%**	–	–
External debt (unsecured bond)	2021	**175,000**	**0.50%**	175,000	0.50%
External debt (unsecured bond)	2022	**99,973**	**1.25%**	99,966	1.25%
External debt (unsecured bond)	2023	**200,000**	**0.18%**	200,000	0.18%
External debt (unsecured bond)	2024	**200,215**	**0.25%**	200,255	0.25%
External debt (unsecured bond)	2025	**150,770**	**0.38%**	150,889	0.38%
External debt (unsecured bond)	2026	**125,246**	**0.88%**	–	–
Debt issuance costs		**–3,771**	–	–4,774	–
Total short-term and long-term debt		**1,497,764**		**1,421,370**	

[1] Related to consolidated VIEs, refer to note 20 for further details

The contractual rate represents the interest due on the relevant debt at the reporting date, whereas the effective interest (all-in) rate reflects, in addition to the contractual interest rate, fees and debt issuance costs that are amortised over the expected life of the instrument. As per 31 December 2018, the Group had mostly fixed rate funding, except of one Floating Rate Note over TCHF 50,000 which was issued in February 2018.

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 2018 and 2017, unamortised debt issuance costs amounted to TCHF 3,771 and TCHF 4,774, respectively. Commitment fees are recognised as incurred over the commitment period.

In 2014, the Group signed a TCHF 150,000 bilateral term loan with an international bank which was fully repaid in 2018.

In July 2018, the Group signed a revolving credit facility with a Swiss bank for a three-year term. The facility matures in 2021 and consists of a TCHF 100,000 unsecured commitment. As at 31 December 2018, the facility was undrawn and has an applicable commitment fee of 0.25%.

On 22 November 2018, the Group signed a revolving credit facility with a Swiss bank with a committed term until 2022. The facility consists of a TCHF 50,000 unsecured commitment 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 facility consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

On 31 December 2018, the Group maintained TCHF 350,000 of undrawn committed facilities. The weighted average contractual commitment fee for all facilities was 0.24%.

On 28 February 2018, the Group issued a TCHF 50,000 Floating Rate Note at 101.01% with a maturity of two years and a quarterly coupon of 0.0% floored, respectively 0.05% capped for the entire period depending on the Libor Fixings.

On 22 May 2018, the Group issued a TCHF 125,000 senior unsecured bond at 100.212% with a maturity of eight years and a coupon of 0.875%.

The Group has a total outstanding of TCHF 1,100,000 of senior unsecured bonds issued as at 31 December 2018. These bonds have been issued in 2014 (maturing in 2019 and 2022), 2015 (maturing in 2021), 2016 (maturing 2023), 2017 (maturing in 2024 and 2025) and 2018 (maturing in 2020 and 2026). All debt instruments are repayable at full at maturity or at the earliest possible redemption date.

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.

As described in note 2, the Group adopted ASU 2017-7 on 1 January 2018. In accordance with the new ASU, only the current service cost is presented within the "Compensation and benefits" line item in the statement of income. The other elements of net periodic pension cost are presented within the line item "General and administrative expenses". The adoption of ASU 2017-07 on 1 January 2018 resulted in a restatement that, upon adoption, increased compensation and benefits and decreased general and administrative expenses by TCHF 1,722 as of 31 December 2018 as well as decreased compensation and benefits and increased general and administrative expenses by TCHF 2,268 as of 31 December 2017, respectively.

The Group's pension plan participants as at 31 December 2018 and 2017, respectively, were as follows:

At 31 December	2018	2017
Active employees	**822**	771
Beneficiaries and pensioners	**126**	121
Total	**948**	**892**

The cost of the pension plans is presented below:

For the years ended 31 December (CHF in thousands)	Consolidated Statements of Income line item	2018	2017
Service cost for benefits earned	Compensation and benefits	**6,286**	6,537
Prior service credit amortisation	General and administrative expenses	**– 1,500**	– 984
Expected return on plan assets	General and administrative expenses	**– 5,789**	– 5,162
Interest cost on benefit obligations	General and administrative expenses	**1,231**	1,215
Net actuarial loss amortisation	General and administrative expenses	**4,336**	7,199
Pension plan cost		**4,564**	**8,805**

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	2018	2017
Discount rate	**0.75%**	0.50%
Compensation increases	**2.15%**	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 8,148 to the pension plan in 2019.

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 251,044 and TCHF 243,815 for 31 December 2018 and 2017, respectively. The changes in the projected benefit obligation are presented below:

CHF in thousands	2018	2017
Balance at 1 January	**251,696**	**242,226**
Service cost for benefits earned	**6,286**	6,537
Interest cost on benefit obligations	**1,231**	1,215
Participant contributions	**5,273**	4,923
Actuarial loss/gain (–), net	**– 7,742**	3,815
Benefits paid (–)/received, net	**1,958**	– 4,244
Business combinations	**–**	4,731
Plan change [1]	**–**	– 7,507
Balance at 31 December	**258,702**	**251,696**

[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	2018	2017
Balance at 1 January	**233,177**	**202,284**
Actual return on plan assets	**– 12,136**	19,080
Employer contributions	**7,976**	7,509
Participant contributions	**5,273**	4,923
Benefits paid (–)/received, net	**1,958**	– 4,244
Business combinations	**–**	3,625
Balance at 31 December	**236,248**	**233,177**

The asset allocations are described below:

At 31 December	2018 Target allocation	2018 Actual allocation
Equity securities		
Swiss equity securities	**13%**	**11%**
Non-Swiss equity securities	**23%**	**23%**
Debt securities		
Swiss bonds	**18%**	**15%**
Non-Swiss bonds	**17%**	**19%**
Real estate funds	**19%**	**22%**
Other investments	**10%**	**10%**

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:

	2018			
At 31 December (CHF in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities				
Swiss equity securities	**26,315**	**–**	**–**	**26,315**
Non-Swiss equity securities	**54,803**	**–**	**–**	**54,803**
Debt securities				
Swiss bonds	**35,521**	**–**	**–**	**35,521**
Non-Swiss bonds	**44,166**	**–**	**–**	**44,166**
Real estate funds	**–**	**50,810**	**–**	**50,810**
Other investments [1]	**13,590**	**9,880**	**–**	**23,470**
Total investments	**174,395**	**60,690**	**–**	**235,085**
Other				**1,163**
Total assets				**236,248**

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

	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

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

At 31 December (CHF in thousands)	**2018**	2017
Funded status	**– 22,454**	– 18,519
Pension liability recorded in the statement of financial position		
Other liabilities		
Due after one year	**– 22,454**	– 18,519
Net amount recognised	**– 22,454**	**– 18,519**
Amounts recorded in shareholders' equity (unamortised)		
Prior service credit	**– 5,553**	– 7,630
Net actuarial loss	**32,385**	26,538
Total	**26,832**	**18,908**

In 2019, the Group estimates that it will amortise TCHF 1,500 of prior service credit and TCHF 5,315 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	2019	2020	2021	2022	2023	2024–2028
Pension plan	16,504	17,163	15,830	15,739	14,429	63,173

13. Other Liabilities

This section primarily reflects the pension plans funded status of TCHF 22,454 and TCHF 18,519 as at 31 December 2018 and 2017, respectively. It also comprises deferred compensation related to the Group's jubilee plan amounting to TCHF 2,743 and TCHF 2,759 as at 31 December 2018 and 2017, 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 "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 2018, 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, goodwill and deferred tax assets. Risk-weighted assets include consolidated balance sheet assets, off-balance sheet transactions converted into credit equivalents, non counterparty risk, market risk and operational risk from processes, people, systems and external events.

As of 31 December 2018, the Group adheres to the applicable regulatory requirements for a category 4 bank set by FINMA. The Group aims to consistently operate with a capital base that is well above this mark. The Group was adequately capitalised under the regulatory provisions outlined by FINMA and the Bank for International Settlements.

Further information on capital adequacy is contained in the separate document "Capital Adequacy and Liquidity Disclosures 2018" published on the Cembra website (www.cembra.ch/en/investor → Reports and Presentations → Financial Reports).

At 31 December (CHF in thousands)	**2018**	2017
Eligible regulatory capital		
Tier 1 capital	**833,830**	789,660
of which CET1 capital	**833,830**	789,660
Total eligible capital	**833,830**	**789,660**
Risk-weighted assets		
Credit risk	**3,702,608**	3,510,926
Non-counterparty risk	**37,835**	29,028
Market risk	**7,409**	899
Operational risk	**598,263**	573,188
Total risk-weighted assets	**4,346,114**	**4,114,040**
Capital ratios		
CET1 ratio	**19.2%**	19.2%
Tier 1 ratio	**19.2%**	19.2%
Total capital ratio	**19.2%**	19.2%

15. Earnings per Share and Additional Share Information

For the years ended 31 December	2018	2017
Net income attributable to shareholders for basic earnings per share (CHF in thousands)	**154,126**	144,492
Net income attributable to shareholders for diluted earnings per share (CHF in thousands)	**154,126**	144,492
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	**1,812,016**	1,811,379
Weighted-average numbers of common shares outstanding for basic earnings per share	**28,187,984**	**28,188,621**
Dilution effect number of shares	**19,770**	19,699
Weighted-average numbers of common shares outstanding for diluted earnings per share	**28,207,754**	**28,208,320**
Basic earnings per share (in CHF)	**5.47**	**5.13**
Diluted earnings per share (in CHF)	**5.46**	**5.12**

The amount of common shares outstanding has changed as follows:

	2018	2017
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	**1,814,170**	**1,807,627**
Share based compensation	**–10,921**	–10,457
Purchase	**10,000**	17,000
Balance at end of period	**1,813,249**	**1,814,170**
Common shares outstanding	**28,186,751**	**28,185,830**

16. Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Group from a customer, are excluded from revenue. The Group recognises revenue when it satisfies a contractual performance obligation.

These performance obligations are typically satisfied as the services in the contract are rendered. The contract terms are generally such that they do not result in any contract assets. The contracts generally do not include a significant financing component or obligations for refunds or other similar obligations. The contracts generally do not include variable consideration, therefore there is no significant judgement required in this respect.

Nature of Services
The Group provides finance solutions to its customers. The main revenue streams of the Group arise from personal loans, leases and credit cards as well as from insurance products. Certain credit card related fees and insurance commissions are in the scope of ASC 606.

Commission and fee income related to credit cards include certain transaction-based and service fees. Those fees are recognised as the services are rendered, which is when the transaction happens and is processed. In case of credit cards, the Group additionally earns interchange fees calculated as a percentage of total credit card transaction volume. Those fees are recognised when the transactions are processed.

The Group also offers insurance products to its customers. Those products are complementary to the Group's lending products, and the Group acts as an agent to insurance companies. For arranging between the customer and the insurer, the Group is entitled to keep a part of the insurance premium as its commission, which is recognised on a net basis as the services are rendered.

Disaggregation of Revenues

For the year ended 31 December (CHF in thousands)	2018
Insurance	**20,473**
Credit cards	**92,560**
Total	**113,033**

The table above differs from note 24 – Commissions and Fee Income as it includes only contracts with customers that are in scope of ASC Topic 606 – Revenue from Contracts with Customers.

Impact of Adoption
The impact of adoption of ASC Topic 606 on the Group's consolidated statement of operations for the year ended 31 December 2018 resulted in an increase in commission and fee income and a corresponding increase in general and administrative expenses of TCHF 6,580. This was due to gross presentation of certain fees and their related expenses in comparison to net presentation in the prior period. The impact of the adoption did not have any impact on the Group's consolidated statement of financial position at 31 December 2018.

17. Income Tax Expense

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

For the years ended 31 December (CHF in thousands)	2018	2017
Current tax expense	**40,845**	39,418
Deferred tax expense/benefit (–) from temporary differences	**776**	– 602
Income tax expense	**41,622**	**38,816**

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 were approximately 21%.

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

At 31 December (CHF in thousands)	2018	2017
Assets		
Pension plans	**4,667**	3,799
Other	**1,017**	936
Total deferred tax assets	**5,683**	**4,735**
Liabilities		
Deferred loan origination fees and costs	**– 661**	– 678
Other	**– 458**	– 882
Total deferred tax liabilities	**– 1,120**	**– 1,561**
Net deferred tax assets	**4,564**	**3,175**

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.

18. 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 6,884 and TCHF 7,478 as at 31 December 2018 and 2017, respectively. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 31 December 2018, the Group considers the probability of a material loss from this obligation to be remote.

As at 31 December 2018, minimum rental commitments under non-cancellable operating leases aggregated TCHF 15,566 for the Group. Amounts payable over the next five years are shown below.

CHF in thousands	2019	2020	2021	2022	2023
Minimum rental commitments	5,936	4,672	3,684	810	465

For details of rental expense, refer to note 25.

As described in note 2, the Group adopted ASU 2016-02 in 2019. As a result of the adoption, the Group recognised additional operating liabilities of TCHF 16,315 based on the present value of the remaining rental payments under previous leasing standard for existing operating leases and related right-of-use assets of TCHF 16,315.

19. 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 non-financial assets and liabilities. For the most part, the assets and liabilities discussed below are considered to be Level 3.

	2018		2017	
At 31 December (CHF in thousands)	**Carrying amount net**	**Estimated fair value**	Carrying amount net	Estimated fair value
Assets				
Loans	**3,120,336**	**3,187,017**	2,899,904	2,962,668
Liabilities				
Deposits	**– 2,827,254**	**– 2,864,107**	– 2,626,786	– 2,666,924
Borrowings	**– 1,497,763**	**– 1,506,002**	– 1,421,370	– 1,438,351

Fair values are estimated as follows:

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

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

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

Pension Fund
Refer to note 12 for further details on pension fund.

20. Variable Interest Entities

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 the primary beneficiary of the VIE as it has both the power to direct the activities that most significantly impact the VIE's economic performance and an obligation to absorb losses, or a right to receive benefits from the VIE.

On 28 March 2018, the Group signed a long-term agreement with Lendico Schweiz AG (Lendico), a 100% subsidiary of PostFinance AG, to finance small business loans sourced via the Lendico online platform. Lendico is an SME loan marketplace active in Switzerland since the end of 2016, based in Zurich. Under the agreement, the Group will be a preferred partner for financing of SME loans sourced by Lendico. Lendico will continue to service the portfolio once the loans have been financed. The deal was structured through a VIE that is fully owned, controlled and consolidated by the Group. The Bank is considered the primary beneficiary of the VIE as it has both the power to direct the activities that most significantly impact the VIE's economic performance and an obligation to absorb losses, or a right to receive benefits from the VIE.

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

At 31 December (CHF in thousands)	**2018**	2017
Assets		
Financing receivables, net	**580,854**	503,018
Financing leases	**459,364**	459,485
Loans	**121,489**	43,533
Other assets	**28,790**	32,428
Total assets	**609,644**	**535,446**
Liabilities		
Accrued expenses and other payables	**4,320**	6,277
Non-recourse borrowings	**399,494**	398,866
Total liabilities	**403,814**	**405,142**

Revenues from the consolidated VIEs amounted to TCHF 28,869 in 2018 and TCHF 24,331 in 2017, respectively. Related expenses consisted primarily of provisions for losses of TCHF 4,176 and TCHF 2,120 and interest expense of TCHF 1,543 and TCHF 1,602 for the years ended 31 December 2018 and 2017, 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.

21. Related-Party Transactions

The Group had no related-party transactions in 2018 and 2017.

22. Interest Income

The details of interest income are shown below:

For the years ended 31 December (CHF in thousands)	2018	2017
Personal loans	**161,333**	167,115
Auto leases and loans	**98,437**	83,820
Credit cards	**71,654**	60,487
Other	**–1,469**	–3,117
Total	**329,955**	**308,305**

23. Interest Expense

The details of interest expense are shown below:

For the years ended 31 December (CHF in thousands)	2018	2017
Interest expense on ABS	**1,808**	1,808
Interest expense on deposits	**12,596**	13,217
Interest expense on debt	**6,367**	9,681
Total	**20,771**	**24,706**

24. Commission and Fee Income

The details of commission and fee income are shown below:

For the years ended 31 December (CHF in thousands)	2018	2017
Insurance	**20,473**	22,990
Credit cards	**92,560**	75,014
Loans and leases	**13,384**	11,801
Other	**3,229**	2,939
Total	**129,646**	**112,744**

25. General and Administrative Expenses

The details of general and administrative expenses are shown below:

For the years ended 31 December (CHF in thousands)	2018	2017
Professional services	**18,629**	11,427
Marketing [1]	**8,521**	6,057
Collection fees	**10,916**	5,780
Postage and stationery	**9,864**	9,289
Rental expense under operating leases	**4,873**	4,744
Information technology	**24,909**	23,578
Depreciation and amortisation	**13,004**	8,731
Other	**– 3,538**	680
Total	**87,177**	**70,285**

1 Marketing includes advertising costs, which are expensed as incurred

26. Share-Based Compensation

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

The total number of RSUs under this plan was 9,911 based on the share price of CHF 59.50 at the grant date 1 March 2015 and 9,839 with a share price of CHF 65.58 at the grant date 1 March 2016. The fair value used for each RSU was calculated as the market price of the Bank's stock on the date of the grant. RSUs issued under this plan will be settled out of shares acquired by the Group for such purpose. Participants will pay no consideration for the receipt of RSUs or the shares in which those RSUs will be settled.

The following table summarises RSUs outstanding as at 31 December 2018 and 2017, respectively:

	2018		2017	
	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	**12,250**	**786,052**	17,962	1,127,032
Granted [1]	**3,038**	**248,122**	–	–
Vested	**– 6,734**	**– 426,444**	– 5,246	– 310,643
Forfeited	**– 115**	**– 8,004**	– 466	– 30,337
RSUs outstanding at 31 December	**8,439**	**599,726**	12,250	786,052
RSUs expected to vest	**8,439**	**599,726**	**12,250**	**786,052**

1 In 2018, the Group granted 3,038 RSUs as replacement award at the grant date 2 August 2018 with a share price of CHF 81.67

The total recognised compensation cost was TCHF 196 and TCHF 294 for the years 2018 and 2017, respectively. The remaining unrecognised cost of TCHF 295 is expected to be recognised over a weighted-average period of 27 months.

In 2016, the EVCP plan was adapted, and since the performance year 2016 the senior management team receives under the long-term incentive programme (LTI), which is one part of the EVCP, a part of their variable compensation in performance share units (PSUs). The PSUs vest after a three-year period depending on the achievement of performance conditions which include relative total shareholder return (TSR) and cumulative fully diluted earnings per share (EPS). The actual LTI bonus of each participant is determined in the first quarter after each performance year in a range of 75% to 125% of the target LTI bonus based on a look-back assessment in a guided discretion by the Board of Directors. The actual LTI bonus is granted in PSUs. The first grant took place in March 2017. For details regarding the plan, please refer to Compensation Report on page 70.

	2018		2017	
	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	**6,760**	**499,226**	–	–
Granted	**5,953**	**538,747**	7,446	549,887
Vested	**– 282**	**– 22,990**	–	–
Forfeited	**– 587**	**– 50,859**	– 686	– 50,661
PSUs outstanding at 31 December	**11,844**	**964,123**	6,760	499,226
PSUs expected to vest	**14,210**	**1,165,470**	**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. A PSU was calculated at CHF 90.50 and CHF 73.85 at the grant date of 1 March 2018 and 2017, respectively, and one PSU was equal to one ordinary share of the Bank.

At 31 December 2018, the weighted-average conversion ratio of one PSU was 120% based on performance conditions. The total recognised compensation cost was TCHF 501 in 2018. The remaining unrecognised cost of TCHF 747 is expected to be recognised over a weighted-average period of 21 months.

27. Supplemental Cash Flow Information

Certain supplemental information related to cash flows is shown below:

For the years ended 31 December (CHF in thousands)	**2018**	2017
Increase in loans to customers	**– 1,810,780**	– 1,782,663
Principal collections from customers – loans	**1,667,709**	1,655,991
Investment in equipment for financing leases	**– 950,159**	– 1,038,222
Principal collections from customers – financing leases	**917,676**	766,247
Net change in credit card receivables and other	**– 121,778**	– 135,324
Net change in financing receivables	**– 297,332**	**– 533,972**

28. Off-Balance Sheet Arrangements

As at 31 December 2018 and 2017, 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)	**2018**	2017
Ordinary course of business lending commitments	**59,449**	58,502
Unused revolving loan facilities	**67,349**	56,841
Unused credit card facilities	**3,141,538**	**2,859,117**

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

29. Subsequent Events

The Group has evaluated subsequent events from the financial position date through 19 March 2019, the date at which the financial statements were available to be issued.

On 6 March 2019, the Group announced the launch of its fifth lease asset backed security (ABS) transaction and issuance of a fixed-rate senior note of TCHF 250,000 on the Swiss capital market with a contractual maturity of 9 years and optional redemption date of three years from the date of issuance. The transaction is executed through the newly founded subsidiary Swiss Auto Lease 2019-1 GmbH.

Besides that, there were no other subsequent events at that date.

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Cembra Money Bank AG and subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows, and notes thereto (pages 92 to 129) for the years ended December 31, 2018 and 2017.

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, 2018 and 2017 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.

KPMG

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, 2018. 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, 2018 gross financing receivables (smaller-balance, homogenous loans, including credit card receivables, personal loans as well as auto leases and loans) amount to CHF 4,858.8 million (representing 89% of total assets). At the same time, the Group has recorded an allowance for losses on financing receivables of CHF 52.0 million.

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

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

Our response

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

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

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

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

— Note 1 (Basis of presentation and summary of significant accounting policies, Allowance for losses)

— Note 4 (Financing receivables and allowance for losses)

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Valuation of goodwill

Key Audit Matter

As at December 31, 2018 the Group reports goodwill of CHF 15.9 million arising from two acquisitions in the previous period.

Due to the inherent uncertainty of forecasting and discounting future cash flows in relation with the Group's recognized 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.

With the assistance of our own valuation specialists, we critically assessed the assumptions and methodologies used to determine the fair value for those RUs where goodwill was found sensitive to changes in those assumptions. On an overall basis, we also evaluated the aggregate fair values determined by the Group to its market capitalization.

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

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

— Note 1 (Basis of presentation and summary of significant accounting policies, Goodwill)

— Note 8 (Goodwill)

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Report on Other Legal and Regulatory Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Cataldo Castagna
Licensed Audit Expert
Auditor in Charge

Daniel Merz
Licensed Audit Expert

Zurich
March 19, 2019

Individual Financial Statements

Balance Sheet

At 31 December (CHF in thousands)	Notes	2018	2017
Assets			
Liquid assets		**487,141**	405,410
Amounts due from banks		**7,740**	3,016
Amounts due from customers	7.1	**4,359,842**	4,075,753
Financial investments	7.2	**48,106**	49,032
Accrued income and prepaid expenses		**50,970**	47,065
Participations		**4,861**	56,988
Tangible fixed assets		**37,477**	28,354
Intangible assets	7.3	**8,903**	–
Other assets	7.4	**18,393**	8,878
Total assets		**5,023,433**	**4,674,496**
Total subordinated claims		**58,990**	292,990
Liabilities			
Amounts due to banks		**42,000**	147,000
Amounts due in respect of customer deposits		**1,041,223**	1,012,278
Cash bonds		**1,757,971**	1,576,887
Bond issues and central mortgage institution loans		**1,101,535**	926,144
Accrued expenses and deferred income		**57,827**	50,070
Other liabilities	7.4	**72,453**	62,555
Provisions	7.7	**2,753**	1,371
Bank's capital	7.8	**30,000**	30,000
Statutory capital reserves		**171**	84,760
of which reserve from tax-free capital contribution		**171**	84,760
Statutory retained earnings reserves		**15,000**	15,000
Voluntary retained earnings reserves		**853,796**	722,304
Own shares	7.12	**– 100,972**	– 101,004
Profit carried forward		**131**	237
Profit (result of the period)		**149,546**	146,893
Total liabilities		**5,023,433**	**4,674,496**
Total subordinated liabilities		**–**	–
Off-Balance-Sheet Transactions			
Contingent liabilities	7.1	**59,449**	58,502
Irrevocable commitments	7.1	**6,884**	7,478

Income Statement

For the years ended 31 December (CHF in thousands)	Notes	2018	2017
Result from interest operations			
Interest and discount income	8.1	**346,330**	326,336
Interest and dividend income from financial investments		**2,604**	871
Interest expense	8.1	**– 19,243**	– 23,167
Gross result from interest operations		**329,691**	**304,040**
Changes in value adjustments for default risks and losses from interest operations		**– 40,123**	– 32,338
Subtotal net result from interest operations		**289,568**	**271,702**
Result from commission business and services			
Commission income from other services		**150,906**	141,319
Commission expense		**– 64,466**	– 65,702
Subtotal result from commission business and services		**86,441**	**75,617**
Other result from ordinary activities			
Income from participations		**–**	249
Other ordinary income		**7,252**	3,736
Subtotal other result from ordinary activities		**7,252**	**3,986**
Operating expenses			
Personnel expenses	8.2	**– 108,877**	– 98,473
General and administrative expenses	8.3	**– 69,078**	– 56,803
Subtotal operating expenses		**– 177,955**	**– 155,276**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		**– 14,365**	– 8,186
Changes to provisions and other value adjustments, and losses		**– 989**	–
Operating result		**189,951**	**187,843**
Extraordinary income	8.4	**2,008**	–
Taxes	8.5	**– 42,413**	– 40,949
Profit (result of the period)		**149,546**	**146,893**

Appropriation of Profit

For the years ended 31 December (CHF in thousands)	2018
Profit (result of the period)	149,546
Profit carried forward	131
Distributable profit	**149,677**
Appropriation of profit	
Allocations to voluntary retained earnings reserves	– 43,757
Dividends distributed from disributable profit	– 105,743
New profit carried forward	**177**

Statement of Changes in Equity

CHF in thousands	Bank's capital	Statutory capital reserves	Statutory re-tained earnings reserves	Voluntary re-tained earnings reserves and profit carried forward	Own Shares	Result of the period	**Total**
Equity at 1 January 2018	**30,000**	**84,760**	**15,000**	**722,541**	**– 101,004**	**146,893**	**898,191**
Appropriation of profit 2017							
Allocation to legal reserves	–	–	–	–	–	–	**–**
Allocation to voluntary reserves	–	–	–	147,000	–	– 147,000	**–**
Dividends	–	– 84,589	–	– 15,508	–	–	**– 100,097**
Net change in profit carried forward	–	–	–	– 107	–	107	**–**
Change of own shares	–	–	–	–	32	–	**32**
Profit (result of the period)	–	–	–	–	–	149,546	**149,546**
Equity at 31 December 2018	**30,000**	**171**	**15,000**	**853,927**	**– 100,972**	**149,546**	**947,672**

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 the Income Statement under position “Change in value adjustments for default risks and losses from interest operations”.

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

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

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

Intangible Assets
Intangible assets are of a non-monetary nature and without any physical substance. They can be either acquired or generated internally. Intangible assets may also originate from acquisitions of business units and companies. The intangible asset reported is goodwill.

Intangible assets are recognised as assets and are valued at no more than the acquisition cost. Amortisation is recognised in accordance with a schedule on a straight line over the useful life of the asset and recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. On every balance sheet date, intangible assets are tested on impairment. In case of an impairment, the book value is reduced to the realisable value, and the value adjustment is recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. The estimated useful life of goodwill is five years.

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 2018 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. Risks might also negatively impact the strength of the Bank’s balance sheet, its market capitalisation or its brand and reputation. In the process of performing its function as a financial intermediary, the Bank 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 Bank takes and manages risks and controls and monitors them prudently. The Bank actively, comprehensively and systematically manages risk and promotes a strong risk and control culture across all business areas. The established risk management process comprises four core elements:
- Identification of risks across all business activities;
- Assessment and measurement of risks, including stress testing;
- Limitation and mitigation of risks; and
- Effective controls, monitoring and reporting.

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

The Bank 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 Bank’s attitude to risk and its appetite for the amount of risk willing to accept.

The Bank 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. As part of the Group Risk Policy, it is annually reviewed 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 tolerance limits on a regular basis. Summary reports are reviewed by the Audit and Risk Committee and reported to the Board of Directors.

Three working committees have been established. Attendance of the members of the Management Board is required on regular committee meetings:

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

The Bank's risk and control framework operates along three lines of defence:
- First Line: business functions are responsible for ensuring that a risk and control environment is 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 Bank'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 further detail the expected principles of risk management and control for each risk category.

Credit Risk

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

The Credit Committee serves as the main decision-making body for credit strategies and exposures and regularly reviews the Bank'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.

The guidelines for the approval of credit programmes, as well as the individual counterparty credit approvals are described within the credit risk policy. Delegated credit competency authorities are actively monitored and reviewed regularly.

The Bank 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 within expected levels 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-sized enterprises. Concentration risks are regularly assessed and monitored. The large number of borrowers naturally results in a broad credit risk diversification.

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

ALM, Market and Liquidity Risk

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

Liquidity and Funding Risk
Liquidity risk is defined as the risk of the Bank not having sufficient funds, 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, reputational, 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.

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 markets, the Bank proactively seeks to reduce reliance on short term, potentially volatile sources of funding. The Bank actively averts building up concentration risk and strategically diversifies its investor base across different business sectors, by individual counterparty, by maturity buckets and across various categories of debt instruments.

For effective risk controlling, the overall condition of funding markets is regularly monitored and assessed against market-wide and Bank-specific early warning indicators to ensure the Bank'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 Bank has developed a comprehensive liquidity stress testing process, to ensure it can adequately manage its liquidity during times of market stress of differing, yet plausible, magnitudes. This ensures the Bank has sufficient controls and mitigation procedures in place to prevent or alleviate the consequences of stressed market conditions. The Bank'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 Bank's liquidity management and are reviewed regularly by the ALCO and Board of Directors.

Further quantitative information is contained in the separate document "Capital Adequacy and Liquidity Disclosures 2018" published on the Cembra website (www.cembra.ch/en/investor → Reports and Presentations → Financial Reports).

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

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 IRRBB monitoring on repricing risk.

The Bank actively manages and monitors IRRBB performance against internally defined triggers. As per the regulatory requirement, the Bank applies different interest rate shock scenarios and reports the impact on the economic value of equity (lifetime) and net interest income (next 12 months) on a weekly basis. As of 31 December 2018, the Bank does not employ hedging instruments to manage IRRBB.

Another type of the market risk is the foreign exchange (FX) risk which is defined as the financial risk from adverse movements in the exchange rate on operations denominated in a currency other than the base currency of the institution. The Bank operates predominantly in the Swiss consumer lending market, borrows and lends exclusively in Swiss francs. Therefore, the foreign exchange risk exposure of the Bank is minimal and is limited to supplier invoices denominated in foreign currencies. FX exposure is monitored closely against internally set triggers, and the Bank would take immediate corrective action if limits are exceeded. As of 31 December 2018, the Bank 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 Bank recognises the importance of the effective management of operational risks and has implemented a robust framework and appropriate processes to manage them.
Key instruments include:

- Operational Risk Assessments: regular identification and assessment of the likelihood and potential impact of operational risks;
- Control catalogue: execution of a set of documented controls aligned with business processes and their inherent risks;
- Key Risk Indicators: regularly monitored risk metrics that serve as early warning indicators for potentially material operational risks;
- Loss Data Collection: historical dataset of loss events used to identify operational risks deriving from process inefficiencies or control gaps; and
- 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 and cybersecurity risk that stem from dependencies on information technology or third-party suppliers. The Bank acknowledges the evolving cyber risk landscape and therefore developed a comprehensive framework to effectively manage and control this type of risk. This framework addresses regulatory requirements, is based on international standards and is supported by a cybersecurity strategy that aims for cyber resilience. A set of cyber threats is regularly assessed, and corresponding measures are considered. Specific response plans are maintained for cases where this type of risk materialises. Information security, data confidentiality and integrity are of critical importance, and the Bank has implemented a comprehensive framework aiming to ensure the protection of client identifying data and related information technology systems. This includes both the specific training of relevant staff and making use of vulnerability and penetration tests to protect sensitive data and systems.

The Bank is aware that severe events beyond its control (such as natural disaster) may result in an inability to fulfil some or all of its business obligations, particularly where its physical, telecommunications or IT infrastructure would be damaged or made inaccessible. In compliance with the Recommendation for Business Continuity Management (BCM) issued by the Swiss Bankers Association, the Bank has implemented a BCM programme, including the identification of critical processes and their dependency on systems, applications and external vendors. The Bank's BCM framework encompasses planning, testing and other related activities. The framework aims 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. Comprehensive crisis management plans are maintained that define processes to be followed in case of a business emergency. This aims to safeguard the continuity of the Bank's business critical activities and to control major 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 Bank has chosen to use external service providers to support its business activities. With the implementation of directives governing this area and an ongoing monitoring process, the Bank ensures compliance with relevant regulatory requirements.

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

Strategic risk is defined as possible losses that arise from uncertainties or untapped opportunities inherent in the Bank's strategic intent. Reputational risk is the risk of losses resulting from damages to the Bank's reputation. The Management Board directly manages and supervises strategic risk, business risk and reputational risk. Recognising the fact that reputational risk can be difficult to quantify and arises as a consequence of another materialised risk, the Bank manages reputational risk jointly with other risks by assessing the inherent reputational impact.

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 19 March 2019, 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 2018 (CHF in thousands)	Secured by mortgage	Other collateral	Unsecured	Total
Financing receivables				
Amounts due from customers (before netting with value adjustments)	–	**500,785**	**3,904,287**	**4,405,072**
Total financing receivables (before netting with value adjustments)	**–**	**500,785**	**3,904,287**	**4,405,072**
Prior year	–	362,580	3,756,577	4,119,157
Amounts due from customers (after netting with value adjustments)	–	**498,281**	**3,861,561**	**4,359,842**
Total financing receivables (after netting with value adjustments)	**–**	**498,281**	**3,861,561**	**4,359,842**
Prior year	–	360,803	3,714,950	4,075,753
Off-balance sheet				
Contingent liabilities	–	–	**59,449**	**59,449**
Irrevocable commitments	–	–	**6,884**	**6,884**
Total off-balance sheet	**–**	**–**	**66,333**	**66,333**
Prior year	–	–	65,980	65,980

Impaired financing receivables are as follows:

At 31 December 2018 (CHF in thousands)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments[1]
Impaired loans/receivables	**14,057**	**888**	**13,169**	**–**
Prior year	14,160	1,153	13,006	–

[1] The Bank has only allowance for losses that is calculated on the total of financing receivables. See note 7.7. for details

7.2 Financial Investments

	Book value		Fair value	
At 31 December (CHF in thousands)	**2018**	2017	**2018**	2017
Debt securities held to maturity	**37,200**	37,200	**37,200**	37,408
Debt securities available for sale	**10,548**	11,744	**10,548**	11,744
Repossessed vehicles held for sale	**358**	88	**358**	88
Total	**48,106**	**49,032**	**48,106**	**49,240**

The breakdown of counterparties by rating is following:

At 31 December 2018 (CHF in thousands)	AAA to AA–	A+ to A–	BBB+ to BBB-	Lower than B-	Not rated
Book value of debt securities	**10,548**	**37,200**	**–**	**–**	**358**

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

7.3 Intangible Assets

CHF in thousands	Cost Value	Accumulated amortisation	Book value as per 31 December 2017	Current Year			Book value as per 31 December 2018
				Additions	Disposals	Amortisation	
Goodwill	–	–	–	11,103	–	– 2,200	8,903
Total intangible assets	**–**	**–**	**–**	**11,103**	**–**	**– 2,200**	**8,903**

7.4 Other Assets and Liabilities

	2018		2017	
At 31 December (CHF in thousands)	**Other assets**	**Other liabilities**	Other assets	Other liabilities
Indirect taxes	**1,410**	**971**	920	950
Settlement accounts	**4,758**	**71,088**	562	60,852
Amounts due from the sale of insurance products	**872**	**–**	2,182	–
Various assets and liabilities	**11,354**	**393**	5,213	752
Total other assets and liabilities	**18,393**	**72,453**	**8,878**	**62,555**

7.5 Liabilities to Own Pension Plans

At 31 December (CHF in thousands)	**2018**	2017
Amounts due in respect of customer deposits	**–**	–
Total due to own pension plans	**–**	**–**

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

7.6 Economic Position of Own Pension Plans

At 31 December (CHF in thousands)			**2018**	2017	Influence of ECR on personnel expenses	
Employer contribution reserves (ECR)[1]	**Nominal value**	**Waiver of use**	**Net amount**	Net amount	**2018**	2017
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 2017 and 2016 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 31.12.2018	Economic interest of the bank		Change in economic interest versus prior year	Contributions paid 2018	Pension expense in personnel expense	
CHF in thousands		**2018**	2017			**2018**	2017
Employer sponsored funds/schemes	**–**	**–**	–	–	**–**	**–**	–
Pension plans without overfunding/underfunding	**–**	**–**	–	–	**–**	**–**	–
Pension plans with overfunding	**28,930**	**–**	–	–	**7,807**	**7,930**	7,877
Pension plans with underfunding	**–**	**–**	–	–	**–**	**–**	–

[1] Based on audited financial statements 2017 and 2016 of Employer Pension Plan of Cembra Money Bank AG in accordance with FER 26 and material changes during the reporting period

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

7.7 Value Adjustments and Provisions

CHF in thousands	Balance as per 31 December 2017	Use in conformity with designated purpose	Reclassifications [1]	Recoveries, past due interest	New provisions charged to income	Releases to income	**Balance as per 31 December 2018**
Value adjustments and provisions for default risks	43,404	– 110,880	2,294	61,424	60,143	– 11,155	**45,230**
Provision for pension benefit obligations	–	–	–	–	–	–	**–**
Other provisions	1,371	– 2,398	2,821	–	1,140	– 181	**2,753**
Total value adjustments and provisions	**44,776**	**– 113,278**	**5,115**	**61,424**	**61,283**	**– 11,337**	**47,983**

[1] Reclassifications include the takeover of existing value adjustments and provisions for default risks of the merged entity EFL Autoleasing AG of TCHF 2,294 as well as the takeover over of existing other provisions of the merged entity EFL Autoleasing AG and reclassifications for obligations related to the acquisition of EFL Autoleasing AG and Swissbilling of TCHF 2,821

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

7.8 Bank's Capital

	2018			2017		
Bank's capital	**Total par value in CHF**	**Number of shares**	**Capital eligible for dividend in CHF**	Total par value in CHF	Number of shares	Capital eligible for dividend in CHF
Share capital	**30,000,000**	**30,000,000**	**28,186,751**	30,000,000	30,000,000	30,000,000
Total	**30,000,000**	**30,000,000**	**28,186,751**	**30,000,000**	**30,000,000**	**30,000,000**
Authorised capital	**3,000,000**	**3,000,000**	**–**	3,000,000	3,000,000	–
of which, capital increases completed	**–**	**–**	**–**	–	–	–
Conditional capital	**3,900,000**	**3,900,000**	**–**	3,900,000	3,900,000	–
of which, capital increases completed	**–**	**–**	**–**	–	–	–

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

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

	Equity shares				Options (RSUs/PSUs)			
	Number as of 31 December		Value (CHF) at 31 December		Number as of 31 December		Value (CHF) at 31 December[1]	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Members of the Board of Directors	**24,493**	19,661	**1,906,780**	1,786,202	**–**	–	**–**	–
Members of the Management Board	**19,867**	15,876	**1,546,646**	1,442,335	**16,453**	13,542	**1,259,173**	917,429
Employees	**5,056**	4,971	**393,610**	451,615	**4,757**	5,468	**304,677**	367,880
Total	**49,416**	**40,508**	**3,847,036**	**3,680,152**	**21,210**	**19,010**	**1,563,849**	**1,285,309**

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 look-back assessment in a guided discretion by the Board. The actual LTI bonus is granted in PSUs. The first grant took place in March 2017. For details regarding the plan, please refer to the Compensation Report on page 70.

7.10 Related Parties

At 31 December (CHF in thousands)	**2018**	2017
Amounts due from related companies	**185,233**	339,691
Amounts due to related companies	**12,290**	10,443

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)	**2018**	2017
Amounts due from members of governing bodies	**22**	17
Amounts due to members of governing bodies	**1,061**	429

The governing bodies conclude usual banking transactions at personnel conditions.

7.11 Holders of Significant Participations

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

	2018			2017		
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	**1,813,249**	**1,813,249**	**6.0**	1,814,170	1,814,170	6.0
UBS Fund Management	**1,623,913**	**1,623,913**	**5.4**	1,623,913	1,623,913	5.4

7.12 Own Shares

Treasury shares (number)	2018	Average transaction price (CHF)
Balance at 1 January	**1,814,170**	
Purchase	**10,000**	84.71
Share-based compensation	**– 10,921**	65.49
Balance at 31 December	**1,813,249**	

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

Non-Distributable Reserves

At 31 December (CHF in thousands)	2018	2017
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.

7.13 Holdings of the Governing Bodies and Compensation Report

Board of Directors

At 31 December		2018		2017	
Name	Function	**Number of shares**	**Number of blocked shares**	Number of shares	Number of blocked shares
Dr Felix A. Weber	Chairman	**7,250**	**3,621**	7,250	1,963
Ben Tellings	Vice Chairman	**–**	**1,157**	–	567
Prof. Dr Peter Athanas	Member	**–**	**1,328**	–	720
Urs D. Baumann	Member	**7,200**	**1,208**	7,200	655
Denis Hall	Member	**–**	**651**	–	180
Katrina Machin	Member	**–**	**991**	–	537
Dr Monica Mächler	Member	**–**	**1,087**	–	589

Management Board

At 31 December		2018			2017		
Name	Position	**Number of shares**	**Number of RSUs**	**Number of PSUs**	Number of shares	Number of RSUs	Number of PSUs
Robert Oudmayer	CEO	**9,790**	**2,138**	**5,474**	7,734	4,194	2,967
Jörg Fohringer	Managing Director B2B	–	–	–	n/a	n/a	n/a
Daniel Frei	Managing Director B2C	**4,053**	**584**	**1,144**	3,455	1,182	620
Volker Gloe	CRO	**3,823**	**579**	**1,087**	3,266	1,136	589
Dr Emanuel Hofacker	General Counsel	**1,919**	**486**	**996**	1,421	984	540
Niklaus Mannhart	COO	–	**3,038**	–	n/a	n/a	n/a
Pascal Perritaz	CFO	–	–	–	n/a	n/a	n/a
Rémy Schimmel	former CFO	**282**	**927**	–	–	1,042	288

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)	2018	2017
Negative interest on assets (reduction of interest income)	**1,464**	2,863
Negative interest on liabilities (reduction of interest expense)	**381**	253

8.2 Personnel Expenses

For the years ended 31 December (CHF in thousands)	2018	2017
Salaries	**88,541**	81,845
of which share-based compensation and alternative forms of variable compensation	**709**	464
Social security benefits	**14,446**	14,102
Other compensation	**5,890**	2,526
Compensation and benefits	**108,877**	**98,473**

8.3 General and Administrative Expenses

For the years ended 31 December (CHF in thousands)	**2018**	2017
Office space expenses	**6,330**	6,613
Expenses from furniture and fixtures	**1,436**	1,222
Expenses for information and communication technology	**27,811**	23,142
Audit fees	**948**	837
Other operating expense	**32,554**	24,989
Total	**69,078**	**56,803**

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

For the years ended 31 December (CHF in thousands)	**2018**	2017
Sale of a portfolio of loss certificates	**1,680**	–
Other income	**329**	–
Total	**2,008**	**–**

8.5 Current and Deferred Taxes

For the years ended 31 December (CHF in thousands)	**2018**	2017
Current tax expense	**42,413**	40,949
Income tax expense	**42,413**	**40,949**

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

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Cembra Money Bank AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 135 to 154) for the year ended December 31, 2018.

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, 2018 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, 2018 amounts due from customers (smaller-balance, homogenous loans, including credit card receivables, personal loans as well as auto leases and loans) amount to CHF 4,359.8 million (representing 87% of total assets) and includes an allowance for losses of CHF 45.2 million.

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

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

Our response

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

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

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

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

— Note 2 (Accounting and valuation principles, Amounts due from banks/customers)

— Note 7.7 (Value adjustments and provisions)

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 19, 2019

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	17 April 2019
Publication of half-year 2019 results	23 July 2019

Contacts

Investor Relations
E-mail: investor.relations@cembra.ch
Telephone: + 41 (0)44 439 8572

Media Relations
E-mail: media@cembra.ch
Telephone: + 41 (0)44 439 8512

Cembra Money Bank AG
Bändliweg 20
8048 Zurich
Switzerland

Where to Find Us

Branches

Aarau
Bahnhofstrasse 8
5001 Aarau
062 832 30 50

Baden
Bahnhofstrasse 14
5401 Baden
056 200 15 30

Basel
Freie Strasse 39
4001 Basel
061 269 25 80

Bern
Schwanengasse 1
3001 Bern
031 328 51 10

Biel/Bienne
Dufourstrasse 12
2500 Biel 3
032 329 50 60

Chur
Alexanderstrasse 18
7001 Chur
081 257 13 90

Fribourg
Rue de la Banque 1
1701 Fribourg
026 359 11 11

Genève
Rue du Cendrier 17
1201 Genève 1
022 908 65 90

Lausanne
Av. Ruchonnet 1
1002 Lausanne
021 310 40 50

Lugano
Via E. Bossi 1
6901 Lugano
091 910 69 10

Lucerne
Weggisgasse 1
6002 Lucerne
041 417 17 17

Neuchâtel
Fbg de l'Hôpital 1
2001 Neuchâtel
032 723 59 80

Solothurn
Hauptbahnhofstrasse 12
4501 Solothurn
032 626 57 70

Sion
Av. des Mayennets 5
1951 Sion
027 329 26 40

St. Gallen
Oberer Graben 3
9001 St. Gallen
071 227 19 19

Winterthur
Schmidgasse 7
8401 Winterthur
052 269 23 40

Zurich City
Löwenstrasse 52
8001 Zurich
044 227 70 40

Zurich Oerlikon
Schaffhauserstrasse 315
8050 Zurich Oerlikon
044 315 18 88

Subsidiary

Swissbilling SA
Rue du Caudray 4
1020 Renens
058 226 10 50

Headquarters

Cembra Money Bank AG
Bändliweg 20
8048 Zurich
044 439 81 11

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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.