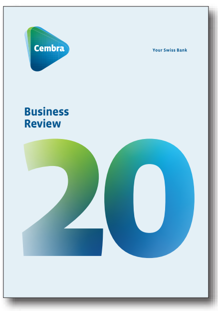
Cembra

Your Swiss Bank

Annual Report 2020

Table of contents



Business Review
for the financial year 2020

Find the online report with interviews and additional information at reports.cembra.ch

Alternative performance measures
To measure its performance , Cembra uses some key figures that are not defined under US GAAP. A glossary of key figures including alternative performance measures is available at www.cembra.ch/financialreports.

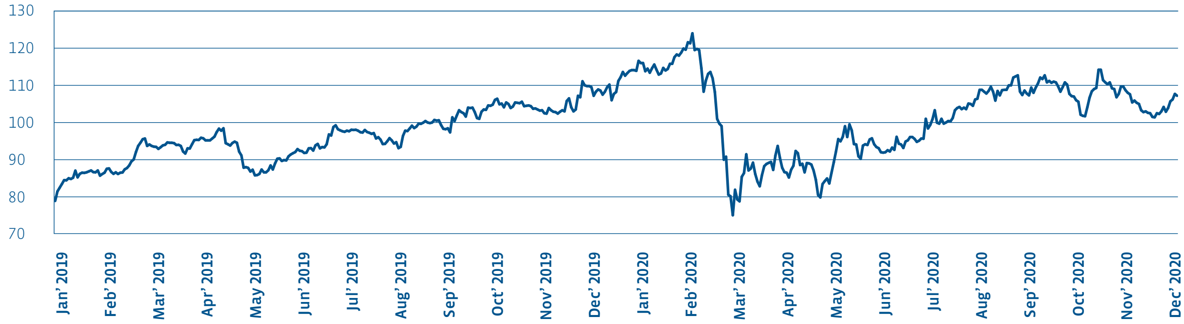
Key figures

Key figures

At 31 December (in CHF millions)	**2020**	2019	2018	2017	2016
Net interest income	**375.0**	332.0	309.2	283.6	297.7
Commission and fee income	**122.3**	147.7	129.6	112.7	96.3
Net revenues	**497.2**	479.7	438.8	396.3	394.0
Provision for losses	**–56.4**	–45.1	–50.1	–45.1	–44.6
Total operating expenses	**–247.4**	–231.8	–193.0	–167.9	–167.5
Net income	**152.9**	159.2	154.1	144.5	143.7
Total assets	**7,244**	7,485	5,440	5,099	4,857
Net financing receivables	**6,293**	6,586	4,807	4,562	4,073
Personal loans	**2,408**	2,625	1,885	1,782	1,720
Auto leases and loans	**2,853**	2,915	1,974	1,942	1,641
Credit cards	**970**	1,029	940	833	711
Others	**62**	17	8	5	–
Shareholders' equity	**1,127**	1,091	933	885	848
Return on shareholders' equity (ROE)	**13.8%**	15.7%	16.9%	16.7%	17.4%
Net interest margin	**5.7%**	5.8%	6.5%	6.5%	7.2%
Cost/income ratio	**49.8%**	48.3%	44.0%	42.4%	42.5%
Tier 1 capital ratio	**17.7%**	16.3%	19.2%	19.2%	20.0%
Employees (full-time equivalents)	**928**	963	783	735	705
Credit rating (S&P)	**A–**	A–	A–	A–	A–
Basic earnings per share (in CHF)	**5.21**	5.53	5.47	5.13	5.10
Dividend per share (in CHF)	**3.75**	3.75	3.75	3.55	4.45
Book value per share (in CHF)	**37.57**	36.35	31.10	29.52	28.27
Share price (in CHF)	**107.20**	106.00	77.85	90.85	74.20
Market capitalisation	**3,216**	3,180	2,336	2,726	2,226

Key figures and profile

Share price Cembra



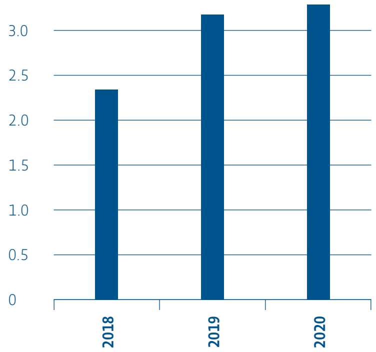
Key figures

CHF

3,216,000,000

was the market capitalisation of Cembra at the end of 2020

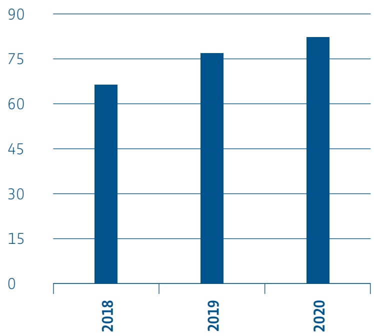
in billion CHF



80,860,593

credit card transactions were processed by Cembra in 2020

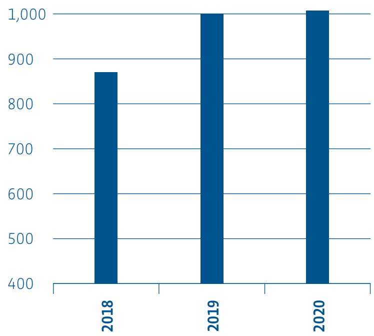
in millions



1,027,000

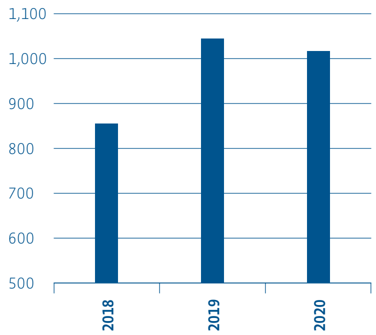
customers have chosen Cembra as their preferred partner

in 1,000



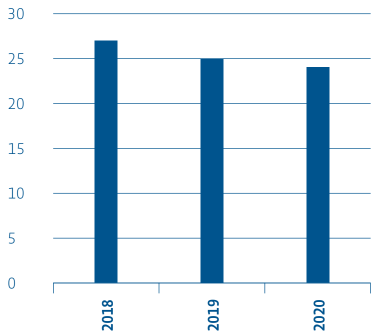
1,012

employees from 39 different nations work for Cembra Money Bank



24

sales area managers serve around 4,000 car dealers across Switzerland

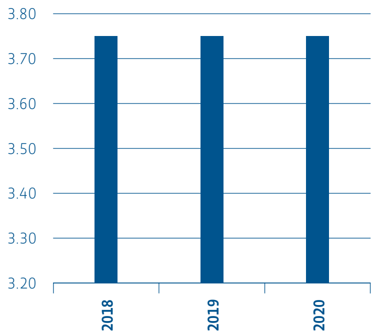


CHF

3.75

dividend per share proposed at Annual General Meeting

in CHF



About Cembra

Cembra is a leading Swiss provider of financing solutions and services. Our product range includes consumer credit products such as personal loans and auto leases and loans, credit cards, the insurance sold in this context, SME loans, invoice financing, and deposits and savings products.

We have over 1 million customers in Switzerland and employ more than 1,000 people from 39 different countries. We have our headquarters in Zurich and operate across Switzerland through our network of branches and our online distribution channels, as well as our credit card partners, independent intermediaries and car dealers.

We have been listed as an independent Swiss bank on the SIX Swiss Exchange since October 2013. Cembra is rated A– by Standard & Poor's and is included in the SXI Switzerland Sustainability 25 Index and in the 2021 Bloomberg Gender Equality Index.

Offering

We offer a broad range of financing solutions in Switzerland:

- **Personal loans:** Cembra is a leading provider in the highly competitive personal loans market. We are offering a personalised premium service and our products are available through our 13 branches across Switzerland, through independent intermediaries and online.
- **Auto loans and leasing:** Cembra is a large brand-independent auto loans and leasing provider in Switzerland. Our products are sold via a distribution network of around 4,000 car dealers, who act as intermediaries. A dedicated sales force of 24 field agents, together with the employees at our four service centres, provide a personalised, flexible and efficient service.
- **Credit cards:** We are one of the leading credit card providers in Switzerland, with more than 1 million cards in circulation. We offer a range of credit cards through partner programmes with Migros, Conforama, TCS, Fnac and LIPO, as well as our own credit card. The cards offer a range of attractive features, such as Migros Cumulus points, cash back, personalised designs and no annual fees.
- **Insurance products:** We provide insurance products as an intermediary. Alongside our personal loans and auto leasing and loans, we offer financial protection in case of involuntary unemployment, accident, illness or disability. We also offer travel and flight accident insurance and card protection insurance for our credit card customers.
- **Deposits:** We provide deposit and savings products at competitive interest rates for both retail customers and institutional clients.
- **Invoice financing:** We offer invoice financing through our subsidiary Swissbilling AG.
- **SME financing:** We provide financing solutions for small businesses under the brand Cembra Business.

History

The roots of Cembra Money Bank date back to 1912, when Banque commerciale et agricole E. Uldry & Cie. was founded in Fribourg. This bank later became Bank Prokredit. In 1999, GE Capital merged Bank Prokredit with Bank Aufina, which it had acquired in 1997. In October 2013, the Bank separated from its parent company GE, went public and was rebranded as Cembra Money Bank AG. In 2019, we strengthened our market position by acquiring the consumer finance provider cashgate. At the start of 2020, we changed our brand name to "Cembra".

The Bank is named after the Swiss cembra pine (Pinus cembra), a sturdy and resilient tree with strong roots. This symbolises our Bank's strength and our origin.

Dear Shareholders

It is our pleasure to inform you about Cembra's 2020 full-year results. Despite the Covid-19 pandemic situation, we are proud having achieved a resilient performance with an only slight decrease of net income by 4% to CHF 152.9 million. This translated into a 13.8% return on shareholders' equity coupled with a strong Tier 1 capital ratio of 17.7%. A dividend per share of CHF 3.75 will be recommended to the Annual General Meeting on 22 April 2021 in Zurich.

In 2020, our business model proved resilient, and our conservative risk management approach paid off. The lockdown in Switzerland had a clear impact on income from credit card fees. At the same time, we observed a sustainable shift to card payments and away from cash. Credit card transaction volumes were almost back at 2019 levels in the second half of the year. After successfully completing the integration of cashgate in just 11 months, we are now focusing on our new credit card for IKEA.

Resilient business performance
The Group's total net financing receivables at 31 December 2020 amounted to CHF 6.3 billion, a decline of 4% compared with year-end 2019, largely attributable to the impact of Covid-19 on the Swiss economy.

In the personal loans business, receivables declined by 8% to CHF 2.4 billion, also due to the market development. Interest income in that business increased by 10% to CHF 190.7 million, due to the acquisition of cashgate in the second half of 2019. The yield remained stable at 7.4% (2019: 7.5%).

Net financing receivables in auto leases and loans rebounded in the second half, ending the year down 2%, to CHF 2.9 billion. Interest income was 17% higher, at CHF 129.4 million, with a stable yield of 4.5% (2019: 4.5%).

In the credit cards business, net financing receivables declined by 6% to CHF 1.0 billion as a result of Covid-19 restrictions in the second quarter and in the final weeks of 2020. Interest income in the cards business grew by 5% to CHF 83.6 million, with a yield of 8.3% (2019: 8.0%). The number of cards issued continued to rise, up 5% year on year to 1,030,000.

Revenue increase
Total net revenues rose by 4% to CHF 497.2 million. Net interest income grew by 13%, mainly as a result of the cashgate acquisition. Interest expense was 3% lower, at CHF 26.9 million.

Commission and fee income decreased by 17% to CHF 122.3 million, as a result of the Covid-19 restrictions in 2020. The decline was mainly driven by a decrease in income from credit card fees (–29% year on year), which were weighed down by lower spending abroad. This caused the share of net revenues generated from commissions and fees to drop to 25%, down from 30% at 31 December 2019.

Total operating expenses increased by 7% to CHF 247.4 million. Personnel expenses came in at CHF 129.5 million, rising 8% following the addition of employees in the year under review, predominantly from cashgate. General and administrative expenses rose 6% to CHF 117.9 million, mainly due to the acquisition and integration of cashgate. The cost/income ratio increased to 49.8%, compared with 48.3% in 2019.

Consistent loss performance despite Covid-19 impact on economy
The provision for losses increased by CHF 11.3 million, or 25%, to CHF 56.4 million, primarily due to higher financing receivables following the acquisition. Despite the macroeconomic impact of the Covid-19 pandemic, the loss rate remained steady at 0.9% (2019: 0.8%) and the non-performing-loans (NPL) ratio came to 0.7% (2019: 0.6%). The rate of over-30-days-past-due financing receivables came in at 1.8% (2019: 1.8%).

Operational progress
In 2020, Cembra successfully completed the operational integration of cashgate within 11 months, and invoice financing provider Swissbilling more than tripled its net financing receivables, to CHF 62 million. Cembra stepped up its digital transformation by successfully developing its online personal loans business, investing in enhanced cards propositions and further consolidating the branch network. The new partnership with IKEA Switzerland, which will provide IKEA Family members with a new credit card with no annual fee, is on track. The credit card is scheduled for launch in March 2021.

Stable funding
In 2020, the Group's funding portfolio declined by 5% to CHF 5.8 billion, in line with the lower asset base. The funding mix remained stable compared with 31 December 2019. The weighted average duration was 2.7 years (31 December 2019: 2.9 years), and the period-end funding cost was 45 basis points (31 December 2019: 44 basis points).

Strong capital position and unchanged, attractive dividend
Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 17.7% (31 December 2019: 16.3%). Shareholders' equity increased by 3% to CHF 1.127 billion after Cembra paid out the full 2019 dividend of CHF 110 million in April 2020.

Given Cembra's resilient financial performance, the Board of Directors will recommend a dividend of CHF 3.75 per share (representing a payout ratio of 72%) at the next Annual General Meeting on 22 April 2021.

Sustainability performance considerably improved
In 2020, a number of leading ESG rating agencies upgraded their ratings based on Cembra's sustainability performance. Cembra was also included in the SXI Switzerland Sustainability 25 Index and the Bloomberg Gender Equality Index 2021, and received a "We Pay Fair" recognition based on Swiss federal standards.

Outlook
Assuming the Swiss economy recovers in 2021, Cembra currently expects to deliver a resilient business performance in 2021, with revenues expected to recover in line with the economic development. Cembra expects as well a solid loss performance for 2021 and confirms its targets for the mid-term.

After having served almost twelve years as CEO of Cembra, Robert Oudmayer has been handing over his roles to his successor Holger Laubenthal since 1 March 2021. On behalf of the Board of Directors, I sincerely thank Robert for his outstanding contribution to the development of Cembra. He has been the driving force to position Cembra as a leading Swiss provider of financial solutions and services, led the IPO of the company in 2013, and built since then the strong position Cembra has today through organic growth and selected acquisitions.

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

Dr Felix Weber
Chairman

Management Report

Significant developments

On 28 February 2020, Cembra Business, a business line of Cembra Money Bank, launched a new online financing product for SMEs. The business loan is tailored to the needs of small Swiss companies, who can now apply for loans directly online or through selected partners.

On 3 March 2020, we announced that the Apple Pay feature had been added to our credit card portfolio, further expanding our range of mobile payment solutions.

On 16 April 2020, we held our seventh Annual General Meeting of Shareholders as a SIX-listed company in Zurich. Due to federal rules related to Covid-19 at the time, shareholders did not attend the meeting in person. All agenda items were approved, including a dividend payment of CHF 3.75 per share. All existing members of the Board of Directors were re-elected for a further one-year term of office. Thomas Buess was newly elected to the Board of Directors.

On 27 April 2020, due to Covid-19 we provided an update on the first quarter of 2020 outside of the regular reporting cycle. The Group delivered a strong business performance, with net revenues increasing by 19% year on year (organic growth of 1%) to CHF 128.2 million. We confirmed our mid-term targets, but suspended detailed guidance for 2020 due to the uncertainties about the impact of Covid-19 on the Swiss economy and related government measures.

On 19 October 2020, we signed a cooperation agreement with IKEA Switzerland to launch credit cards and other financing products. The new partnership will enable us to further expand our position in the credit card business. As part of the partnership, Swissbilling, a subsidiary of Cembra, will offer its invoice financing solution for online and in-store sales.

On 22 October 2020, Cembra announced that after more than eleven successful years as CEO, Robert Oudmayer would step down in the course of 2021. As further announced on 22 October 2020 and on 20 January 2021, Prof. Dr Peter Athanas and Katrina Machin will not stand for re-election at the Annual General Meeting in 2021. The Board of Directors will propose Susanne Klöss-Braekler and Martin Blessing for election as new members to the Board of Directors at the Annual General Meeting in April 2021.

In 2020, a number of leading ESG rating agencies upgraded their ratings as a result of Cembra's solid sustainability performance. Cembra was also included in the SXI Switzerland Sustainability 25 Index and the 2021 Bloomberg Gender Equality Index and received a "We Pay Fair" recognition based on Swiss federal standards.

In January 2021, Cembra announced that Holger Laubenthal will succeed Robert Oudmayer as new CEO of Cembra, effective 1 March 2021.

Macroeconomic environment

We operate exclusively in Switzerland and our financial position and revenues are strongly influenced by domestic macroeconomic factors, especially gross domestic product, the unemployment rate and interest rates. We have very limited exposure to foreign currencies.

Swiss gross domestic product

Growth in Switzerland's gross domestic product (GDP) is an important indicator for the Group. Swiss GDP declined by 2.9% in 2020, after increasing by 0.9% in 2019. Consumer spending fell by 4.4% (2019: +1.0%).

Interest rates

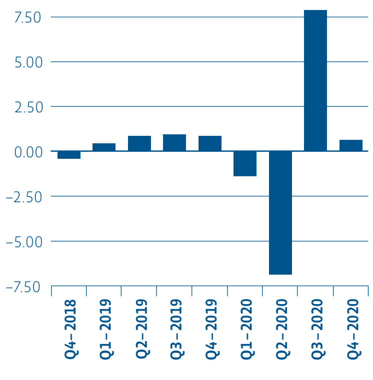
Interest rates are a key indicator for the Group's funding. Swiss-franc interest rates continued to decline up to the lockdown in March 2020 because of Covid-19 and market participants' expectations of rate cuts. Uncertainty about the impact of the first wave of the pandemic caused the Swiss-franc interest rate curve to rise sharply and credit spreads to widen. After several interventions and rate cuts by central banks, the interest rate curve stabilised in negative territory, and credit spreads narrowed again. The second wave of the pandemic did not have a major impact on the interest rate curve. At the end of the reporting period, Swiss interest rates were slightly lower than at the beginning of the year. The Swiss National Bank kept the interest rate on sight deposits at −0.75%.

Unemployment rate

The unemployment rate is an important indicator for the credit risk profile of the Group's customers. As a result of the pandemic's economic impact, the unemployment rate in Switzerland increased to 3.5% in December 2020 (December 2019: 2.5%), and the average unemployment rate in 2020 was 3.1% (2019: 2.3%).

GDP Switzerland

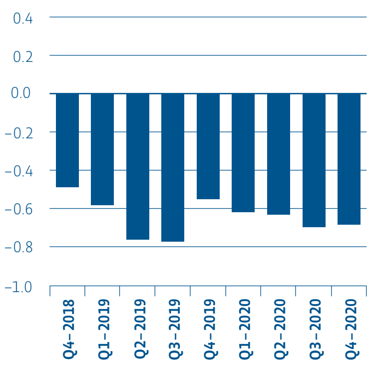
Change versus previous quarter (in %)



Source: SECO

CHF 3-year swap rate

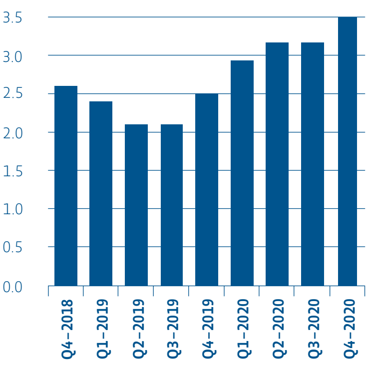
in %



Source: Bloomberg

Unemployment rate in Switzerland

in %



Source: SECO

Product markets

Consumer loan market

In 2020, the Swiss consumer loan market contracted for the first time in four years. According to the Swiss central credit information bureau (ZEK), the Swiss consumer loan market decreased by 3%, from CHF 8,113 million in outstanding assets in 2019 to CHF 7,854 million in 2020. The number of loan contracts outstanding decreased by 3% to 360,000 in 2020, from 372,000 in 2019. In a competitive environment, the Group had an estimated market share of approximately 43% of outstanding consumer loans (2019: 44%).

Auto market

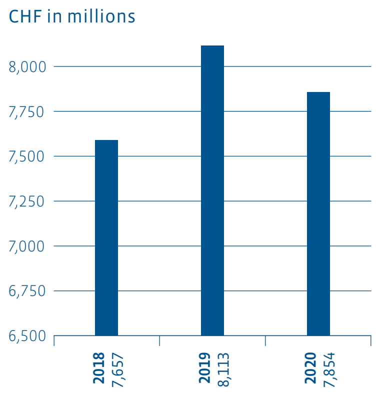
The Swiss auto market significantly contracted in 2020 due to the effects of Covid-19 with its impact on the distribution networks and the reduced availability of new cars. According to statistics from auto-schweiz (the association of official Swiss car importers), about 238,000 new cars were registered in 2020, a decline of 24% versus 2019. A total of 831,000 used cars were sold in Switzerland 2020 according to Eurotax Schweiz (an independent provider of automotive market data); this represents a 2% decline compared with 2019. The Group estimated its auto leasing market share to be about 21% of total leasing volumes outstanding (2019: 23%).

Credit card market

The growth trend continued in the credit card market in 2020. Based on Swiss National Bank statistics, the number of credit cards issued in Switzerland grew by approximately 11% to about 8.0 million. Contactless transactions (NFC) gained further momentum, making up around 47% (2019: 38%) of all domestic transactions in 2020. The number of transactions decreased by 3% from 529.6 million in 2019 to 514.2 million in 2020, as a result of Covid-19-related restrictions. Overall, credit card transaction volumes decreased by 15% in 2020 to CHF 39.5 billion.

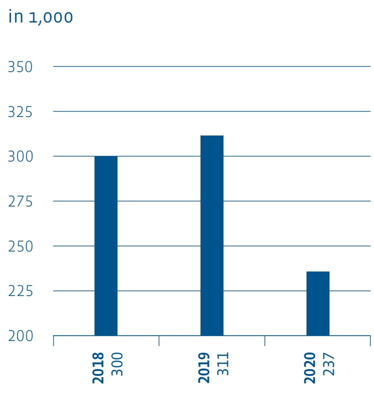
The Group's credit cards business continued to outgrow the market, with the number of cards increasing by about 46,000, or 5%, to around 1,030,000 compared with year-end 2019. The Group's market share, based on the number of credit cards in circulation, declined to 13% (2019: 14%) due to new entrants in the market.

Swiss consumer loan market



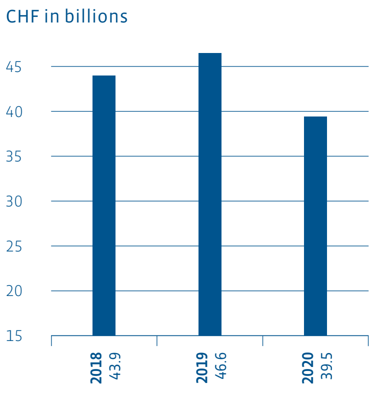
Source: ZEK

New car registrations in Switzerland



Source: auto-schweiz

Transaction volume Swiss credit cards



Source: SNB

Balance sheet analysis

At 31 December (CHF in millions)	2020	2019	Change	as %
Assets				
Cash and cash equivalents	**599**	543	56	10
Net financing receivables	**6,293**	6,586	– 293	– 4
Personal loans	**2,408**	2,625	– 217	– 8
Auto leases and loans	**2,853**	2,915	– 62	– 2
Credit cards	**970**	1,029	– 59	– 6
Other	**62**	17	45	n/a
Investment securities	**0**	6	– 6	– 100
Other assets	**353**	351	2	0
Total assets	**7,244**	**7,485**	**– 241**	**– 3**
Liabilities and equity				
Deposits and debt	**5,840**	6,134	– 294	– 5
Deposits	**3,275**	3,495	– 221	– 6
Debt	**2,565**	2,639	– 73	– 3
Other liabilities	**278**	260	17	7
Total liabilities	**6,117**	**6,395**	**– 277**	**– 4**
Shareholders' equity	**1,127**	1,091	36	3
Total liabilities and shareholders' equity	**7,244**	**7,485**	**– 241**	**– 3**

On 2 September 2019, Cembra completed the acquisition of cashgate, which has been consolidated since that date.

Net financing receivables amounted to CHF 6,293 million, a decrease of 4%, or CHF 293 million, compared with year-end 2019. The decrease was mainly due to the effects of Covid-19 in Switzerland.

At the end of 2020, the Group's personal loans accounted for 38% (2019: 40%) of net financing receivables, auto leases and loans made up 45% (2019: 44%), and the credit cards business accounted for 15% (2019: 16%).

As at 31 December 2020, net financing receivables from personal loans amounted to CHF 2,408 million, 8% lower than at year-end 2019. This decline was predominantly caused by lower demand during the Covid-19 pandemic and related measures taken by the Group. Auto leases and loans declined by 2% to CHF 2,853 million, down from CHF 2,915 million at the end of 2019. Credit cards fell by 6%, from CHF 1,029 million to CHF 970 million. Other net financing receivables increased to CHF 62 million (2019: CHF 17 million) and included the growing Swissbilling business.

Funding

The Group kept funding diversified in 2020. The deposit base decreased from CHF 3,495 million at 31 December 2019 to CHF 3,275 million at 31 December 2020, primarily due to a 10% decline in the institutional deposit base. The Group's non-deposit debt decreased by 3%, from CHF 2,639 million at 31 December 2019 to CHF 2,565 million at 31 December 2020. In March 2020, the Group issued AAA-rated asset-backed securities amounting to CHF 250 million.

Equity

Total shareholders' equity increased by CHF 36 million, from CHF 1,091 million to CHF 1,127 million at year-end 2020. The increase was mainly driven by net income of CHF 152.9 million. The increase was partially offset by the CHF 110 million dividend for the 2019 financial year, which was paid in April 2020.

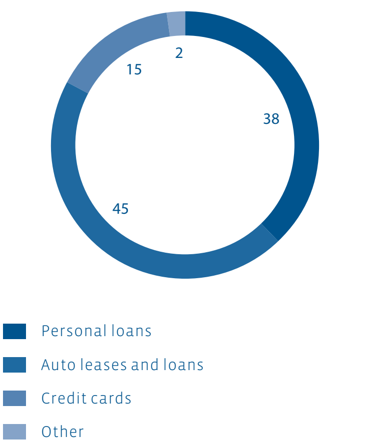
Capital position

At 31 December (CHF in millions)	2020	2019	Change	as %
Risk-weighted assets	**5,662**	5,908	– 246	– 4
Tier 1 capital	**1,000**	962	38	4
Tier 1 ratio	**17.7 %**	16.3 %		

Risk-weighted assets decreased by 4% to CHF 5,662 million at 31 December 2020, compared with CHF 5,908 million at 31 December 2019. This decrease was largely in line with the trend in net financing receivables. Tier 1 capital increased by CHF 38 million, or 4%, to CHF 1,000 million, mainly as a result of the statutory net income generated in 2020, adjusted for the expected dividend payment. This resulted in a Tier 1 capital ratio of 17.7% at 31 December 2020, which is significantly above the regulatory requirement of 11.2%.

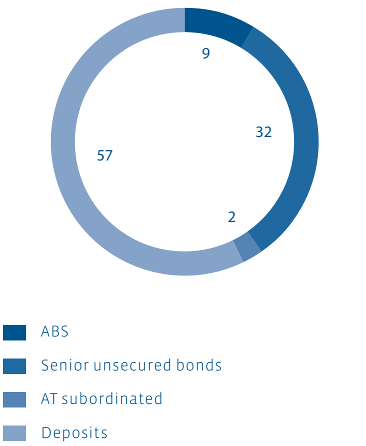
Net financing receivables

in %



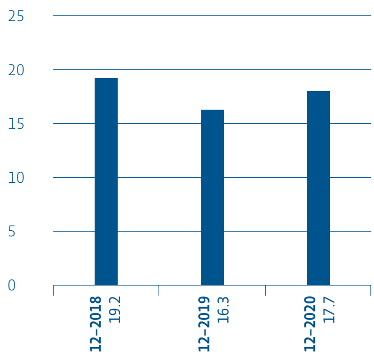
Funding structure

in %



Tier 1 capital ratio

in %

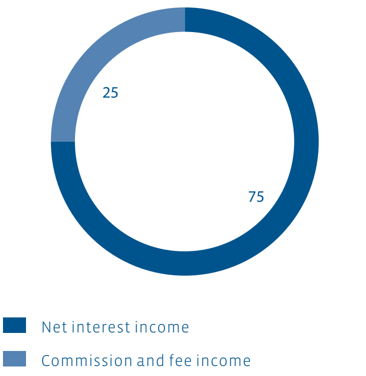


Profit and loss analysis

For the years ended 31 December (CHF in millions)	2020	2019	Change	as %
Interest income	**401.8**	359.8	42.0	12
Interest expense	**– 26.9**	– 27.8	– 0.9	– 3
Net interest income	**375.0**	**332.0**	**43.0**	**13**
Commission and fee income	**122.3**	147.7	– 25.4	– 17
Net revenues	**497.2**	**479.7**	**17.5**	**4**
Provision for losses on financing receivables	**– 56.4**	**– 45.1**	**11.3**	**25**
Compensation and benefits	**– 129.5**	– 120.5	9.1	8
General and administrative expenses	**– 117.9**	– 111.3	6.6	6
Total operating expenses	**– 247.4**	**– 231.8**	**15.6**	**7**
Income before income taxes	**193.4**	**202.9**	**– 9.5**	**– 5**
Income tax expense	**– 40.5**	– 43.7	– 3.2	– 7
Net income	**152.9**	**159.2**	**– 6.3**	**– 4**
Other comprehensive income / (loss)	**– 5.2**	– 2.1	– 3.1	– 150
Comprehensive income	**147.7**	**157.1**	**– 9.4**	**– 6**

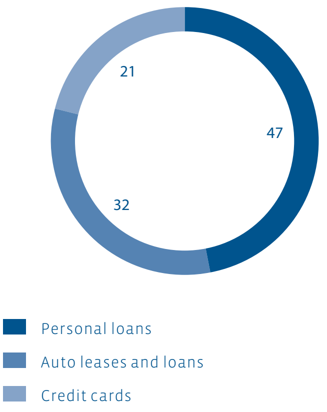
Net revenues

as %



Interest income

as % (excluding "Other")



Interest income

For the years ended 31 December (CHF in millions)	**2020**	2019	Change	as %
Personal loans	**190.7**	172.6	18.0	10
Auto leases and loans	**129.4**	110.6	18.8	17
Credit cards	**83.6**	79.4	4.2	5
Other	**– 1.9**	– 2.9	1.0	– 36
Total	**401.8**	**359.8**	**42.0**	**12**

Overall, the contribution of personal loans to interest income (excluding other interest income) decreased to 47%, from 48% in 2019. The relative weight of auto leases and loans increased to 32%, from 30%, whilst the weight of credit cards fell to 21%, from 22% in the year-earlier period.

Total interest income increased by 12%, or CHF 42.0 million, to CHF 401.8 million in 2020.

Interest income from personal loans increased by CHF 18.0 million, or 10%, to CHF 190.7 million due to the consolidation of cashgate. Interest income from personal loans was also impacted by lower consumer spending in Switzerland in 2020. The yield declined from 7.5% to 7.4% over the reporting period. Interest income from auto leases and loans increased by CHF 18.8 million, or 17%, from CHF 110.6 million to CHF 129.4 million. The yield remained stable at 4.5% (2019: 4.5%). Interest income from credit cards rose slightly, up CHF 4.2 million, or 5%, to CHF 83.6 million in 2020. The yield stood at 8.3% (2019: 8.0%). Other interest income included CHF 1.9 million in expenses from the negative interest rate on cash held with the Swiss National Bank and other institutions.

Cost of funds

For the years ended 31 December (CHF in millions)	**2020**	2019	Change	as %
Interest expense on ABS	**1.5**	1.9	– 0.4	– 21
Interest expense on deposits	**13.1**	13.1	0.0	0
Interest expense on debt	**12.3**	12.8	– 0.6	– 5
Total	**26.9**	**27.8**	**– 0.9**	**– 3**

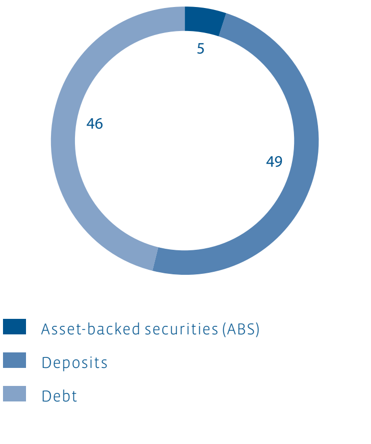
Overall, interest expense decreased by CHF 0.9 million, or 3%, to CHF 26.9 million in 2020. Interest expense on auto lease asset-backed securities (ABS) decreased by 21% to CHF 1.5 million. Interest expense on deposits remained flat at CHF 13.1 million. Interest expense on debt decreased by 5% following the full repayment of the bridge loan for the cashgate acquisition in 2019.

Commission and fee income

For the years ended 31 December (CHF in millions)	**2020**	2019	Change	as %
Insurance	**24.0**	21.6	2.3	11
Credit cards	**71.4**	101.1	– 29.7	– 29
Loans and leases	**15.7**	14.5	1.2	8
Other	**11.2**	10.4	0.8	8
Total	**122.3**	**147.7**	**– 25.4**	**– 17**

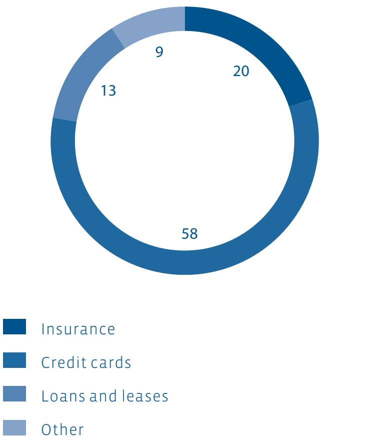
Cost of funds

as %



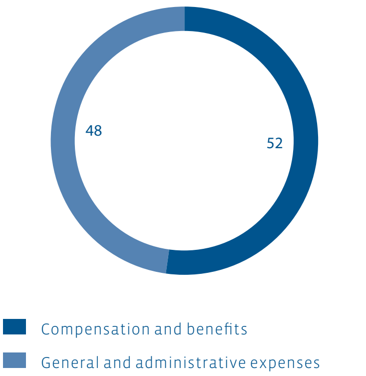
Commission and fee income

as %



Operating expenses

as %



Commission and fee income decreased by CHF 25.4 million, or 17%, from CHF 147.7 million to CHF 122.3 million. The decrease was mainly related to a 29%, or CHF 29.7 million, decline in fee income on credit cards as a result of the Covid-19-related decrease in credit card use in 2020.

Insurance income, which consists mainly of revenues from payment protection insurance products, increased by CHF 2.3 million, or 11%, to CHF 24.0 million due to the effect of the acquisition. The 8% increase in fees from loans and leases, to CHF 15.7 million, was also mainly attributable to the aquisition. Other fees increased by CHF 0.8 million to CHF 11.2 million, driven mainly by fee income from Swissbilling.

Provision for losses on financing receivables

For the years ended 31 December (CHF in millions)	**2020**	2019	Change	as %
Provision for losses on personal loans	**32.2**	24.4	7.8	32
Provision for losses on auto leases and loans	**14.9**	10.4	4.6	44
Provision for losses on credit cards	**7.6**	9.1	– 1.5	– 16
Provision for losses on other	**1.7**	1.2	0.4	34
Total	**56.4**	**45.1**	**11.3**	**25**

The provision for losses on financing receivables increased by CHF 11.3 million, or 25%, to CHF 56.4 million in 2020, compared with CHF 45.1 million in 2019. This rise was predominantly driven by increased financing receivables resulting from the acquisition of cashgate in the second half of 2019. The provision for losses on personal loans increased by CHF 7.8 million to CHF 32.2 million, and the provision for losses on auto leases and loans rose by CHF 4.6 million to CHF 14.9 million. The provision for losses on cards decreased by CHF 1.5 million to CHF 7.6 million, reflecting lower spend as a result of the Covid-19 pandemic.

The Group's loss rate for the year 2020 was 0.9% of financing receivables and hence in line with the prior year's performance. Delinquency metrics of 30 days past due stood at 1.8% at 31 December 2020, a stable figure compared with prior years. Non-performing loans accounted for 0.7% of total loans (2019: 0.6%).

Compensation and benefits

For the years ended 31 December (CHF in millions)	2020	2019	Change	as %
Compensation and benefits	**129.5**	**120.5**	**9.1**	**8**

Compensation and benefit expenses increased by CHF 9.0 million, or 8%, to CHF 129.5 million. The increase was mainly attributable to a higher headcount following the acquisition of cashgate in September 2019.

At 31 December 2020, the number of employees (FTEs) stood at 928, a decline of 35 FTEs, from 963 at year-end 2019. The Group's average number of FTE employees was 946 in 2020, compared with 873 in the prior-year period. The average cost per FTE of TCHF 137 in 2020 decreased compared with TCHF 138 in 2019 due to the effect of the acquisition.

General and administrative expenses

For the years ended 31 December (CHF in millions)	2020	2019	Change	as %
Professional services	**17.8**	22.4	– 4.6	– 20
Marketing	**10.9**	11.8	– 0.9	– 8
Collection fees	**11.7**	10.9	0.8	7
Postage and stationery	**10.1**	11.2	– 1.1	– 10
Rental expense under operating leases	**7.9**	7.2	0.7	10
Information technology	**39.1**	31.4	7.7	25
Depreciation and amortisation	**26.5**	19.5	7.1	36
Other	**– 6.1**	– 2.9	– 3.2	108
Total	**117.9**	**111.3**	**6.6**	**6**

General and administrative expenses increased by CHF 6.6 million, or 6%, from CHF 111.3 million to CHF 117.9 million in 2020. Costs from professional services decreased by 20% to CHF 17.8 million, mainly due to higher acquisition-related costs in the previous reporting period. Marketing expenses were down 8%, or CHF 0.9 million, due to lower marketing expenses during the lockdowns. This was partly offset by additional costs related to the cashgate online brand and the launch of Cembra Business.

Collection fees increased by 7% to CHF 11.7 million due to business growth in Swissbilling and the acquisition. Costs for postage and stationery decreased by 10% to CHF 10.1 million as a result of the lower growth of credit cards issued. Rental expenses increased to CHF 7.9 million due to additional costs relating to branch closures. Information technology costs of CHF 39.1 million were 25% higher; this increase was due to the cashgate acquisition and strategic investments in digital platforms. Depreciation and amortisation was 36% higher, mainly as a result of the amortisation of intangible assets from the cashgate acquisition, whilst higher net amortisation of core digital investments was offset by previous investments reaching end of life. Other costs fell by CHF 3.2 million, primarily driven by CHF 1.8 million lower pension costs as well as lower costs for travel and entertainment.

The cost/income ratio was 49.8% in 2020, compared with 48.3% in 2019. The increase was predominantly driven by costs relating to the acquisition and consolidation of cashgate, and the impact of Covid-19 on revenues.

Income tax expense

The Group's income tax expense declined by CHF 3.2 million, or 7%, to CHF 40.5 million in 2020. This decline was slightly above the decrease in income before taxes, due to one-off adjustments to tax accruals from prior years. The effective tax rate was 20.9%, which was in line with the statutory tax rate resulting from the combination of federal, cantonal and communal corporate taxes in Switzerland.

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

Strategy

Our strategy focuses on making Cembra the provider of choice for those looking for financial solutions in Switzerland. We aim to achieve this through our three strategic goals, which are to defend the core business, build for the future and increase in size through external growth.

Defend the core business
Here, our focus is on maintaining our leading market position in personal loans and auto financing by adapting to the evolving distribution environment and expanding our B2B network of partners. We seek to provide customers with a seamless experience. We also keep pace with wider market trends by rolling out new product offerings.

Build for the future
We aim to prepare our business for upcoming challenges, with a focus on people, systems, processes and ultimately how we execute corporate initiatives. One of our key objectives is to transform Cembra into a more customer-centric organisation, supported by lean processes and a competitive cost base, which we will achieve by digitising our value chain. We are also focused on developing our employees and improving their work environment.

Increase in size through external growth
We are looking to bring in new business lines and expand our customer base through acquisitions and partnerships. This with a focus on our key strengths, capabilities, and in line with our ambition of being the provider of choice for financial solutions in Switzerland.

Outlook

Assuming the Swiss economy recovers in 2021, Cembra currently expects to deliver a resilient business performance in 2021, with revenues expected to recover in line with the economic development. Cembra expects a solid loss performance for 2021 and confirms its targets for the mid-term.

The Group's mid-term financial targets are as follows:
- Average return on shareholders' equity (ROE) of at least 15%;
- Consolidated Tier-1 capital ratio of at least 17% in the mid term; and
- Ordinary dividend payout of between 60% and 70% of net income.

Risk Management Report

Risk management

Risk is broadly defined as the possibility that an uncertain event or outcome results in adverse variations in 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 is exposed to various categories of risk, such as credit risk, asset and liability management risk (including market and liquidity risk), operational risk and other risks (such as strategic risks, financial risks of climate change, compliance risk).

Within its risk appetite and tolerance limits and in accordance with its strategic objectives, the Group takes on 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, mitigation and transfer 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 that the risk management framework and strategies are correctly implemented.

The Group has put in place regulations that govern 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 set out the principles guiding the Group's attitude to risk and the amount of risk it is willing to take on.

The Group has set up a risk appetite framework, which includes integrated tolerance limits to control overall risk-taking. It contains a diverse set of quantitative metrics and qualitative statements covering various risk categories and serves as a decision-making tool for the Management Board. As part of the Group risk policy, it is reviewed annually by the Board of Directors and takes into account strategic objectives and business plans. The risk profile is assessed relative to the Group's risk appetite, and risk exposures are monitored relative to risk tolerance limits on a regular basis. Summary reports are reviewed by the Audit and Risk Committee and reported to the Board of Directors.

Following working committees have been set up. Members of the Management Board are required to attend 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
Sustainability Committee	Sustainability, related opportunities and risks, monitoring of environmental, social, and governance (ESG) trends and ratings

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 in place 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.

This three-lines-of-defence model ensures that direct accountability for risk decisions, implementation and oversight of risk management, and the independent control of the effectiveness of risk management are segregated. 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 possibility 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 as a result of 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 concerning credit strategies and exposures, and regularly reviews the Group's credit risk performance. The Credit Committee is responsible for making lending decisions on individual counterparties and lending programmes that are not under the authority of the Chief Risk Officer (CRO) or specific subsidiaries, but under the authority of the Board of Directors. The Credit Committee is chaired by the CRO.

The guidelines for the approval of lending programmes, as well as individual counterparty lending approvals, are set out in the credit risk policy. Lending authority that has been delegated is actively monitored and reviewed regularly.

Credit risk metrics, portfolio and collection performance reports and 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 every quarter and reported to the Board of Directors.

The Group maintains stringent underwriting processes, which are continually monitored and optimised to ensure that credit risk is adequately and responsibly 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, which includes the use of scorecards and leverages available information about the customer. This ensures consistent and systematic decision-making across all lending products.

Where applicable, the credit capacity of consumers is also evaluated in accordance with the legal requirements of the Swiss Consumer Credit Act. Internal models determine the credit amount based on the customer's risk profile. Segments that are particularly exposed to credit risk are actively restricted beyond the requirements of the Swiss Consumer Credit Act through specific internal rules that aim to effectively implement and ensure responsible lending to customers. Manual underwriting complements the automated system decision in cases where additional information may be required.

The quality of portfolios and specific customer segments is thoroughly and periodically assessed. Specifically in the area of vehicle leasing the Group is exposed to risks related to the valuation of underlying assets or objects. Contractual residual values might differ from actual values of lease objects and distribution partners might fail to honour their contractual obligations. In addition to the consistent setting of residual values at lease origination the Group regularly monitors its exposure to this type of risk and makes use of external data sources to verify results. The quality and performance of new business are 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, changes are made to the models. 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. In exceptional individual cases loan restructuring in a form of loan modification is granted. The regular monitoring of process and performance metrics ensures diligent and responsible execution and supports the fair treatment of customers across a variety of servicing processes.

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 default being defined as 90 days past due. The Group's financing receivables from non-defaulted customers (before allowance for losses) at 31 December 2020 and 2019 were distributed among the CRs as follows:

At 31 December 2020	Personal loans	Auto leases and loans	Credit cards	Total
CR1	43.4 %	51.5 %	73.7 %	51.8 %
CR2	32.3 %	30.9 %	18.9 %	29.6 %
CR3	17.4 %	14.1 %	6.7 %	14.2 %
CR4	5.0 %	2.5 %	0.7 %	3.2 %
CR5	1.9 %	1.0 %	0.0 %	1.2 %

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

At 31 December 2019	Personal loans	Auto leases and loans	Credit cards	Total
CR1	48.2 %	50.7 %	73.5 %	53.3 %
CR2	31.1 %	31.4 %	19.0 %	29.3 %
CR3	15.7 %	14.1 %	6.8 %	13.6 %
CR4	4.7 %	2.5 %	0.7 %	3.1 %
CR5	0.3 %	1.2 %	0.0 %	0.7 %

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

The Group is currently evaluating the utilisation of behavioural scoring to enhance consumer rating methodology by considering customer behavior through the life-cycle and its impact on probabilities of default.

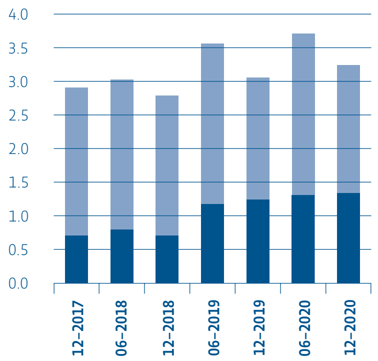
More details on the CRs and implied probability of default are provided in the Consolidated Financial Statements on page 134.

The Group's customer base primarily comprises individuals and small and medium-sized enterprises. Concentration risks are regularly assessed and monitored. The large number of borrowers naturally results in a broad diversification of credit risk. However, certain concentration risk can be caused by collaboration with external partners.

Credit risk within specific portfolios is also monitored using asset quality metrics, such as delinquency metrics, which are further described on page 133. The historic trend is indicated in the graphs below.

Personal loans

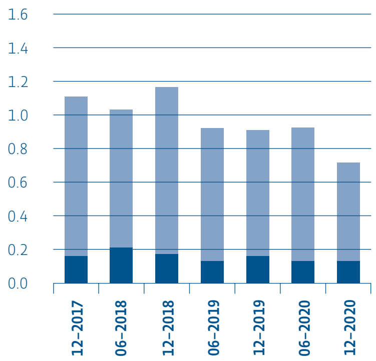
Delinquencies as %



Non-performing loans (NPL)
30 days past due

Auto leases and loans

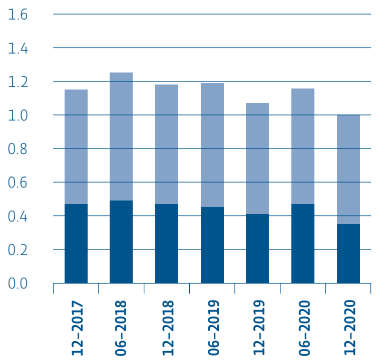
Delinquencies as %



Non-performing loans (NPL)
30 days past due

Credit cards

Delinquencies as %



Non-performing loans (NPL)
30 days past due

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 implementation of the respective policies, as well as 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 to meet its contractual obligations when they fall due and support normal business activities, or only being able to secure such funds at excessive costs. 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 risks.

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.

As it is headed by a listed entity, the Group aims to maintain a highly conservative liquidity profile; this approach is viewed as an essential safeguard in protecting the reputation of the Group as a stable institution. The Management Board ensures that adequate liquidity levels are maintained in order to meet operational and regulatory requirements under normal and stressed conditions. Excess liquidity can be invested with two main 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 approach is designed to provide management with timely warning of events that might have a potentially 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 based on 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 the minimum reserve, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), are essential components of the Group's liquidity management approach and are reviewed regularly by the ALCO and the Board of Directors. The Group's average LCR for 2020 was 692%, well above the regulatory requirement of 100%. The NSFR complements the LCR as part of the liquidity regulations under Basel III. The Group's NSFR at 31 December 2020 was 115%, above the recommended level of 100%.

Further quantitative information is provided in the separate document "Basel III Pillar 3 disclosures 2020" published on the Cembra website (www.cembra.ch/financialreports).

Market risk

Market risk encompasses the risk of financial losses due to adverse movements in market prices. The Group's business model leads to 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 their 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 the potential effects on the Group's current capital base or future earnings and to keep interest rate risk at an acceptable level.

Given the Group's predominantly fixed interest rate assets and liabilities, it is mainly exposed to repricing risk. This is the risk of there being adverse consequences of increasing or decreasing interest rates because of time differences in 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. 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 monthly basis. At 31 December 2020, the Group did not use any hedging instruments to manage IRRBB.

Another type of market risk is foreign exchange (FX) risk, which is defined as the financial risk from adverse movements in the exchange rate on transactions denominated in a currency other than the base currency of the institution. The Group operates predominantly in the Swiss consumer lending market, and borrows and lends exclusively in Swiss francs. Therefore, the Group's exposure to FX risk is minimal and limited to supplier invoices denominated in foreign currencies. FX exposure is monitored closely against internally set triggers, and the Group takes immediate corrective action if limits are exceeded. At 31 December 2020, the Group did not use any hedging instruments to manage its FX risk.

Further quantitative information is provided in the separate document "Basel III Pillar 3 disclosures 2020" published on the Cembra website (www.cembra.ch/financialreports).

Capital management

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

Methodology for calculating minimum capital requirements

The Group uses the International Standardised Approach ("SA-BIS" approach) as described in the Basel Minimum Standards, which are the standards defined by the Basel Committee on Banking Supervision and used to calculate capital adequacy requirements. The Standardised Approach is used for credit risk, market risk and operational risk. It therefore 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

At 31 December 2020, the applicable regulatory requirement for a category 4 bank was set at 11.2% by FINMA. The Group aims to consistently maintain a capital base that is well above this mark, defining a mid-term minimum target for its Tier 1 capital ratio of 17% for the Group. Compliance with the target ratio is monitored at the monthly ALCO meeting. At 31 December 2020, the Group's Tier 1 capital ratio was 17.7% in line with the mid-term target.

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. At 31 December 2020, the Group's leverage ratio was 14.4%, well above the recommended 3.0%.

Further quantitative information is provided in the separate document "Basel III Pillar 3 disclosures 2020" published on the Cembra website (www.cembra.ch/financialreports).

Capital planning
Each year, the Group draws up a three-year capital plan and assesses the impact of several stress scenarios. As per FINMA requirements, the Group assesses its resilience to adverse macroeconomic conditions. In the 2020 stress test, the Group forecast 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 submitted to the Board of Directors.

Operational 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
- Analysis of external events: analysis of external operational risk events applicable to the Group's risk profile to identify emerging risks and evaluate controls.

The Group is exposed to a wide variety of operational risks, including technology and cyber-security risk that stem from dependencies on information technology and suppliers. The Group acknowledges the evolving cyber risk landscape and has therefore developed a comprehensive information security 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 cyber-security strategy that ensures continuous improvements. Relevant cyber threats are regularly identified and assessed, and corresponding measures are considered. Specific response plans are maintained. The Group has implemented this framework with the overall goal to ensure the Group's sensitive data and critical information technology are protected. These defined technical and organisational measures include specifically training relevant staff, assessing data confidentiality and privacy risks, and making use of vulnerability and penetration tests to protect sensitive data and critical systems.

The Group is aware that severe events beyond its control (such as natural disasters) may result in an inability to fulfil some or all of its business obligations, particularly where its physical, information technology and its 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, which involves identifying critical processes and their dependency on systems, applications and suppliers. The Group's BCM framework encompasses planning, testing and other related activities. The framework aims to ensure 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 occurs. Comprehensive crisis management plans are in place and define the processes to be followed in case of a business emergency while crisis is defined as a situation that requires critical decisions and cannot be handled with ordinary measures and decision-making powers. The aim is to safeguard the continuity of the Group's business-critical activities and to limit potential damage in the event of a significant business interruption. The status of the BCM programme and the status of the operational risk, cyber and information security control framework are regularly reviewed by the RCC and a summary report provided to the Audit and Risk Committee.

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, prescribed best practice, or 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 the changes made to them. To ensure operational independence, the Group has a separate Legal & Compliance function. This function effectively manages, controls, monitors and reports on 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 goals. This context includes risks that the environment and climate change might pose to the Group's business model. Environmental risks as well as the financial risks stemming from the climate change are generally considered to be rather low due to being a financial services provider that actively operates exclusively in Switzerland (see also our approach to sustainability on page 29 and credit risk section on page 21 – leasing residual values where the risk can stem from any climate-related transition). The Group addresses these risks as any other risk through the established risk management process as described on the page 20. The general risk management process is also applied for business risks that are caused by an outbreak of a pandemic such as Covid-19. In such events and periods multiple risk factors or categories might be impacted and need to be managed accordingly. The Group's BCM framework and its crisis management procedures support the effective continuation of business operations. Following the Covid-19 outbreak the Group implemented various measures to ensure workplace safety, to protect the health of its employees and to maintain service levels to its customers and partners. By increased usage of home office capabilities and the implementation of related infrastructure the risk on operational processes could effectively be mitigated. Potential effects of Covid-19 on the macroeconomic environment can impact other risk categories such as credit risk. Consequently the Group closely monitored its effectiveness of loss mitigation strategies and adjusted its lending policies to ensure a risk profile within defined risk tolerances. Regular updates on risk levels and measures were reviewed by the Credit Committee and reported to the Board of Directors.

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 of those risks.

Sustainability Report

Note: This report refers to figures, tables and other detailed information disclosed in the “Annex to Sustainability Report 2020”. This annex was approved by Cembra’s Sustainability Committee in March 2021 and is part of our sustainability disclosures. The annex and all other disclosures are available at www.cembra.ch/sustainability.

1 Letter from the Chairman

Dear Customers, Partners, Shareholders, Employees and other Stakeholders,

Ensuring sustainability is an important part of our strategy. In 2020, we took additional measures to foster sustainability and responsible behaviour throughout the organisation, and details of that work are provided in this report. We are proud that we were able to make considerable progress, and that we initiated further improvements.

Despite the Covid-19 pandemic and the resulting economic downturn, and thanks to our cautious, long-term risk management approach, our overall loss performance remained robust. Last year, there was no significant rise in the number of customers in financial difficulty, and we provided appropriate, tailored solutions to customers who were unable to meet their contractual repayment obligations as a result of the pandemic (see pages 36-40 for details).

Cembra is one of the leaders in electromobility financing in Switzerland. We are offering loans and leases for electric vehicles on highly favourable terms, with a growing share of electric vehicles financed. Our strategy is to continue to grow this business in line with the market trend (see pages 53-54).

In April 2020, we updated our Code of Conduct. The revised version includes further improvements to safeguard the personal integrity of our employees and strengthen our responsibility towards society and the environment. In September 2020, Cembra joined the United Nations Global Compact and is committed to complying with all of its Ten Principles on human rights, labour, the environment and corruption.

Since May 2020, sustainability has been overseen by the Management Board through a new, dedicated Sustainability Committee that is driving our key improvement projects and initiatives. In the reporting period, sustainability-oriented performance indicators also became part of the criteria for determining the Management Board's long-term incentive compensation (see Compensation Report, page 105).

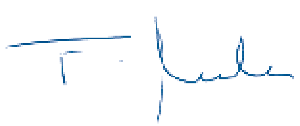
Between September and November 2020, we conducted a renewed sustainability assessment with our main stakeholders and updated our materiality matrix accordingly. Our sustainability approach continues to be guided by five key sustainability themes, which you – our stakeholders – confirmed to be important for our future success. For the coming years, we also set internal sustainability performance targets that are based on our commitments, with a view to driving further improvements.

With this report, we have also become more transparent about our sustainability performance and our progress in key areas. Our commitments, performance measures and assessment of 2020 are summarised on page 33.

Our increasing efforts to promote sustainable action have been acknowledged by leading ESG rating agencies, with Cembra's sustainability ratings improving considerably in the reporting period. We are also very pleased that Cembra was included in the SXI Switzerland Sustainability 25 Index and became one of only eight Swiss-based companies to join the 2021 Bloomberg Gender Equality Index.

We are proud that one million customers in Switzerland have chosen Cembra as their financial partner. This reflects our customers' appreciation of our products and services but also requires us – as the leading provider of consumer finance products and services in Switzerland – to further improve our sustainability performance.

Your feedback matters to us, and we would like to continue our dialogue with you on sustainability and on our performance in this area. Please do not hesitate to get in touch with us.



Dr Felix Weber
Chairman

2 Our approach to sustainability

Aspirations, values and policies

In 2019, the Management Board set out Cembra's sustainability aspiration. It is available at www.cembra.ch/sustainability.

Aspiration
At Cembra we generate long-term value by actively considering the interests and expectations of our most relevant stakeholders, by fostering responsible behaviour and practices and by actively contributing to a more sustainable future. We are aware of the impact of our activities and of our responsibilities towards our customers, business partners, regulators, shareholders, employees and communities. In this way, we always aim to adhere to high responsibility standards from an economic, legal, social, environmental and ethical standpoint. Our commitments:

- **As a responsible provider of financing solutions**, we ensure the quality and integrity of all our products and services.
- **As a forward-looking business partner**, we share our expertise and innovation capacity in order to develop demand-based and reliable financing solutions.
- **As a credible investee**, we adhere to strict governance and risk management practices.
- **As an attractive employer**, we promote well-being in the workplace, diversity, equal opportunities and personal development, and we raise our employees' awareness of our environmental and social responsibilities.
- **As a good corporate citizen**, we contribute to community development and use resources in a sustainable manner while minimising the negative impacts on the natural environment.

This policy statement applies to all employees and is actively shared with contractors, suppliers and other key business partners. Members of the Management Board are responsible for ensuring full compliance with this policy.

Values
The daily work of our employees is guided by our four values: engagement, customer focus, responsibility and diversity. Since they were first established in 2017, these values have become part of our internal communications for all employees.

- **Engagement:** We actively take into account the needs of our stakeholders and support our local communities through local employment, responsible procurement and social engagement.
- **Customer focus:** We consider the interests of our clients by taking into account their needs, protecting their data and privacy, and providing them with responsible consumer finance products designed to support their endeavours in a thriving, sustainable and inclusive society.
- **Responsibility:** We act responsibly and with integrity, striving to minimise the negative impact of our operations and contributing to solving the challenges faced by our society.
- **Diversity:** We value the variety of the contributions we get from our diverse workforce and strive to provide them with a working environment, development options and a remuneration system that foster responsible achievements, an even work-life balance and fulfilment.

Policies
Cembra adheres to high standards in corporate governance, risk management and internal controls. Policies guide decisions and the behaviour of all our employees and business partners. Members of the Management Board are responsible for ensuring full compliance with Cembra's policies. The Legal and Compliance department in particular supports the internal implementation and development of effective policies and guidelines in this regard. The Board of Directors supervises the business conduct of the Management Board through corporate governance mechanisms with effective checks and balances (see the chapter on business integrity, page 55).

In 2020, we updated our Code of Conduct (see page 56) and our Business Partners' Principles of Conduct (supplier standards, see page 58). Our other main policies are described on pages 61-63.

UN Global Compact and Sustainable Development Goals

In September 2020, Cembra joined the United Nations Global Compact as a signatory. Cembra is committed to supporting the Ten Principles on human rights, labour, environment and anti-corruption and to making these part of our strategy, culture and day-to-day operations.

Our commitment to fully supporting the Sustainable Development Goals (SDGs) is borne out in our sustainability aspirations and our participation in the UN Global Compact, which we signed in 2020. Last year we also started defining how our business contributes to achieving the SDGs by mapping the Goals to our values and identifying the SDGs that Cembra can have the most relevant impact on. These are: SDGs 4, 5, 8, 10, 12, 16. For the six identified SDGs, we also prioritised the relevant underlying targets. In this context, we will continue to further explore how to align our activities with the relevant SDGS in order to enhance our positive contribution to them.

Organisation, reporting and coverage

Organisation at the Board level

Sustainability matters are addressed periodically by the Board of Directors, which oversees Cembra's sustainability performance, as well as the associated targets, as part of the compensation framework. The Board of Directors regularly reviews the feedback and concerns of institutional investors and other stakeholders. Questions regarding remuneration, the Board's composition and shareholder rights are always dealt with transparently. The Board of Directors approves Cembra's sustainability approach and periodic reporting as part of the annual report.

In the reporting period, the Board of Directors looked specifically at how sustainability is organised, responsible ways of mitigating the effects of the Covid-19 pandemic, and target-setting as part of the long-term incentive. This Sustainability Report was approved by the Board of Directors in February 2021.

Organisation at the executive management level

Since 2020, sustainability has been managed by the Management Board through a new dedicated **Sustainability Committee**. It complements the existing Management Board committees, which include the Credit Committee, the Asset and Liability Management Committee, and the Risk and Controllership Committee. The committee is chaired by the CEO, and the members of the Management Board, the Head of Human Resources, the Head of Communications & PR and the Head of Investor Relations & Sustainability also sit on the committee. The committee's role is to develop and implement the overall sustainability strategy, including climate-related topics, and to oversee key improvement projects and initiatives.

In 2020, the Sustainability Committee held four meetings, in May, July, September and November. In addition, a Bank-wide **sustainability working group** held monthly meetings. The group, which is composed of managers and employees from various departments, continued to work on various sustainability matters.

Since 2020, new **sustainability-oriented performance indicators** have formed part of the criteria for determining the Management Board's long-term incentive compensation (see the Compensation Report, page 105).

Reporting

This report was drawn up in accordance with the GRI Standards' Core option and in line with the principles of materiality, transparency and comparability, taking into account the Standards' most recent recommendations and guidelines. Our sustainability reporting for 2020 consists of the Annual Report 2020, including this chapter on sustainability, as well as the Annex to Sustainability Report 2020, the GRI Content Index 2020, and additional disclosures. All information is available online at www.cembra.ch/sustainability.

Coverage and reporting boundaries

The report describes the current situation and the progress made in the area of sustainability in the 2020 financial year. Most data and indicators are available for the three financial years up to and including 2020. Following the acquisition of cashgate in September 2019, cashgate's activities and figures were included in this report from 1 January 2020, with any exceptions marked in footnotes. The environmental figures on emissions relate to the headquarters in Zurich, which is the workplace of 76% of all employees. The process of harmonising and enhancing key environmental figures internally was continued in 2020.

Renewed stakeholder assessment and materiality assessment in 2020

Cembra's most relevant stakeholders are customers, business partners, regulators, shareholders, employees and communities. We are aware of the impact of our activities and of our responsibilities towards our stakeholders. We consequently seek dialogue at different levels with various partners in our everyday business. Cembra employees from various business functions are in close and regular 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.

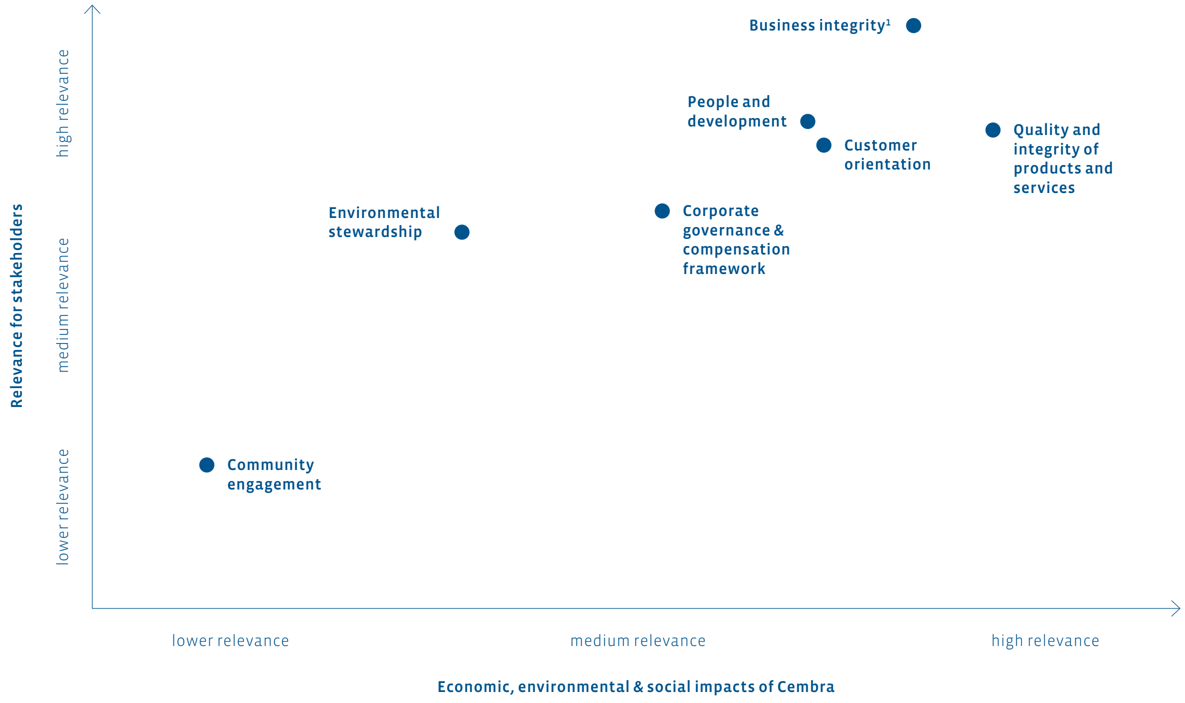
As part of our continued efforts to systematise our sustainability management and following the progress made in recent years, we carried out another stakeholder assessment of our sustainability topics in line with the GRI Standards during the second half of 2020. The previous materiality assessment had been carried out in 2018. The process was supported by a specialised external agency.

Between September and November 2020, twelve external stakeholders were interviewed and asked to evaluate the relevance of Cembra's sustainability topics from their perspective. The interviewees included investors, ESG analysts, business partners, customers, local authorities, employees and civil society representatives, as well as digitalisation and environmental experts. To obtain an internal perspective, a workshop was held with twelve employees from various functions. In line with the latest GRI Standards, Cembra asked all interviewees and workshop participants to assess Cembra's potential positive or negative economic, environmental and social impacts in relation to the various sustainability topics. The feedback enabled Cembra to identify the topics that are most relevant to stakeholders and to understand why they are important.

The assessment included the following topics: customer orientation, quality and integrity of products and services, personnel management and development ("people and development"), environmental stewardship, community engagement and local communities, business integrity, corporate governance, and incentives and the compensation framework. The previous topic "demographic change" was not included in the review because the stakeholders and Cembra considered it to be more of a crosscutting aspect of the other topics.

Updated materiality matrix 2020

1 including data privacy & security



The relevance of the topics for external and internal stakeholders is illustrated on the vertical axis of the materiality matrix. The consolidated views on the economic, environmental and social impacts of Cembra are shown on the horizontal axis.

Five most relevant topics confirmed
Compared to the materiality matrix defined in 2018, the internal and external stakeholders confirmed Cembra's five key sustainability topics. The stakeholders were also asked if there was any other specific topic that Cembra should pay close attention to going forward. No such topics were mentioned, and there was no significant gap identified that would require an adjustment to the topics. Some of the specific comments from stakeholders will be factored into future activities and strategic considerations.

ESG ratings performance considerably improved
Cembra actively participates in several ESG ratings by leading ESG rating agencies both in order to demonstrate the company's sustainability performance and to learn about relevant areas of improvement. In the reporting period, our ratings by MSCI ESG, Sustainalytics, Corporate Sustainability Assessment by Dow Jones Sustainability Index/S&P Global all considerably improved.

Inclusions in the SXI Switzerland Sustainability 25 Index and the 2021 Bloomberg Gender Equality Index
In September 2020, the Cembra share was included in the SXI Switzerland Sustainability 25 Index, which is compiled by the Swiss stock exchange. In January 2021, Cembra was included in the 2021 Bloomberg Gender Equality Index for the first time as one among 380 companies worldwide. This assessment includes gender-related criteria as female leadership, equal pay, inclusive culture and disclosure transparency.

Most relevant sustainability themes
As a result of our engagement with our main stakeholders as described above, our most material sustainability themes were confirmed and further detailed in 2020.

- **Customer orientation** (chapter 3) addresses responsible consumer finance products and services in Switzerland.
- **Quality and integrity of products and services** (chapter 4) covers financing products and services with high product safety, the responsible treatment of customers, and access to affordable products and services.
- **People and development** (chapter 5) comprises recruitment, education and training, personal development, health promotion, work-life balance, diversity management and embedding Cembra's corporate values.
- **Environmental stewardship** (chapter 6) is achieved by optimising processes and outputs that have an environmental impact. It is addressed both within the Bank (direct impact) and in the area of vehicle financing (indirect impact).
- **Business integrity** (chapter 7) covers compliance with laws and regulations, as well as governance, risk management practices, and ethical business conduct. It also covers the protection and security of customers' privacy with regard to their data.

Community engagement (chapter 8) is not considered a material topic. Nevertheless, Cembra has been committed to a number of community-related and philanthropic activities since 2003, and we continue to report on this engagement.

The formerly separate topics "Corporate Governance" and "Incentives & Remuneration Framework" were combined because they are commonly regarded as one aspect of corporate governance by external stakeholders, particularly proxy advisors and other governance specialists. Details on the specific management systems are included in the Corporate Governance Report (see page 65) and the Compensation Report (see page 94).

Commitments, performance measures and assessment 2020

We have developed commitments and performance measures for each of the five most relevant topics. These were approved by the Board of Directors in the first quarter of 2020. The assessment for the reporting period was approved by the Board of Directors in the first quarter of 2021.

Most relevant topics	Customer orientation	Quality and integrity of products and services	People and development	Environmental stewardship	Business integrity
Commitment	We strive for satisfied customers who reward us through high retention and loyalty	We are a responsible provider of financing products and services	We are a Great Place to Work[1]	We reduce our environmental footprint per employee	We take a zero tolerance approach to non-compliance
Performance measures	Net promoter score	Lending portfolio quality metrics and responsible financing measures	Retention rate Employee trust index	Metrics for emissions, and energy use	Number of reported complaints and cases
Assessment 2020	Net promoter score of 30 (2019: 31)	Solid asset quality metrics despite Covid-19 pandemic. Usage of support tools (such as loan extensions) for affected customers in financial difficulty	Retention rate of 88% (2019: 89%) Employee trust index of 71% (2018: 69%)	Scope 1+2 emissions intensity reduced by 25% since 2018	In 2020, no cases had to be reported to regulators.
Reference and details	Page 34	Page 36	Page 41	Pages 51, 53	Page 55

[1] www.greatplacetowork.ch

For the five most relevant topics and our community engagement, details are provided in the following chapters.

Sustainability-related opportunities and risks

Cembra operates exclusively in Switzerland. Given the very stringent regulatory environment, and as we are a purely financial services company, our approach to many environmental, economic and social aspects already meets relatively high standards.

- In 2020, 94% of Cembra's total assets were in cash (or cash equivalents) or in unsecured and secured loans (net financing receivables) in Swiss francs provided almost exclusively in Switzerland.
- Although we are a bank, we offer no investment funds or financing for international projects. Cembra does not manage any third-party assets, and responsible fund investment considerations are therefore not a critical issue for the company.
- Climate-related opportunities and risks are partly included in business planning.
- Environmental risks are considered part of strategic risk (see Risk Management Report page 26). Our vehicle financing portfolio is continuously shifting towards the financing of electromobility Cembra's share of new vehicles financed in 2020 was significantly higher than the market average (for details see page 54).
- Loan applications that do not meet our strict standards are rejected (see the chapter on quality and integrity of products and services, page 38).
- Our Business Partners' Principles of Conduct (supplier standards, see page 58) and our participation in the UN Global Compact (see page 30) help us to manage and mitigate international sustainability risks.

This forms a solid basis for our sustainable and responsible business model. We are aware of sustainability-related opportunities and risks. We aim to identify such risks, and their implications are managed as part of Cembra's overall risk management framework (see the Risk Management Report, page 19).

3 Customer orientation

Aim and approach

We aim to ensure that our customers are satisfied and reward us with a high level of retention and loyalty. For us, customer orientation means that we want to provide high customer value and set ourselves apart through outstanding service and operational excellence. We are committed to offering our clients transparent and responsible solutions that meet their needs and foster sustainable behaviour.

We have made customer focus one of our four values (see page 29), thereby underpinning the importance we place on customers' needs. We have several internal policies that govern business practices and how employees should behave towards customers.

Cembra uses several indicators to assess customer orientation. The most relevant indicator is customer satisfaction for each business, measured by the net promoter score (NPS). The NPS evaluates customer loyalty towards a company. Customers are asked how likely they are to recommend a company to a friend or family member. The score can range from –100 to +100.

We seek to improve our NPS by carrying out yearly surveys of our three main businesses – personal loans, auto leases and loans, and credit cards. The surveys also identify the factors that drive customer satisfaction and areas where customers think there is room for improvement. NPSs were introduced at Cembra in 2016, and the Management Board is responsible for them.

Progress in 2020
In 2020, Cembra's total weighted NPS was +30 (2019: +31), on a scale of -100 to +100. We consider this to be a satisfactory result in a year when customer service was impacted by the Covid-19 pandemic.

Transparent, needs-based offerings

As a leading provider of financing solutions in Switzerland, we aim to provide transparent and needs-based offerings across our businesses.

- **Premium personalised service in personal loans.** For details on our lending process and services, please see the chapter on the quality and integrity of products and services (page 36).
- **Personalised and flexible service in auto loans and leasing.** We provide a personalised, flexible and efficient auto loans and leasing service through our dedicated sales force and other teams at our four service centres in the German-, French- and Italian-speaking regions of Switzerland.
- **High customer value in the credit card business.** Through partner programmes, we offer a range of credit cards with high customer value. There is no annual fee on most of the cards, and in several independent consumer ratings, our credit cards regularly rank among the best in terms of customer value. In annual independent surveys by moneyland.ch, the Migros Cumulus credit card, which is issued by Cembra, is regularly ranked among the most popular card programmes in Switzerland.

We provide customers with financing solutions and a way to stay in control of their finances. The financial situation of our customers can vary depending on their personal circumstances, and some of our customers need financing for matters such as moving to a new place, mobility or education.

Investments in digital platforms and training

To satisfy the needs of tomorrow's customers, we invest in forward-looking infrastructure, including a user-friendly, needs-based digital platform. Our customer focus is also enhanced by the selection, motivation and training of employees (see page 44).

Moving towards widely accessible products

Since 2010, we have been successfully pursuing a long-term strategic shift towards a balanced product portfolio, with credit cards accounting for a sharply increasing share of that portfolio. In all businesses, but particularly in the credit card business, we offer very good value for our retail customers. Credit cards are increasingly becoming a part of the daily lives of our customers, and we support customers in their daily payment transactions and provide convenient and secure cashless payment solutions. For more information on our share of contactless card payments, see the products and markets section (page 11).

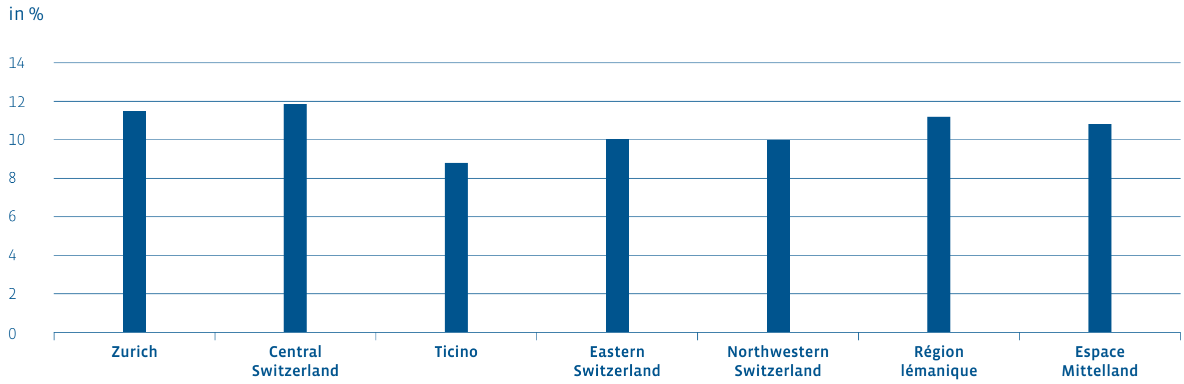
Shift in business mix from 2010 to 2020 (as % of net revenues)

	2010	2015	2020
Personal loans	69%	56%	42%
Auto leases and loans	23%	19%	25%
Credit cards	8%	25%	31%
Other	–	–	2%

Even access to finance across Switzerland

Cembra's products are accessible to a wide range of people across Switzerland. We are proud to serve about one million of the seven million people over the age of 18 living in Switzerland. Our offerings are available in all of the country's regions. The share of Cembra customers is very even across Switzerland's seven regions, and represents between 9% and 12% of the respective population.

Share of Cembra customers per inhabitant in the 7 official regions of Switzerland



4 Quality and integrity of products and services

Aim and approach

We aim to be recognised by our stakeholders as a **responsible provider of financing products and services.** Our overall goal is to provide customers with the amount of credit that suits their individual situation and to prevent people from taking on too much debt. Our quality and integrity performance measures include various metrics relating to the quality of the lending portfolio.

The Management Board is responsible for ensuring the quality and integrity of products and services.

Progress in 2020
The main event in the 2020 financial year was the Covid-19 pandemic and the resulting economic downturn. Despite the economic slowdown, Cembra has not yet recorded a significantly larger number of customers in financial difficulty. The government measures to provide social protection and Cembra's overall prudent approach to risk management helped to limit the negative economic consequences on customers. Cembra proactively restricted lending in specific customer segments that might be affected by the economic downturn and also supported existing customers where the pandemic affected their ability to meet their contractual repayment obligations. Several tools, such as loan extensions or deferrals, were used to bring temporary financial relief to customers and to support customers in rearranging their payment schedules or manage their arrears.

We recorded a solid loss performance in 2020 despite the effects of Covid-19 on the Swiss economy (see the Management Report, page 16). Our risk management approach helped to ensure that our overall loss performance was robust, as we responded swiftly, implemented measures such as restrictions on segments that were materially exposed to macro stress and supported customers in difficulty.

In mid-2020, a working group set up by the members of the Sustainability Committee developed a concept for the further development of responsible financing. The group's aim is to provide advice and solutions regarding responsible financing throughout the customer lifecycle.

Responsible handling of customers in the lending process

We take our responsibility towards customers and society very seriously, and our responsible lending principles are set out in our Code of Conduct. We aim to identify and prevent potential over-indebtedness throughout the lending process:

- Protection of consumers through the Swiss Consumer Credit Act and contractual terms
- Responsible product development
- Marketing and sales
- Customer information
- Evaluation of loan applications and customer behaviour
- Underwriting (including the assessment of creditworthiness and borrowing capacity)
- Loan origination and payout
- Customer service and repayment
- Customer complaint management
- Monitoring and learning

Each step in this process is described in detail below.

Protection of consumers through the Swiss Consumer Credit Act and contractual terms
We provide lending in accordance with the Swiss Consumer Credit Act (CCA). The CCA aims to prevent consumers from taking on too much debt and sets out precise requirements with regard to the content of the contract and the assessment of the customer's borrowing capacity, including a budget calculation (see insert).

The Swiss Consumer Credit Act
The aim of the revised Consumer Credit Act (CCA), which entered into force in 2003, is to protect customers against over-indebtedness. The CCA covers various types of consumer credits to natural persons. The main points of the CCA are:

- **Mandatory check of the borrower's borrowing capacity:** A detailed borrowing capacity check must be carried out by the lender for loans and leasing agreements up to a total exposure of CHF 80,000, to ensure that the amount requested does not lead to the customer's over-indebtedness. The borrowing capacity check assumes that the consumer loan will be repaid within 36 months, even if the contract concerned specifies a longer period. For credit cards with a credit option, the law provides for a summary check. These checks are based on the information provided by the borrower regarding their income and assets, as well as information obtained by the lender from the Swiss central credit information bureau (ZEK) on lines of credit registered in its database.
- **Reporting requirement on the part of the lender:** Lenders must inform the ZEK of the consumer credits they grant and of any leasing agreements subject to the CCA.
- **Maximum interest rate:** The Federal Council determines the maximum effective annual interest rate allowed for consumer credit, based on a formula. Lenders must comply with this maximum interest rate. In 2020, the maximum interest rate was 10% for personal loans and 12% for credit cards.
- **Right of revocation within 14 days** ("cool-off period"): Customers can cancel the consumer credit contract within 14 days of receiving their copy of the agreement.
- **Early repayment:** Customers are entitled to repay their loan early and, in such cases, to be released from paying any further interest and to a fair reduction in the charges related to the unused part of the loan.
- **Advertising for consumer credit may not be aggressive:** Lenders offering consumer financing in Switzerland follow the rules set by members of the industry association, Swiss Consumer Finance (KFS).

Cembra not only acts in accordance with strict legal requirements but also makes use of additional measures and the Bank's substantial experience. Most actions are pre-emptive and in the interests of both the customer and the Bank. It is our goal to establish responsible lending terms rather than maximising contract terms and repayment periods.

Responsible product development
As a responsible provider of financing solutions, we are committed to ensuring the quality and integrity of all our products and services (see our Sustainability commitment and performance measures, page 33). Through our products, we aim to protect customers from the negative aspects of consumer loans and debts by providing related services, and by raising customers' financial literacy about what to consider before taking out a product. When it comes to financing and related topics, we aim to provide customers with consistent value that goes beyond the product. We embrace digitalisation, striking the right balance between convenience and a strict compliance framework that protects the privacy and security of our customers. In product development and approval processes, several risk factors, such as credit, operational and reputational risk, are considered. Details of new products and the performance of existing products are reported to the Credit Committee, which reviews and challenges risks and product features (see the Risk Management Report, page 20).

Marketing and sales
We are committed to marketing our products responsibly. The CCA stipulates that marketing for consumer credit may not be aggressive. Extending these legal requirements, the members of Swiss Consumer Finance (KFS), the Swiss Leasing Association (SLV), and other lending and leasing institutions self-regulate their advertising for consumer loans and take appropriate preventive measures. The "Marketing convention for consumer credit in Switzerland", which took effect on 1 January 2016, is a self-regulation agreement approved by the Federal Council. It goes beyond the commitment not to provide information that is misleading. It also states that aggressive marketing measures must not target young adults and must not suggest taking out credit for expensive short-term investments such as holidays. For the credit card business, a similar convention was adopted by the Swiss Credit Card Association in 2016. The agreements are available at www.cembra.ch/sustainability, in German and French. Cembra is a member of these associations and is committed to complying with their guidelines. The guidelines and processes concerning marketing activities are detailed in an internal directive on marketing activities and external correspondence (see the chapter on business integrity, page 62, for details).

Since 2018, our advertising campaigns are focused on lifecycle events. In other words, a loan should be an appropriate response to life circumstances and events. The campaign addresses certain situations in life when a loan might be an option, such as: education, housing and vehicle purchases. The campaign visuals are available in the Annex to Sustainability Report 2020, available at www.cembra.ch/sustainability.

Cembra is also committed to adhering to responsible sales practices. To ensure responsible sales and customer service, regular training sessions are conducted for both employees and partners. All front-line employees receive regular training (once per year) on regulatory requirements and customer service. Completion tests and certificates confirm the employee's successful participation. Partners (independent intermediaries, car dealers and credit card partners) also receive regular training (see the chapter on business integrity for more details). Sales practices are subject to regular monitoring, and sales personnel receive feedback on their performance and on ethical business practices (see paragraph below on monitoring and learning).

Customer information

We provide comprehensive, accurate and balanced information to our customers: Swiss regulations (Swiss Federal Act Against Unfair Competition, UCA) require banks to provide loan calculation examples for all online and offline marketing materials. In addition, the CCA requires all costs to be accurately and visibly presented in the contract. All marketing materials for personal loans include a legal disclaimer about the risk of over-indebtedness.

For each contract, information is provided on the Swiss Consumer Credit Association's principles for responsible lending. This information is also available on the Bank's website, in German and French (www.cembra.ch/sustainability).

The guidelines and processes concerning customer information are set out in the internal directive on marketing activities and external correspondence (see page 62).

Evaluation of loan applications and customer behaviour

We carefully and systematically evaluate every consumer loan application. Before a contract is entered into, we assess both creditworthiness and borrowing capacity. In addition, we might get in contact with customers in order to further reduce the risk of customer over-indebtedness and debt repayment (servicing) problems. In order to diligently fulfil the legal requirements, the Bank typically requires additional documents so that the accuracy of the income and expenses declared (e.g. rental expenses) can be confirmed through plausibility checks.

We also draw on our long experience by using the Bank's databases and analysing historical behaviour and patterns of customers, in the interests of conscious risk taking. Personal contact with customers is essential to the Bank's business. Knowing the borrower and the borrower's personal situation does not only keep the underwriting process concise, but it also helps in identifying the best possible financial solution for the customer's individual situation.

Underwriting (including the assessment of creditworthiness and borrowing capacity)

Underwriting and the assessment of creditworthiness and borrowing capacity are key procedures that the Bank uses to limit default risk.

The **assessment of creditworthiness** involves evaluating the customer's financial circumstances and personal situation. The assessment is supported by an automated and statistically powerful scorecard-based credit risk rating system that is based on available customer information. A customer's behaviour can also influence the assessment of creditworthiness.

The **assessment of borrowing capacity** is based on: a) the legal provisions of the CCA; b) available customer data from the Swiss central credit information bureau (ZEK); and c) client-specific characteristics pursuant to internal rules, in addition to the legal requirements. The underwriting process requires detailed **budget calculations** based on the information provided by the customer concerning current income and expenses. Customers should be granted loans only if they understand how loan repayment works and if they are expected to manage it without financial difficulties. Applicants who do not meet the necessary criteria are denied credit.

The underwriting process is backed by regular plausibility checks, the monitoring of scorecards and case-specific controls regarding the consistency and completeness of the assessment. The combination of these rules-based tools and the in-depth experience of employees ensure consistent and systematic decision-making for all lending products. All **underwriting** decisions take into account the risk tolerance and risk limit requirements applicable throughout the Bank (see the Risk Management Report, page 19).

Loan origination and payout

Following the conclusion of the loan agreement, loans are paid out after a "cool-off period" of 14 days (starting with the customer's receipt of the copy of the agreement), under the condition that the customer has not exercised his statutory revocation right during said period.

Customer service and repayment

Customers in arrears are made aware of the payments due through collection notifications at an early stage of the repayment process. This allows them to handle any potential repayment issues early on, and to give customers the option of rearranging their payment schedules.

In accordance with the CCA, customers can make additional early repayments at any time during the contract term, which lowers their total interest payments. In the event of early repayment, the consumer is entitled to a reduction in interest and to a reasonable reduction in the costs attributable to the unused credit period.

Customer complaint management

Cembra is committed to responding to customer complaints in a timely manner and with respect and fairness. In addition to chapter III. 2 Responsible lending of the Code of Conduct – which states that we will respond promptly and respectfully to customer complaints – we have a resolution management process in place for external complaints, with monthly reporting to the Risk and Controllership Committee.

Maladministration and/or violation of rights are thoroughly investigated and treated according to applicable laws and our directives and policies. The process is formalised in an internal directive. We have mechanisms in place for receiving and investigating complaints and implementing corrective action. Customer grievances (i.e. complaints) are usually handled via letters: we receive customer grievances in a written form and provide a formal reply in writing. Complaints that are received via phone are tracked separately. (See also the section on grievances in the business integrity chapter, page 57)

In 2020, Cembra received complaints relating to 0.3% of the total customer base of 1.0 million (2019: 0.3%).

Monitoring and learning

The quality of new transactions is monitored internally to ensure that underwriting requirements are fulfilled and that the loan approval process still mitigates credit risk effectively. Underwriters receive regular feedback from their supervisors to prevent decisions that might lead to unwanted outcomes.

Monitoring of product and service quality is part of our net promoter score (NPS) assessment. (See chapter on customer orientation, page 34). Finally, Cembra conducts ad hoc customer surveys and regularly monitors the quality of the call centre services.

Training on product safety

To ensure product safety for customers, Cembra provides training on ensuring a responsible product offering and marketing, responsible sales practices, responsible explanations and responsive services. Tools (e.g. manuals) complement these regular training sessions. An internal training team provides regular functional onboarding activities. Know-how transfer regarding directives and regulations is mandatory and standardised. All newly hired employees in the customer contact centre follow tailor-made initial training programmes. These prepare and support new employees in their roles, responsibilities and competencies relating to product safety, and system and process know-how.

Serving customers in financial difficulty

Responsible practices in cases of potential over-indebtedness
Although all of the pre-emptive action we take means that our portfolio is of a consistently high quality, we also help to provide debt counselling and enable fair repayment where applicable.

- **Regular contact with ombudsman:** In Switzerland, all customers and their representatives have access to the Swiss Banking Ombudsman, to whom they can address their concerns about banks. We are in regular contact with the Swiss Banking Ombudsman in order to find solutions for relevant cases.
- **Information support for debt counselling services:** Cembra supports external debt counselling services when they request information in order to find solutions for clients with debt repayment problems. We are therefore in regular contact with debt counselling institutions in Switzerland.
- **Customer complaints process:** In any case, all customers also have access to the regular customer complaints process (see above).

Responsible practices in exceptional cases
We have put a number of measures in place in the event that repayment difficulties nonetheless arise due to unforeseen events such as unemployment, sickness or divorce:

- **Finding affordable repayment solutions:** The Bank always aims to find fair and affordable repayment solutions for all affected customers. Our internal collections department can respond appropriately and quickly to any unusual situations. The experts in Cembra's collections team have an average of about 15 years of experience.
- **Cessation of interest payments:** In certain exceptional and unfavourable situations, we allow interest payments to be ceased. In addition, at a certain stage in the collection process, interest is automatically no longer charged under Swiss debt collection and bankruptcy law.
- **Individual amicable solutions:** In certain exceptional and unfavourable situations, Cembra may try to find an individual amicable solution, e.g. by adjusting the terms of the product.
- **Loan restructurings:** Cembra makes use of a set of tools that aim to support customers in financially difficult situations by offering to rearrange payment schedules. These tools typically target short-term payment difficulties on personal loans. The usage of these tools is cautiously applied after the customer need is assessed and substantiated. Loan extensions or deferrals are being used in financially difficult situations to enable the customer to fulfil contractual obligations though only a small portion of customers made use of these tools. Cembra has only minimal exposure to troubled debt restructuring (TDR) and such restructuring would be granted in exceptional individual cases only. Please refer to the Consolidated Financial Statements on page 124 for further details.
- **Mortality risk borne by the Bank:** In the personal loans business the mortality risk arising from the customers' obligations under the contract is borne by the Bank.

Outcome: consistently high quality of our lending portfolio

Thanks to all of the internal regulations, actions and measures we apply regarding the quality and integrity of products and their distribution, our loan portfolio is of a consistently high quality. Over the last five years and including the 2020 financial year, our provisions consistently amounted to about 1% of financing receivables, and non-performing loans accounted for less than 1% of financing receivables. The Bank exercises an equal amount of caution when ensuring responsible treatment of customers in personal loans, as well as in vehicle financing and the credit card business (see the Risk Management Report, page 19).

5 People and development

Aim and approach

Our employees are one of our most important stakeholder groups. Their commitment and contributions enable us to be one of the most successful banks in Switzerland. We are therefore committed to providing our employees with a great place to work, as defined by the worldwide organisation Great Place to Work: it is important for us to provide our employees with a healthy environment, to further their development and careers, and to appreciate their performance. A number of different programmes, initiatives and specific training courses are aimed at retaining and promoting qualified and responsible-minded staff. We also recognise and consider the advantages of a diverse workforce, be it in terms of gender, age, nationality or cultural background.

Targets
Our key performance indicators in this area are the employee retention rate and the employee trust index. We also consider various other indicators, such the average number of years of employment, when measuring our performance.

Responsibilities
The Human Resources (HR) department is responsible for hiring and developing people, for internal training programmes, and for ensuring effective employee relations. The Head of Human Resources reports to the CEO and attends board meetings and workshops as required, and provides HR management expertise.

Progress in 2020
The main progress in people and development in the 2020 financial year was as follows:
- During the Covid-19 pandemic, Cembra ensured the health and safety of all employees (see page 46).
- We completed the integration of former cashgate employees following the acquisition in September 2019.
- We introduced a new performance management approach (see page 43).
- In the bi-annual “Great Place to Work” employee engagement survey conducted in the second half of 2020, our trust index improved to 71% (2018: 69%, see page 42).
- An internal equal pay analysis was conducted by Cembra in 2020 which was audited in the first quarter of 2021 by KPMG as independent body. It confirmed that Cembra complies with the principle of "equal pay for work of equal value” and Cembra was awarded the “We Pay Fair” certificate by the Competence Center for Diversity and Inclusion of the University St Gallen, Switzerland.
- Based on our gender-related disclosure and performance in 2020, Cembra was included in the Bloomberg Gender Equality Index 2021 in January 2021.

In 2020, no large-scale redundancies (i.e. job cuts affecting more than 5% of the total workforce) were implemented at Cembra or have been since our initial public offering in 2013.

Coverage
The indicators and activities presented below include former employees of cashgate for the 2020 financial year (see also the section on reporting boundaries, page 30). The report does not include temporary workers from agencies (2% of headcount, 2019: 2%) as they do not have a direct employment contract with Cembra, employees of third parties providing services to the Bank, external consultants for specific projects or employees of the subsidiary Swissbilling. The majority of employees work at our headquarters in Zurich Altstetten, while the remainder work in our network of branches and service centres across Switzerland.

A. Human resources management

Employee turnover rate

One of our key performance metrics for the material topic "people and development" is the retention rate. The retention rate as a % is defined as 100 less the turnover rate as a %.

Employee turnover figures	Turnover rate – permanent contracts	Turnover rate – voluntary[1]	Turnover rate – temporary contracts	Average number of years of employment
2018	13%	9%	1%	9.3
2019	11%	7%	1%	9.0
2020	12%	8%	1%	9.2

1 "Turnover rate – voluntary" only considers resignations on employees' own initiative, excluding dismissals by the employer and retirements
Coverage: Cembra excluding Swissbilling; including cashgate since 2020

Overall, in 2020, the employee turnover rates remained at prior years' levels. Turnover was relatively higher in the operational functions with employees often at an intermediary career stage. The number of years of employment, reflecting employees' loyalty and engagement, increased slightly in 2020. Details regarding entries of new employees are provided further below, in the table of the section diversity and equal pay.

Employee satisfaction surveys and measures to further improve satisfaction

We measure the satisfaction and engagement of our employees every two years. In order to conduct standardised trust index surveys and to compare ourselves to benchmarks, we work with the worldwide organisation Great Place to Work (en.greatplacetowork.ch).

Employee satisfaction (Great Place to Work)	**2020**	2018	2016
Trust index	71%	69%	67%
Participation rate	72%	77%	72%

In 2020, Cembra conducted a survey with a participation rate of 72%, which resulted in a trust index of 71%, an improvement of two percentage points on the last survey in 2018 (69%). As a result of this score and having passed the audit report assessment by Great Place to Work, Cembra was again re-certified as a "Great Place to Work 2021" in the Large Companies (250+ employees) category, following our initial certification in April 2019.

Based on the results of the surveys, the Management Board takes appropriate measures to further improve employee satisfaction. Measures from previous surveys included fostering a culture of trust and teamwork starting in 2019, and the introduction of a new performance management approach called "Dialogue" (see below) in 2020, which replaced our previous performance management system. Measures from the latest survey show that we have to continue our work on building a culture of trust and teamwork. Further improvement measures will be discussed and defined in deep-dive sessions based on the results and are ongoing in 2021.

Recruitment with a focus on team skills and cultural fit

We believe that recruiting based on our values helps us to achieve our long-term goals and supports our four values (see page 29). It is important to us that potential new employees can identify with our corporate culture. During the interview process, we do not only check on technical and functional skills, we also assess how a candidate would fit into the team and our culture based on the principles of our Code of Conduct.

Updated staff regulations in 2020
The staff regulations form the basis of our interaction with employees, and the Code of Conduct describes the key principles of working together within the company. These policies also specify that our behaviour should be based on mutual appreciation and respect. This includes protecting personal privacy, integrity and employee health. Our Code of Conduct also ensures that ethical and moral standards are safeguarded. We do not tolerate any discriminatory conduct, in particular based on race, nationality, gender, sexual orientation, religion or age (see chapter on diversity below). Nor do we tolerate violations of people's rights, in particular workplace bullying. Updated staff regulations entered into force in the first quarter of 2020. The most important changes concerned additional annual leave for employees over the age of 50 and more paternity leave.

Our new "Dialogue" performance management approach
To establish a culture of trust and to transfer more responsibility to managers, the traditional performance assessment process was replaced with our new system "Dialogue", to ensure a continuous dialogue between employees and managers in 2020. The traditional performance ratings (management by objectives) were abolished.

The four key elements of "Dialogue" are a continuous dialogue about priorities instead of annual goals, focus on team performance, discussion of behaviour and feedback for the line manager by the employee. With this approach, we promote an open dialogue between managers and employees through continuous feedback in both directions. We communicate openly and honestly as part of this process, learn from each other, and help each other further develop our strengths. Employees are encouraged to periodically give subjective feedbacks to their manager with regard to their perceived leadership behaviour.

"Dialogue" also places greater emphasis on the ambitions that we as a team want to achieve together. We therefore define team goals and derive individual and team priorities from those goals. This makes it possible for all employees to work towards the same goals. Shorter-term milestones will be defined for individual employees so that we can respond in a more agile way to changes. The rules governing variable compensation have been aligned with this new approach for employees eligible for our Variable Incentive Compensation Plan.

In addition to this permanent dialogue between employees and their managers, employees can raise any concerns with Human Resources directly. And if they prefer, employees may also take advantage of the whistleblowing process that is set out in the Code of Conduct (see pages 56-57).

As part of the implementation in 2020, all employees attended a mandatory training session on the new process. In addition, a focus group with representatives from all areas and levels was set up. After each phase, the group provided feedback and input on how to best support implementation. The feedback on the new system was positive in the reporting period.

B. Development and training

Mandatory training

Cembra requires **all employees to** complete a number of mandatory online training courses (see section on training on responsible sales practices, page 37, and on regulatory and in-house practices, page 56) in order to meet regulatory requirements. These courses cover topics relating to general compliance, operational risk awareness, employees' reporting obligations, anti-money-laundering compliance, Bank-wide information security, business continuity management awareness, data protection and governance, insider trading, and conflicts of interest. In addition, where necessary, specific groups of employees receive additional mandatory online trainings covering topics such as user access management, high privileged access or work and rest period provisions in Switzerland.

All **new employees** attend the mandatory two-day "onboarding" training course offered in the early days of employment. The training covers topics such as compliance, risk management, our vision and culture, as well as our products, employee benefits, and the Cembra brand. During the Covid-19 pandemic in 2020, these training sessions were held in a reduced format.

In addition, those new employees who will be working in operations roles within the Bank also attend specific onboarding training sessions. Among these, we offer monthly new hire training on sales, originations, customer servicing and collections. Training does not only cover products, systems and process skills; soft skills are also strengthened in order to ensure an excellent customer experience throughout the entire customer journey.

These mostly mandatory **functional training sessions for new employees in operations roles** last between two days and five weeks. They are a mix between classroom and online training, one-to-one coaching, testing, self-study and job-monitoring formats. The structure is adapted to the employee's specific needs, and we aim to make the learning content as personalised as possible. The new-hire training sessions are held in the German-, French- and Italian-speaking parts of Switzerland in order to reach all employees.

In addition, where necessary, **specific groups of employees** receive functional refresher training to improve operational readiness and awareness relating to relevant topics (e.g. on changes in compliance, in technology, processes or new products). Further training is given in cases where management identifies skills gaps in customer service employees, e.g. managing complaining customers, negotiation skills, or handling retention issues.

Key figures mandatory training	**2020**	2019	2018
Number of mandatory e-learning courses (of which 10 were mandatory for all employees in 2020)	**21**	24	25
Total average training hours per employee	**4.7**	4.2	5.3

Cembra excluding Swissbilling; including cashgate since 2020

The mandatory functional training programmes are developed and carried out by eight internal functional trainers and one lead. In 2020 a total of 1041 (2019: 1,639) participants were trained through 49 (2019: 63) different courses. The reduction was a result of the Covid-19 pandemic, and we plan to resume training at 2019 levels after the pandemic.

Non-mandatory training

We aim to find a balance that gives employees the opportunity to develop both professional skills and soft skills. By assessing employees' and the Bank's needs, an annual curriculum of management and leadership courses, as well as courses in soft skills, is offered.

In the reporting period, Cembra offered training courses and implemented measures on soft skills topics such as feedback, empathy, mindfulness, resilience, and health and well-being (e.g. watch your back). For employees in management positions, Cembra offers dedicated internal **training on management skills**. Due to the Covid-19 pandemic, a number of courses had to be cancelled or have been shifted to 2021.

Key figures for non-mandatory training

	2020	2019	2018
Management and soft skills training days	**7**	30	28
Courses offered	**6**	17	16
Number of employees taking part in management and soft skills training sessions	**100**	289	267
% of employees trained in management and soft skills	**10%**	36%	35%
Total training costs in CHF 1,000	**60**	150	113

Cembra excluding Swissbilling; including cashgate since 2020.

In 2020, 7 training days (2019: 30) were offered for courses from the Bank's internal training curriculum and 10% (2019: 36%) of employees had the opportunity to take part in at least one training course. The lower number of training days and programmes offered as well as the training costs were due to the pandemic restrictions. To compensate for the reduced programme, Cembra offered its employees webinars and other online training formats.

External training
Employee training is an essential part of employee performance, satisfaction and retention. By training employees well, we enable them to reach their full potential.

Due to Covid-19 restrictions, in 2020, CHF 0.03 million was spent on technical and functional training by external providers training (2019: CHF 0.2 million) and a total of 26 employees received external training.

Furthermore, we support employees in improving their language skills and their professional development. In 2020, CHF 0.12 million was spent on this type of training (2019: CHF 0.13 million).

Succession planning and talent development
The development of internal talent is important to Cembra, as we aim to fill management and expert positions with internal candidates where possible. Internal succession plans help us to steer this process. Possible succession solutions for all roles for top management and two functional hierarchy levels below, as well as critical dependencies on single or key people, were discussed for the entire Bank in the reporting period.

Junior talent development programme
In 2016, we launched our junior talent programme, Radix. Since 2018, the programme has been conducted in collaboration with the University of Applied Sciences in Business Administration in Zurich (HWZ) as part of a CAS (Certificate of Advanced Studies) and has been expanded to include a module in general management. The Bank-wide programme consists of 22 training days over a period of eight months. 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.

In 2020, eight young employees successfully finished the Radix programme. As their main joint project and result, the group successfully took on the task of replacing water bottles and plastic cups at headquarters (see page 52 and the Annex to Sustainability Report 2020).

Apprenticeship programme
One pillar of the Bank's efforts in developing new talent for the future is our internal apprenticeship programme. We generally hire new apprentices every year. After the apprenticeship, we try to take on all the apprentices and offer them their desired position, often successfully. In addition, following the apprenticeship, we help young employees to complete their further education with the possibility of working part time. Because of the Covid-19 pandemic, we took special care in 2020 to find an adequate follow-up solution for all apprentices after they had completed their apprenticeship.

Over the past ten years, 46 apprentices have successfully completed their programme at the Bank, of which 15 are still employed. Six out of nine of the apprentices who graduated in 2020 are still working within the Bank, with two of them working part time while they complete their vocational training.

C. Working conditions

Cembra aims to be an attractive employer by providing competitive monetary and non-monetary benefits, as well as a healthy work environment in which employees feel comfortable and are able to realise their full potential.

Ensuring the health and safety of employees during the Covid-19 pandemic

In the reporting period, Cembra ensured the health and safety of employees at all times. Already at the end of February 2020, a Bank-wide "Covid-19 task force" was set up; it initially met on a daily basis, and then twice a week from June 2020 on. The task force's main goals are to ensure the safety of employees and the continuity of operational business processes. The measures taken since the first wave of the pandemic 2020 included:
- Cembra provided updates and advised all employees on how to stay safe. Employees were frequently updated about relevant information and measures regarding Covid-19, with posts on various internal communications channels.
- A case management was implemented immediately ensuring tracing and handling of potential cases, in line with the recommendations of the Federal Office of Public Health (FOPH).
- Additional hygiene measures were taken in the office environment and employees worked from home wherever possible, with around 70% of employees working remotely.
- Employees who could not work from home were physically separated using the entire office space available to ensure social distancing. Additional measures were taken for people at especially high risk inline with the recommendations of the FOPH.
- Free lunches were offered to employees still working at headquarters when the staff restaurant had to remain closed due to national regulations.
- Our health insurance partner offered a hotline to assist our employees who were struggling with the demands of working from home.
- Parents of schoolchildren were given flexibility to balance working from home and taking care of children during school closures. In addition, up to three working days were granted to care for their children. In individual cases, up to seven additional days were granted.
- In 2020, no short-time work measures were implemented during the Covid-19 pandemic.

Responsibility for working conditions and ensuring a healthy work environment lies with the Management Board, who regularly reviews the progress made. The Head of Human Resources, reporting to the CEO, coordinates health and safety management activities. Line managers ensure that statutory health and safety requirements are met. Measures to maintain and improve working conditions include the following topics, which are described in detail below:
- Absentee rate measurements and targets
- Healthy work environment and work-life balance
- Employee assistance programme and mental health management
- Flexible ways of working
- Annual leave and absentee regulation
- Leave for dependent care and maternity leave
- Safety in the workplace
- Non-salary employee benefits
- Predominantly permanent employment contracts
- No significant sub-contracting of employees

Absentee rate measurements and targets

The absentee rate is an indicator we use to learn about our employees' well-being. The absentee rate is based on monthly data and calculated annually. Absences due to pregnancy are included in the calculation for the reporting period. In 2020, the absentee rate was 3.2%. As a new calculation method was used, it cannot be directly compared with previous values (2019: 3.3% and 2018: 3.1%). Cembra has set internal targets with the aim of reducing the absentee rate.

Healthy work environment and work-life balance
Following an assessment of our various health programmes and actions in 2019, we created a comprehensive occupational health management programme in 2020. The measures include:
- **Absence prevention and absence management** workshops for line managers. The training provides managers with a clear process before, during and after an absence due to a personal crisis, an illness or accident.
- **Work-life balance training**, such as health and leadership, resilience, breathing training, and stress management. In the in-house gym at headquarters, we offer fitness courses and yoga classes.
- **Seminars on health topics**, such as quitting smoking, as well as information sessions and awareness campaigns on topics related to nutrition, well-being and first aid. Cembra also has an emergency response system.
- **Catering at headquarters** offered more healthy alternatives (e.g. a larger variety of vegetarian food).
- **Emergency response system**. Emergency first-aiders have been identified in all branches and at headquarters. They receive regular training every two years to hone their skills and stay up to date.

Cembra ensures that **health risks** and issues are managed effectively and that related action plans are prioritised. We provide documents on health risks and hold regular discussions between Human Resources and managers on this topic; executive management is also involved in preventing health issues.

Employee assistance and mental health management
Cembra has around 1,000 employees. The size of the company allows us to handle every case in a responsible way and on an individual basis. Cembra works with an external provider that supports and provides counselling to employees and management on cases related to personal matter (e.g. family, marriage, migration), occupational issues (e.g. conflicts in the workplace, tension within the team, sexual harassment, termination, mobbing), health matters (e.g. stress, burnout, longer-term illness, addiction, disability), and personal finance (e.g. budget consultancy, burden of debt, retirement). Employee counselling always takes place in a confidential setting and is available in German, French, Italian and English. For medical issues and in case of long-term absences, we work with our insurance provider and the related disability insurance office. In 2020, Cembra handled 19 cases.

Flexible ways of working
The Bank offers flexible working solutions to foster a healthy work-life balance. The solutions include part-time and telework arrangements, given that Cembra is convinced that flexible ways of working can increase job satisfaction, employee commitment, productivity and retention. We recognise that a growing number of employees want flexible working hours, longer periods of free time and family-friendly framework conditions, and we are aware that we have to support this trend without compromising the needs and success of the business. The flexible work arrangements are outlined in our Ways of Working framework. The key elements of the framework are described on page 63.

Many of our part-time employees are working parents. At year-end 2020, 25% (2019: 25%) of all employees were working part time (for the detailed figures please see the Annex to Sustainability Report 2020).

Annual leave and absentee regulation
The health of our employees and their families is a high priority for the Bank. Annual leave and other days off have positive effects on health and well-being, limit the time employees have to take off due to sickness, and also improve morale and productivity in the workplace. All of our employees are entitled to 25 days of paid annual leave. This is above the legal minimum of 20 days and corresponds to the industry standard in Switzerland. In addition, since 2020, employees over the age of 50 have been entitled to five additional days of annual leave; previously this additional entitlement started at the age of 60. Moreover, we also grant employees paid days off for various family matters.

Safety in the workplace
In collaboration with numerous cantonal Samaritan associations, Cembra offers all employees the opportunity to take part in First Aid Training, in case of emergency. Such courses are offered to employees on a voluntary basis in order to ensure that we have enough people who are trained in first aid and in the use of an AED (automated external defibrillator). We have a dedicated safety point webpage on our intranet, which provides all emergency information on one page. The location of all internal safety kits and a list of all certified first responders by location and floor, information about evacuation and defibrillators, and all emergency numbers are listed on the webpage.

Leave for dependent care and maternity leave

Cembra offers fully paid maternity leave that exceeds the legal requirement. Fully paid paternity leave is ten workdays, reflecting the legal requirement. See the Annex to Sustainability Report for details.

Non-salary employee benefits

Alongside salaries customary for the sector, Cembra's non-salary (fringe) employee benefits contribute to our attractiveness as an employer. The Bank aims to ensure that all employees gain equally from these benefits, and to encourage employees to use public transport. Benefits include travel vouchers for public transport (covering the full cost for commuting within the city of Zurich) and also include additional benefits, such as financial support for employees with children and increased amounts for travel vouchers (Reka-Checks). Our fringe benefits brochure, which provides an overview of all benefits for employees, is available upon request.

Predominantly permanent employment contracts, and no significant sub-contracting

All our staff members are employed under Swiss law. We aim to limit the use of non-regular employment to specific projects and to address short-term needs to cover peak times in operational departments, such as customer service or originations.

There is no significant sub-contracting of employees. The number of people working for Cembra to address short-term needs represented 2% (2019: 2%) of the workforce. These temporary employees hired through recruitment agencies, generally for a few weeks or months and at short notice, are not included in this report. Cembra also works with IT and other expert advisors for project-related work.

Any significant outsourcing is reported on a yearly basis to the regulator FINMA. This includes major IT outsourcing to expert companies such as Swisscom and IBM. Our due diligence and supervision processes adhere to the strict requirements of FINMA's regulation "Outsourcing – Banks".

D. Diversity and equal pay

Diversity is one of our four corporate values (see page 29). Cembra promotes diversity and provides equal opportunities for all employees. In particular, we do not discriminate against anyone on the basis of gender, ethnicity, religion, origin, sexual orientation, age, marital status, genetic information, skills, disability or any other characteristic. This is outlined in our staff regulations and our Code of Conduct (section II. "Cembra's responsibility as an employer").

We strongly believe that we and our stakeholders benefit from diversity in various ways, such as enhanced understanding of the customer base, an increased skills set, improved employee onboarding and retention, a larger talent pool, and enhanced productivity.

Gender and age

49% of employees are women (2019: 48%). At the employee level (including the employee and senior employee levels), the proportion of female employees is 51% (2019: 50%). At the management level (including the management and senior management levels), it is 21% (2019: 25%). For the detailed figures please see the Annex to Sustainability Report 2020, page xx.

Internal career mobility

HR key figures	**2020**	2019	2018
Total entries	**113**	156	168
– of which women	**53**	65	80
– of which total new employees 50+ (excl. cashgate)	**12**	18	22
Internal department changes	**52**	175[1]	77
Internal promotions (pay grade changes)	**26**	66	43
– of which women	**12**	25	16

Cembra excluding Swissbilling; including cashgate since 2020.

1 Reorganisation

Women-only networking groups

Giving female employees the opportunity to take part in networking groups is an efficient way for women to come together and offer each other support, build up a valuable network and gain ideas. It also provides them with a space to discuss gender issues and equality without judgement.

Our internal "Connect" programme provides women across different functions and hierarchies with various platforms to facilitate personal development, career advancement and the exchange of ideas. A team of volunteers 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 is open to all female staff within the organisation, with some events also open to men. In 2020, the programme was reduced due to Covid-19-related meeting restrictions. Additionally, Cembra is a founding member of the "Advance" network for gender equality in business. As an Advance Gender Equality in Business Gold Member, Cembra gets access to 17 skill-building training days per year for talented women in middle and upper management as well as a mentorship programme and workshops with role model exposure and best-practice-sharing on innovative working models.

Internationality and cultural backgrounds

The internationality and cultural background of employees are considered part of Cembra's diversity. Despite being a relatively small company, Cembra employs people from 39 different countries (2019: 36, 2018: 37, 2017: 38; not counting multiple citizenships) and with diverse cultural backgrounds. For the detailed figures please see the Annex to Sustainability Report 2020.

Equal pay for men and women and gender pay metrics

Equal pay

In 2020, we performed an internal equal pay analysis based on legal requirements in order to identify differences in pay between men and women doing work of equal value for the Bank. Cembra used the "Logib" tool which is provided by the Federal Office for Gender Equality for its analysis. The analysis confirmed that Cembra complies with the principle of "equal pay for work of equal value". The analysis was audited by KPMG as external body (see also Individual Financial Statements page 182). Based on the analysis, Cembra was awarded the "We Pay Fair" certificate by the Competence Center for Diversity and Inclusion of the University of St Gallen.

Differently to pay gap models in some other countries the tool looks at factors which can explain a pay gap such as workplace-related criteria like employee level and personal qualification elements, i.e. education, to calculate an adjusted pay gap.

Pay quartiles

In 2020, women made up 25.0% of our top earners (i.e. whose pay was in the 1st quartile). 41% of our revenue-producing roles were held by women.

Cembra pay quartiles: proportions of women (Bloomberg disclosure standard)

Pay quartile	**2020**	2019
1st quartile	**25.0%**	27.2%
2nd quartile	**46.3%**	42.4%
3rd quartile	**58.2%**	58.5%
4th quartile	**64.5%**	62.4%

Top-to-median salary ratio

The top-to-median pay ratio was 12.3 in 2020 (2019: 12.3, 2018: 12.5). 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 equivalents.

6 Environmental stewardship

Aim and approach

Environmental stewardship is a key part of our sustainability aspiration (see page 29). We are committed to using resources in a sustainable manner, minimising the negative impact of our operations, and supporting the transition to a low-carbon economy.

In the relevance matrix we developed in the second half of 2020, our stakeholders considered environmental stewardship to have a "medium impact" (see page 30). Being specialised in lending, deposit and savings products in Switzerland only, Cembra's environmental footprint was considered relatively small compared to other companies by our stakeholders.

Cembra manages environmental stewardship using a two-fold approach:
- **Operational environmental management:** We are engaged in ongoing efforts to protect the environment by conserving natural resources and preventing pollution, including specific effects from supply chains.
- **Ongoing shift towards financing electromobility:** Cembra is one of the leaders in financing electromobility in Switzerland, and electric vehicles account for a growing share of our financing. We see the increase in demand for climate-friendly products as an opportunity, and we provide loans and leases for electric vehicles on highly favourable terms.

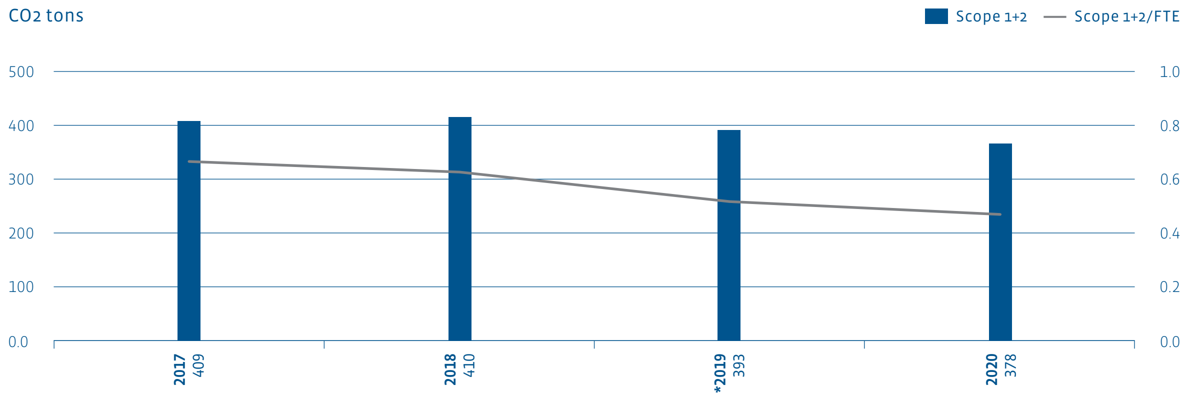
As for **environmental opportunities and risks**, we strive to manage climate-change-related effects on the business and as part of our strategic risk management (see the Risk Management Report on strategic risk, page 26). Where deemed appropriate, we include environmental risks and opportunities in our business planning. We also intend to include such impacts in our scenario analysis framework.

Progress in 2020
In 2020, climate-related guidelines were included in the updated Code of Conduct and the newly published Business Partners' Principles of Conduct (see pages 56 and 58). In the the second half of 2020, Cembra started reducing the emissions from the own fleet by replacing cars with combustion engines by electric vehicles. Various operational improvements were made to reduce carbon emissions in 2020 (for details see below, and the Annex to Sustainability Report 2020).

In addittion, we enhanced our carbon emission disclosures by slighly restating and improving our Scope 1 and scope 2 emissions to reflect new data sources and insights. We are also including business air travel as a new Scope 3 item.

In the period 2017–2019 we were able to considerably reduce our Scope 1 and 2 carbon emissions intensity (CO2 tons/FTE). This trend continued in 2020, also due to the Covid-19 restrictions.

Scope 1+2 emissions (CO2 tons) and emissions intensity (CO2 tons/FTE) 2017–2020



* 2019 excluding cashgate

Coverage and boundaries

Cembra's efforts in environmental stewardship focus on energy and emissions intensity at headquarters, which covered 76% of employees in 2020 (including Swissbilling and cashgate since 2020). Through our Business Partners' Principles of Conduct, we also pay attention to our suppliers' environmental management systems (see the chapter on business integrity, page 58).

Operational environmental management

Cembra's environmental management is based on the Swiss Environmental Protection, Energy and Carbon Acts. We ensure environmental stewardship mainly by optimising processes and outputs with an environmental impact. We also achieve cost reductions by optimising and reducing our use of energy and equipment.

Energy and emissions

Cembra strives to make more efficient use of energy and to reduce greenhouse gas emissions. Since 2012, we have been part of the voluntary energy programme run by the Energy Agency of the Swiss Private Sector (EnAW) in Zurich, through which we have committed to actively reducing carbon emissions and optimising energy efficiency. By working with the EnAW, an official partner of the Swiss Federal Government and cantons for energy savings and climate protection, we have been able to cut our energy consumption and to increase cost-efficiency.

- **Lower energy consumption.** Energy is the area in which the Bank's operations have the biggest impact on the environment. At our headquarters (76% of all employees) we have been using electric power generated 100% from renewable sources since 2016. Saving energy is essential for Cembra, as it enables us to conserve resources and be cost-efficient. We also have a strong interest in ensuring a stable energy system for the unobstructed operation of our business activities. In order to reduce our environmental impact and lower costs, we continuously implement a variety of measures aimed at reducing greenhouse effects of energy use.

		2020	2019	2018	2017	2016	2015	2014	2013
Electricity	kWh/FTE avg	**2,317**	2,570	2,633	2,525	2,649	2,944	3,188	3,409
Gas	kWh/FTE avg	**871**	850	1,231	1,220	1,695	2,351	1,983	2,679

Coverage: 76% of total employees in 2020).

  Since 2013, the consumption of electric power per FTE has declined by 32% (2019: -25%) and natural gas by -67% (2019: -62%).
- **Upcoming significant reduction in carbon emissions at headquarters:** The owner of the building where Cembra is headquartered has decided to switch to district heating by 2021 and to district cooling by 2022. These thermal networks, which are environmentally friendly and energy efficient, will replace gas heating and allow Cembra to further decrease its direct greenhouse gas emissions significantly in the next years.
- **Company fleet:** In 2020, Cembra adopted a new internal target to significantly reduce carbon emissions from own vehicles. The number of cars in the fleet amounted to 60 (2019: 57, 2018: 63). The increase related to the acquisition of cashgate. In 2020, the total number of kilometres travelled continued to decline by 11% (see table below), mainly because of the pandemic.
- **Employee benefits to support the use of public transport:** We encourage commuting by public transport as part of our employee benefits. We cover a significant part of public transport commuting costs for most employees (see page 48). In 2020, commuting with private cars and, public transport was considerably lower.
- **Flexible ways of working:** Working from home and commuting to the workplace during off-peak hours reduces emissions and peak use of public transport. In our "Flexible Work Arrangement Framework" (see page 63 for a summary) we have been encouraging teleworking and flexible working hours since 2018.

Materials

As part of our sustainability aspiration, we aim to reduce and optimise the use of natural resources. We pay particular attention to where we source materials for our products, and how we use paper, IT equipment and infrastructure. The progress in 2020 is summarised as follows (detailed descriptions are available in Annex to Sustainability Report 2020 at www.cembra.ch/sustainability):

- Continued roll-out of energy-efficient IT equipment and infrastructure
- Free water dispensers for all employees at headquarters, replacing bottled water
- Switch to predominantly plastic-free catering for employees at our headquarters
- Electric displays in meeting rooms, leading to comparatively low paper consumption, with FSC-certified paper for all printed documents
- Further improvements, including the separation of waste at headquarters, planned for 2021

Key environmental figures

	Unit	**2020**	**2019**	2018
Consumption				
Electricity	kWh	**1,538,548**	1,553,193	1,453,998
Gas	kWh	**578,700**	513,900	679,500
Water	m3	**3,454**	3,342	3,284
Paper	kg	**18,166**	24,335	21,920
Waste	liters	**596,000**	819,600	833,600
Lease cars (own fleet) [1, 3]	km	**1,583,747**	1,783,526	1,743,065
Lease cars (own fleet) / FTE [1, 3]	km / FTE avg	**1,674**	2,292	2,297
Business air travel	km	**34,000**	565,600	369,700
Greenhouse gas emissions				
Direct emissions (scope 1) [3]	**CO2 tons**	**357**	**371**	**390**
Gas	CO2 tons	**117**	104	137
Lease cars (own fleet) [3]	CO2 tons	**240**	267	252
Indirect emissions (scope 2) [3]	**CO2 tons**	**22**	**22**	**20**
Electricity [2]	CO2 tons	**22**	22	20
Indirect emissions (scope 3)	**CO2 tons**	**n/a**	**n/a**	**n/a**
Business air travel (cat. 6)	CO2 tons	**5**	78	49
Scope 1+2 emissions / FTE [3]	CO2 tons	**0.46**	0.55	0.62
Number of employees (emissions scope)[2]	FTE avg	**664**	604	552

[1] Excluding Swissbilling.
[2] Scope: Zurich headquarters (76% of employees in 2020) where Cembra uses 100% carbon neutral renewable energy sources.
[3] Scope 1 and 2 emissions slighly restated for prior years, see "Progress in 2020" above for details.

Our Scope 3 reporting is currently limited to business air travel by our employees. Other categories (e.g. use of products sold, purchased goods and services, capital goods, employee commuting by private car/train) are currently not measured. We realise that there is a considerable impact on the environment of the products and services that we offer. The need for further reporting will be assessed in 2021.

Ongoing shift towards financing of electromobility

Cembra is one of the leaders in financing electromobility in Switzerland. We offer loans and leases for electric vehicles on highly favourable terms. Electric vehicle leasing is expected to generate a much larger share of total revenues over the long term. Declining prices for electric vehicles and a larger supply of used vehicles will further increase the popularity of electromobility, as will tighter carbon requirements and regulations. Ultimately, Cembra's customers benefit from products that enable them to save energy. The strategy is to continue to grow this business in line with the market's development to ensure continued diversification in the leasing portfolio.

The share of electric vehicles in Switzerland is growing fast. In 2020, about 14% of new car registrations on the Swiss market were for electric cars, including grid-charging plug-in hybrid vehicles (source: auto schweiz). The share of registered cars in Switzerland equipped with electric engines increased to 8.2% (2019: 4.2% 2018: 1.7%).

Cembra's share of new electric vehicles (including grid-charging plug-in hybrid vehicles) financed in the vehicle loans and leases portfolio was considerably above the market average in 2020.

7 Business integrity

Aim, approach and progress

As an independent bank that has been listed since 2013, we meet strict regulatory requirements and provide greater transparency than most of our competitors, many of which are neither listed nor have a banking licence. However, as a market leader, we are convinced that strict regulatory requirements and transparent information are a good way to inspire greater confidence, particularly among customers and other key stakeholders who want to know about the Bank's financial and non-financial services and business practices. This allows us to set ourselves apart in the marketplace.

We inform our regulators about potential self-identified issues of regulatory relevance openly, transparently and proactively.

Cembra operates only in Switzerland, where there are relatively low risks of corruption compared with other countries (according to Transparency International and World Bank data). However, as a financial intermediary, the Bank has to consider money-laundering risks and prevent illegal transactions (see below for related policies and processes).

Responsibility, one of our four values, means that employees should always act in the best interests of the Group and our customers. Employees are responsible for their actions, should ensure complete transparency and need to behave with integrity. Through our training and performance management system, we encourage employees to gain outstanding knowledge of products, processes and market conditions and to stay on top of the latest trends, innovations and regulations.

In this way, we aim to have the reputation of taking a zero tolerance approach to non-compliance.

Progress in 2020
In April 2020, we updated and published our Code of Conduct and we published our Business Partners' Principles of Conduct. In addition, we updated our staff regulations (available on request).

In 2020, no cases were reported to regulators.

Compliance and risk framework
Cembra has several detailed internal policies in place, which aim to prevent bribery and corruption, for example the Code of Conduct and the Business Partners' Principles of Conduct, the directive on fraudulent practices by external parties, the directive on the acceptance and presentation of gifts, and the directive on sponsoring and contributions (summaries of the most relevant policies are available at the end of this chapter). Cembra is in full compliance with global regulations such as the Foreign Account Tax Compliance Act (FATCA) and the Automatic Exchange of Information (AEI) in order to prevent tax evasion.

The Bank uses the "three-lines-of-defence" framework to manage risk and monitor compliance with legal requirements and internal policies (see the Risk Management Report, page 20, for more details). Binding, regularly updated processes likewise ensure that the Bank follows all applicable laws and regulations. Various policies are in place to ensure a high level of business integrity and compliant, responsible behaviour.

Operating guidelines for reporting irregularities or suspicious transactions (e.g. AML directive) are set out in various policies (see page 61).

Managerial responsibility
The Management Board sets the tone and creates a culture in which employees are aware of their responsibilities and can express concerns without fear of reprisals. The Management Board promotes ethical behaviour, sets an example and provides sufficient resources for the Bank's compliance programme.

All members of the Management Board bear the ultimate responsibility for adhering to business ethics in their respective areas of responsibility. Managerial responsibility for handling any instances of bribery or corruption lies with the members of the Management Board, and operating guidelines for record-keeping are defined in the internal policies. Furthermore, Cembra has an internal and external ombuds system, and employees have the right and duty to report any compliance breaches.

The Management Board is the highest level of executive oversight for the company's anti-bribery and anti-corruption programme and business ethics. An annual compliance risk assessment is performed on behalf of the Management Board and reported to the Board of Directors.

In the Management Board, the compliance department is represented by the General Counsel.

Mandatory training for employees
Cembra has adopted a comprehensive programme of mandatory training based on both regulatory and in-house requirements for all employees (for details see people and development, page 44). Employees are required to complete this mandatory training once a year and confirm their skills by successfully completing several online tests.

- **Annual mandatory training for all employees on nine topics:** general compliance, operational risk awareness, reporting obligations for employees, anti-money-laundering compliance, Bank-wide information security, business continuity management awareness, data protection and governance, insider trading, and conflicts of interest
- **Annual mandatory training for specific target groups:** credit cards directives, insurance (intermediation) directives, risk and control data management, identity and access management, and working hours regulations
- **Mandatory training for all new employees:** "Onboarding Days" comprising two days at the start and one day after two months. Due to the Covid-19 pandemic, the onboarding days were temporarily shortened to one day in 2020.

Cembra's Head of Human Resources is responsible for ensuring that all mandatory training is made accessible to employees. The members of the Management Board are responsible that all targeted employees successfully complete the mandatory trainings.

Updated Code of Conduct

The Bank introduced a Code of Conduct in 2005, and it has been updated several times. The current version was approved by the Board of Directors in March 2020 and published in April 2020. In our revised Code of Conduct, we have defined internal rules that include compliance with laws and professional standards and form the basis for our behaviour and thus our long-term success, and that we are convinced are correct. The Code of Conduct is intended to provide clear guidance for all employees as to the principles that must be complied with and the rules by which Cembra is governed. The Code of Conduct addresses the areas of basic conduct requirements, Cembra's responsibility as an employer, Cembra's responsibility in dealing with customers, business partners and third parties, the personal integrity of Cembra employees, Cembra assets, and Cembra's responsibility to society and the environment.

Cembra conducts occasional audits to determine internal compliance with its Code of Conduct, via first-, second and third-level controls (three lines of defence). The Code of Conduct is available at http://www.cembra.ch/governance.

Coverage
Compliance with the Code of Conduct is mandatory for all Bank employees and for the members of the Board of Directors. The Code of Conduct is an integral part of all employment contracts and is available in three languages (German, French and English), and it has been adopted by the subsidiaries.

Implementation and training
Annual training on the Code of Conduct is mandatory for all employees and is part of the mandatory onboarding workshop for all new employees.

- All new employees are given the Code of Conduct as part of their employment contract and attend two compulsory training sessions on the Bank's corporate values and the Code of Conduct.
- All employees are required to attend annual online compliance training that covers key components of the Code of Conduct. We plan to include various aspects of diversity, sustainability and human rights in future mandatory compliance training. All employees take an annual online test to demonstrate that they understand the contents of the Code of Conduct, the whistleblowing process and the related procedures. 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 General Counsel or to the Audit and Risk Committee. Violations by the CEO must be reported to the Chairman of the Board of Directors.

- Violations of the Code of Conduct have a negative impact on employee performance reviews and may affect variable compensation. Such violations may also result in dismissal.
- In 2020, all employees, including all new employees, completed the mandatory online training on the Code of Conduct and pledged to comply with the provisions of the Code.
- For further details on mandatory training, see the section on development and training, page 56.

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.

- Cembra does not tolerate reprisals against anyone who reports alleged violations in good faith.
- Employees can report suspected violations internally (to their supervisor, Human Resources, Compliance or the internal ombudspersons) or to the independent external ombudsperson. A form is also available on the Cembra intranet.
- All employees are informed about the ombudsperson and educated about what to do and whom to contact if they uncover possible violations.
- Operating subsidiaries have their own whistleblowing processes and suspected violations can be reported internally and externally.
- Whistle-blowers can report their concerns confidentially and anonymously. The whistleblowing process is subject to regular reviews by Compliance. Violation of the Code of Conduct by Board members, the Management Board or employees can lead to disciplinary measures. Violations amounting to criminal behaviour will be brought to the attention of the competent authorities. If suspected violations of the Code of Conduct are reported, Compliance will investigate. If a violation is confirmed, Compliance will inform the relevant supervisor and the member of the Management Board.
- In 2020, one case was reported.

Political involvement
Cembra does not make any political contributions, as stated in chapter 3, paragraph 3, of Cembra's Code of Conduct. Also, the Policy on sponsoring, contributions and donations states that no support can be given to political parties (find more information on this policy below).

Signoff on policies
There is an annual signoff of the most relevant policies as part of the e-learning programme, which is mandatory for all employees. An internal monitoring system is implemented by the control functions Risk and Compliance. This is also part of the whistleblowing process, which is used to detect corruption ("ombuds system").

Grievance procedures
Information and general guidelines on Cembra's grievance mechanisms concerning matters of employees' personal interests (including freedom of association) can be found in the Code of Conduct itself as well as the Bank's internal online platform, to ensure that all employees are aware of the Bank's reporting procedure (including the internal and external ombuds system). Furthermore, Cembra's staff regulations also encourage all employees to report any violations (including suspected violations) or unethical behaviour. Violations can be reported anonymously by phone or via email to an external ombudsperson.

Human rights

By signing the UN Global Compact in September 2020, Cembra publicly committed to observing and complying with the Ten Principles, which include human rights. Furthermore, we acknowledge, support and respect the UN Guiding Principles on Business and Human Rights (UNGPs), the Universal Declaration of Human Rights, and the fundamental labour rights outlined in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Within our sphere of influence, we support the protection and promotion of human rights and ensure that all employees act in accordance with internationally recognised human rights. We do not tolerate child labour or forced labour or any other form of exploitation of human beings. This applies to our own operations, employees, products and services and is also something we require of our suppliers and partners.

At the Sustainability Committee meeting in September 2020, the Management Board reviewed what actual or potential human rights issues could be of concern and committed to fulfilling the UN Global Compact's Ten Principles.

Supplier standards and management

Cembra's supplier selection is based on comprehensive criteria, which include sustainability and risk control, as applicable. In order to safeguard the social, environmental and economic impact of our extended supply chain, we issued a set of improved supplier standards and values in April 2020. In 2020 we started to roll out the corresponding new enforcement actions and controls.

Supplier standards

Through our supplier standards – the Business Partners' Principles of Conduct (available at www.cembra.ch/sustainability) – our business partners and their subcontractors agree to comply with all applicable laws, regulations, industry standards, agreements and guidelines relating to social standards (including labour law and occupational health and safety regulations). This includes providing a safe working environment that ensures the physical and mental integrity of employees at all times.

Our supplier standards are derived from the Cembra Code of Conduct, and we issued a dedicated document focusing on our specific expectations regarding suppliers in April 2020. The improved standards explicitly cover integrity, anti-corruption and social and environmental standards and are aligned with the principles of the UN Global Compact. With our updated approach, we strive to embrace areas that are not comprehensively covered by law or where we need our suppliers to adhere to more stringent standards than those applicable in their respective locations.

As an example, with the improved standards, we require explicitly that our suppliers ban child labour, forced labour, discrimination, harassment and abusive behaviour and that health and safety requirements are met throughout their entire value chain (i.e. including upstream subcontractors and auxiliary staff in all geographic regions).

Cembra is also interested in suppliers' environmental performance and internal management systems. In 2021, we plan to conduct a survey among Cembra's most important suppliers regarding the status of their environmental management systems.

Supplier management processes

Our supplier standards are based on our values. We rely on a multi-layered enforcement system:

- In Switzerland, the European Union and many other markets, most of the requirements imposed on our suppliers are legal requirements, covered in an industry standard and widely accepted. For many aspects, compliance is independently monitored and enforced by public authorities, industry bodies, regulators and other institutions.
- Our improved supplier standards are available on our website, and suppliers will be actively and continuously made aware of our requirements throughout the procurement lifecycle.
- For our key suppliers, the supplier standards will become an integral part of the contractual framework governing the business relationship. We plan to extend coverage and successively include the supplier standards in most supplier agreements by renewing and extending existing contracts in the future, thereby making it a contractual obligation.
- Our key suppliers are obliged, and all others are expected, to report and mitigate breaches of the supplier standards upon detection of a problem.

Cembra's Sourcing and Vendor Management team is responsible for continuously raising awareness of Cembra's requirements, enforcement approach and controls among all relevant internal stakeholders.

Coverage

Our supplier standards aim to cover those suppliers that do not already have their own sustainability programmes. In 2019 our analysis revealed that the vast majority of our suppliers are Switzerland-based companies with extensive supplier standards and that implicitly already fulfil Cembra requirements. Throughout 2020, Cembra updated the templates of the framework contract to include these standards. The templates are now in use whenever framework contracts are renewed or when larger new contracts are awarded. This means that the standards will be contractually endorsed following a risk-based approach: larger suppliers (especially those that operate in regions with lower standards than Switzerland) have already endorsed the standards and those remaining will do so during the next renewal cycle. In 2020, all renewed contracts (excluding licences) with key suppliers included a commitment to the new Business Partners' Principles of Conduct.

Controls
We require our key suppliers to have a robust control system in place in order to detect failures to comply with the standards and to ensure that corrective action is taken. This is complemented by an obligation for Cembra employees in charge of a specific service or supplier to report and escalate any observation of non-compliance, as well as periodic checks of key suppliers by Cembra Sourcing and Vendor Management. In cases of non-compliance, we review the seriousness of the specific case and take appropriate corrective action. Additionally, all new suppliers are screened, including through watchlist screening and further checks depending on services and the extent to which data is shared. The intensity of these checks depends on the type of relationship and integration with Cembra. The highest level of diligence is applied when critical or sensitive data are shared and/or an outsourcing relationship is in place. The risk assessment is reviewed periodically. Key suppliers are assigned minimum yearly performance assessment ratings covering all critical aspects of supplier performance.

Training
The Sourcing and Vendor Management department includes senior employees who actively drew up the Cembra directives and the supplier standards (and hence do not require training themselves). New and existing sourcing employees undergo both Cembra-wide and department-specific onboarding processes and receive training covering corporate responsibility and sustainability requirements.

Audits
Key suppliers are contractually obliged to report (suspected) breaches without undue delay. Non-compliance is treated on a case-by-case basis, with consequences ranging from supplier development to contract termination. For our key suppliers, we undertake regular performance review meetings, and adherence to data protection and information security requirements is monitored through a risk-based approach (controls ranging from self-declaration to on-site audits depending on the circumstances).

Privacy and data protection

The protection of personal data using lawful and transparent data processing is important to us. We regularly review and optimise processes and controls in order to protect both personal data such as customer data and business data. We have implemented a comprehensive framework to ensure data privacy, banking secrecy, and information security, in order to adhere to applicable legislation and regulations.
- The Group has implemented this framework with the overall intent critical information, personal data (such as customer data), and data processing relevant information technology are protected. This framework covers the protection of data processing by service providers. Such service providers are diligently selected, instructed and controlled.
- All employees receive regular training on data protection and information security. For further details see the section on mandatory training, page 44.
- Cembra has published a privacy policy, that sets out the rules governing data processing in the Bank and the corresponding rights of customers. The Bank's Privacy Policy is published on Cembra's website (www.cembra.ch/en/privacy-policy/) and applies to all relevant business lines. It informs customers about the Bank's data processing and provides all information on how to exercise their rights.

The Swiss Financial Market Supervisory Authority (FINMA) details in its Guidance 05/2020 the duty to report cyber attacks pursuant to Article 29 para. 2 FINMASA. Such cyber attacks could lead to potentially severe information security incidents, including breaches of data confidentiality. In the course of 2020 no such incidents were reported in line with the above mentioned guidance and its reporting duties.

Furthermore, the Bank has implemented and maintains response plans in line with the requirements of FINMA, the Swiss Federal Act on Data Privacy and the GDPR. This also includes response plans with notification requirements towards the customer.

Cembra conducts regular audits of its information security policies and systems. Audit frequencies are determined in accordance internal and external policies, and audits are usually conducted at least on an annual basis.

Ensuring the business integrity of partners

The Bank conducts business across Switzerland via a network of branches, as well as alternative sales channels such as online, credit card partners, independent intermediaries (personal loans) and car dealers (auto leases and loans).

Longstanding active relationships

We maintain close, longstanding relationships with our distribution partners. In many cases, partnerships have evolved over several decades. More than 50% of business volumes are transacted through car dealers that have been Bank partners for 20 years or more. The average sales area manager has been with the Bank for 15 years. At year-end 2020, 135 (2019: 181 including cashgate) independent intermediaries were originating personal loans for the Bank. In the auto leases and loans segment, we partner with around 4,000 car dealers. In the credit card segment, we have longstanding relationships in Switzerland with Migros (since 2006), Conforama (since 2008), Touring Club Suisse (since 2011), and Fnac (since 2016, renewed in 2019). In 2019 and 2020, new partnerships were entered into with LIPO and IKEA Switzerland.

Processes in place to ensure business integrity and ethical conduct

We are committed to working together with our business partners to serve the interests of our clients. Partnerships are designed to ensure service quality and product integrity. Cembra has various processes in place to ensure compliance, best governance and risk management practices, and ethical business conduct in partnerships.

- Our collaboration with independent intermediaries and car dealers is guided by standard procedures to minimise risks of non-compliant behaviour.
- 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.
- All partners undergo anti-money-laundering (AML) screening processes (see above).

Overview: quality assurance, training, responsibilities and monitoring of business partners

	Independent intermediaries	Car dealers	Credit card partners
Quality assurance We require our business partners to meet high standards of integrity.	Quality is reviewed monthly, with more in-depth reviews conducted quarterly.	Quality is reviewed yearly or at least every three years.	Our credit card partners already follow very high quality and responsibility standards.
Training We provide regular training to ensure business integrity.	Training focuses on business and product strategies, products, processes and compliance. Around 125 independent intermediaries receive training each year. In 2020, all training sessions were conducted despite the Covid-19 restrictions.	Training focuses on business and product strategies, products, processes and compliance. 70 to 80 car partners take part in a centralised one-day training session each year. Due to Covid-19 restrictions in 2020, ten central training sessions took place in the first quarter, and thereafter training was provided locally at the partners' locations.	Retailer credit card partners receive regular training and additional onboarding training for new partnerships. Around 200 point-of-sale training sessions are conducted every year, for the more than 70 branches of our partners. In 2020 the training sessions were conducted predominantly via video calls.
Responsibilities and monitoring Various departments (including Compliance, Underwriting and – through guidelines and escalation processes – Risk Management) are involved in the quality assurance processes. Bank departments handle the budget calculations and underwriting processes internally. The Bank always has the ultimate responsibility for approving a loan, a lease or a credit card and bears the risk for possible losses due to default.	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 25 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.	Credit card partners and their branches are regularly visited by three employees. They provide support and perform spot checks of customer applications. Any irregularities are investigated jointly with the partners, and are reported internally. Additional training sessions are provided where deemed necessary.

Other policies covering aspects of business integrity

In addition to the Code of Conduct and the Business Partners' Principles of Conduct (both available on our website), Cembra has put in place other policies.
- Each policy is reviewed and updated on a regular basis.
- As with the Code of Conduct, there is an annual signoff of the most relevant policies as part of the e-learning programme, which is mandatory for all employees.
- An internal monitoring system is implemented by control functions (Risk and Compliance). It is also part of the whistleblowing process, which is used to detect corruption ("ombuds system").

The most relevant policies are described below.

Anti-money-laundering (AML) policy
As a financial intermediary, the Bank is subject to the Anti-Money-Laundering Act and thus operates a programme to prevent illegal transactions.

- We systematically assess 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 entered into. In addition to 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 introductory training that covers the Bank's anti-money-laundering programme and then attend regular refresher training in subsequent years (see the chapter on people and development, page 44).

Policy on the prevention of fraudulent practices by external parties
This directive governs the competencies, measures and controls for preventing fraudulent practices that can adversely affect the Bank.

- Cembra defines processes, roles and responsibilities to prevent suspected cases of fraud by external parties or to investigate such cases accordingly.
- Within the Bank, it is primarily the Risk business unit, together with the Risk Strategies department, that is in charge of setting up a strategy for preventing fraud and conducting further investigations.
- To ensure the timely monitoring of operating activities and because of the complexity of the credit card business, Risk is supported by other departments within the B2C business area.
- The directive applies to all employees of the Bank.

Policy on the acceptance and presentation of gifts
In addition to the staff regulations and the Code of Conduct, there is also a policy on accepting and presenting gifts.

This directive sets out the standards of behaviour to be maintained by all employees when giving and receiving gifts or where business entertainment is accepted or provided. Conflicts of interest must be avoided, and the Bank's reputation protected. Furthermore, it sets out competencies regarding the administration of customer and partner gifts of any kind. It applies to all Cembra employees.

It covers receiving gifts, presenting gifts and events. In particular, the directive stipulates under which circumstances gifts and invitations can be accepted, the principles that are observed when the Bank presents gifts to third parties and the ethical behaviour to be followed by the Bank as a host of events or by employees as guests at events. Further, it states that granting or accepting facilitating payments or goods is strictly forbidden. Legal and Compliance are responsible for any changes to this directive.

Policy on sponsoring, contributions and donations
This directive sets out the requirements to be observed in connection with sponsoring activities and the awarding of contributions and donations. It defines criteria for sponsoring and donation purposes and corresponding review and approval processes, and applies to all employees of the Bank. When working with third parties (e.g. advertising agencies), it must be ensured that such third parties also comply with and implement the requirements of this directive.

Providing sponsoring and making contributions or donations to organisations, interest groups and associations is intended to strengthen Cembra's image. Such activities are also an opportunity to create a platform for active customer care.

In particular, the directive states that:

- Supported activities must fit within the overall sponsoring concept, to be reviewed once a year.
- Contributions may only be awarded to those institutions and organisations with which goodwill is to be created in the specific interests of the Bank or a subsidiary and its sales channels.
- No support can be given to political parties.
- Attention must be paid to issues that are positively received by the wider public.
- Contributions with a strictly personal connection are not permitted. Furthermore, contributions may not be awarded in cases where an applicant's request is made solely with reference to an ongoing or terminated customer relationship.

The review and approval process is described in detail and contains the following elements:

- Each year, a certain amount can be made available for donations. Donations must be determined, on a binding basis, as part of a concept.
- All applications for sponsoring and contributions are reviewed and evaluated in accordance with the above criteria.
- Each donation and each charitable contribution must be approved by the General Counsel and the Chief Financial Officer.

Policy on public disclosure, reporting and securities trading
The purpose of this policy is to ensure compliance with the respective laws, rules and regulations and to prevent any form of insider trading. The policy defines applicable procedures to ensure: an orderly information flow and any other reporting obligations; immediate capital market information concerning non-public, potentially price-sensitive facts in accordance with the Listing Rules; and prevention of market abuse. The policy applies to all members of the Board of Directors as well as to all employees of the Group. In addition, it defines the rules and procedures applicable to any third parties providing services to any subsidiary having access to insider information. It applies to all written and oral statements.

Policy on marketing activities and external correspondence
Cembra has a policy on marketing activities and external correspondence. This directive describes both the regulatory and internal requirements applicable to marketing and advertising activities. The regulatory requirements, such as the Consumer Credit Act, Swiss Federal Act against Unfair Competition (UCA), Data Protection Laws and Further Provisions, Price Indication Ordinance and their relevance for employees, are described in detail. Furthermore, the development of marketing and advertising activities/materials and the corresponding design requirements and approval process are outlined in this policy. The directive applies to all employees of the Bank. If third parties are hired (e.g. advertising agencies), it must be ensured that the requirements of this directive are also complied with and implemented by such third parties.

In particular, the policy states that:

- Consumer credit contracts (including lease agreements and credit and customer cards) may not be advertised aggressively.
- In relation to product advertising, it must be ensured that the relevant provider (company) is clearly specified and that a calculation example, including the effective interest rate and the total costs, is provided in all cases.
- An over-indebtedness warning must be included, referring to the fact that any loan that would lead to the consumer taking on too much debt is prohibited.
- All application forms for products offered by the Bank or its subsidiaries must contain a notice concerning data protection and processing, in particular for marketing purposes.
- Appropriate controls must be implemented to ensure compliance with the requirements of the policy.

The "Flexible Work Arrangement Framework"
By providing flexible work arrangements wherever possible, Cembra helps employees to find the right work-life balance. The directive demonstrates various working models offered by the Bank and is the responsibility of Human Resources.

In particular, the directive:

- applies to all Bank employees. However, not all of the working models are appropriate for all employees; therefore, managers and employees must select the feasible option(s) for their respective business area.
- sets out the guiding principles for effective implementation of a flexible working culture (e.g. customer centricity will not be compromised) and describes different work options (part-time, flex-time, job-sharing, flex-place). Management and employees can opt for an agreement that includes more than one model (hybrid), e.g. part-time with flex-time. Furthermore, the directive addresses how to deal with data protection and banking and business secrecy when working outside of the Bank's premises. Finally, the application procedure and the criteria and process for assessing ways of working requests are defined in the directive.

8 Community engagement

Aim and approach

Community engagement is not considered to be a highly material topic by our stakeholders. However, because this topic is important for our employees and relations in Switzerland, we address it separately in this chapter.

At Cembra, we see ourselves as part of a wider social network and as a community member. Being part of the local community comes with great advantages but also responsibilities. We take our social responsibility seriously, want to be a good corporate citizen and are committed to important social policy issues. By focusing on disadvantaged people in our community engagement, we want to strengthen how Cembra is perceived in the market. We see ourselves as equal partners, and we attach great importance to supporting projects and initiatives over the long term.

Our community engagement has three goals:

- **Enhancing understanding about social responsibility in general:** Our social engagement aims not only to take our responsibility towards society seriously but also to foster understanding about social responsibility.
- **Awareness of Cembra's social responsibility:** Our collaboration on social projects has a positive effect on the feeling of togetherness within the company, contributing to a greater awareness of Cembra's social responsibility.
- **Strengthening employee loyalty:** Finally, we are convinced that social engagement strengthens our employees' loyalty to the company.

Progress in 2020

In 2020, we re-evaluated our community engagement activities. Going forward, we aim to revise our engagement and focus on initiatives that relate to our core business. We see great opportunities and potential for creating synergies between social engagement and relevant business skills. Cembra already supports skills-based volunteering in its collaboration with YES, where employees help enhance financial literacy among schoolchildren and vocational school students.

Projects and initiatives involving volunteers

The company-wide initiative Cembra Volunteers is part of Cembra's social engagement and provides all employees with the opportunity to do volunteer work. We are proud of our long-standing partnerships and our employees' continued engagement. Cembra employees have the right to two working days a year for their volunteer commitments.

Alongside our other activities, we work with Swiss schools (years one to nine) through the YES programme "Personal Economics". As a Cembra volunteer, employees can take on the role of teacher for some lessons and can make an important contribution to the practical entrepreneurial education of children and young people.

For a table with details of the various projects and the total cost of the initiatives we pursued in 2020, please see the Annex to Sustainability Report 2020.

Cembra regularly asks employees for feedback on their volunteering activities. We also keep up a constant dialogue with our partners. These processes help us to evaluate and monitor our activities, implement improvements and make adjustments if necessary.

Corporate Governance Report

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 Group 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/corporategovernance), further outline the duties, powers and regulations of the governing bodies of the Bank.

1 Group structure and shareholders

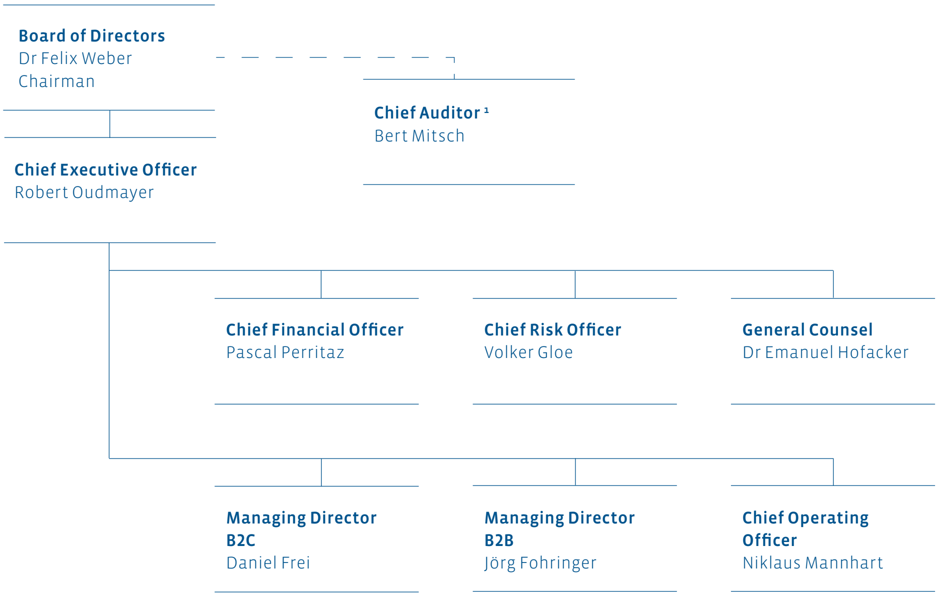
1.1 Group structure

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 Group'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 Group operates in Switzerland through a nationwide network of 13 branches as well as through alternative distribution channels, such as internet, credit card partners (including Migros, Conforama, Fnac, TCS and LIPO), independent intermediaries and auto dealers. The Group has one reportable segment. It includes all of the Group's consumer finance products, including unsecured personal loans, auto leases and loans, credit cards, SME 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 and Human Resources.

Organisational Group structure at 31 December 2020:

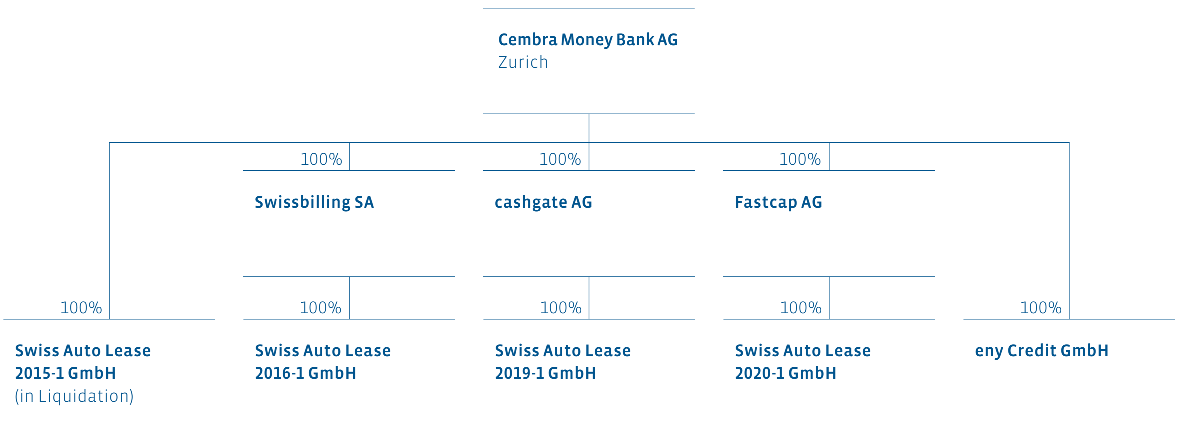


[1] The Internal Audit department is an independent function with a reporting line to the Board of Directors and the Audit and Risk Committee (see section 3.5)

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);
- cashgate AG (with registered office in Zurich, Switzerland, share capital 35,000,000; shares 3,500,000 x CHF 10);
- Fastcap AG (with registered office in Zurich, Switzerland, share capital 100,000, shares 100,000 x CHF 1);
- eny Credit GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 1 x CHF 20,000);
- Swiss Auto Lease 2020-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100);
- Swiss Auto Lease 2019-1 GmbH (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100);
- 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 in Liquidation (with registered office in Zurich, Switzerland, stated capital CHF 20,000, shares 200 x CHF 100);



Within the Group, only the Bank is a listed company. The Bank's registered shares are listed pursuant to the International Reporting Standard of SIX (securities number: 22517316, ISIN: CH0225173167, ticker: CMBN). At 31 December 2020, the Bank's issued nominal share capital amounted to CHF 30,000,000 and the market capitalisation amounted to CHF 3,216 million.

1.2 Significant shareholders

According to the rules regarding the disclosure of significant shareholdings of Swiss companies listed on the SIX, disclosure has to be made if the holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights entered into the commercial register, whether or not the voting rights can be exercised. The percentage thresholds are calculated on the basis of the total amount of voting rights according to the number of shares issued as disclosed in the commercial register. The Bank is obliged to announce shareholdings by third parties in its shares when notification is received from a third party that a threshold has been reached or crossed. As shareholders are only required to notify the Bank and the SIX Exchange Regulation if their holding reaches, falls below or exceeds the thresholds listed above, the percentage holdings of significant shareholders of the Bank may vary at any given time compared to the date of submission of the most recent notification for these respective shareholders. As of 31 December 2020, the Bank was not aware of any person or institution, other than BlackRock Inc. (5.8%), UBS Fund Management (Switzerland) AG (5.41%), Pictet Asset Management SA (4.99%), Norges Bank (the Central Bank of Norway) (3.08%) and Credit Suisse Funds AG (3%), which, directly or indirectly, had an interest as a beneficial owner in shares, option rights and/or conversion rights relating to shares of Cembra Money Bank AG reaching or exceeding the relevant thresholds prescribed by law. The announcements related to these notifications can be found via the search facility on the SIX Exchange Regulation's platform:
www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html.

1.3 Cross shareholdings

The Group 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

At 31 December 2020, the Bank's registered 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 17 April 2021, 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/corporategovernance).

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/corporategovernance.

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/corporategovernance) – 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/corporategovernance) – 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/corporategovernance.

2.3 Changes in capital

There were no changes in the capital structure in 2018, 2019 and 2020, 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

As of 31 December 2020, the Bank had a convertible bond listed on the SIX Swiss Exchange (security no: 48659822, ISIN: CH0486598227) outstanding with a total outstanding nominal amount of CHF 250,000,000.

Principal amount	Current Conversion Ratio	Current Conversion Price	Maturity Date	Interest
Nominal value of CHF 200,000 each	1,636.6612 registered shares with a nominal value of CHF 1.00 each	CHF 122.20	9 July 2026	0%, the bonds do not bear interest

Upon exercise of their conversion rights, bondholders will receive (i) if the value of the Shares underlying the convertible bonds is higher than the principal amount of the convertible bonds converted, an amount in cash equal to the principal amount of the convertible bonds and any excess in Shares ("Net Shares") or (ii) if the value of the Shares underlying the convertible bonds is lower than the principal amount, an amount in cash equal to the value of the Shares underlying the convertible bonds.

The Shares to be delivered upon conversion of convertible bonds, if any, will be, at the sole discretion of the Bank, either Shares to be issued from the conditional capital of the Bank or Shares otherwise held or acquired by the Bank. The number of Shares that would need to be issued or delivered in case of a conversion of convertible bonds (if any) depends on the value of the shares around the time of conversion and is therefore not determinable in advance. However, the Bank may, at its discretion, deliver the equivalent of the Net Shares (if any) in cash so that no shares would need to be delivered and/or issued.

The Bank may call the convertible bonds (i) at any time on or after 31 July 2023 at par if the VWAP of the Bank's Shares is equal or greater than 130% of the conversion price on at least 20 out of 30 consecutive trading days or (ii) at any time from the settlement date, at par if less than 15% in aggregate of the principal amount of the convertible bonds is outstanding.

Unless previously converted or repurchased and cancelled, the convertible bonds will be redeemed at maturity at 100% of their principal amount of CHF 200,000 per convertible bond.

3 Board of Directors

3.1 Members of the Board of Directors

At 31 December 2020, all members of the Board of Directors were non-executive, as mandated by Swiss law applicable to the Bank as a regulated entity. No member of the Board of Directors has any significant business connections with any entity 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 2020, 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	2021
Prof. Dr Peter Athanas	CH/UK	Vice Chairman	Member Compensation and Nomination Committe	2013[1]	2021[2]
Urs Baumann	CH	Member	Chairperson Compensation and Nomination Committee	2014	2021
Thomas Buess	CH	Member	Member Audit and Risk Committee	2020	2021
Denis Hall	UK	Member	Member Audit and Risk Committee	2013	2021
Katrina Machin	UK	Member	Member Compensation and Nomination Committee	2016	2021[2]
Dr Monica Mächler	CH	Member	Chairperson Audit and Risk Committee	2015	2021

1 Effective 1 January 2014
2 Will not stand for re-election at the 2021 Annual General Meeting (see section 3.8)

Name	Dr Felix Weber
Nationality	Swiss
Function	Chairman
First elected	2013
End current period	2021

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 2021. 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: Partner and Engagement Manager 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 2019: Chairman of Trendcommerce AG (Gossau, Switzerland)
- Since 2019: Board Member Assepro AG (Pfäffikon, Switzerland)
- 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 (Bern, Switzerland), listed on SIX

Name	Prof. Dr Peter Athanas
Nationality	Swiss and British
Function	Vice Chairman
First elected	2013
End current period	2021

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 a member of the Compensation and Nomination Committee. His current term expires at the Annual General Meeting in 2021. Prof. Dr Athanas holds a Master's degree in Law and Economics and a Doctorate in Economics from the University of St. Gallen.

Professional experience:
- 1999–2020: Professor emeritus 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 (Zurich, Switzerland)
- 1990–1994: Partner of the worldwide Arthur Andersen organisation

Other board memberships and activities:
- Since 2020: Member of the Board of Werner Siemens Foundation (Zug, Switzerland)
- 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

Previous board memberships:
- 2014–2020: Member of the Board of Directors of BlackRock Asset Management Schweiz AG (Zurich, Switzerland)
- 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 (Switzerland)

Name	Urs Baumann
Nationality	Swiss
Function	Member
First elected	2014
End current period	2021

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 2021. Mr Baumann holds a Master of Arts from the University of St. Gallen and a 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	Thomas Buess
Nationality	Swiss
Function	Member
First elected	2020
End current period	2021

Thomas Buess

Swiss national and resident, born in 1957

Mr Buess was appointed as a member of the Board of Directors on 16 April 2020. He is also Member of the Audit and Risk Committee. His current term expires at the Annual General Meeting in 2021. Mr Buess has completed his business administration and economics studies at the University of St. Gallen.

Professional experience:
- 2009–2019: Group Chief Financial Officer and Member of the Corporate Executive Board of the Swiss Life Group (Zurich, Switzerland)
- 2009: Head of Operational Transformation at Allianz Group (Munich, Germany)
- 2005–2008: Chief Operating Officer Global Life and Member of the Group Management Board of Zurich Insurance Group (Zurich, Switzerland)
- 2002–2004: Group Chief Financial Officer and Member of the Group Management Board of Zurich Insurance Group (Zurich, Switzerland)
- 1999–2002: Chief Financial Officer of Zurich North America Business Division and Zurich Holding Company of America (Schaumburg IL, USA)
- 1997–1999: Chief Financial Officer of all Swiss operations of Zurich Insurance Group (Zurich, Switzerland)
- 1994–1997: Chief Financial Officer and Member of the Executive Committee of the Swiss P&C business at Zurich Financial Insurance Group (Zurich, Switzerland)
- 1985–1993: Various positions in the area of finance at the ELVIA Group (Zurich, Switzerland)

Other board memberships and activities:
- Since 2019: Member of the Board of Directors and Member of the Investment and Risk Committee of Swiss Life Group and Swiss Life AG (Zurich, Switzerland), listed on SIX
- Since 2019: Member of the Board of Directors and Chairman of the Audit and Risk Committee of Sygnum Bank AG (Zurich, Switzerland)

Name	Denis Hall
Nationality	British
Function	Member
First elected	2013
End current period	2021

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 2021. Mr Hall was educated at grammar school in the UK to A levels.

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 2020: Non Executive Board member and Chairman of the Risk and Compliance Committee of Auxmoney Holding Limited (Dublin, Ireland)
- Since 2017: Non Executive Board member and Chairman of the Risk Committee of 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

Previous board memberships:
- 2016–2019: Member of the Supervisory Board of Hyundai Capital Bank Europe (Frankfurt am Main, Germany)
- 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

Katrina Machin

Name	Katrina Machin
Nationality	British
Function	Member
First elected	2016
End current period	2021

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 2021. 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 (London, UK)
- 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 2019: Non Executive Board Director of Naked Wines Plc (Norwich, UK), listed on AIM a sub-market of the London Stock Exchange, member of Audit Committee and Remuneration Committee
- Since 2019: Non Executive Board Director of London & Country Mortgages Ltd (Bath, UK), chair of Risk Committee and member of Audit Committee
- Since 2017: Non Executive Board Director of Homeserve Plc (Walsall, UK) also Senior Independent Director, Chair of Remuneration Committee and member of Audit and Risk Committee, People Committee and Nomination Committee

Previous board memberships:
- 2015–2019: Non Executive Board member of ABTA and member of the Risk Committee (formerly Association of British Travel Agents) (London, UK)
- 2014–2019: Non Executive Board member and Chairperson of the Credit and Operational Risk Committee at Shop Direct Finance Company Ltd (Liverpool, UK)
- 2012–2015: Chairperson of the Supervisory Board of American Express Europe Ltd (London, UK)
- 2012–2015: Chairperson of the Supervisory Board of Amex Barcelona (Madrid, Spain)
- 2012–2015: Non Executive Board member of the Supervisory Board of UVET Amex (Milan, Italy)
- 2010–2012: Non Executive Board member of the Supervisory Board of American Express Services Europe Ltd (London, UK)

Dr Monica Mächler

Name	Dr Monica Mächler
Nationality	Swiss
Function	Member
First elected	2015
End current period	2021

Swiss national and resident, born in 1956

Dr Mächler was appointed as a member of the Board of Directors on 29 April 2015. Her current term expires at the Annual General Meeting in 2021. She is also the Chairperson of the Audit and Risk Committee. 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), together with 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 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), listed on SIX and Zurich Insurance Company Ltd (Zurich, Switzerland), serving as member of the Audit Committee and of the Governance, Nomination and Sustainability Committee of the respective companies
- 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), serving as member of the Audit Committee and the Risk Committee, a company listed on the German Stock Exchange

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/corporategovernance), 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, or, if a member is elected at an extraordinary 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 shareholders at 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. At 31 December 2020, all members of the Board of Directors were non-executive members and also met the independence criteria prescribed in the FINMA Circular 17/1.

Based on the requirement of the FINMA Circular 17/1 the Board of Directors in its totality has adequate management expertise and the pre-requisite specialist knowledge and experience of the respective banking and financial services sector. Furthermore, the Board of Directors is diversified to the extent that all key aspects of the business, including finance, accounting and risk management, are adequately represented.

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

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 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 needs not be a member of the Board of Directors. According to the Bank's Organisational Regulations which can be downloaded from www.cembra.ch/corporategovernance, 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 once every quarter.

Unless set out otherwise in the Organisational Regulations (www.cembra.ch/corporategovernance), 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/corporategovernance), 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 Board of Directors critically asssesses its own performance (meeting of targets and method of operating) on annual basis.

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

In 2020, seven Board of Directors meeting were held. The meetings typically last at least half a day. In addition, the Board of Directors received regular updates from the CEO during telephonic meetings regarding the implication of the Covid-19 pandemic for the business.

Board of Directors meeting dates and corresponding attendance were as follows in 2020:

Date	Dr Felix Weber	Prof. Dr Peter Athanas	Urs Baumann	Thomas Buess [2]	Denis Hall	Katrina Machin	Dr Monica Mächler
19 February 2020	X	E	X		X	X	X
18 March 2020 [1]	X	X	X		X	X	X
28 May 2020 [1]	X	X	X	X	X	X	X
22 July 2020 [1]	X	X	X	X	X	X	X
26 August 2020 [1]	X	X	X	X	X	X	X
21 October 2020 [1]	X	X	X	X	X	X	X
7 December 2020 [1]	X	X	X	X	X	X	X

1 Conference call (due to Covid-19)
2 Elected as Member of the Board of Directors at the Annual General Meeting on 16 April 2020
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 Chairperson whose main responsibility is to organise and lead the meetings. Following meetings of the committees, the Chairperson informs the Bank's Board of Directors at its next meeting about the matters discussed in the committee meeting.

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

The Audit and Risk Committee has a supervisory and monitoring function, particularly regarding the Group's financial reporting, 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 on a legal entity and a consolidated basis; (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) controlling the adequacy and effectiveness of the risk management and its processes in relation to the risk situation of the Group; (v) monitoring the implementation of risk strategies, ensuring in particular that they are in line with the defined risk tolerance and risk limits defined in the Group-wide risk management framework; (vi) supervising the Group's approach to internal controls; (vii) the appreciation of the capital and liquidity planning; (viii) monitoring and assessing 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) preparing the election, determining the appointment, the compensation and the retention and exercising the oversight of the activities of the Bank's and the Group's Auditors and any other registered public accounting firm hired for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Bank or the Group; (x) assessing of the regulatory audit plan, audit rhythm and audit results of Internal Audit and the External Auditors, and (xi) monitoring the Group's compliance with legal entity and consolidated regulatory and financial reporting requirements. The External 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 Chairperson 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 by all members of the Management Board, the Bank's Chief Auditor and the External Auditor. During 2020, seven Audit and Risk Committee meetings were held.

Please see details in the table below:

Date	Prof. Dr Peter Athanas [2]	Dr Monica Mächler	Thomas Buess [3]	Denis Hall
18 February 2020	X	X		X
17 March 2020 [1]	X	X		X
27 May 2020 [1]		X	X	X
22 July 2020 [1]		X	X	X
25 August 2020 [1]		X	X	X
20 October 2020 [1]		X	X	X
7 December 2020 [1]		X	X	X

1 Conference call (due to Covid-19)
2 Elected as Member of the Compensation and Nomination Committee at the Annual General Meeting on 16 April 2020
3 Elected as Member of the Board of Directors at the Annual General Meeting on 16 April 2020

Compensation and Nomination Committee
During the reporting period the Compensation and Nomination Committee consisted of three members of the Board of Directors: Mr Prof. Dr Athanas, Mr Baumann (Chairperson of the Compensation and Nomination Committee) and Mrs Machin. 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 Chairperson.

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 for which it takes into account a range of criteria, including diversity.

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 94 for 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 Chairperson of the Compensation and Nomination Committee or on the initiative of a member of the Compensation and Nomination Committee. Meetings typically last one to two hours and are also attended by the Head of Human Resources and the CEO. During 2020, seven Compensation and Nomination Committee meetings were held.

Please see details in the table below:

Date	Urs Baumann	Prof. Dr Peter Athanas [2]	Katrina Machin
29 January 2020	x		x
18 February 2020	x		x
17 March 2020 [1]	x		x
27 May 2020 [1]	x	x	x
25 August 2020 [1]	x	x	x
20 October 2020 [1]	x	x	x
30 November 2020 [1]	x	x	x

1 Conference call (due to Covid-19)
2 Elected as Member of the Compensation and Nomination Committee at the Annual General Meeting on 16 April 2020

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 under 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/corporategovernance.

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 other members who lead significant business units. These members are appointed by the Board of Directors. At 31 December 2020, 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 following an assessment by the Compensation and Nomination Committee.

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/corporategovernance). 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 coordinating 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 Board, 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 a quarterly basis as specified in the Organisational Regulations (www.cembra.ch/corporategovernance); in practice, the Board of Directors holds 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 carry out 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 concerning 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 Group data, 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 of the course of the business and the financial situation of the Group – especially 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 urgent matters.

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 19.

The Chief Auditor is present at each meeting of the Audit and Risk Committee and informs at least on a quarterly basis about 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. In accordance with the Organisational Regulations (www.cembra.ch/corporategovernance), 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 at any time.

The External Auditor prepares the regulatory audit report as well as further reports on audits addressing specific topics. Further, the External Auditor is generally present at the meetings of the Audit and Risk Committee as well as at the meetings 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 Chairperson of the Audit and Risk Committee and the Chairperson 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.

3.8 Material changes after the balance sheet data

As announced on 22 October 2020 and 20 January 2021, Prof. Dr Peter Athanas and Katrina Machin will not stand for re-election at the 2021 Annual General Meeting. The Board of Directors will propose Susanne Klöss-Braekler, a specialist in finance, investments, marketing and product management, and Martin Blessing, a specialist in the financial services sector, for election as new members to the Board of Directors at the 2021 Annual General Meeting.

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/corporategovernance) and subject to those matters 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 [2]	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
2 Robert Oudmayer stepped down as CEO end of February 2021 (see section 4.5)

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

Robert Oudmayer

Dutch national and Swiss resident, born in 1962

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

Professional experience:
- 2005–2009: Chief Executive Officer of GE Money Portugal (Lisbon, Portugal)
- 2003–2005: P&L Leader Auto & Retail of GE Capital Bank AG (Brugg, Switzerland)
- 2001–2003: Managing Director at GE 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
- 1989–1999: PSA Peugeot Citroën Group: Chief Commercial Officer (1998–1999); Chief Financial Officer (1995–1998); Credit Manager Europe (1994–1995); Senior Credit Analyst, Credit Manager (1989–1994)

Mr Oudmayer is Chairman of the Board of Directors of the Bank's following subsidiaries: Swissbilling SA, cashgate AG and Fastcap AG.

Name	Jörg Fohringer
Nationality	Swiss
Appointed	2018
Position	Managing Director B2B

Jörg Fohringer

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)

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)

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 at GE Money Bank Norway (Stavanger, Norway)
- 2005–2007: Risk Strategist at 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)

Mr Gloe is Vice Chairman of the Board of Managing Directors of the Bank's following subsidiaries: Swiss Auto Lease 2020-1 GmbH, Swiss Auto Lease 2019-1 GmbH, Swiss Auto Lease 2016-1 GmbH, Swiss Auto Lease 2015-1 GmbH in Liquidation and eny Credit GmbH as well as member of the Board of Directors of cashgate AG and Fastcap AG.

Dr Emanuel Hofacker

Name	Dr Emanuel Hofacker
Nationality	Swiss
Appointed	2014
Position	General Counsel

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:
- 2017–2019: HR Director of Cembra Money Bank AG (Zurich, Switzerland)
- 2012–2014: Chief Compliance Officer of Cembra 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 AG (Zurich, Switzerland)

Dr Hofacker is Chairman of the Board of Managing Directors of the Bank's following subsidiaries: Swiss Auto Lease 2020-1 GmbH, Swiss Auto Lease 2019-1 GmbH, Swiss Auto Lease 2016-1 GmbH, Swiss Auto Lease 2015-1 GmbH in Liquidation, as well as member of the Board of Directors of Swissbilling SA and cashgate AG. 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).

Niklaus Mannhart

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

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 (Schweiz) AG (Zurich, Switzerland)
- 2015–2016: COO Operations Swiss Universal Bank at Credit Suisse (Schweiz) 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 Zurich (Zurich, Switzerland)

Mr Mannhart is member of the Board of Directors of the Bank's following subsidiaries: cashgate AG and Fastcap AG. Furthermore, he is the President of the ZEK (Central Office for Credit Information).

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 AG (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 following subsidiaries: eny Credit GmbH as well as Vice Chairman of the Board of Directors of Swissbilling SA and member of the Board of Directors of cashgate AG as well as member of the Bank's Pension Fund Board.

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 Ordinance against Excessive Compensation (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 Bank;
- Activities in entities controlling the Bank; 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 2020, and no such contracts are in place as per 31 December 2020.

4.5 Material changes after the balance sheet date

On 22 October 2020 it was announced that Robert Oudmayer will step down as CEO in 2021. On 8 January 2021 the Board of Directors announced the appointment of Holger Laubenthal as new CEO, effective 1 March 2021. Accordingly, Robert Oudmayer stepped down as CEO end of February 2021 and currently assists his successor to ensure a smooth transition and will thereafter support the Board of Directors in 2021.

5 Compensation, shareholdings and loans

Information about compensation, shareholdings and loans can be found in the Compensation Report on page 94.

6 Shareholders' rights of participation

6.1 Voting rights and representation restrictions

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 generally only be represented at a General Meeting by (subject to any further restrictions imposed by statutory law in connection with the Covid-19 pandemic):
- 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 comply with applicable Swiss corporate law. Thus, a General Meeting is to be convened at least 20 calendar days prior to the date of such meeting by publishing a notice of the meeting in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) or by any other means of publication specified by the Board of Directors in a particular case. Shareholders registered in the Share Register may also be invited by written notice.

General Meetings may be convened by the Board of Directors or, if necessary, by the Bank's auditors. The Board of Directors is further required to convene an extraordinary General Meeting if so resolved at 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 General Meeting. The Articles of Incorporation (www.cembra.ch/corporategovernance) require that such request including details of agenda items and motions is communicated to the Board of Directors at least 45 calendar days prior to the next General Meeting.

6.5 Registrations in the share register

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

7 Changes of control and defence measures

7.1 Duty to make an offer

The Articles of Incorporation do not contain any "opting-out" or "opting-up" provision with regard to mandatory public takeover offers, as defined in art. 125 of the Swiss Financial Market Infrastructure Act. Thus, an investor who acquires more than 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 members do not provide 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 94.

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 Annual General Meeting. KPMG were appointed as statutory auditors and group auditors in 2005. The audit engagement partner changes every seven years, in accordance with the Swiss Code of Obligations. The current lead auditor for the Group since Q2 2020 is Mr Ertugrul Tüfekçi, Partner.

8.2 Auditing fees

Expenses related to the Group's financial and regulatory audit amounted to CHF 1,396,000 for the financial year 2020.

8.3 Additional fees

Expenses related to assurance-related services amounted to CHF 110,000 for the financial year 2020.

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 2020, the Chief Auditor as well as the auditor in charge representing the External Auditor attended all seven meetings of the Audit and Risk Committee.

The Audit and Risk Committee recommended that the Board of Directors approves the audited financial statements for the year 2020. The Board of Directors recommends that the financial statements be approved 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, communication 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 (Schweizerisches Handelsamtsblatt) 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 publishes an annual report, available in English and German. The Bank's annual report is available at: www.cembra.ch/financialreports.

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/investors.

Interested parties can also subscribe to the e-mail distribution service to receive free and timely notifications of ad hoc announcements: www.cembra.ch/investors.

Important dates
The financial calendar can be downloaded from: www.cembra.ch/investors.

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Compensation Report

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

Dear Shareholders

On behalf of the Board of Directors and the Compensation and Nomination Committee (CNC), I am pleased to introduce the 2020 Compensation Report of Cembra Money Bank AG (hereafter referred to as “Cembra” or "the Bank").

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

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

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

Our Executive Variable Compensation Plan consists of a short-term incentive and a separate long-term incentive programme:
- For the short-term variable compensation, the performance is predominantly tied to financial results (60% weight for the CEO) and the assessment of qualitative results.
- Awards under the long-term incentive plan are granted in the form of performance share units subject to a three-year performance-based cliff-vesting period. The performance conditions include relative total shareholder return and fully diluted earnings per share. This programme directly links the interests of the executives to those of the shareholders.

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

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

For the further development of our compensation strategy, we consider the opinion of our stakeholders as relevant and highly valuable. Therefore, we engage in a regular dialogue with our investors and proxy advisors. As a result of this ongoing dialogue, as of 2020 we linked the compensation of our Management Board to sustainability and included sustainability related elements in the Executive Variable Compensation Plan.

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

Annual General Meeting 2021
You will have the opportunity to express your opinion on the compensation programmes through a non-binding, consultative shareholders' vote on this Compensation Report at the Annual General Meeting in April 2021. Furthermore, we will ask you to vote on the maximum total compensation amount for the Board of Directors for the Annual General Meeting 2021 to Annual General Meeting 2022 term of office and on the maximum total compensation for the Management Board to be paid out in the business year 2022.

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

Urs Baumann
Chairman of the Compensation and Nomination Committee

1 Compensation policy and guiding principles

Cembra's overall objective is to build on its position as a leading Swiss provider of consumer finance products and services. The success of Cembra largely depends on the quality and engagement of its employees.

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

Pay for performance in alignment with Cembra's values
We endorse a performance-oriented approach coupled with sound risk management practices. The compensation policy supports a culture that differentiates and rewards excellent performance and recognises behaviours in line with Cembra's values of customer focus, engagement, responsibility and diversity. Variable compensation of the Management Board is based on the achievements of Cembra's objectives as well as individual performance. In order to avoid excessive risk taking, risk metrics and behaviours are included in the performance evaluation, and the variable compensation payouts are capped.

Market competitiveness and fairness
We are committed to rewarding employees appropriately and competitively. The compensation guidelines ensure that compensation is based on the responsibilities and performance of the employees and is not influenced by gender or by non-performance-related criteria other than professional experience. In line with best practices, Cembra regularly benchmarks the compensation for the Bank's management to ensure that it is competitive and in line with market developments in order to be able to attract and retain talented executives. For the members of the Management Board, a benchmark analysis is generally conducted every two to three years.

Good governance practice
We want to ensure that our compensation practices are transparent for Cembra's stakeholders and aligned with long-term shareholder interests. We adhere to the rules set by the Ordinance against Excessive Compensation in Listed Corporations (OaEC). Furthermore, the compensation guidelines take into consideration the rules of FINMA Circular 2010/1 “Remuneration schemes”.

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

Should an individual being responsible for a control function also be in charge of certain operational tasks, the compensation structure ensures that no inappropriate incentives are created.

2 Compensation governance

2.1 Compensation and Nomination Committee

According to the Articles of Incorporation and the Organisational Regulations (available at www.cembra.ch/corporategovernance) as refined by further internal regulations, the functions, responsibilities and powers of the CNC essentially comprise the following elements:

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

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

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

The following table illustrates the breakdown of decision-making authority between the CNC, the Board of Directors and the Annual General Meeting in matters related to the compensation of the Board of Directors and the Management Board:

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

The CNC consists of at least two but not more than four members of the Board of Directors who are elected annually and individually by the Annual General Meeting for a period of one year. Re-election is possible.

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

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

Generally, meetings are attended by the Chairman of the Board of Directors, the CEO and the Head of Human Resources in an advisory capacity. However, they do not take part in the section of the meetings where their own performance and/or compensation are discussed and have no voting rights. Other members of the Management Board and Board of Directors as well as other individuals may be invited if deemed necessary. The Chairman of the CNC reports to the

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

2.2 Method of determination of compensation

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

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

2.3 Involvement of shareholders

The Group's shareholders are involved and have decision-making authority on various compensation matters. First of all, shareholders annually approve the maximum aggregate compensation amounts of the Board of Directors and the Management Board. In addition, the principles of compensation are governed by the Articles of Incorporation, which have been approved by the shareholders. The provisions of the Articles of Incorporation on compensation can be found on the Corporate Governance website (www.cembra.ch/corporategovernance) and are summarised below:

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

3 Compensation of the Board of Directors

3.1 Compensation architecture for the Board of Directors

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

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

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

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

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

Structure of the Board of Directors compensation:

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

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

The fee structure was set in 2015 and has remained unchanged since then. Since the Annual General Meeting 2016, one-third of the compensation has been delivered in Cembra Money Bank AG shares blocked for a period of five years during which they cannot be sold, transferred or pledged. Should the Board member not stand for re-election at the Annual General Meeting, the initial blocking period will be lifted, but the shares will remain blocked until the earlier of two years after such date or the regular expiry of the blocking period. In case of death, disability or change of control, the blocking period may be lifted immediately.

3.2 Compensation awarded to the Board of Directors for 2020

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

For the year ended 31 December 2020 (CHF)

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

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

For the year ended 31 December 2019 (CHF)

Name	Function	Basic fee	Committee/ chair fee	Employer social security contributions	Total	Thereof in shares in CHF [2]	Number of shares
Dr Felix Weber	Chairman	**450,000**	**–**	**25,655**	**475,655**	**150,031**	**1,518**
Ben Tellings [1]	Vice Chairman, Member CNC	**100,000**	**60,000**	**11,277**	**171,278**	**53,615**	**542**
Prof. Dr Peter Athanas	Chairman Audit and Risk Committee	**100,000**	**65,000**	**10,166**	**175,166**	**55,034**	**557**
Urs Baumann	Chairman CNC	**100,000**	**50,000**	**10,630**	**160,630**	**50,010**	**506**
Denis Hall	Member Audit and Risk Committee	**93,441**	**34,380**	**14,599**	**142,419**	**42,690**	**432**
Katrina Machin	Member CNC	**93,622**	**29,468**	**13,941**	**137,031**	**41,074**	**415**
Dr Monica Mächler	Member Audit and Risk Committee	**100,000**	**35,000**	**9,573**	**144,573**	**45,088**	**456**
Total compensation of the members of the Board of Directors		**1,037,062**	**273,848**	**95,840**	**1,406,751**	**437,543**	**4,426**

1 Vice Chairman and member of the CNC until 31 December 2019
2 Number of shares reflects shares granted 1 February 2019 for the period 1 January 2019 until Annual General Meeting 2019 and shares granted 1 February 2020 for the period Annual General Meeting 2019 until 31 December 2019. For the grant of 1 February 2019 the share price is CHF 82.79 - volume-weighted average price ("VWAP") 60 trading days before and including grant date (source: Bloomberg). For the grant of 1 February 2020 the share price is CHF 108.96 - VWAP 60 trading days before and including grant date (source: SIX). Due to the blocking period a discount of 25.274% is applied according to the table published by the circular no 37 of the Federal Tax Administration Office.

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

Reconciliation between the reported compensation of the Board of Directors and the amounts approved by the shareholders at the Annual General Meeting (AGM)

	Compensation earned during financial year as reported (A)	Less compensation earned from Jan to AGM of financial year (B)	Plus compensation accrued from Jan to AGM 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 2020-AGM 2021	**2020**	**1 Jan 2020 to 2020 AGM**	**1 Jan 2021 to 2021 AGM**	**2020 to 2021 AGM** [1]	**2020 AGM**	**2020 AGM**
Board of Directors (total)	**1,355,422**	**362,597**	**412,681**	**1,405,506**	**1,450,000**	**97 %**
AGM 2019-AGM 2020	2019	1 Jan 2019 to 2019 AGM	1 Jan 2020 to 2020 AGM	2019 to 2020 AGM	2019 AGM	2019 AGM
Board of Directors (total)	**1,406,751**	**416,997**	**362,929**	**1,352,683**	**1,450,000**	**93 %**

1 The difference to the previous year results from the shorter term of office of Ben Tellings until 31 December 2019

Compensation of members of the Board of Directors who left the Bank during the reporting period

No such compensation was paid during the reporting period.

Other compensation, fees and loans to members or former members of the Board of Directors

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

For details related to loans outstanding at 31 December 2020 please refer to sub-chapter 6 “Loans and credits: Amounts due from members of governing bodies” on page 113 of this report.

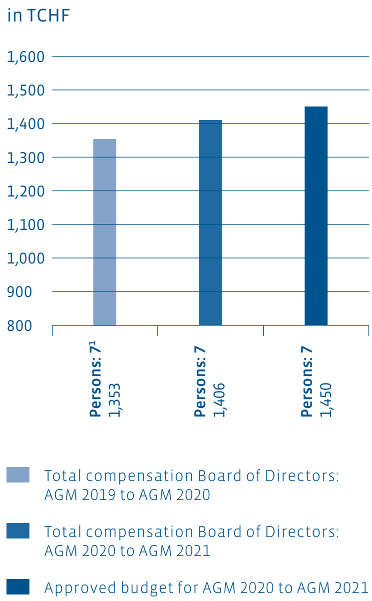
Compensation, loans or credits to related parties

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

Clauses on changes of control

The contracts of the members of the Board of Directors (including the Chairman of the Board of Directors) do not contain change of control clauses other than regarding the lifting of the blocking period for shares as described in section 3.1 of this report.

Total compensation Board of Directors



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

4 Compensation of the Management Board

4.1 Compensation architecture for the Management Board in 2020

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

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

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

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

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

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

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

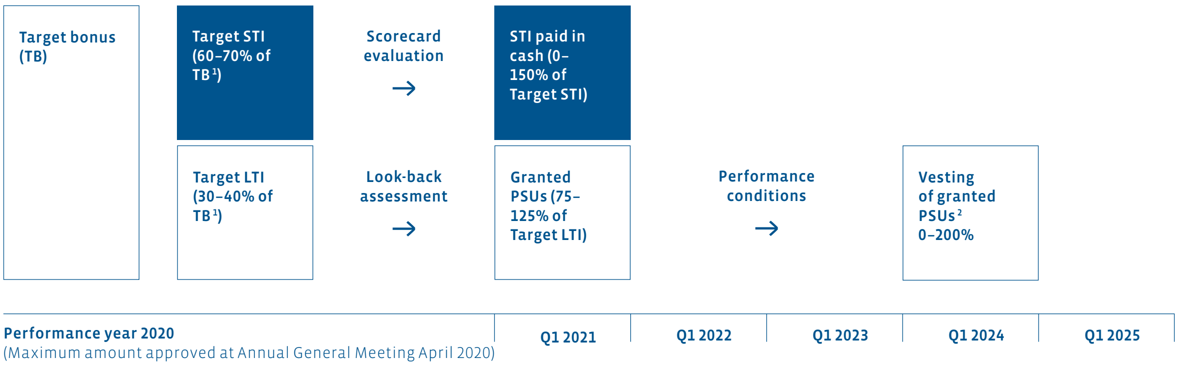
Annual base salary
Annual base salaries are established on the basis of the following factors:
- Scope, size and responsibilities of the role, and the skills required to perform the role;
- External market value of the role; and
- Skills, experience and performance of the individual in the role.

Executive Variable Compensation Plan

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

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

Executive Variable Compensation framework



[1] The target bonus is split into a target STI and a target LTI depending on function (CEO: 60% / 40%, other members of the Management Board: 70% / 30%)

[2] Vesting of PSUs settled in shares

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

Sustainability is considered in the variable compensation determination process in the performance assessment and compensation amount decision. Under the Short-Term Incentive (STI) framework, sustainability related goals are included under the People and Leadership pillar. Further, under the Long-Term Incentive (LTI) plan, the individual target LTI may be increased or decreased by up to 25%, based on a strategic look-back assessment of the Bank's performance. The strategic look-back assessment considers, among others, sustainability related factors including definition of sustainability strategy and framework, achievement of sustainability goals, reputation and market perception of Cembra's sustainability commitment and performance. The look-back assessment is performed at the end of the year and affects the final Long-Term Incentive (LTI) part of the variable compensation.

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

Short-term incentive (STI)

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

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

Performance is assessed through a scorecard evaluation. In 2020, the goal framework for all Management Board members was based on the following four pillars:

- Financials;
- Customer and market;
- Operational excellence; and
- People and leadership.

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

Financial targets are company or divisional and purely of a quantitative nature, while targets for the other three pillars are a mix of quantitative and qualitative targets. The weights of these four pillars depend on the role assumed by members of the Management Board.

For 2020 the following weights were applicable:

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

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

The weightings under this structure have been implemented in line with corporate governance best practice and shareholders' expectations. The STI is fully settled in cash and is usually paid in March of the following year.

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

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

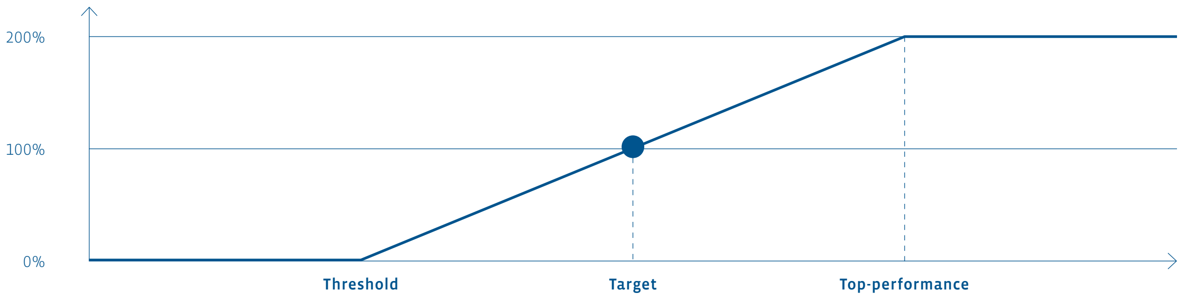
The target LTI amounts to 40% of the target bonus for the CEO and to 30% for the other Management Board members. The individual target LTI may be increased or decreased by up to 25%, based on a strategic look-back assessment of the Company's performance by the Board of Directors. The look-back assessment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

The LTI is granted in the form of PSUs by dividing the LTI grant value by the average of the daily volume-weighted average share price during the 60 trading days before the grant date. The PSUs are subject to a three-year cliff-vesting conditional upon the achievement of two performance conditions, both equally weighted:

- Relative total shareholder return (rTSR): The Company's total shareholder return (TSR) is compared to the SPI Financial Services Index over a three-year period; and
- Fully diluted earnings per share (EPS): The Board of Directors sets an objective three-year target during the annual target setting process, taking into account (i) analysts' views/shareholders' expectations and (ii) internal strategic plans. The cumulative EPS is calculated by giving 50% weight to the second and 50% weight to the third financial year following the grant date.

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

Payout factor of originally granted PSUs



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

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

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

Payout factor of originally granted PSUs

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 with 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 the internal individual and/or financial targets under the STI are not being disclosed ex ante in the Compensation Report. For the LTI the EPS targets are set in line with the explanations on page 107 of this report. For the grant 2020 the EPS target was approved at CHF 6.25 for the performance period 2020 until 2022.

The payout level of the variable compensation (short-term incentive programme and grant of long-term incentive programme) in the reporting year is explained and commented on in section 4.2 of this report.

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

Members of the Management Board may also receive certain executive benefits such as company car and other benefits in kind. For employees who have been relocated from abroad, benefits may also include schooling and tax support. The monetary value of these other elements of compensation is evaluated at fair value and is disclosed in the compensation table in section 4.2 of this report.

Employment contract termination clauses/notice periods and severance agreements of the Management Board
Employment contracts of members of the Management Board are subject to a notice period of a maximum of 12 months. The contracts concluded with the members of the Management Board do not contain any clauses relating to severance payments.

Clauses on changes of control
The contracts of the Management Board do not contain change of control clauses other than the accelerated vesting provision in the EVCP as described in section 4.1. For further information refer to the Corporate Governance Report starting on page 65.

Share ownership guidelines
Share ownership guidelines do not exist for the CEO or the other Management Board members.

4.2 Compensation awarded to the Management Board members for 2020

Compensation of active Management Board members

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

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

1 Includes benefits for relocated employees such as school fees as well as other benefits such as company cars. Due to lower school costs in 2020 and no tax settlements from previous years the CEO's other compensation was lower compared to 2019.
2 Paid out in March 2021, respectively March 2020
3 PSUs granted in 2021 and 2020 for the performance years 2020 and 2019
4 PSUs for 2020: Fair Market Value is based on the risk-adjusted volume-weighted average price ("VWAP") 60 trading days before grant date 1 February 2021 (CHF 105.05 – source: SIX). PSUs for 2019: Fair Market Value is based on the risk-adjusted volume-weighted average price ("VWAP") 60 trading days before grant date 1 February 2020 (CHF 108.96 – source: SIX). Determination through a Monte Carlo simulation algorithm.

Highest total compensation

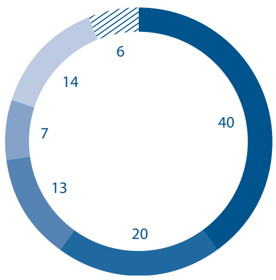
Robert Oudmayer, CEO, received the highest total compensation in 2020. For compensation details, please refer to the previous table.

Explanation of deviations versus the previous year:

- The total compensation of the Management Board members for the performance year 2020 amounts to TCHF 5,074. This amount is within the approved maximum aggregate compensation amount of TCHF 6,400 (consisting of the sum of the expected portion of fixed compensation of TCHF 3,800 approved by the Annual General Meeting 2019 and the expected portion of variable compensation of TCHF 2,600 approved by the Annual General Meeting 2020).
- The total fixed compensation of the Management Board for the business year 2020 amounts to TCHF 3,533 (previous year TCHF 3,612).
- The total variable compensation including social charges for the performance year 2020 amounts to TCHF 1,541 (previous year TCHF 1,836). For the performance year 2020, the variable compensation amounted to 30% of the total compensation (previous year 34%).
- The total fixed and the total variable compensation amount is lower than in the previous year primarily because a lower achievement factor in variable compensation, which reflects our pay-for-performance philosophy.

Performance year 2020 compensation structure CEO

in %

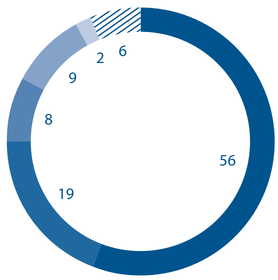


Chief Executive Officer

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

Performance year 2020 compensation structure Management Board excl. CEO

in %



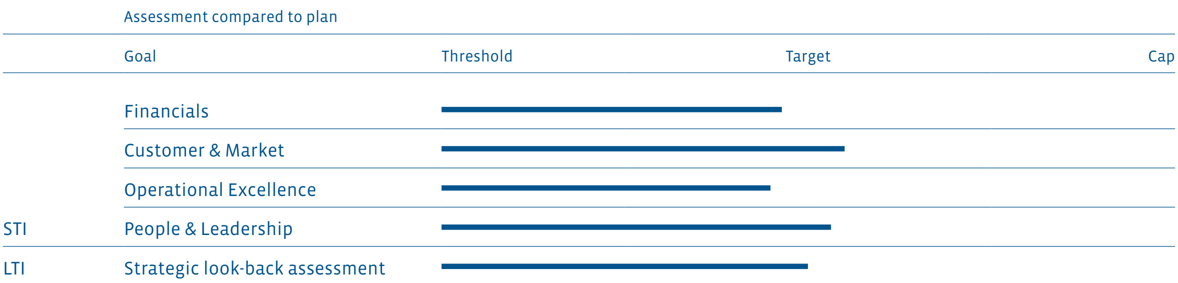
Management Board (excl. CEO)

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

Assessment compared to plan

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

The long-term incentive grants for the performance year 2020 have been approved by the Board of Directors at 100% (previous year: 125%) based on the strategic look-back assessment. The final value of this grant will be determined by the performance conditions outlined in the sub-chapter Long-term Incentive (LTI) of this report.



Vesting of RSU grants

Plan	Grant year	Vesting year 1st tranche	Vesting year 2nd tranche	Vesting year 3rd tranche	Number of RSUs vested 2020	Value at vesting 2020 (in CHF) [1]
EVCP 2013	2014	2015	2016	2017	n/a	n/a
EVCP 2014	2015	2016	2017	2018	n/a	n/a
EVCP 2015	2016	2018	2019	2020	1,894	205,120

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

Vesting of PSU grants

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

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

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

For details related to loans outstanding as of 31 December 2020 please refer to sub-chapter 6 “Loans and Credits: Amounts due from Members of Governing Bodies” of this report.

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

5 Compensation awarded to all Bank employees in 2020

The structure of compensation of all employees is as follows:

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

The following table includes information regarding the aggregated compensation awarded to all employees for the business years 2020 and 2019, including compensation for members of the Management Board. The Bank had 899 (full-time equivalents) as of 31 December 2020 compared to 802 employees (full-time equivalents) as of 31 December 2019 respectively.

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

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

[2] Covers only employees of the Bank

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

6 Shareholdings and loans

As required by art. 663c of the Code of Obligations, the Bank discloses the shareholdings of the members of the Board of Directors and the Management Board as of 31 December 2020 and 31 December 2019.

Shareholdings of the Board of Directors

At 31 December		2020		2019	
Name	Function	**Number of shares**	**Number of blocked shares**	Number of shares	Number of blocked shares
Dr Felix A. Weber	Chairman	**7,250**	**6,810**	7,250	**5,433**
Prof. Dr Peter Athanas	Vice Chairman	**–**	**2,498**	–	**1,993**
Urs D. Baumann	Member	**7,200**	**2,271**	7,200	**1,812**
Thomas Buess	Member	**–**	**–**	–	**–**
Denis Hall	Member	**–**	**1,558**	–	**1,166**
Katrina Machin	Member	**–**	**1,864**	–	**1,487**
Dr Monica Mächler	Member	**–**	**2,045**	–	**1,631**

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

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

At 31 December		**2020**			2019		
Name	Position	**Number of shares**	**Number of RSUs**	**Number of PSUs**	Number of shares	Number of RSUs	Number of PSUs
Robert Oudmayer	CEO	**73**	**–**	**7,849**	10,859	1,069	8,214
Jörg Fohringer	Managing Director B2B	**–**	**–**	**560**	–	–	–
Daniel Frei	Managing Director B2C	**5,735**	**–**	**1,657**	4,345	292	1,717
Volker Gloe	CRO	**4,245**	**–**	**1,602**	4,112	290	1,631
Dr Emanuel Hofacker	General Counsel	**661**	**–**	**1,472**	2,162	243	1,495
Niklaus Mannhart	COO	**–**	**3,038**	**869**	–	3,038	266
Pascal Perritaz	CFO	**–**	**–**	**818**	–	–	172

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

Loans and credits: amounts due from members of governing bodies

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

Amounts due from members of governing bodies as of 31 December 2020 are in connection with credit card balances. Due to the insignificance of the amounts involved, there was no disclosure by name for members of the Board of Directors and the Management Board.

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

We have audited the compensation report of Cembra Money Bank AG for the year ended December 31, 2020. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 3.2, 4.2 and 6 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the compensation report for the year ended December 31, 2020 of Cembra Money Bank AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Ertugrul Tüfekçi
Licensed Audit Expert
Auditor in Charge

Malea Bourquin
Licensed Audit Expert

Zurich
March 17, 2021

Your Swiss Bank

Financial Report 2020

Consolidated Financial Statements

Consolidated statements of income

For the years ended 31 December (CHF in thousands)	Notes	2020	2019
Interest income	22	**401,814**	359,775
Interest expense	23	**– 26,856**	– 27,791
Net interest income		**374,958**	**331,984**
Commission and fee income	24	**122,273**	147,721
Net revenues		**497,231**	**479,705**
Provision for losses on financing receivables	**4**	**– 56,411**	**– 45,066**
Compensation and benefits		**– 129,541**	– 120,487
General and administrative expenses	25	**– 117,867**	– 111,277
Total operating expenses		**– 247,408**	**– 231,764**
Income before income taxes		**193,412**	**202,875**
Income tax expense	17	**– 40,490**	– 43,676
Net income		**152,922**	**159,199**
Earnings per share			
Basic	15	5.21	5.53
Diluted	15	5.20	5.53

See accompanying Notes to the Consolidated Financial Statements

Consolidated statements of comprehensive income

For the years ended 31 December (CHF in thousands)	**2020**	2019
Net income	**152,922**	159,199
Net prior service cost, net of tax	**– 1,283**	– 1,353
Actuarial gain / (loss), net of tax	**– 3,940**	– 736
Unrealised gains / (losses) on investment securities, net of tax	**– 7**	–
Total other comprehensive gain / (loss), net of tax	**– 5,230**	– 2,089
Comprehensive income	**147,693**	**157,110**

See accompanying Notes to the Consolidated Financial Statements

Consolidated statements of financial position

At 31 December (CHF in thousands)	Notes	2020	2019
Assets			
Cash and cash equivalents		**599,002**	542,579
Financing receivables, net	4	**6,292,563**	6,585,555
Investment securities	5	**0**	5,668
Property, plant and equipment, net	6	**35,376**	28,822
Thereof operating lease - right-of-use (ROU) assets	6	28,175	19,773
Intangible assets, net	7	**81,846**	93,021
Goodwill	8	**156,828**	156,828
Other assets	9	**78,877**	72,740
Total assets [1]		**7,244,491**	**7,485,213**
Liabilities and equity			
Deposits	10	**3,274,620**	3,495,152
Accrued expenses and other payables		**210,306**	202,158
Short-term debt	11	**275,216**	325,063
Long-term debt	11	**2,290,014**	2,313,541
Other liabilities		**66,618**	57,964
Thereof operating lease - lease liability	6	28,474	19,663
Deferred tax liabilities, net	17	**694**	788
Total liabilities [1]		**6,117,468**	**6,394,667**
Common shares		**30,000**	30,000
Additional paid in capital (APIC)		**259,046**	259,447
Retained earnings		**902,374**	859,685
Treasury shares		**– 35,843**	– 35,260
Accumulated other comprehensive loss (AOCI)		**– 28,555**	– 23,325
Total shareholders' equity		**1,127,023**	**1,090,547**
Total liabilities and shareholders' equity		**7,244,491**	**7,485,213**

[1] The Group's consolidated assets as at 31 December 2020 and 2019 include total assets of TCHF 633,653 and TCHF 626,547, 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 2020 and 2019 include liabilities of the VIEs of TCHF 503,639 and TCHF 455,749, 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	APIC	Retained earnings	Treasury shares	AOCI	**Total equity**
Balance at 1 January 2019	**30,000**	**209,590**	**816,069**	**– 100,972**	**– 21,235**	**933,451**
Net income	–	–	159,199	–	–	159,199
Dividends paid	–	–	– 105,734	–	–	– 105,734
Change due to share-based compensation	–	471	–	816	–	1,287
Treasury shares	–	45,161	– 9,852	64,896	–	100,204
Movements related to the Group's benefit plan obligation, net of deferred tax of 643	–	–	–	–	– 5,034	– 5,034
Reclassifications from accumulated other comprehensive loss net of deferred tax of –695 [1]	–	–	–	–	2,945	2,945
Change due to convertible bonds	–	4,200	–	–	–	4,200
Other	–	26	4	–	–	30
Balance at 31 December 2019	**30,000**	**259,447**	**859,685**	**– 35,260**	**– 23,325**	**1,090,547**
Balance at 1 January 2020	**30,000**	**259,447**	**859,685**	**– 35,260**	**– 23,325**	**1,090,547**
Net income	–	–	152,922	–	–	152,922
Dividends paid	–	–	– 110,233	–	–	– 110,233
Change due to share-based compensation	–	– 401	–	1,600	–	1,199
Treasury shares	–	–	–	– 2,182	–	– 2,182
Movements related to the Group's benefit plan obligation, net of deferred tax of 2,003	–	–	–	–	– 8,587	– 8,587
Reclassifications from accumulated other comprehensive loss net of deferred tax of -772 [1]	–	–	–	–	3,364	3,364
Unrealised gains / (losses) on available for sale debt securities, net of deferred tax of 2	–	–	–	–	– 7	– 7
Balance at 31 December 2020	**30,000**	**259,046**	**902,374**	**– 35,843**	**– 28,555**	**1,127,023**

1 Reclassifications from accumulated other comprehensive loss related to the Group's benefit plan obligation are classified in the income statement under general and administrative expenses

See accompanying Notes to the Consolidated Financial Statements

Consolidated statements of cash flows

For the years ended 31 December (CHF in thousands)	Notes	2020	2019
Cash flows from operating activities			
Net income		**152,922**	159,199
Adjustments to reconcile net income to cash provided from operating activities:			
Provision for losses on financing receivables		**56,411**	45,066
Deferred income taxes		**1,116**	5,041
Depreciation		**3,346**	3,532
Amortisation of intangible assets		**23,176**	15,926
Decrease (–) / Increase in accrued expenses and other payables		**8,148**	23,523
Decrease / Increase (–) in tax receivables		**– 6,096**	2,189
Decrease / Increase (–) in other receivables		**4,283**	– 679
Decrease / Increase (–) in deferred expenses		**– 3,754**	– 1,932
All other operating activities		**– 6,288**	528
Net cash provided by operating activities		**233,264**	**252,391**
Cash flows from investing activities			
Net change in financing receivables	27	**236,581**	– 337,324
Proceeds from maturity of investment securities		**5,668**	4,890
Additions to property, plant and equipment		**– 1,114**	– 4,654
Additions to intangible assets		**– 12,920**	– 12,519
Investments in subsidiaries and other investments		**–**	– 255,216
All other investing activities		**919**	– 1,023
Net cash provided by / used in (-) investing activities		**229,134**	**– 605,846**
Cash flows from financing activities			
Net change in deposits		**– 220,533**	667,899
Issuance of short-term and long-term debt		**250,000**	1,723,699
Repayments of short-term and long-term debt		**– 325,063**	– 1,984,853
Dividends paid		**– 110,233**	– 105,734
Purchase of treasury shares		**– 2,182**	– 1,704
Net proceeds from sale of treasury shares		**–**	101,908
All other financing activities		**2,888**	– 2,327
Net cash provided by / used in (-) financing activities		**– 405,122**	**398,889**
Net increase / decrease (–) in cash and cash equivalents		**57,276**	**45,433**
Cash and cash equivalents, including restricted cash classified in "Other assets"			
Beginning of the period		**573,546**	528,113
thereof restricted cash		**30,967**	28,790
End of period		**630,822**	**573,546**
thereof restricted cash		**31,820**	30,967
Supplemental disclosure			
Interest paid		**– 24,880**	– 21,834
Income taxes paid		**– 55,614**	– 41,454

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 2015-1 GmbH in Liquidation, Swiss Auto Lease 2016-1 GmbH, Swiss Auto Lease 2019-1 GmbH, Swiss Auto Lease 2020-1 GmbH, Swissbilling SA, eny Credit GmbH, cashgate AG and Fastcap AG (collectively "the Group"). The Group is a leading provider of financing solutions and services in Switzerland. The main products comprise consumer finance products such as personal loans, auto leases and loans, credit cards as well as 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 Topic 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 2021 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, long-lived and right-of-use 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. Full amount of residual values guaranteed by third party dealers are included in fixed lease payments when evaluating lease classification under ASC 842-10-25-2.

Other revenues

In accordance with ASC Topic 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. Depreciation of leasehold improvements is recorded on a straight-line basis over the estimated useful lives of the assets or the period of the underlying lease agreement, when shorter.

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 or cashgate with term duration less than 60 months and consumer auto finance leases are written off on the monthly write-off date after the contract reaches 120 days contractually past due. Unsecured closed-end instalment loans originated by the Bank or cashgate with term duration of 60 months or greater 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 on a written-off account at the time cash is received or when an asset has been repossessed, the estimated remarketing gain may be booked as recovery.

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 Topic 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 Topic 842. Direct financing leases are carried at the aggregate of lease payments receivable plus the guaranteed residual value of the leased object less unearned income.

In line with ASC Topic 842, right-of-use assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease.

Operating lease right-of-use assets and liabilities are recognised at the commencement date of a lease based on the present value of lease payments over the lease term. The Group determines if an arrangement is a lease at inception. Operating lease right-of-use assets are included in property, plant and equipment whereas operating lease liabilities are recognised in accrued expenses and other payables and other liabilities in the Group's consolidated statements of financial position. No material finance leases have been recognised.

As most of the Group's leases do not provide an implicit rate, the Group uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Group uses the implicit rate when readily determinable. The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate leases. When it is reasonably certain that the Group will exercise an option to extend or terminate a lease, the amended term is included in the lease calculation. Lease expense for lease payments is recognised on a straight-line basis over the lease term. Variable lease payments are expensed in the period in which they occur.

The Group has lease agreements with lease and non-lease components. For real estate leases, the Group has elected to account for the lease and non-lease components as a single lease component. For automobile and IT asset leases, the Group has elected to account for the lease and non-lease components as separate components.

The Group accounts for all short-term leases by recognising lease payments in net income on a straight-line basis over the lease term and will not recognise any right-of-use assets and lease liabilities in the Group's consolidated statements of financial position.

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, customer relationships and trademarks. 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 separate vesting portion of the award. The programmes are described in detail in note 26.

Debt

Loans that the Bank intends to hold to maturity are carried at amortised cost as the outstanding principal balance plus accrued interest, net of the following items: unamortised discounts, deferred loan origination fees. Interest income is accrued on the unpaid balance, and net deferred discounts and fees are amortised as an adjustment to the loan yield over the term of the related loans. For capital management purposes, the Bank issued hybrid capital instruments, either with a Tier 1 capital trigger or a write-off or contingent share conversions features. The embedded conversion option as linked to the Bank's shares is bifurcated for accounting purposes as measured separately via equity. The host contract is accounted for under the amortised cost method.

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

Recently adopted accounting standards

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 adoption of this standard did not have a material impact on the fair value measurement and related disclosures.

Recently issued accounting standards to be effective in future periods

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.

Subsequently, the FASB has issued several additional amendments to ASU 2016-13, which affect certain aspects related to clarification and updates to a variety of topics, as well as allowing for an irrevocable election of the fair value option for certain financial assets previously measured on an amortised cost basis upon transition. Additionally, the amendments also deferred the effective date to annual periods beginning after 15 December 2022, 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 does not expect there to be a material impact from the adoption of the new standard on its financial statements.

On 18 December 2019, the FASB issued ASU 2019-12 "Simplifying the Accounting for Income Taxes". The amendments in the update simplify the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify GAAP for other areas of ASC 740 by clarifying and amending existing guidance. The new guidance is effective for the Group starting in fiscal years beginning after December 2020, including interim periods within those fiscal years. The Group plans to adopt the guidance as of 1 January 2021 and is currently assessing the impact of this guidance on its financial statements.

On 5 August 2020, the FASB issued ASU 2020-06 "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity". The ASU reduces the number of models used to account for convertible instruments, eliminating two out of five existing separation models (i.e. the convertible debt with a cash conversion feature and the convertible instrument with a beneficial conversion feature). The ASU furthermore provides more consistent guidance on calculating the dilutive impact on earnings per share. The ASU is expected to reduce complexity and improve comparability of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The new guidance is effective for the Group for fiscal years beginning after 15 December 2023, including interim periods within those fiscal years. The Group plans to adopt the guidance as of 1 January 2024 and is currently assessing the impact of this guidance on its financial statements.

3. Business developments

In February 2020, the liquidation process for Swiss Auto Lease 2013-1 GmbH in Liquidation was completed with the cancellation of the company from the register of commerce of Zurich.

On 3 March 2020, the Group launched its sixth auto lease asset-backed security (ABS) transaction (Swiss Auto Lease 2020-1 GmbH) and issued fixed-rate senior notes of TCHF 250,000 on the Swiss capital market with a contractual maturity of ten years and an optional redemption date of four years from the date of issuance. Most of the proceeds from this issuance were used to refinance the fourth ABS issued in 2016. On 23 March 2020, the TCHF 200,000 outstanding senior notes issued in 2016 were fully repaid with no further amounts due to noteholders.

In May 2020, the Group decided to close four branches in Aarau, Chur, Neuchâtel and Solothurn during 2020 reducing the number of branches to 13.

In June 2020, Swiss SME Loans 2018-1 GmbH was merged with the Bank.

4. Financing receivables and allowance for losses

The Group's credit risk appetite and strategy have been consistent over many years. This has assisted it to remain resilient through economic turbulences, including the 2009 downturn and in the current covid-19 pandemic. In light of the prevailing economic uncertainty, the Group's credit risk strategy continues to be cautious, and it reacted swiftly and continuously assesses the potential impact of various macroeconomic scenarios.

As part of this response, additional resources were allocated to support collections strategies, and new tools, such as repayment plans and payment holidays, were introduced to affected customers on an individual basis. It should be noted that the utilisation of these tools did not change the original contractual payments terms, and therefore the reported amountes regarding the over 30 days past due receivables and nonaccrual receivables is not affected.

Additionally, the underwriting processes were reviewed and adjusted to limit unexpected credit losses. Lastly, an environmental reserve of CHF 2.2 million was recorded on the unsecured closed end instalment loans to further strengthen the allowance for losses of the personal loan portfolio, and to reflect the changing economic environment under the existing incurred loss model.

At 31 December 2020 and 2019, 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)	2020	2019
Loans	**3,696,458**	4,021,306
Deferred costs, net	**43,659**	46,500
Total loans, including deferred costs, net	**3,740,117**	**4,067,806**
Investment in financing leases, net of deferred income	**2,573,674**	2,580,392
Other [1]	**62,827**	17,631
Financing receivables before allowance for losses	**6,376,617**	**6,665,829**
Less allowance for losses [2]	**– 84,055**	– 80,274
Financing receivables, net	**6,292,563**	**6,585,555**

1 Other includes Swissbilling SA
2 Includes covid-19 environmental reserve of TCHF 2,165

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)	2020	2019
Total minimum lease payments receivable	**2,770,331**	2,785,042
Deferred income [1]	**– 196,657**	– 204,650
Investment in direct financing leases	**2,573,674**	**2,580,392**
Less allowance for losses	**– 9,654**	– 9,140
Net investment in direct financing leases	**2,564,020**	**2,571,252**

1 Includes TCHF 25,602 and TCHF 25,298 of initial direct costs on direct financing leases as at 31 December 2020 and 31 December 2019, respectively

The subsidiaries held TCHF 601,766 and TCHF 595,581 of net financing receivables as at 31 December 2020 and 2019, 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 2020, the Group's contractual maturities for loans and financing leases were:

Due in (CHF in thousands)	Loans	Minimum lease payments receivable
2021	95,082	225,847
2022	234,926	461,969
2023	389,718	681,944
2024	511,827	821,407
2025	604,339	523,993
2026 and later	853,908	55,171
Consumer revolving loans	1,006,658	–
Total	3,696,458	2,770,331

Actual maturities may differ from contractual maturities.

The following table provides further information about financing receivables:

At 31 December (CHF in thousands)	2020	2019
Personal loans	2,472,644	2,685,349
Auto leases and loans	2,865,029	2,927,204
Credit cards	976,117	1,035,645
Other [1]	62,827	17,631
Financing receivables, before allowance for losses	6,376,617	6,665,829
Allowance for losses [2]	– 84,055	– 80,274
Financing receivables, net	6,292,563	6,585,555

[1] Other includes Swissbilling SA
[2] Includes Covid-19 environmental reserve of TCHF 2,165

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

At 31 December (CHF in thousands)	Balance at 1 January 2020	Provision for losses	Amounts written off	Recoveries	Other	Balance at 31 December 2020
Personal loans [1]	60,532	32,186	– 74,550	46,233	–	64,401
Auto leases and loans	11,800	14,942	– 34,603	19,959	–	12,097
Credit cards	7,051	7,621	– 18,826	10,530	–	6,375
Other [2]	891	1,663	– 1,909	536	–	1,180
Total [1]	80,274	56,411	– 129,888	77,258	–	84,055
As a % of total financing receivables, net						1.3 %

[1] Includes covid-19 environmental reserve of TCHF 2,165
[2] Other includes Swissbilling SA

At 31 December (CHF in thousands)	Balance at 1 January 2019	Provision for losses	Amounts written off	Recoveries	Other	Balance at 31 December 2019
Personal loans	33,779	24,363	– 58,557	44,426	16,521	60,532
Auto leases and loans	10,262	10,352	– 27,968	16,453	2,701	11,800
Credit cards	7,342	9,111	– 19,638	10,236	–	7,051
Other [1]	629	1,240	– 1,316	337	–	891
Total	**52,013**	**45,066**	**– 107,479**	**71,453**	**19,222**	**80,274**
As a % of total financing receivables, net						**1.2 %**

[1] Other includes 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:

	2020		2019	
	Over 30 days past due	**Over 90 days past due**	Over 30 days past due	Over 90 days past due
Personal loans	**3.3 %**	**1.4 %**	3.0 %	1.2 %
Auto leases and loans	**0.7 %**	**0.1 %**	0.9 %	0.2 %
Credit cards	**1.0 %**	**0.4 %**	1.1 %	0.4 %
Total [1]	**1.8 %**	**0.7 %**	**1.8 %**	**0.6 %**

[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)	2020	2019
Personal loans	**33,674**	32,804
Auto leases and loans	**3,544**	4,497
Credit cards	**3,587**	4,228
Total [1]	**40,804**	**41,530**
Nonperforming loan coverage [2]	**206.0 %**	193.3 %

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

Credit quality indicators

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

a. CR1 0.00% – 1.20%;
b. CR2 1.21% – 2.97%;
c. CR3 2.98% – 6.99%;
d. CR4 7.00% – 13.16%; and
e. CR5 13.17% and greater.

For private customers, the consumer rating is derived from an application credit score that is calculated through one of the Group's internal scorecards. Each credit score translates into one of the consumer ratings. For commercial customers, an obligor rating (OR) is assigned. The obligor rating can be translated into the grades of the consumer rating.

In addition to regular scorecard monitoring, a parity test is run on a quarterly basis to monitor at portfolio level whether the consumer ratings adequately reflect the credit quality. The parity tests confirm that although a consumer rating may have been assigned more than 12 months ago and so the initial 12-month window for probability of default has passed, the rating still accurately reflects the probability of default.

	2020				
At 31 December (CHF in thousands)	CR1	CR2	CR3	CR4	CR5
Personal loans	**1,045,608**	**776,452**	**417,852**	**121,177**	**45,537**
Auto leases and loans	**1,476,555**	**885,265**	**405,127**	**70,851**	**27,231**
Credit cards	**719,542**	**184,761**	**65,332**	**6,392**	**89**
Total [1]	**3,241,705**	**1,846,478**	**888,311**	**198,420**	**72,858**
As a % of total financing receivables before allowance for losses [1]	**51.8 %**	**29.6 %**	**14.2 %**	**3.2 %**	**1.2 %**

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

At 31 December (CHF in thousands)	2019 CR1	CR2	CR3	CR4	CR5
Personal loans	**1,243,149**	**802,966**	**404,483**	**120,161**	**7,915**
Auto leases and loans	**1,485,086**	**920,142**	**412,579**	**72,980**	**36,418**
Credit cards	**761,584**	**196,319**	**70,194**	**7,509**	**39**
Total [1]	**3,489,818**	**1,919,427**	**887,255**	**200,650**	**44,373**
As a % of total financing receivables before allowance for losses [1]	**53.3 %**	**29.3 %**	**13.6 %**	**3.1 %**	**0.7 %**

[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

5. Investment securities

Any investment securities which are comprised of debt securities available for sale matured in 2020.

At 31 December (CHF in thousands)	**2020**	2019
Debt securities available for sale	–	5,668
Total investment securities	**–**	**5,668**

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.

	2020				2019			
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	–	–	–	–	–	25	– 25	–
Debt securities issued by Swiss mortgage institutions	–	–	–	–	5,659	177	– 168	5,668
Debt securities available for sale	**–**	**–**	**–**	**–**	**5,659**	**202**	**– 193**	**5,668**

6. Property, plant and equipment

At 31 December (CHF in thousands)	Estimated useful lives (years)	2020	2019
Original cost			
Buildings and improvements	(5-40)	**9,598**	8,847
Office equipment	(3-10)	**15,916**	15,553
Total		**25,514**	**24,400**
Accumulated depreciation			
Buildings and improvements		**– 6,733**	– 5,565
Office equipment		**– 11,580**	– 9,786
Total		**– 18,313**	**– 15,351**
Net carrying value			
Buildings and improvements		**2,865**	3,282
Office equipment		**4,336**	5,767
Total		**7,201**	**9,049**

Depreciation expense was TCHF 3,346 in 2020 and TCHF 3,532 in 2019, respectively. The Group did not recognise any impairment losses in both 2020 and 2019.

The Group holds operating leases primarily related to real estate and automobiles. Due to the renewal of one of the existing real estate leases, which at the earliest can be terminated after an additional period of 5 years, additional operating lease right-of-use assets and liabilities of TCHF 14,893 have been recognized in 2020.

At 31 December (CHF in thousands)	2020	2019
Components of the lease liability		
Operating lease - ROU assets	**28,175**	19,773
Operating lease - lease liability	**28,474**	19,663
Short-term classification	**6,636**	7,006
Long-term classification	**21,838**	12,658
Supplemental information		
ROU assets obtained for new lease liabilities	**14,893**	2,743
Weighted average remaining lease term (in years)	**4.56**	3.48
Weighted average discount rate	**0.20 %**	0.23 %

For the years ended 31 December (CHF in thousands)	2020	2019
Components of the lease expense		
Operating lease expense[1]	**7,880**	7,164
Supplemental information		
Operating cash flows paid for operating leases	**7,188**	6,556
Operating cash flows paid for short-term	**563**	1,021

1 Includes impairment loss of TCHF 575 on operating leases

At 31 December (CHF in thousands)	2020
Maturities table	
2021	**6,251**
2022	**6,266**
2023	**4,944**
2024	**4,457**
2025	**3,743**
Thereafter	**2,923**
Total lease payments	**28,585**
Less: imputed interest	**– 110**
Total	**28,474**

7. Intangible assets

At 31 December (CHF in thousands)	Estimated useful lives (years)	2020	2019
Original cost			
Capitalised software	(1-5)	**91,065**	79,168
Customer relationships	(5 - 5.5)	**48,087**	48,087
Trademarks	(5)	**10,964**	10,964
Total		**150,117**	**138,220**
Accumulated amortisation			
Capitalised software		**– 53,532**	– 41,401
Customer relationships		**– 11,815**	– 3,066
Trademarks		**– 2,924**	– 731
Total		**– 68,271**	**– 45,199**
Net carrying value			
Capitalised software		**37,533**	37,767
Customer relationships		**36,273**	45,021
Trademarks		**8,040**	10,233
Total		**81,846**	**93,021**

Amortisation expense related to intangible assets was TCHF 23,176 in 2020 and TCHF 15,926 in 2019. As at 31 December 2020, the Group estimates the annual pre-tax amortisation for intangible assets over the next five years to be as follows:

CHF in thousands	2021	2022	2023	2024	2025 and later
Estimated pre-tax amortisation	22,491	20,669	18,492	15,399	4,795

8. Goodwill

On 16 February 2017, the Group acquired 100% of the 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. On 2 September 2019, the Group acquired 100% of the shares of cashgate AG, a leading consumer finance provider in Switzerland, for total consideration of CHF 277 million. Goodwill related to these acquisitions is presented below.

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 it's goodwill impairment analysis as of 30 September 2020 and follow up procedures performed covering the last quarter 2020, the Group concluded that the estimated fair value for all the reporting units with goodwill substantially exceeded the related carrying values and no impairment was necessary at 31 December 2020. There are no deferred taxes booked related to goodwill.

CHF in thousands	**Balance at 1 January 2020**	**Goodwill acquired during the period**	**Other**	**Balance at 31 December 2020**
Gross amount of goodwill	**156,828**	**–**	**–**	**156,828**
Accumulated impairment	**–**	**–**	**–**	**–**
Net book value	**156,828**	**–**	**–**	**156,828**

CHF in thousands	Balance at 1 January 2019	Goodwill acquired during the period	Other	Balance at 31 December 2019
Gross amount of goodwill	15,877	140,951	–	156,828
Accumulated impairment	–	–	–	–
Net book value	**15,877**	**140,951**	**–**	**156,828**

9. Other assets

At 31 December (CHF in thousands)	**2020**	2019
Restricted cash	**31,820**	30,967
Tax receivables	**30,733**	24,637
Other receivables	**7,586**	11,869
Deferred expenses	**7,157**	3,403
Other	**1,581**	1,865
Total other assets	**78,877**	**72,740**

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 31,820 and TCHF 30,967 of restricted cash related to the consolidated VIEs (see note 20) as at 31 December 2020 and 2019, respectively. The tax receivables at 31 December 2020 consisted of VAT input tax.

10. Deposits

The following table shows the maturities of the Group's customers' saving deposits, term deposits and prepaid card balances as at 31 December 2020 and 2019, respectively:

At 31 December (CHF in thousands)	**2020**	2019
On demand	**167,124**	158,755
Less than 3 months	**328,852**	443,843
3 to less than 6 months	**327,727**	306,284
6 to less than 12 months	**820,039**	856,601
12 months plus, thereof	**1,630,878**	1,729,669
due in 2021	**–**	518,143
due in 2022	**578,330**	412,346
due in 2023	**359,629**	312,718
due in 2024	**341,649**	247,620
due in 2025	**120,802**	69,733
due in 2026 and later	**230,469**	169,110
Total	**3,274,620**	**3,495,152**

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 0.41% as at 31 December 2020 and was comparable to that of the prior year.

11. Short-term and long-term debt

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

At 31 December (CHF in thousands)	Maturity	2020 Amount	2020 Contractual interest rate [2]	2019 Amount	2019 Contractual interest rate [2]
Short-term portion					
Non-recourse borrowings (Auto ABS) [1]	2020	–	–	200,000	0.22 %
External debt (floating rate note)	2020	–	–	50,063	0.00 %
External debt (bridge facility)	2020	–	–	75,000	
External debt (senior unsecured floating rate notes)	2021	**50,055**	**0.00 %**	–	–
External debt (unsecured bond)	2021	**175,000**	**0.50 %**	–	–
External debt (senior unsecured floating rate notes)	2021	**50,161**	**0.00 %**	–	–
Long-term portion					
External debt (unsecured bond)	2021	–	–	175,000	0.50 %
External debt (senior unsecured floating rate notes)	2021	–	–	50,383	0.00 %
External debt (senior unsecured floating rate notes)	2021	–	–	50,337	0.00 %
Non-recourse borrowings (Auto ABS) [1]	2022	**250,000**	**0.15 %**	250,000	0.15 %
External debt (unsecured bond)	2022	**99,988**	**1.25 %**	99,980	1.25 %
External debt (unsecured bond)	2023	**200,000**	**0.18 %**	200,000	0.18 %
External debt (unsecured bond)	2023	**250,000**	**0.00 %**	250,000	0.00 %
Non-recourse borrowings (Auto ABS) [1]	2024	**250,000**	**0.00 %**	–	–
External debt (unsecured bond)	2024	**200,136**	**0.25 %**	200,175	0.25 %
External debt (perpetual tier 1 capital bond)	2024	**150,000**	**2.50 %**	150,000	2.50 %
External debt (unsecured bond)	2025	**150,533**	**0.38 %**	150,652	0.38 %
External debt (unsecured bond)	2026	**125,179**	**0.88 %**	125,213	0.88 %
External debt (senior convertible bond)	2026	**248,420**	**0.00 %**	247,978	0.00 %
External debt (unsecured bond)	2026	**200,000**	**0.15 %**	200,000	0.15 %
External debt (unsecured bond)	2027	**175,000**	**0.29 %**	175,000	0.29 %
Debt issuance costs		**– 9,242**		– 11,178	
Total short-term and long-term debt		**2,565,230**		**2,638,604**	

[1] Related to consolidated VIEs, refer to note 20 for further details
[2] Rounded to two decimal places

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 2020, the Group had mostly fixed rate funding, except of two floating rate notes over TCHF 50,000 each, which were issued in August 2019 and November 2019.

The Group defers the debt issuance costs and amortises them over the expected lifetime of the relevant debt instrument. As per 31 December 2020 and 2019, unamortised debt issuance costs amounted to TCHF 9,242 and TCHF 11,178, respectively. Commitment fees are recognised as incurred over the commitment period.

On 23 January 2019, the Group signed a revolving credit facility with an international bank with a committed term until 2022. The facility consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

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. The facility has an applicable contractual commitment fee of 0.20% per annum.

On 4 July 2018, the Group signed a revolving credit facility with as Swiss bank with a committed term until 2021. 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 2020, the Group signed a revolving credit facility with a Swiss bank with a committed term until end of 2023. The facility consists of a TCHF 150,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

As at 31 December 2020, the Group maintained TCHF 400,000 of undrawn committed facilities. The weighted average contractual commitment fee for all facilities was 0.24% at 31 December 2020 and 2019, respectively.

On 14 November 2019, the Group issued a TCHF 50,000 floating rate note at 100.70% 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 14 August 2019, the Group issued a TCHF 50,000 floating rate note at 100.99% with a maturity of one and half years and a quarterly coupon of 0.0% floored for the entire period depending on the Libor fixings.

On 1 October 2019, the Group issued a TCHF 200,000 senior unsecured bond at 100% with a maturity of seven years and a coupon of 0.15%.

On 8 July 2019, the Group issued a TCHF 250,000 senior unsecured bond at 100% with maturity of three and three quarter years and a coupon of 0.0% and a TCHF 175,000 senior unsecured bond at 100% with a maturity of eight years and a coupon of 0.29%.

On 4 July 2019, the Group issued a TCHF 150,000 additional tier1 bond at 100% with perpetual maturity (earliest call in November 2024) and a coupon of 2.5%. The bond is eligible for tier1 capital, and will be written-off if a pre-specified trigger event occurs in relation to the regulatory capital adequacy ratio (>5.125% Common Equity Tier 1). If capital triggering occurs, the investor receives a write-down of the outstanding amount of the debt, which may be defined as either fixed or variable (depending upon the point of conversion). Given the extremely low likelihood of conversion, no separate derivative was recorded related to the value of the conversion option.

On 2 July 2019, the Group issued a TCHF 250,000 convertible bond at 100.88% with a maturity of seven years and a coupon of 0.0%. The effective interest rate on the debt component for the period ended 31 December 2020 was 0.11%. The conversion right allows the bondholders to convert their bonds any time 41 days after settlement up to and including 40 days before maturity. When conversion rights are exercised, holders who convert their bonds will receive a) if the conversion value is lower than or equal to the aggregate principal amount of the bonds converted by the same holder at any one time, the cash conversion amount; or b) if the conversion value is greater than the aggregate principal amount of the bonds converted by the same holder at any one time the cash conversion amount and the net shares. Upon conversion, it is at the discretion of Cembra Money Bank AG to deliver net shares or its equivalent in cash. The convertible bond has an initial conversion price of CHF 122.20. The embedded conversion option met the criteria for a cash conversion option via ASC Topic 470 and is measured separate via equity at TCHF 4,200.

On 6 March 2019, the Group launched its fifth auto lease asset backed security ("ABS") transaction and issued a fixed-rate senior notes of TCHF 250,000 on the Swiss capital market with a legal maturity of ten years and an optional redemption date of 3 years from the date of issuance. Most of the proceeds from this issuance were used to refinance the third ABS issued in 2015. On 23 March 2019, the TCHF 200,000 outstanding senior notes issued in 2015 were fully repaid with no further amounts due to noteholders.

On 3 March 2020, the Group launched its sixth auto lease asset backed security ("ABS") transaction and issued a fixed-rate senior notes of TCHF 250,000 on the Swiss capital market with a legal maturity of ten years and an optional redemption date of 4 years from the date of issuance. Most of the proceeds from this issuance were used to refinance the third ABS issued in 2016. On 23 March 2020, the TCHF 200,000 outstanding senior notes issued in 2016 were fully repaid with no further amounts due to noteholders.

The Group has a total outstanding of TCHF 2,425,000 of senior unsecured bonds (including ABS and Convertible) and TCHF 150,000 subordinated additional tier 1 bond issued as at 31 December 2020. These bonds have been issued in 2014 (maturing in 2022), 2015 (maturing in 2021), 2016 (maturing in 2023), 2017 (maturing in 2024 and 2025) and 2018 (maturing in 2026) and 2019 (maturing in 2021, 2022, 2023, 2026 and 2027). All debt instruments are repayable in 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.

For the plans the Group recognises an asset for the overfunded status or a liability for the underfunded status in the consolidated statements of financial position. The Group records annual amounts relating to its pension plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality rates, assumed rates of return, compensation increases and employee turnover rates. The Group reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The Group believes that the assumptions utilised in recording its obligations under its plans are reasonable based on its experience and market conditions. The net periodic costs are recognised as employees render the services necessary to earn the postretirement benefits.

Apart from temporary staff with an expected duration of employment of less than three months and people receiving a disability pension whose degree of incapacity to perform day-to-day tasks is greater than 70%, all employees aged at least 17 and with an annual base salary exceeding 75% of the applicable maximum single old-age state pension are insured. As a general rule, the statutory retirement age is 65; however, early retirement, starting from the age of 58, is possible. The pension plans insure both mandatory occupational benefits and extra mandatory benefits. The Group uses a 31 December measurement date for the plans.

The Group's pension plan participants as at 31 December 2020 and 2019, respectively, were as follows:

At 31 December	**2020**	2019
Active employees	**982**	1,016
Beneficiaries and pensioners	**155**	142
Total	**1,137**	**1,158**

The cost of the pension plans is presented below:

For the years ended 31 December (CHF in thousands)	Consolidated statements of income line item	**2020**	2019
Service cost for benefits earned	Compensation and benefits	**8,678**	6,746
Prior service credit amortisation	General and administrative expenses	**–1,590**	–1,675
Expected return on plan assets	General and administrative expenses	**–7,316**	–6,052
Interest cost on benefit obligations	General and administrative expenses	**642**	1,864
Net actuarial loss amortisation	General and administrative expenses	**5,726**	5,315
Pension plan cost		**6,140**	**6,198**

The actuarial assumptions 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	2020	2019
Discount rate	**0.10 %**	0.20 %
Compensation increases	**1.85 %**	2.12 %
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 experienced 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 10,437 to the pension plan in 2021.

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. In 2019, the Group committed to the transfer of employees from the pension plan acquired as part of the cashgate acquisition to the existing Cembra plan, which resulted to an adjustment as a plan change to the accumulated benefit obligation.

The accumulated benefit obligation was TCHF 330,439 and TCHF 318,272 for 31 December 2020 and 2019, respectively. The changes in the projected benefit obligation are presented below:

CHF in thousands	2020	2019
Balance at 1 January	**328,499**	**258,702**
Service cost for benefits earned	**8,678**	6,746
Interest cost on benefit obligations	**642**	1,864
Participant contributions	**6,850**	6,005
Actuarial loss / gain (–), net	**9,795**	26,824
Benefits paid (–) / received, net	**– 14,889**	– 4,714
Business combinations	**–**	35,129
Plan change	**–**	– 2,057
Balance at 31 December	**339,575**	**328,499**

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	2020	2019
Balance at 1 January	**293,832**	**236,248**
Actual return on plan assets	**6,521**	25,141
Employer contributions	**12,582**	9,055
Participant contributions	**6,850**	6,005
Benefits paid (–) / received, net	**– 14,889**	– 4,714
Business combinations	**–**	22,097
Balance at 31 December	**304,896**	**293,832**

The asset allocations are described below:

At 31 December	2020 Target allocation	2020 Actual allocation
Equity securities		
Swiss equity securities	**13 %**	**16 %**
Non-Swiss equity securities	**23 %**	**27 %**
Debt securities		
Swiss bonds	**18 %**	**14 %**
Non-Swiss bonds	**17 %**	**20 %**
Real estate funds	**19 %**	**22 %**
Other investments	**10 %**	**2 %**

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 equity securities 16%, non-Swiss equity securities 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:

	2020			
At 31 December (CHF in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities				
Swiss equity securities	**47,673**	**–**	**–**	**47,673**
Non-Swiss equity securities	**82,411**	**–**	**–**	**82,411**
Debt securities				
Swiss bonds	**42,772**	**–**	**–**	**42,772**
Non-Swiss bonds	**59,389**	**–**	**–**	**59,389**
Real estate funds	**–**	**65,490**	**–**	**65,490**
Other investments [1]	**1,857**	**4,879**	**–**	**6,736**
Total investments	**234,101**	**70,369**	**–**	**304,470**
Other				**426**
Total assets				**304,896**

1 Primarily includes infrastructure funds and cash.

	2019			
At 31 December (CHF in thousands)	Level 1	Level 2	Level 3	Total
Equity securities				
Swiss equity securities	40,706	–	–	40,706
Non-Swiss equity securities	69,748	–	–	69,748
Debt securities				
Swiss bonds	50,059	–	–	50,059
Non-Swiss bonds	51,342	–	–	51,342
Real estate funds	–	53,738	–	53,738
Other investments [1]	2,573	2,301	–	4,875
Total investments	**214,428**	**56,039**	**–**	**270,467**
Other				**23,365**
Total assets				**293,832**

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)	2020	2019
Funded status	**– 34,679**	– 34,667
Pension liability recorded in the statement of financial position		
Other liabilities		
Due after one year	**– 34,679**	– 34,667
Net amount recognised	**– 34,679**	**– 34,667**

Amounts recorded in shareholders' equity (unamortised)		
Prior service credit	**– 4,435**	– 5,935
Net actuarial loss	**39,669**	34,805
Total	**35,234**	**28,870**

In 2021, the Group estimates that it will amortise TCHF 1,413 of prior service credit and TCHF 6,473 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	2021	2022	2023	2024	2025	2026-2030
Pension plan	22,003	21,884	20,826	20,022	21,211	81,670

13. Other liabilities

This section primarily reflects the pension plans funded status of TCHF 34,679 and TCHF 34,667 as at 31 December 2020 and 2019, respectively. It also comprises deferred compensation related to the Group's jubilee plan amounting to TCHF 3,464 and TCHF 3,643 as at 31 December 2020 and 2019, respectively. The jubilee plan is a voluntary benefit provided by the Group to its employees based on their years of service.

For detailed information on operating lease - lease liability please refer to note 6.

14. Capital adequacy

The Group is subject to FINMA regulations. 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.

The Group is applying the definite Basel III rules effective since 1 January 2013. Under Basel III, a variety of basic approaches are available to banks for the calculation of capital adequacy requirements for credit, market and operational risks. The Group uses the International standard approach ("SA-BIS" approach) to calculate the minimum requirement for covering credit risk. It is entitled to use a standardised approach to calculate the capital charge for market risk. The Group also applies a standardised approach to calculate the capital charge for operational risk management. Thus it fulfils the qualitative and quantitative requirements of the Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO, SR 952.03).

The total eligible regulatory capital of the Group comprises Tier 1, Common Equity Tier 1 (CET1), additional Tier 1 capital (AT1) 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 2020, 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 "Basel III Pillar 3 disclosures 2020" published on the Cembra website (www.cembra.ch/financialreports).

At 31 December (CHF in thousands)	**2020**	2019
Eligible regulatory capital		
Tier 1 capital	**1,000,436**	962,297
of which CET1 capital	**850,436**	812,297
of which additional Tier 1 capital	**150,000**	150,000
Total eligible capital	**1,000,436**	**962,297**
Risk-weighted assets		
Credit risk	**4,861,055**	5,100,663
Non counterparty risk	**42,215**	56,642
Market risk	**3,452**	5,482
Operational risk	**755,157**	745,326
Total risk-weighted assets	**5,661,879**	**5,908,114**
Capital ratios		
CET1 ratio	**15.0 %**	13.7 %
Tier 1 ratio	**17.7 %**	16.3 %
Total capital ratio	**17.7 %**	**16.3 %**

15. Earnings per share and additional share information

Basic earnings per share ("EPS") is calculated based on the weighted average number of common shares outstanding during the period. Diluted EPS is computed based on the weighted average number of common shares plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding restricted stock units ("RSUs") and performance share units ("PSUs").

The components of basic and dilutive EPS are as follows:

For the years ended 31 December (CHF in thousands)	**2020**	2019
Net income attributable to shareholders for basic earnings per share (CHF in thousands)	**152,922**	159,199
Net income attributable to shareholders for diluted earnings per share (CHF in thousands)	**152,922**	159,199
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	**624,270**	1,219,496
Weighted-average numbers of common shares outstanding for basic earnings per share	**29,375,730**	**28,780,504**
Dilution effect number of shares	**20,740**	22,473
Weighted-average numbers of common shares outstanding for diluted earnings per share	**29,396,470**	**28,802,977**
Basic earnings per share (in CHF)	**5.21**	**5.53**
Diluted earnings per share (in CHF)	**5.20**	**5.53**

The amount of common shares outstanding has changed as follows:

	2020	2019
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	**621,644**	**1,813,249**
Sale	**–**	– 1,200,000
Share-based compensation	**– 17,109**	– 9,605
Purchase	**25,000**	18,000
Balance at end of period	**629,535**	**621,644**
Common shares outstanding	**29,370,465**	**29,378,356**

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 Topic 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 years ended 31 December (CHF in thousands)	**2020**	2019
Insurance	**23,953**	21,638
Credit cards	**71,382**	101,117
Total	**95,335**	**122,755**

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.

17. Income tax expense

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

For the years ended 31 December (CHF in thousands)	**2020**	2019
Current tax expense	**39,374**	38,635
Deferred tax expense / benefit (-) from temporary differences	**1,116**	5,041
Income tax expense	**40,490**	**43,676**

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%, including the impact of tax law changes in 2019.

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

At 31 December (CHF in thousands)	2020	2019
Assets		
Pension plans	**6,561**	5,740
Operating lease - lease liability	**5,467**	3,754
Loss carried forward	**285**	1,569
Other	**686**	711
Total deferred tax assets	**12,999**	**11,774**
Liabilities		
Deferred loan origination fees and costs	**–860**	–773
Intangibles	**–7,425**	–8,011
Operating lease - right-of-use assets	**–5,410**	–3,775
Other	**–**	–2
Total deferred tax liabilities	**–13,694**	**–12,562**
Net deferred tax assets/(liabilities)	**–694**	**–788**

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 6,674 and TCHF 6,838 as at 31 December 2020 and 2019, respectively. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 31 December 2020, the Group considers the probability of a material loss from this obligation to be remote.

The Bank has issued a comfort letter (guarantee) towards Swisscom Directories AG as part of a factoring agreement between the subsidiary Swissbilling SA and Swisscom Directories AG. The guarantee covers the net financial obligations of Swissbilling SA to Swisscom Directories AG up to a maximum amount of TCHF 35,000, in the event Swissbilling SA is not able to meet its financial obligations. The commitment is irrevocable until all net financial obligations have been settled with Swisscom Directories AG. Exposure as at 31 December 2020 amounts to TCHF 35,000 and management assesses that the probability of payout is remote.

For details on rental commitments under non-cancellable operating leases refer to note 6.

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

	2020		2019	
At 31 December (CHF in thousands)	**Carrying amount net**	**Estimated fair value**	Carrying amount net	Estimated fair value
Assets				
Loans	**3,666,896**	**3,741,341**	3,995,022	4,080,186
Liabilities				
Deposits	**–3,274,620**	**–3,308,535**	–3,495,152	–3,535,302
Borrowings	**–2,565,230**	**–2,334,796**	–2,638,604	–2,423,790

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 six securitisations, all through consolidated VIEs, to obtain funding backed by its auto lease receivables. Four transactions of TCHF 200,000 each, issued between March 2012 and June 2016 were all fully repaid at their optional redemption dates. In March 2019, the Group launched its fifth securitisation transaction (Swiss Auto Lease 2019-1 GmbH) and issued fixed-rate senior notes of TCHF 250,000 with a coupon of 0.15% per annum and an optional redemption date of three years from the date of issuance. In March 2020, the Group launched its sixth securitisation transaction (Swiss Auto Lease 2020-1 GmbH) and issued fixed-rate senior notes of TCHF 250,000 with a coupon of 0.00% per annum and an optional redemption date of four years from the date of issuance.

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.

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

At 31 December (CHF in thousands)	**2020**	2019
Assets		
Financing receivables, net	**601,766**	595,581
Financing leases	**545,920**	497,869
Loans	**55,846**	97,712
Other assets	**31,887**	30,967
Total assets	**633,653**	**626,547**
Liabilities		
Accrued expenses and other payables	**5,035**	6,738
Non-recourse borrowings	**498,604**	449,010
Total liabilities	**503,639**	**455,749**

Revenues from the consolidated VIEs amounted to TCHF 30,955 In 2020 and TCHF 29,143 in 2019, respectively. Related expenses consisted primarily of provisions for losses of TCHF 3,465 and TCHF 4,455 and interest expense of TCHF 1,254 and TCHF 1,685 for the years ended 31 December 2020 and 2019, 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 2020 and 2019 outside the normal course of business.

22. Interest income

The details of interest income are shown below:

For the years ended 31 December (CHF in thousands)	**2020**	2019
Personal loans	**190,684**	172,646
Auto leases and loans	**129,358**	110,607
Credit cards	**83,649**	79,437
Other	**– 1,877**	– 2,916
Total	**401,814**	**359,775**

23. Interest expense

The details of interest expense are shown below:

For the years ended 31 December (CHF in thousands)	**2020**	2019
Interest expense on ABS	**1,469**	1,864
Interest expense on deposits	**13,132**	13,092
Interest expense on debt	**12,255**	12,835
Total	**26,856**	**27,791**

24. Commission and fee income

The details of commission and fee income are shown below:

For the years ended 31 December (CHF in thousands)	**2020**	2019
Insurance	**23,953**	21,638
Credit cards	**71,382**	101,117
Loans and leases	**15,708**	14,530
Other	**11,229**	10,436
Total	**122,273**	**147,721**

25. General and administrative expenses

The details of general and administrative expenses are shown below:

For the years ended 31 December (CHF in thousands)	2020	2019
Professional services	**17,788**	22,352
Marketing [1]	**10,936**	11,823
Collection fees	**11,653**	10,857
Postage and stationery	**10,082**	11,198
Rental expense under operating leases	**7,880**	7,164
Information technology	**39,101**	31,352
Depreciation and amortisation	**26,522**	19,457
Other	**– 6,095**	– 2,928
Total	**117,867**	**111,277**

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 2020 and 2019, respectively:

	2020		2019	
	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	**5,552**	**411,783**	8,439	599,726
Granted	**–**	**–**	–	–
Vested	**– 2,514**	**– 163,661**	– 2,864	– 186,446
Forfeited	**–**	**–**	– 23	– 1,497
RSUs outstanding at 31 December	**3,038**	**248,121**	5,552	411,783
RSUs expected to vest	**3,038**	**248,121**	**5,552**	**411,783**

The total recognised compensation cost was TCHF 90 and TCHF 132 for the years 2020 and 2019, respectively. The remaining unrecognised cost of TCHF 48 is expected to be recognised over a weighted-average period of 7 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 the Compensation Report on page 94.

	2020		2019	
	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	**17,001**	**1,377,323**	11,844	964,123
Granted	**6,353**	**717,254**	5,925	475,778
Vested	**–6,056**	**–447,236**	–533	–42,459
Forfeited	**–1,753**	**–174,956**	–235	–20,119
PSUs outstanding at 31 December	**15,545**	**1,472,385**	17,001	1,377,323
PSUs expected to vest	**19,285**	**1,245,493**	**26,509**	**2,044,886**

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 112.90 and CHF 80.30 at the grant date of 1 February 2020 and 2019, respectively, and one PSU was equal to one ordinary share of the Bank.

At 31 December 2020, the weighted-average conversion ratio of one PSU was 124% based on performance conditions. The total recognised compensation cost was TCHF 761 and TCHF 708 for the years 2020 and 2019, respectively. The remaining unrecognised cost of TCHF 450 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)	**2020**	2019
Increase in loans to customers	**–1,746,412**	–1,904,242
Principal collections from customers – loans	**1,984,109**	1,849,887
Investment in equipment for financing leases	**–1,277,066**	–1,225,533
Principal collections from customers – financing leases	**1,271,288**	1,050,703
Net change in credit card receivables and other	**4,662**	–108,139
Net change in financing receivables	**236,581**	**–337,324**

28. Off-balance sheet arrangements

At 31 December 2020 and 2019, 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)	**2020**	2019
Ordinary course of business lending commitments	**58,405**	99,422
Unused revolving loan facilities	**78,669**	68,684
Unused credit card facilities	**3,658,331**	3,453,582

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 17 March 2021, the date at which the financial statements were available to be issued.

The latest emergence of the coronavirus and its economic restrictions is having an adverse impact on the global and the Swiss economy and it may affect the Group's performance and results in the first half of 2021 and going forward.

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

KPMG

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the 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, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows, and notes thereto (pages 115 to 157) for the years ended December 31, 2020 and 2019.

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 judgement, 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, 2020 and 2019 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 judgement, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2020. 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, 2020 gross financing receivables (smaller-balance, homogenous loans, including primarily credit card receivables, personal loans as well as auto leases and loans) amount to CHF 6,376.6 million (representing 88% of total assets). At the same time, the Group has recorded an allowance for losses on financing receivables of CHF 84.1 million.

The valuation of collective allowance for losses on financing receivables relies on the application of significant management judgement in determining the methodology and parameters in calculating the allowance. The Group uses various modelling techniques and assumptions, which are based on credit loss experience and historical delinquency data as well as current trends, conditions and macroeconomic factors.

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 judgement. These judgements require specific knowledge of developments in the Group's financing receivables portfolio as well as relevant competencies in determining allowances.

Our response

We assessed and tested the design and operating effectiveness of the key controls 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. Our testing also comprised controls over reserving model approval, validation and approval of key data inputs as well as qualitative considerations for potential impairment that were not captured by management's models.

For a selected sample of allowances for losses on financing receivables calculated on a collective basis, we developed our independent expectation, by calculating the respective coverage rates and allowance for losses balance. Furthermore, we evaluated 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.

With the involvement of our valuation specialists, we examined the methodology of the selected reserving models and challenged the underlying assumptions used.

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)

KPMG

Valuation of goodwill

Key Audit Matter

As at December 31, 2020 the Group reports goodwill of CHF 156.8 million arising from three acquisitions in the previous periods.

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

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 judgement 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)

KPMG

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

Ertugrul Tüfekci
Licensed Audit Expert
Auditor in Charge

Malea Bourquin
Licensed Audit Expert

Zurich
March 17, 2021

Individual Financial Statements

Balance sheet

At 31 December (CHF in thousands)	Notes	2020	2019
Assets			
Liquid assets		**586,833**	526,858
Amounts due from banks		**7,131**	4,856
Amounts due from customers	7.1	**5,725,987**	6,093,571
Financial investments	7.2	**404**	20,706
Accrued income and prepaid expenses		**80,705**	80,784
Participations		**218,283**	282,384
Tangible fixed assets		**40,994**	42,102
Intangible assets	7.3	**4,441**	6,662
Other assets	7.4	**12,856**	22,614
Total assets		**6,677,634**	**7,080,537**
Total subordinated claims		**90,601**	78,043
Liabilities			
Amounts due to banks		**20,000**	115,000
Amounts due in respect of customer deposits		**1,418,730**	1,557,527
Cash bonds		**1,944,996**	2,026,897
Bond issues and central mortgage institution loans		**2,074,472**	2,124,782
Accrued expenses and deferred income		**63,057**	83,832
Other liabilities	7.4	**44,496**	75,099
Provisions	7.7	**3,421**	7,683
Bank's capital	7.8	**30,000**	30,000
Statutory capital reserves		**171**	171
of which reserve from tax-free capital contribution		**171**	171
Statutory retained earnings reserves		**15,000**	15,000
Voluntary retained earnings reserves		**969,353**	932,877
Own shares	7.12	**–35,843**	–35,260
Profit carried forward		**86**	177
Profit (result of the period)		**129,693**	146,753
Total liabilities		**6,677,634**	**7,080,537**
Total subordinated liabilities		**150,000**	150,000
Off-Balance-Sheet Transactions			
Contingent liabilities	7.1	**93,405**	99,422
Irrevocable commitments	7.1	**6,674**	6,838

Income statement

For the years ended 31 December (CHF in thousands)	Notes	2020	2019
Result from interest operations			
Interest and discount income	8.1	**435,308**	383,041
Interest and dividend income from financial investments		**1,789**	2,948
Interest expense	8.1	**– 25,616**	– 26,106
Gross result from interest operations		**411,482**	**359,884**
Changes in value adjustments for default risks and losses from interest operations		**– 40,997**	– 29,618
Subtotal net result from interest operations		**370,485**	**330,265**
Result from commission business and services			
Commission income from other services		**150,262**	165,585
Commission expense		**– 78,313**	– 75,792
Subtotal result from commission business and services		**71,949**	**89,793**
Other result from ordinary activities			
Income from participations		**63,692**	257
Other ordinary income		**1,118**	2,456
Subtotal other result from ordinary activities		**64,811**	**2,713**
Operating expenses			
Personnel expenses	8.2	**– 125,417**	– 121,106
General and administrative expenses	8.3	**– 136,116**	– 95,651
Subtotal operating expenses		**– 261,533**	**– 216,757**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		**– 79,437**	– 16,382
Changes to provisions and other value adjustments, and losses		**– 454**	– 1,060
Operating result		**165,822**	**188,572**
Extraordinary income	8.4	**149**	146
Taxes	8.5	**– 36,277**	– 41,965
Profit (result of the period)		**129,693**	**146,753**

Appropriation of profit

For the years ended 31 December (CHF in thousands)	**2020**	2019
Profit	**129,693**	146,753
Profit carried forward	**86**	177
Distributable profit	**129,779**	**146,929**
Appropriation of profit		
Allocations to voluntary retained earnings reserves	**– 19,500**	– 36,600
Dividends declared	**– 110,243**	– 110,243
New profit carried forward	**36**	**86**

Statement of changes in equity

CHF in thousands	Bank's capital	Statutory capital reserves	Statutory retained earnings reserves	Voluntary retained earnings reserves and profit carried forward	Own Shares	Result of the period	**Total**
Equity at 1 January 2020	**30,000**	**171**	**15,000**	**933,054**	**– 35,260**	**146,753**	**1,089,717**
Appropriation of profit 2019							
Allocation to legal reserves	–		–	–	–		**–**
Allocation to voluntary reserves	–	–	–	146,843		– 146,843	**–**
Dividends	–	–	–	– 110,240	–		**– 110,240**
Net change in profit carried forward	–	–	–	– 90	–	90	**–**
Change of own shares	–	–	–	7	– 582	–	**– 575**
Other	–	–	–	– 134	–	–	**– 134**
Profit (result of the period)	–	–	–	–	–	129,693	**129,693**
Equity at 31 December 2020	**30,000**	**171**	**15,000**	**969,440**	**– 35,843**	**129,693**	**1,108,461**

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 Bank is headquartered in Zurich and operates across Switzerland through a network of branches, online distribution, as well as credit card partners, independent intermediaries and car dealers.

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 20/1 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 on a written-off account at the time cash is received or when an asset has been repossessed, the estimated remarketing gain may be booked as recovery.

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 2020 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 is exposed 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 the risk appetite and tolerance limits and in accordance with its strategic objectives, the Bank takes on 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 that the risk management framework and strategies are correctly implemented.

The Bank has put in place regulations that govern 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 set out the the principles guiding the Bank's attitude to risk and the amount of risk it is willing to take on.

The Bank has set up a risk appetite framework, which includes integrated tolerance limits to control overall risk taking. It contains a diverse set of quantitative metrics and qualitative statements covering various risk categories and serves as a decision-making tool for the Management Board. As part of the Group risk policy, it is reviewed annually by the Board of Directors and takes into account strategic objectives and business plans. The risk profile is assessed relative to the Bank's risk appetite, and risk exposures are monitored relative to risk tolerance limits on a regular basis. Summary reports are reviewed by the Audit and Risk Committee and reported to the Board of Directors.

Four working committees have been set up. Members of the Management Board are required to attend 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
Sustainability Committee	Sustainability, related opportunities and risks, monitoring of environmental, social, and governance (ESG) trends and ratings

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 in place 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.

This three-lines-of-defence model ensures that direct accountability for risk decisions, implementation and oversight of risk management, and the independent control of the effectiveness of risk management are segregated. 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 concerning credit strategies and exposures and regularly reviews the Bank's credit risk performance. The Credit Committee is responsible for making lending decisions on individual counterparties and lending programmes that are not under the authority of the Chief Risk Officer (CRO) or specific subsidiaries, but under the authority of the Board of Directors. The Credit Committee is chaired by the CRO.

The guidelines for the approval of lending programmes, as well as the individual counterparty lending approvals are set out in the credit risk policy. Lending authority that has been delegated is actively monitored and reviewed regularly.

The Bank maintains stringent underwriting processes, which are continually monitored and optimised to ensure that credit risk is adequately and responsibly 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, which includes the use of scorecards and leverages available information about the customer. This ensures consistent and systematic decision-making across all lending products.

Where applicable, the credit capacity of consumers is also evaluated in accordance with the legal requirements of the Swiss Consumer Credit Act. Internal models determine the credit amount based on the customer's risk profile. Segments that are particularly exposed to credit risk are actively restricted beyond the requirements of the Swiss Consumer Credit Act thorugh specific internal rules that aim to effectively implement and ensure responsible lending to customers. 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. Specifically in the area of vehicle leasing the Group is exposed to risks related to the valuation of underlying assets or objects. Contractual residual values might differ from actual values of lease objects and distribution partners might fail to honour their contractual obligations. In addition to the consistent setting of residual values at lease origination the Group regularly monitors its exposure to this type of risk and makes use of external data sources to verify results. The quality and performance of new business are monitored to ensure that the credit approval process continues to effectively mitigate credit risk, and underwriting procedures are being correctly followed. Scorecards are regularly monitored and backtested to ensure their performance remains within expected levels and, if required, changes are made to the models. 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 regular monitoring of process and performance metrics ensures diligent and responcible execution and supports the fair treatment of customers across a variety of servicing processes.

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 to meet its contractual obligations when they fall due and support normal business activities, or only being able to secure such funds at excessive costs. 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 risks.

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 it is headed by a 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 in order 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 ability to access funding. This approach is designed to provide management with timely warning of events that might have a potentially 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 contingency funding plan is based on 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 the minimum reserve, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), are essential components of the Bank's liquidity management approach and are reviewed regularly by the ALCO and the Board of Directors.

Further information on capital adequacy is contained in the separate document "Basel III Pillar 3 disclosures 2020" published on the Cembra website (www.cembra.ch/financialreports).

Market risk

Market risk encompasses the risk of financial losses due to adverse movements in market prices. The Bank's business model leads to 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 their 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 Bank has implemented an effective interest rate risk management framework to limit the potential effects on the Bank's current capital base or future earnings and to keep interest rate risk at an acceptable level.

Given the Bank's predominantly fixed interest rate assets and liabilities, it is mainly exposed to repricing risk. This is the risk of there being adverse consequences of increasing or decreasing interest rates because of time differences in 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. 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 monthly basis. At 31 December 2020, the Bank did not use any hedging instruments to manage IRRBB.

Another type of market risk is foreign exchange (FX) risk, which is defined as the financial risk from adverse movements in the exchange rate on transactions denominated in a currency other than the base currency of the institution. The Bank operates predominantly in the Swiss consumer lending market, and borrows and lends exclusively in Swiss francs. Therefore, the Bank's exposure to FX risk is minimal and limited to supplier invoices denominated in foreign currencies. FX exposure is monitored closely against internally set triggers, and the Bank takes immediate corrective action if limits are exceeded. At 31 December 2020, the Bank did not use any hedging instruments to manage its FX risk.

Further quantitative information is provided in the separate document "Basel III Pillar 3 disclosures 2020" published on the Cembra website (www.cembra.ch/financialreports).

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
- Analysis of external events: analysis of external operational risk events applicable to the Group's risk profile to identify emerging risks and evaluate controls.

The Bank is exposed to a wide variety of operational risks, including technology and cyber-security risk that stem from dependencies on information technology and third-party suppliers. The Bank acknowledges the evolving cyber risk landscape and has therefore developed a comprehensive information security 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 cyber-security strategy that ensures continuous improvements. Relevant cyber threats are regularly identified and assessed, and corresponding measures are considered. Specific response plans are maintained. The Bank has implemented this framework with the overall goal to ensure the Bank's critical information, client identifying data and related information technology are protected. These defined technical and organisational measures include specifically training relevant staff, assessing data confidentiality and privacy risks, 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 disasters) 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, which involves identifying 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 to ensure 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 occurs. Comprehensive crisis management plans are in place and define the processes to be followed in case of a business emergency. The aim is to safeguard the continuity of the Bank's business-critical activities and to keep major damage under control in the event of a significant business interruption. The status of the BCM programme and the status of the operational risk, cyber and information security control framework are regularly reviewed by the RCC and a summary report provided to the Audit and Risk Committee.

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, prescribed best practice, or 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 the changes made to them. To ensure operational independence, the Bank has a separate Legal & Compliance function. This function effectively manages, controls, monitors and reports on 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 goals. This context includes risks that the environment and climate change might pose on the Bank's business model. Environmental risks are generally considered to be rather low due to being a financial services provider operating exclusively in Switzerland (see also chapter Our approach to sustainability page 29). 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 of those risks.

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 17 March 2021, the date at which the financial statements were available to be issued. The latest emergence of the coronavirus and its economic restrictions is having an adverse impact on the global and the Swiss economy and it may affect the Banks's performance and results in the first half of 2021 and going forward. Besides that, 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 2020 (CHF in thousands)	Secured by mortgage	Other collateral	Unsecured	Total
Financing receivables				
Amounts due from customers (before netting with value adjustments)	–	**918,727**	**4,880,470**	**5,799,198**
Total financing receivables (before netting with value adjustments)	**–**	**918,727**	**4,880,470**	**5,799,198**
Prior year	–	540,478	5,624,208	6,164,687
Amounts due from customers (after netting with value adjustments)	–	**915,236**	**4,810,751**	**5,725,987**
Total financing receivables (after netting with value adjustments)	**–**	**915,236**	**4,810,751**	**5,725,987**
Prior year	–	537,776	5,555,794	6,093,571
Off-balance sheet				
Contingent liabilities	–	–	**93,405**	**93,405**
Irrevocable commitments	–	–	**6,674**	**6,674**
Total off-balance sheet	**–**	**–**	**100,079**	**100,079**
Prior year	–	–	106,260	106,260

Impaired financing receivables are as follows:

At 31 December 2020 (CHF in thousands)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments[1]
Impaired loans / receivables	**30,143**	**1,820**	**28,323**	**–**
Prior year	30,796	2,659	28,137	–

[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

At 31 December (CHF in thousands)	Book value 2020	Book value 2019	Fair value 2020	Fair value 2019
Debt securities held to maturity	–	14,600	–	14,600
Debt securities available for sale	–	5,659	–	5,659
Repossessed vehicles held for sale	**404**	447	**404**	447
Total	**404**	**20,706**	**404**	**20,706**

The breakdown of counterparties by rating is following:

At 31 December 2020 (CHF in thousands)	AAA to AA-	A+ to A-	BBB+ to BBB-	Lower than B-	Not rated
Book value of debt securities	–	–	–	–	**404**

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 2019	Current Year Additions	Disposals	Amortisation	Book value as per 31 December 2020
Goodwill	11,103	– 4,441	6,662	–	–	– 2,221	4,441
Total intangible assets	**11,103**	**– 4,441**	**6,662**	**–**	**–**	**– 2,221**	**4,441**

7.4 Other assets and liabilities

At 31 December (CHF in thousands)	2020 Other assets	2020 Other liabilities	2019 Other assets	2019 Other liabilities
Indirect taxes	**6,442**	**– 24**	3,861	1,003
Settlement accounts	**73**	**42,622**	7,001	72,955
Amounts due from the sale of insurance products	**1,301**	**–**	1,282	–
Various assets and liabilities	**5,039**	**1,898**	10,469	1,141
Total other assets and liabilities	**12,856**	**44,496**	**22,614**	**75,099**

7.5 Liabilities to own pension plans

At 31 December (CHF in thousands)	2020	2019
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)			2020	2019	Influence of ECR on personnel expenses	
Employer contribution reserves (ECR)[1]	Nominal value	Waiver of use	Net amount	Net amount	2020	2019
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 2019 and 2018 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 31.12.2020	Economic interest of the bank		Change in economic interest versus prior year	Contributions paid 2020	Pension expense in personnel expense	
CHF in thousands		2020	2019			2020	2019
Employer sponsored funds / schemes	–	–	–	–	–	–	–
Pension plans without overfunding / underfunding	–	–	–	–	–	–	–
Pension plans with overfunding	35,975	–	–	–	12,359	8,151	12,413
Pension plans with underfunding	–	–	–	–	–	–	–

[1] Based on audited financial statements 2019 and 2018 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 2019	Use in conformity with designated purpose	Reclassifications	Recoveries, past due interest	New provisions charged to income	Releases to income	Balance as per 31 December 2020
Value adjustments and provisions for default risks	71,116	– 124,043	–	74,652	73,727	– 22,241	**73,210**
Provision for pension benefit obligations	3,917	–	–	–	–	– 3,917	**–**
Other provisions	3,766	–	–	–	507	– 853	**3,421**
Total value adjustments and provisions	**78,799**	**– 124,043**	**–**	**74,652**	**74,234**	**– 27,010**	**76,631**

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

7.8 Bank's capital

Bank's capital	2020 Total par value in CHF	2020 Number of shares	2020 Capital eligible for dividend in CHF	2019 Total par value in CHF	2019 Number of shares	2019 Capital eligible for dividend in CHF
Share capital	**30,000,000**	**30,000,000**	**29,370,465**	30,000,000	30,000,000	29,378,356
Total	**30,000,000**	**30,000,000**	**29,370,465**	**30,000,000**	**30,000,000**	**29,378,356**
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]	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Members of the Board of Directors	**31,496**	29,774	**3,376,371**	3,156,044	–	–	–	–
Members of the Management Board	**10,714**	21,478	**1,148,541**	2,276,668	**17,865**	18,427	**1,405,737**	1,387,843
Employees	**4,289**	4,639	**459,781**	491,734	**719**	4,126	**314,769**	401,262
Total	**46,499**	**55,891**	**4,984,693**	**5,924,446**	**18,584**	**22,553**	**1,720,506**	**1,789,106**

[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 84.

7.10 Related parties

At 31 December (CHF in thousands)	**2020**	2019
Amounts due from related companies	**160,356**	185,697
Amounts due to related companies	**106,154**	127,805

There are no off-balance-sheet 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)	**2020**	2019
Amounts due from members of governing bodies	**21**	28
Amounts due to members of governing bodies	**2,742**	1,898

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:

	2020			2019		
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 %
Black Rock Inc.	**1,740,271**	**1,740,271**	**5.8**	1,740,271	1,740,271	5.8
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)	**2020**	Average transaction price (CHF)
Balance at 1 January	**621,644**	
Purchase	**25,000**	87.28
Sale	**–**	–
Share based compensation	**– 17,109**	93.51
Balance at 31 December	**629,535**	

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

Non-distributable reserves

At 31 December (CHF in thousands)	**2020**	2019
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		2020		2019	
Name	Function	**Number of shares**	**Number of blocked shares**	Number of shares	Number of blocked shares
Dr Felix A. Weber	Chairman	**7,250**	**6,810**	7,250	5,433
Prof. Dr Peter Athanas	Vice Chairman	**–**	**2,498**	–	1,993
Urs D. Baumann	Member	**7,200**	**2,271**	7,200	1,812
Thomas Buess	Member	**–**	**–**	–	–
Denis Hall	Member	**–**	**1,558**	–	1,166
Katrina Machin	Member	**–**	**1,864**	–	1,487
Dr Monica Mächler	Member	**–**	**2,045**	–	1,631
Ben Tellings	Member until 31 December 2019	**–**	**–**	–	1,802

Management Board

At 31 December		2020			2019		
Name	Position	**Number of shares**	**Number of RSUs**	**Number of PSUs**	Number of shares	Number of RSUs	Number of PSUs
Robert Oudmayer	CEO	**73**	**–**	**7,849**	10,859	1,069	8,214
Jörg Fohringer	Managing Director B2B	**–**	**–**	**560**	–	–	–
Daniel Frei	Managing Director B2C	**5,735**	**–**	**1,657**	4,345	292	1,717
Volker Gloe	CRO	**4,245**	**–**	**1,602**	4,112	290	1,631
Dr Emanuel Hofacker	General Counsel	**661**	**–**	**1,472**	2,162	243	1,495
Niklaus Mannhart	COO	**–**	**3,038**	**869**	–	3,038	266
Pascal Perritaz	CFO	**–**	**–**	**818**	–	–	172

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)	2020	2019
Negative interest on assets (reduction of interest income)	**1,794**	2,681
Negative interest on liabilities (reduction of interest expense)	**342**	507

8.2 Personnel expenses

For the years ended 31 December (CHF in thousands)	2020	2019
Salaries	**106,433**	95,950
of which share-based compensation and alternative forms of variable compensation	**862**	852
Social security benefits	**16,263**	19,779
Other compensation	**2,722**	5,378
Compensation and benefits	**125,417**	**121,106**

In accordance with the requirements of Art. 13a of the Gender Equality Act (GEA), the Bank has performed an equal pay analysis for the reference month October 2020. The analysis confirmed that the Bank complies with the principle of "equal pay for work of equal value”.

8.3 General and administrative expenses

For the years ended 31 December (CHF in thousands)	2020	2019
Office space expenses	**7,501**	7,138
Expenses from furniture and fixtures	**1,294**	1,470
Expenses for information and communication technology	**35,373**	29,960
Audit fees	**1,219**	1,039
Other operating expense	**90,729**	56,043
Total	**136,116**	**95,651**

8.4 Explanatory notes on extraordinary income and value adjustments and provisions no longer required

For the years ended 31 December (CHF in thousands)	2020	2019
Other income	**149**	146
Total	**149**	**146**

8.5 Current and deferred taxes

For the years ended 31 December (CHF in thousands)	**2020**	2019
Current tax expense	**36,277**	41,965
Income tax expense	**36,277**	**41,965**

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 162 to 183) for the year ended December 31, 2020.

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 judgement, 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, 2020 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 judgement, 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, 2020 amounts due from customers (smaller-balance, homogenous loans, including primarily credit card receivables, personal loans as well as auto leases and loans) amount to CHF 5,726.0 million (representing 86% of total assets) and includes an allowance for losses of CHF 73.2 million.

The valuation of collective allowance for losses on financing receivables relies on the application of significant management judgement in determining the methodology and parameters in calculating the allowance. The Bank uses various modelling techniques and assumptions, which are based on credit loss experience and historical delinquency data as well as current trends, conditions and macroeconomic factors.

In particular, the valuation of the collective allowance for losses on financing receivables is based on significant estimates, such as future client payment behaviour, which is subject to management judgement. These judgements require specific knowledge of developments in the Bank's financing receivables portfolio as well as relevant competencies in determining allowances.

Our response

We assessed and tested the design and operating effectiveness of the key controls 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. Our testing also comprised controls over reserving model approval, validation and approval of key data inputs as well as qualitative considerations for potential impairment that were not captured by management's models.

For a selected sample of allowances for losses on financing receivables calculated on a collective basis, we developed our independent expectation, by calculating the respective coverage rates and allowance for losses balance. Furthermore, we evaluated 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.

With the involvement of our valuation specialists, we examined the methodology of the selected reserving models and challenged the underlying assumptions used.

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

Ertugrul Tüfekci	Malea Bourquin
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich
March 17, 2021

Information for Shareholders

Cembra Money Bank AG registered shares

Stock exchange listing	SIX Swiss Exchange
ISIN	CH0225173167
Ticker symbol	CMBN.SW (Bloomberg)
Par value	CHF 1.00
Number of shares	30,000,000
Major indices	SPI, SMIM, STOXX Europe 600, SPI Select Dividend 20, SXI Switzerland Sustainability 25 Index Bloomberg Gender Equality Index 2021
Major shareholders	More than 5% of the shares: UBS Fund Management (Switzerland), BlackRock Inc. More than 3% of the shares: Pictet Asset Management (Switzerland), Credit Suisse Funds AG, Norges Bank

Credit ratings

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

Sustainability ratings

MSCI ESG	A
Sustainalytics	Low ESG Risk
Dow Jones Sustainability	Score 44
ISS ESG	C–

Financial calendar

Annual General Meeting	22 April 2021
Publication of half-year 2021 results	22 July 2021

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