Cembra

Your Swiss Bank

Annual Report 2021

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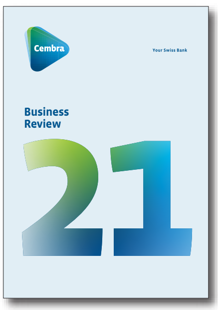


Business Review
for the financial year 2021

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)	**2021**	2020	2019	2018	2017
Net interest income	**356.7**	375.0	332.0	309.2	283.6
Commission and fee income	**130.3**	122.3	147.7	129.6	112.7
Net revenues	**487.0**	497.2	479.7	438.8	396.3
Provision for losses	**–40.3**	–56.4	–45.1	–50.1	–45.1
Total operating expenses	**–246.3**	–247.4	–231.8	–193.0	–167.9
Net income	**161.5**	152.9	159.2	154.1	144.5
Total assets	**7,095**	7,244	7,485	5,440	5,099
Net financing receivables	**6,207**	6,293	6,586	4,807	4,562
Personal loans	**2,292**	2,408	2,625	1,885	1,782
Auto leases and loans	**2,820**	2,853	2,915	1,974	1,942
Credit cards	**1,030**	970	1,029	940	833
Others	**65**	62	17	8	5
Shareholders' equity	**1,200**	1,127	1,091	933	885
Return on shareholders' equity (ROE)	**13.9%**	13.8%	15.7%	16.9%	16.7%
Net interest margin	**5.6%**	5.7%	5.8%	6.5%	6.5%
Cost/income ratio	**50.6%**	49.8%	48.3%	44.0%	42.4%
Tier 1 capital ratio	**18.9%**	17.7%	16.3%	19.2%	19.2%
Employees (full-time equivalents)	**916**	928	963	783	735
Credit rating (S&P)	**A–**	A–	A–	A–	A–
Basic earnings per share (in CHF)	**5.50**	5.21	5.53	5.47	5.13
Dividend per share (in CHF)	**3.85**	3.75	3.75	3.75	3.55
Book value per share (in CHF)	**40.00**	37.57	36.35	31.10	29.52
Share price (in CHF)	**66.45**	107.20	106.00	77.85	90.85
Market capitalisation	**1,993**	3,216	3,180	2,336	2,726

Key figures and profile

Share price Cembra

CHF

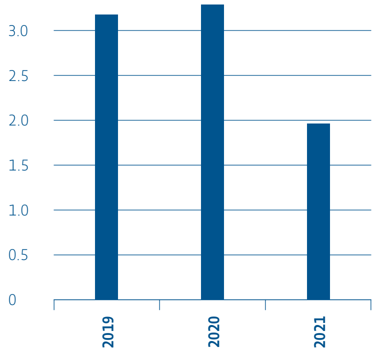
Key figures

CHF

1,993,500,000

was the market capitalisation of Cembra at the end of 2021

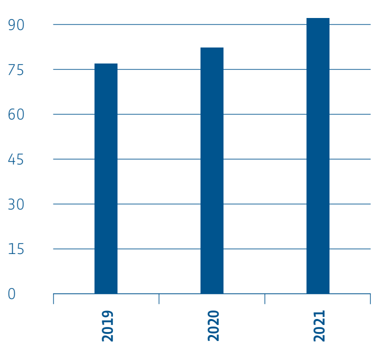
in billion CHF



92,048,980

credit card transactions were processed by Cembra in 2021

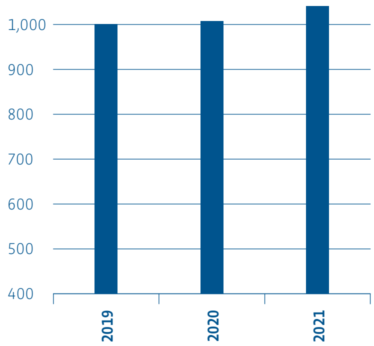
in millions



1,049,000

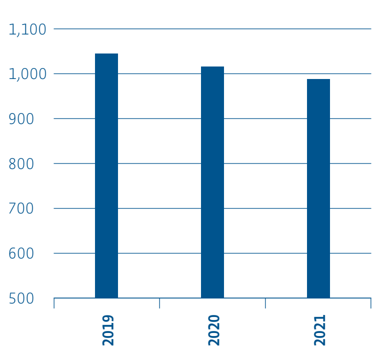
customers have chosen Cembra as their preferred partner

in 1,000



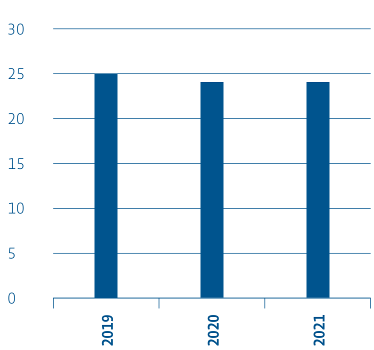
997

employees from 43 different nations work for Cembra



24

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

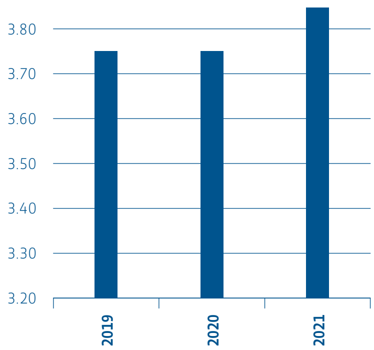


CHF

3.85

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, invoice financing, and deposits and savings products.

We have over 1 million customers in Switzerland and employ about 1,000 people from 43 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 2022 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 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 about 1.1 million cards in circulation. We offer a range of credit cards through partner programmes with Conforama, Fnac, IKEA, LIPO, Migros, TCS, and as well as our own credit card. The cards offer a range of attractive features, such as loyalty 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.
- **Buy now pay later/invoice financing:** We offer invoice financing through our subsidiary Swissbilling AG.

History

The roots of Cembra 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 2021 full-year results. While the termination of the partnership with Migros is a setback, we achieved a resilient performance with a record income of CHF 161.5 million. This translated into a 13.9% return on shareholders' equity coupled with a strong Tier 1 capital ratio of 18.9%. An increased dividend per share of CHF 3.85 (+ CHF 0.10) will be recommended to the Annual General Meeting on 21 April 2022.

The robust performance in all our businesses and our excellent loss performance enabled us to deliver record net income in a challenging environment. While the termination of the partnership with Migros is a setback which is reflected in the disappointing share price development in 2021, we successfully onboarded new partners in the credit card and in the buy now pay later businesses. We are now focusing on delivering on our updated strategy.

Resilient business performance
The Group's total net financing receivables amounted to CHF 6.2 billion at 31 December 2021, a decline of 1% on year-end 2020.

In the personal loans business, receivables stabilised in the second half of the year. The decrease by 5% to CHF 2.3 billion in the full year was mainly attributable to lower market demand and cautious underwriting strategies for new business in response to the Covid-19 pandemic and its impact on the economy. As a result of the lower asset base, interest income in the personal loans business decreased by 11% to CHF 169.4 million, with a yield of 7.0%.

Net financing receivables in auto leases and loans declined by 1% to CHF 2.8 billion in the reporting period. Interest income edged up by 1% to CHF 130.1 million, with a yield of 4.6%.

In the credit cards business, net financing receivables increased by 6% to CHF 1.0 billion as a result of the recovery that began in the second quarter. Interest income in the cards business increased slightly, up 1% to CHF 84.5 million, with a yield of 8.4%. Transaction volumes increased by 13% year on year, mainly due to higher domestic card spending. The number of cards continued to rise, up 4% to 1,068,000 at 31 December 2021.

New partners and profitable growth for Swissbilling
In 2021, Cembra's subsidiary Swissbilling continued to deliver profitable growth and successfully implemented initial buy now pay later (BNPL) solutions for IKEA and other business partners. Swissbilling recorded a 23% rise in fee income, which stood at CHF 11 million.

Impact of Covid-19-related restrictions on revenues
Total net revenues declined by 2% to CHF 487.0 million. Interest income declined by 5% due to the lower asset base in personal loans. Interest expense was 3% lower, at CHF 26.0 million.

Commission and fee income increased by 7% to CHF 130.3 million. Following the rebound that began in May 2021, income from credit card fees increased by 13%. The share of net revenues generated from commissions and fees increased from 25% to 27% at 31 December 2021.

Total operating expenses declined slightly, from CHF 247.4 million to CHF 246.3 million. Personnel expenses increased by 2% to CHF 132.2 million. General and administrative expenses declined by 3% to CHF 114.0 million. The cost/income ratio increased to 50.6% due to lower revenues (2020: 49.8%).

Excellent underlying loss performance
The provision for losses decreased by CHF 16.1 million, or 29%, to CHF 40.3 million, due to an excellent underlying loss performance as well as the one-time sale of previously written-off financing receivables. This resulted in a loss rate of 0.6%. Adjusted for the one-off amount of CHF 8.2 million, the loss rate came to 0.8% (2020: 0.9%). The non-performing-loans (NPL) ratio decreased slightly to 0.6% (2020: 0.7%). The rate of over-30-days past due financing receivables declined to 1.6% (2020: 1.8%).

Stable funding
In 2021, the Group's funding portfolio declined by 3% to CHF 5.7 billion, largely in line with the lower asset base and lower cash. Overall, the funding mix remained largely stable, with 56% deposits and 44% non-deposits. The weighted average duration decreased slightly to 2.5 years (2020: 2.7 years) and the period-end funding cost amounted to 44 basis points (2020: 45 basis points).

Increased dividend
Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 18.9% (31 December 2020: 17.7%). Shareholders' equity increased by 6% to CHF 1.200 billion, with Cembra paying out a dividend of CHF 110 million in April 2021.

Given Cembra's robust financial performance, the Board of Directors will propose a CHF 3.85 dividend per share (a 70% pay-out ratio) at the next General Meeting on 21 April 2022 translating into a 3%, or CHF 0.10, increase compared to last year.

Sustainability performance
In 2021, a number of leading ESG rating agencies reaffirmed Cembra's ratings based on the Bank's sustainability performance. Cembra was also one of nine Swiss companies to be included in Bloomberg's Gender Equality Index 2022; this is the second year in a row that the Bank has been included in the index. Cembra's Sustainability Report has been externally reviewed.

Outlook
Cembra currently expects to deliver a resilient business performance in 2022, with revenues recovering in line with economic growth. Cembra expects a solid loss performance for 2022 and confirms its outlook for return on equity of 13–14% for 2022 and 2023 and above 15% from 2024 on.

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

Dr Felix Weber
Chairman

Holger Laubenthal
CEO

Management Report

Significant developments

On 8 January 2021, Holger Laubenthal was appointed as new CEO of Cembra, effective 1 March 2021. He succeeded Robert Oudmayer as CEO.

In April 2021, Cembra and IKEA Switzerland launched the IKEA Family credit card. The launch of the joint credit card was the first step in the collaboration, which is set to offer other Cembra products and services to IKEA Switzerland customers.

On 22 April 2021, Cembra held its eighth Annual General Meeting of Shareholders as a SIX-listed company in Zurich. The following members of the Board of Directors were re-elected for a further one-year term of office: Felix Weber (Chairman), Urs Baumann, Thomas Buess, Denis Hall and Monica Mächler. Katrina Machin did not stand for re-election. Martin Blessing and Susanne Klöss-Braekler were newly elected to the Board of Directors.

On 23 August 2021, we announced that after a 15-year partnership, Cembra and Migros would terminate their cooperation agreement for the Cumulus-Mastercard credit card as of June 2022. For strategic reasons, the Federation of Migros Cooperatives (Migros-Genossenschafts-Bund) had decided to issue a proprietary credit card with another partner in the future. As of mid-2022, Cembra will offer an innovative and attractive replacement for the more than 850,000 Cumulus-Mastercard credit cards issued.

On its Investor Day on 7 December 2021, Cembra presented its updated strategy for 2022-2026. Drawing on its strengths – its proven credit factory, a customer base of over one million customers in Switzerland and decades of experience in the consumer finance business – Cembra has defined four strategic programmes to achieve its strategic and financial ambitions: 1) Operational Excellence: radical simplification and technology transformation; 2) Business Acceleration: improved value proposition and enhanced market reach; 3) New growth opportunity: 'buy now pay later' as an attractive new business and 4) Cultural Transformation: towards an agile, learning-oriented and collaborative organisation.

As part of its updated strategy, Cembra is combining its client-facing units in the newly created Sales and Distribution division. Peter Schnellmann, who already worked for Cembra in leading positions from 2009 to 2018, was appointed Chief Sales and Distribution Officer and member of the Management Board as of 1 January 2022. The members of the Management Board, Daniel Frei, Managing Director B2C, and Jörg Fohringer, Managing Director B2B, decided to leave the company by the end of 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 increased by 3.3% in 2021, after declining by 2.5% in 2020. Consumer spending increased by 2.6% (2020: -3.7%).

Interest rates

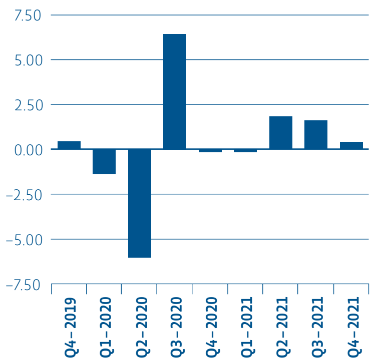
Interest rates are a key indicator for the Group's funding. In 2021, the Swiss-franc interest rate curve increased by 30-40 basis points in the longer maturities. The main reasons for higher rates were the rapid, robust economic recovery driven by huge fiscal packages and the rising inflationary pressure worldwide. The Swiss National Bank (SNB) has not yet started to reduce the balance sheet in comparison to other central banks which have started to taper and announced to increase interest rates. The SNB 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. The unemployment rate in Switzerland decreased to 2.6% in December 2021 (December 2020: 3.5%), and the average unemployment rate in 2021 was 3.0% (2020: 3.1%).

GDP Switzerland

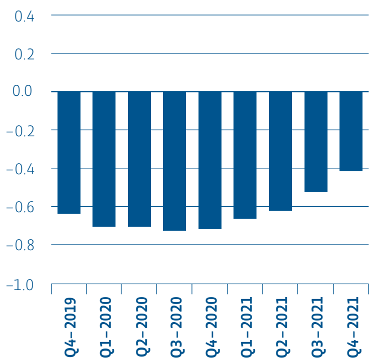
Change versus previous quarter (in %)



Source: SECO

CHF 3-year swap rate

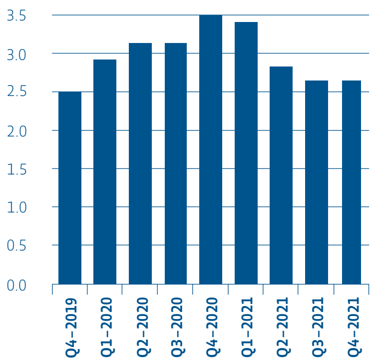
in %



Source: Bloomberg

Unemployment rate in Switzerland

in %



Source: SECO

Product markets

Consumer loan market

In 2021, the Swiss consumer loan market contracted slightly. According to the Central Office for Credit Information (ZEK), the Swiss consumer loan market decreased slightly by 0.2%, from CHF 7.854 billion at 31 December 2020 to CHF 7.840 billion in outstanding assets at 31 December 2021. The number of loan contracts outstanding decreased by 3% to 348,000 in 2021, from 360,000 in 2020. In a competitive environment, the Group had an estimated market share of approximately 41% of outstanding consumer loans.

Auto market

The Swiss auto market recovered slightly in the reporting period, with some remaining Covid-19-related effects with impact on distribution networks and a reduced availability of new cars. According to "auto-schweiz" statistics (the association of official Swiss car importers), about 238,000 new cars were registered in 2021, an increase of 1% versus 2020. A total of 785,000 used cars were sold in Switzerland according to auto-i-dat AG (a provider of automotive market data); this represents a 1% increase compared with 2020 (775,000). The Group estimated its auto leasing market share to be about 21% of total leasing assets outstanding as of December 2021.

Credit card market

The growth trend continued in the credit card market in 2021. Based on Swiss National Bank statistics, in 2021, the number of credit cards issued in Switzerland grew by 4% to 8.3 million. The number of transactions increased by 14% in 2021, to 587 million from 514 million in 2020. Overall, credit card transaction volumes increased by 17% to CHF 46.3 billion in 2021.

The Group's credit cards business grew in line with the market, with the number of cards increasing by about 38,000, or 4%, to about 1,068,000 compared with year-end 2020. The Group's market share, based on the number of credit cards in circulation, was 13% in 2021, and the share of transactions conducted via near-field communications (NFC) amounted to 20%.

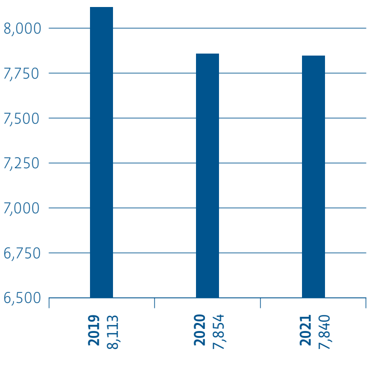
Buy now pay later market

E-commerce sales in Switzerland increased by 15% to CHF 15 billion estimated in 2021 with buy now pay later (BNPL) representing 8 - 11% of total e-commerce sales.

Via its subsidiary Swissbilling, Cembra has a share of 10 – 20% of the BNPL market. E-commerce (online) volume at Swissbilling grew by 46% in 2021. This was driven by the acquisition of new partners and the impact of Covid-19 restrictions on consumer behaviour with more people making online purchases. Accepted transactions at Swissbilling were 726,000 in 2021, an increase of +23% compared to 2020.

Swiss consumer loan market

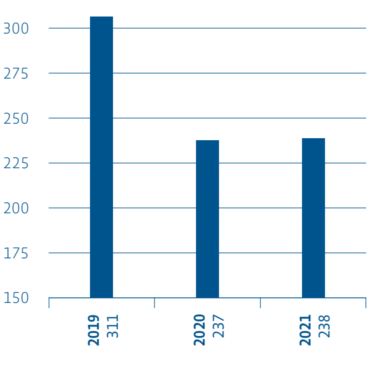
CHF in millions



Source: ZEK

New car registrations in Switzerland

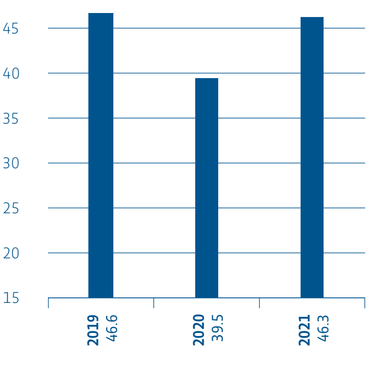
in 1,000



Source: auto-schweiz

Transaction volume Swiss credit cards

CHF in billions



Source: SNB

Balance sheet analysis

At 31 December (CHF in millions)	**2021**	2020	Change	as %
Assets				
Cash and cash equivalents	**545**	599	– 54	– 9
Net financing receivables	**6,207**	6,293	– 86	– 1
Personal loans	**2,292**	2,408	– 116	– 5
Auto leases and loans	**2,820**	2,853	– 33	– 1
Credit cards	**1,030**	970	60	6
Other	**65**	62	3	5
Other assets	**344**	353	– 9	– 3
Total assets	**7,095**	**7,244**	**– 149**	**– 2**
Liabilities and equity				
Deposits and debt	**5,691**	5,840	– 148	– 3
Deposits	**3,199**	3,275	– 75	– 2
Debt	**2,492**	2,565	– 73	– 3
Other liabilities	**204**	278	– 74	– 27
Total liabilities	**5,895**	**6,117**	**– 222**	**– 4**
Shareholders' equity	**1,200**	1,127	73	6
Total liabilities and shareholders' equity	**7,095**	**7,244**	**– 149**	**– 2**

Net financing receivables amounted to CHF 6,207 million, a decrease of 1%, or CHF 86 million, compared with year-end 2020. The decrease was mainly due to the effects of Covid-19 in Switzerland.

At the end of 2021, the Group's personal loans accounted for 37% (2020: 38%) of net financing receivables, auto leases and loans made up 45% (2020: 45%), and the credit cards business accounted for 17% (2020: 15%).

As at 31 December 2021, net financing receivables from personal loans amounted to CHF 2,292 million, 5% lower than at year-end 2020. This decline was predominantly caused by lower demand during the Covid-19 pandemic. Auto leases and loans declined by 1% to CHF 2,820 million, down from CHF 2,853 million at the end of 2020. Credit cards increased by 6%, from CHF 970 million to CHF 1,030 million. Other net financing receivables increased to CHF 65 million (2020: CHF 62 million) and included the Swissbilling business.

Funding

The Group kept funding diversified in 2021. The deposit base decreased from CHF 3,275 million at 31 December 2020 to CHF 3,199 million at 31 December 2021, primarily due to a decline in the institutional deposit base following the reduction of financing receivables. The Group's non-deposit debt decreased by 3%, from CHF 2,565 million at 31 December 2020 to CHF 2,492 million at 31 December 2021. In October 2021, the Group issued an A-rated unsecured bond amounting to CHF 200 million.

Equity

Total shareholders' equity increased by CHF 73 million, from CHF 1,127 million to CHF 1,200 million at year-end 2021. The increase was mainly driven by net income of CHF 161.5 million. The increase was partially offset by the CHF 110 million dividend for the 2020 financial year, which was paid in April 2021.

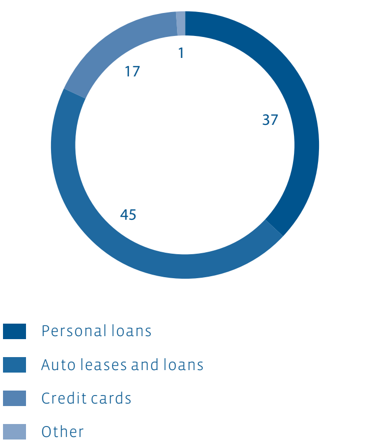
Capital position

At 31 December (CHF in millions)	2021	2020	Change	as %
Risk-weighted assets	**5,600**	5,662	– 62	– 1
Tier 1 capital	**1,057**	1,000	56	6
Tier 1 ratio	**18.9 %**	**17.7 %**		

Risk-weighted assets decreased by 1% to CHF 5,600 million at 31 December 2021, compared with CHF 5,662 million at 31 December 2020. This decrease was in line with the trend in net financing receivables. Tier 1 capital increased by CHF 56 million, or 6%, to CHF 1,057 million, mainly as a result of the statutory net income generated in 2021, adjusted for the expected dividend payment. This resulted in a Tier 1 capital ratio of 18.9% at 31 December 2021, which is significantly above the regulatory requirement of 11.2%.

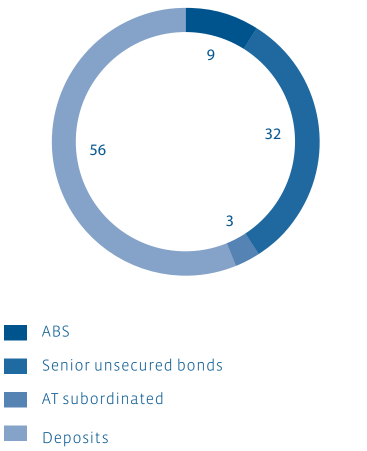
Net financing receivables

in %



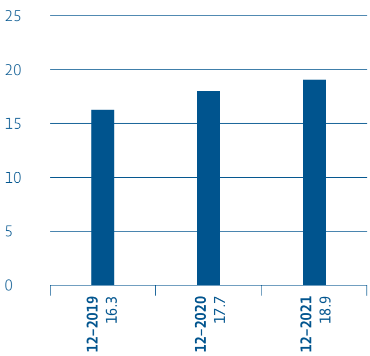
Funding structure

in %



Tier 1 capital ratio

in %

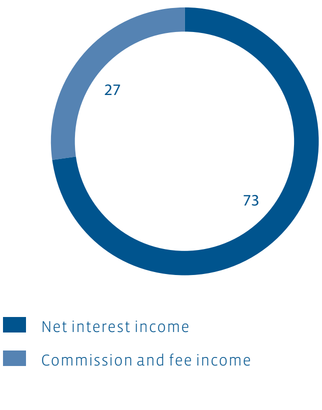


Profit and loss analysis

For the years ended 31 December (CHF in millions)	2021	2020	Change	as %
Interest income	**382.7**	401.8	– 19.1	– 5
Interest expense	**– 26.0**	– 26.9	– 0.8	– 3
Net interest income	**356.7**	**375.0**	**– 18.3**	**– 5**
Commission and fee income	**130.3**	122.3	8.1	7
Net revenues	**487.0**	**497.2**	**– 10.2**	**– 2**
Provision for losses on financing receivables	**– 40.3**	**– 56.4**	**– 16.1**	**– 29**
Compensation and benefits	**– 132.2**	– 129.5	2.7	2
General and administrative expenses	**– 114.0**	– 117.9	– 3.8	– 3
Total operating expenses	**– 246.3**	**– 247.4**	**– 1.2**	**– 0**
Income before income taxes	**200.5**	**193.4**	**7.1**	**4**
Income tax expense	**– 39.0**	– 40.5	– 1.5	– 4
Net income	**161.5**	**152.9**	**8.6**	**6**
Other comprehensive income / (loss)	**22.2**	– 5.2	– 27.4	n / a
Comprehensive income	**183.7**	**147.7**	**36.0**	**24**

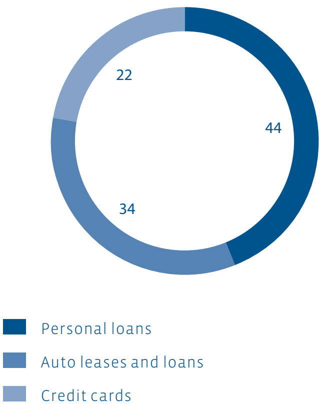
Net revenues

as %



Interest income

as % (excluding "Other")



Interest income

For the years ended 31 December (CHF in millions)	2021	2020	Change	as %
Personal loans	**169.4**	190.7	– 21.3	– 11
Auto leases and loans	**130.1**	129.4	0.7	1
Credit cards	**84.5**	83.6	0.8	1
Other	**– 1.2**	– 1.9	– 0.6	– 33
Total	**382.7**	**401.8**	**– 19.1**	**– 5**

In 2021, the contribution of personal loans to interest income (excluding other interest income) decreased to 44%, from 47% in 2020. The relative weight of auto leases and loans increased to 34%, from 32%, whilst the weight of credit cards increased to 22%, from 21% in the year-earlier period.

Total interest income declined by 5%, or CHF 19.1 million, to CHF 382.7 million in 2021.

Interest income from personal loans declined by CHF 21.3 million, or 11%, to CHF 169.4 million, predominantly due to the lower asset base. The yield declined from 7.4% to 7.0% over the reporting period. Interest income from auto leases and loans increased by CHF 0.7 million, to CHF 130.1 million. The yield increased slightly to 4.6% (2020: 4.5%) driven by a change in the upfront interest method. Interest income from credit cards rose slightly, up CHF 0.8 million, or 1%, to CHF 84.5 million in 2021. The yield stood at 8.4% (2020: 8.3%). Other interest income included CHF 1.2 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)	2021	2020	Change	as %
Interest expense on ABS	**1.3**	1.5	– 0.1	– 10
Interest expense on deposits	**12.7**	13.1	– 0.4	– 3
Interest expense on debt	**12.0**	12.3	– 0.3	– 2
Total	**26.0**	**26.9**	**– 0.8**	**– 3**

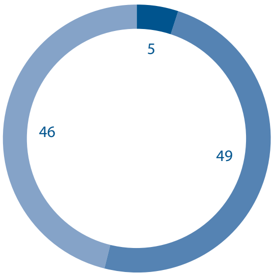
Overall, interest expense decreased by CHF 0.8 million, or 3%, to CHF 26.0 million in 2021. Interest expense on auto lease asset-backed securities (ABS) decreased by 10% to CHF 1.3 million. Interest expense on deposits decreased by 3% to CHF 12.7 million. Interest expense on debt remained flat at 12.0 million.

Commission and fee income

For the years ended 31 December (CHF in millions)	2021	2020	Change	as %
Insurance	**23.0**	24.0	– 1.0	– 4
Credit cards	**80.4**	71.4	9.0	13
Loans and leases	**14.6**	15.7	– 1.1	– 7
Other	**12.3**	11.2	1.1	10
Total	**130.3**	**122.3**	**8.1**	**7**

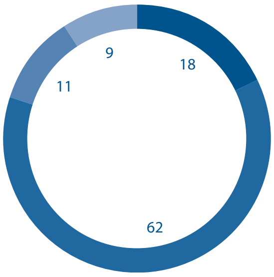
Cost of funds

as %



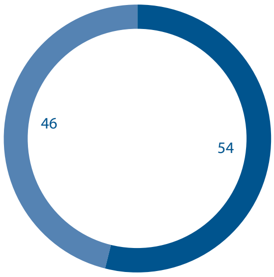
Commission and fee income

as %



Operating expenses

as %



Commission and fee income increased by CHF 8.1 million, or 7%, from CHF 122.3 million to CHF 130.3 million. The increase was mainly driven by a partial recovery of the credit card fees during the reporting period.

Insurance income, which consists mainly of revenues from payment protection insurance products, decreased by CHF 1.0 million, or 4%, to CHF 23.0 million. The 7% decrease in fees from loans and leases, to CHF 14.6 million, was mainly attributable to lower reminder fees. Other fees increased by CHF 1.1 million to CHF 12.3 million, driven mainly by fee income from Swissbilling.

Provision for losses on financing receivables

For the years ended 31 December (CHF in millions)	2021	2020	Change	as %
Provision for losses on personal loans	**18.4**	32.2	– 13.8	– 43
Provision for losses on auto leases and loans	**12.5**	14.9	– 2.5	– 17
Provision for losses on credit cards	**7.5**	7.6	– 0.1	– 1
Provision for losses on other	**1.9**	1.7	0.2	13
Total	**40.3**	**56.4**	**– 16.1**	**– 29**

In 2021, the Group's provision for losses on financing receivables decreased by CHF 16.1 million, or 29%, to CHF 40.3 million compared with CHF 56.4 million in 2020. The provision for losses on personal loans decreased by CHF 13.8 million to CHF 18.4 million, predominantly driven by a one-off effect related to the sale of previously written-off financing receivables to a third party (see Consolidated Financial Statements page 133). On auto leases and loans, the provision for losses decreased by CHF 2.5 million to CHF 12.5 million, driven by stronger recoveries. The provision for losses on cards was stable at CHF 7.5 million.

The Group's loss rate, adjusted for the above-mentioned one-off effect came to 0.8%, compared to 0.9% in 2020. Delinquency metrics of 30 days past due stood at 1.6% at 31 December 2021, an improved figure compared with prior years. Non-performing loans accounted for 0.6% of total loans (31 December 2020: 0.7%).

Compensation and benefits

For the years ended 31 December (CHF in millions)	2021	2020	Change	as %
Compensation and benefits	**132.2**	**129.5**	**2.7**	**2**

Compensation and benefit expenses increased by CHF 2.7 million, or 2%, to CHF 132.2 million. The increase was mainly due to higher average salaries and one-off organisational changes.

At 31 December 2021, the number of employees (FTEs) stood at 916, a decline of 12 FTEs, from 928 at year-end 2020. The Group's average number of FTE was 922 in 2021, compared with 946 in the prior-year period. The average cost per FTE of TCHF 143 in 2021 increased compared with TCHF 137 in 2020 in line with the increase of the compensation and benefit expenses, and the lower number of employees.

General and administrative expenses

For the years ended 31 December (CHF in millions)	2021	2020	Change	as %
Professional services	**17.8**	17.8	– 0.0	– 0
Marketing	**8.1**	10.9	– 2.8	– 26
Collection fees	**10.5**	11.7	– 1.1	– 10
Postage and stationery	**10.8**	10.1	0.7	7
Rental expense under operating leases	**6.8**	7.9	– 1.1	– 14
Information technology	**41.4**	39.1	2.3	6
Depreciation and amortisation	**25.0**	26.5	– 1.5	– 6
Other	**– 6.5**	– 6.1	0.4	6
Total	**114.0**	**117.9**	**– 3.8**	**– 3**

General and administrative expenses declined by CHF 3.8 million, or 3%, from CHF 117.9 million to CHF 114.0 million in 2021.

Costs from professional services were stable at CHF 17.8 million. Marketing expenses were down 26%, or CHF 2.8 million, due to product launches in the previous reporting period. Collection fees decreased by 10% to CHF 10.5 million. Costs for postage and stationery increased by 7% to CHF 10.8 million mainly as a result of higher postage for asset generation campaigns and card plastics production costs. Rental expenses declined by 11% relating to branch closures. Information technology costs of CHF 41.4 million were 6% higher; this increase was due to expenses for digitisation projects including due diligence for operational excellence. Depreciation and amortisation was 6% lower, mainly due to previous investments reaching end of life. Other costs declined by CHF 0.4 million, mainly driven by a higher capitalisation of IT projects.

The cost/income ratio was 50.6% in 2021, compared with 49.8% in 2020. The increase was predominantly driven by the impact of Covid-19 on revenues.

Income tax expense
The Group's income tax expense declined by CHF 1.5 million, or 4%, to CHF 39.0 million in 2021. The impact of the increase in income before taxes was more than offset by lowered corporate taxes and a one-off participation relief on dividend income. The effective tax rate was 19.4%, which is slightly lower than 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

In the reporting period, Cembra defined four programmes to achieve its strategic and financial ambitions until 2026.

Operational Excellence: radical simplification and technology transformation
As part of the Operational Excellence programme, Cembra radically simplifies its operating model and transforms its technology landscape. The aim is to deliver a seamless digital customer experience and to significantly increase efficiency through standardisation and automation. With all of our partners, we focus on integrated and tailored one-stop offerings.

Business Acceleration: improved value proposition and enhanced market reach
In personal loans, Cembra differentiates its offerings through a dual-brand positioning as well as digital and flexible solutions. In the auto business, the emphasis is on dealer-partnerships, and continuously improving services and processes. Cembra's credit card business will focus on both a proprietary card with attractive features offered to consumers directly as well as long-term co-branding partnerships.

New growth opportunity: 'buy now pay later (BNPL)' as an attractive new business
With its subsidiary Swissbilling, Cembra is serving the growing BNPL segment. The strategic focus is on the fast and versatile integration of checkout solutions with merchants, new applications and offers.

Cultural Transformation: towards an agile, learning-oriented and collaborative organisation
The strategy execution is supported by a comprehensive cultural transformation programme. The emphasis is on fostering an uncompromising customer-first mindset with interdisciplinary teams and empowered people. The aim is to create an agile and learning-oriented organisation.

Our Vision
With this strategic background in mind, Cembra has also re-defined its corporate vision for the next years: "We leverage technology to deliver the most intuitive customer solutions in consumer finance." Cembra's vision unites the strategic activities outlined above as well as our ambitions and efforts. It therefore forms the foundation on which Cembra will achieve shared goals. An important part of this will be the work on corporate culture. Above all, it will involve how people interact with each other and how customers are approached.

Outlook

Assuming the Swiss economy continues to grow in 2022, Cembra currently expects to deliver a resilient business performance in 2022, with revenues recovering in line with economic development. Cembra expects a continued solid loss performance for 2022.

Cembra aims to achieve an ROE of 13–14% in 2022/2023 and above 15% starting in 2024; pay a dividend of at least CHF 3.85 for 2022 and thereafter increasing based on sustainable earnings growth; and will target a Tier 1 capital ratio target of above 17%.

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 internal regulations, 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.

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 management 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 the three lines model:
- 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 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 regulation 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 within the authority assigned by 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 typically 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 (see also our approach to sustainability on page 29). The regular monitoring and control of performance metrics and processes ensure diligent and responsible execution and support 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 2021 and 2020 were distributed among the CRs as follows:

At 31 December 2021	Personal loans	Auto leases and loans	Credit cards	Total
CR1	42.2 %	52.5 %	75.4 %	52.5 %
CR2	33.1 %	32.2 %	17.9 %	30.1 %
CR3	18.1 %	12.6 %	6.3 %	13.6 %
CR4	5.0 %	2.1 %	0.5 %	2.9 %
CR5	1.7 %	0.6 %	0.0 %	0.9 %

[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 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.

The Group is currently preparing for 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. This enhanced methodology is thought to be applied in the future calculation of allowances for credit losses, which is further described on page 132.

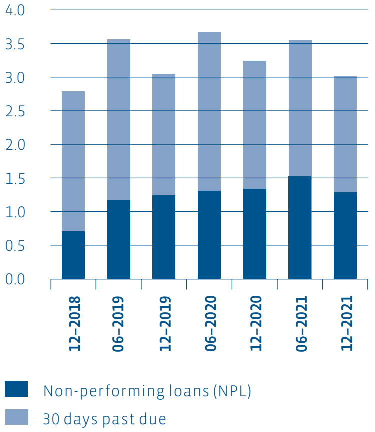
More details on the CRs and implied probability of default are provided in the Consolidated Financial Statements on page 137.

The Group's customer base primarily comprises individuals and small and medium-sized enterprises. Concentration risks are regularly assessed, managed 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 136. The historic trend is indicated in the graphs below.

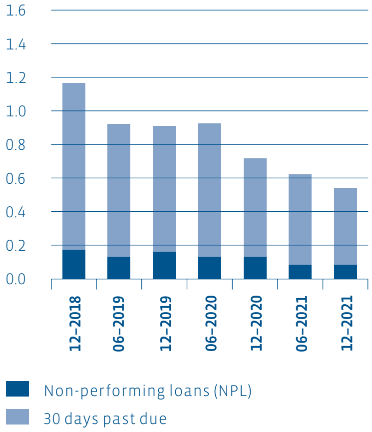
Personal loans

Delinquencies as %



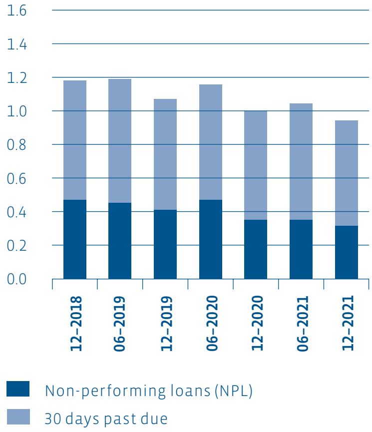
Auto leases and loans

Delinquencies as %



Credit cards

Delinquencies as %



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 regulation, 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 reported to the Management Board. 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 2021 was 865%, 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 2021 was 116%, above the required minimum level of 100%.

Further quantitative information is provided in the separate document "Basel III Pillar 3 disclosures 2021" 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 considers different market scenarios such as a rapid increase in interest rates and actively manages its funding maturities including reliance on short term sources of funding. 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 2021, 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 external service provider 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 2021, 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 2021" 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 "SA-BIS" 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 2021, 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 ALCO meeting. At 31 December 2021, the Group's Tier 1 capital ratio was 18.9%, 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 2021, 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 2021" 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 2021 stress test, the Group forecasts 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 risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. It can be categorised into one of the seven official Basel II event types. 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 inherent and residual 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-risk that stem from dependencies on information technology and external service providers. 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, protecting from and detection of data confidentiality, integrity and availability risks, and making use of vulnerability scans 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 and information technology infrastructure would be damaged or made inaccessible. In compliance with the Recommendation for Business Continuity Management 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 external service providers. 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 is provided to the Audit and Risk Committee and the Board of Directors.

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. Before entering any material engagement with an external service provider a due diligence is executed.

Climate-related risks

Climate-related risks include physical, transition and liability risks. Physical risks arise from costs and losses due to the increasing severity and/or frequency of weather events. These can be acute and result from extreme weather events, or chronic events, arising from progressive shifts in weather patterns. Transition risks arise from disruptive technological breakthroughs or action taken on climate policies that will transform the economy, with the implication that assets in certain sectors may lose value. Liability risks may arise from legal claims seeking compensation for losses suffered because of actions/inactions of governments or corporations.

Climate-related financial risks can be mapped into traditional risk categories such as credit risk, market risk, and operational risk. These risks do not represent a new risk category, but rather a risk driver. Consequently, the same governance and risk tolerances apply as for these traditional risk categories. For management of climate-related risks, the Group builds on the established risk management process as described on the page 20. Identification, assessment and management of climate-related risks are integrated into the Group's strategy – from strategic planning through to operations. The Group actively monitors regulatory developments related to climate change. To the extent not reserved to the Board of Directors and subject to its oversight, the Sustainability Committee is the decision-making and monitoring committee for management of climate-related risks and opportunities. The Sustainability Committee is chaired by the CEO.

Physical risks are generally considered to be rather limited to specific activities of the Group due to being a financial services provider that actively operates exclusively in Switzerland. The Group assesses physical security of the office locations on a regular basis.

Transition risks could gradually materialise in the form of credit risk where the leased assets may lose value over medium to long term. In connection with its auto lease business, the Group purchases vehicles and resells them in accordance with the lease contract. The risk that the re-sale value of any lease vehicle may be less than the remaining outstanding balance at the time such lease agreement is terminated, at contractual end or during contract term, is borne by the Group. This risk is mitigated by the Group's right under the dealer agreements obliging a dealer to repurchase a lease vehicle at the contractually defined price. Shifting of consumer preferences, including environmental considerations or potential bans for certain engines, such as combustion ones are among others potential reasons for a lower residual value of purchased lease assets, which may have a negative impact on new vehicle sales or used vehicle supply. For further information on managing the residual value risk refer to the Credit risk section on page 22 and see also our approach to sustainability on page 29.

Other risks

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 regulation, 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. 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 continued to flexibly adjust its lending policies and collections strategies 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 2021". This annex was approved by Cembra's Sustainability Committee and reviewed by the Audit and Risk Committee and the Board of Directors in March 2022 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 remains an important part of our strategy. In 2021, 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 offer loans and leases for electric vehicles on highly favourable terms. Our strategy is to continue to grow this business in line with the market trend (see page 52).

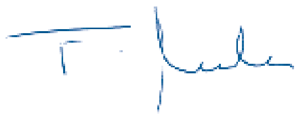
Our Risk Management Report now includes a chapter on climate-related risk. Physical climate risks are generally considered to be limited to specific activities, as we are a financial services provider operating exclusively in Switzerland. Climate-related transition risks could gradually materialise in the form of credit risk, resulting in our leased assets losing value over the medium to long term. We describe how we mitigate these risks in our Risk Management Report (see Risk Report page 26 for details).

The Sustainability Committee, which is chaired by the CEO, held five meetings in 2021, in which it oversaw ongoing sustainability initiatives and projects. In addition, the Committee defined strategy-related sustainability targets as part of the updated strategy disclosed on our Investor Day in December. These targets are based on our commitments and are designed to drive further improvements. Sustainability targets have been part of the criteria for determining the Management Board’s incentive-based compensation since 2020 (see Compensation Report, page 94). To the extent decisions are not reserved to the Board of Directors, it provides oversight, assisted by the Audit and Risk Committee.

We have gone further one more step this year by seeking external assurance on the most material topics in this Sustainability Report (see pages 31 and 64-66 for details). We are among the first smaller listed companies in Switzerland with such an external review.

Our increasing efforts to promote sustainability were acknowledged by leading ESG rating agencies. We are also very pleased that Cembra is included in the SXI Switzerland Sustainability 25 Index and is again one of only nine Swiss-based companies to join the Bloomberg Gender Equality Index in 2022. The Great Place to Work organisation named us as one of the "Best Workplaces Switzerland" and as one of "Europe's Best Workplaces" (see page 32 for details).

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

Cembra has set out a sustainability aspiration which 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 values. As part of our new strategy, we reviewed the values defined in 2017 and came up with the following new core values, which will serve as our guiding principles: customer obsession, "trust and team", accountability and empowerment, and change and learning. Our cultural transformation programme will be driven by what matters to us, enabling us to foster a customer-first mindset and promote an engaging and motivating culture based on a spirit of learning, collaboration, curiosity, and accepting failure as part of growth.

- **Customer obsession:** The customer is at the forefront of everything I do.
- **Trust and team:** I act with integrity and care; I collaborate without boundaries.
- **Accountability and empowerment:** I take charge and fix what doesn't work.
- **Change and learning:** I lead change and manage ambiguity; I keep it simple.

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 53).

Our other main policies are described on pages 59-61.

UN Global Compact and Sustainable Development Goals
Cembra joined the United Nations Global Compact (UNGC) as a signatory in 2020. 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 UNGC since 2020. In 2021, we continued our SDG journey and worked with internal stakeholders from across the Bank to re-assess where Cembra can make the most significant contribution. As a result of these discussions, we confirmed that Cembra has the greatest impact on SDGs 4, 5, 8, 10, 12 and 16. We also concluded that Cembra can play a role in promoting SDG 13 (i.e. taking urgent action to combat climate change and its impacts) by facilitating the on-going transition to a low-carbon economy through segments of our car financing business. Demand for financing solutions for alternatively powered vehicles is increasing rapidly, and we want to encourage our customers to select vehicles with lower emissions. For further information on our contributions to the SDGs see the Annex to the Sustainability Report 2021.

Organisation, reporting, independent limited assurance 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, reflecting an important direction of the Group. They are among others also 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 and its committees reviewed Cembra's ESG performance as part of the strategic lookback assessment for the long-term incentive compensation and initiated a readiness check to prepare for the independent external review of this Sustainability Report.

This Sustainability Report was approved by the Board of Directors in March 2022, assisted by the Audit and Risk Committee.

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. The Board of Directors provides oversight, assisted by the Audit and Risk Committee.

In 2021, the Sustainability Committee held five meetings, in March, May, July, September and November. In addition, a Bank-wide **sustainability working group** held monthly meetings. The working 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 Global Reporting Initiative (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 2021 consists of the Annual Report 2021, including this chapter on sustainability, as well as the Annex to the Sustainability Report 2021, the GRI Content Index 2021, and additional disclosures. All information is available online at www.cembra.ch/sustainability.

Independent limited assurance
This Sustainability Report 2021 was provided independent limited assurance according to the GRI Standards' Core option by an independent auditor. The chapter Community engagement was excluded from the analysis because it is not considered material in the stakeholder assessment (see page 32). For the independent limited assurance and further details see the audit opinion pages 64-66.

Coverage and reporting boundaries

This report describes the current situation and the progress made in the area of sustainability in the 2021 financial year. Most data and indicators are available for the three financial years up to and including 2021. 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 scope for the environmental figures on emissions was extended to cover all Cembra locations. The process of harmonising and enhancing key environmental figures internally was continued in 2021.

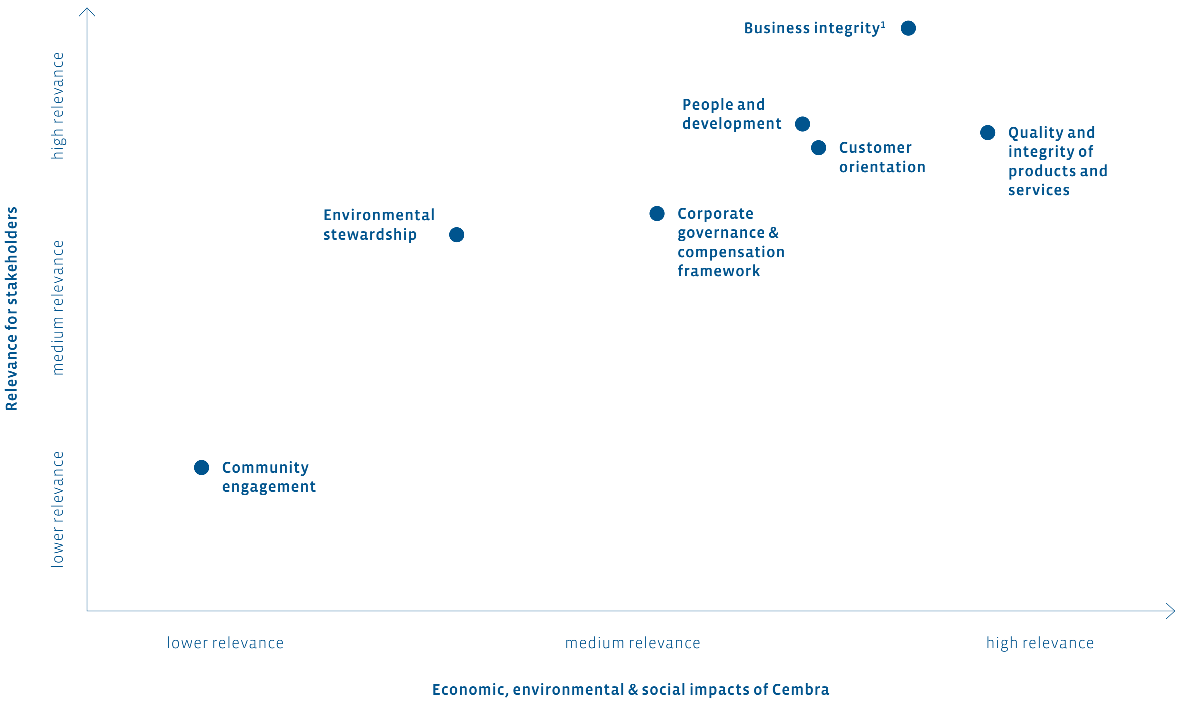
Stakeholder assessment

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 and 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, Cembra carried out a stakeholder assessment in line with the GRI Standards in 2020; the process was described in detail in the Annual Report 2020.

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 (including data privacy and security), corporate governance, and incentives and the compensation framework. The previous topic of "demographic change" was not included in the review because both our stakeholders and Cembra considered it to be more of a cross-cutting aspect of the other topics.

Materiality matrix 2021



[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. There were no changes to the materiality matrix in the reporting period.

Continued strong ESG ratings performance
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 strong ratings from MSCI ESG, Sustainalytics, Corporate Sustainability Assessment by Dow Jones Sustainability Index/S&P Global were reaffirmed. Selected ESG rating levels are mentioned on page 190.

Inclusions in the SXI Switzerland Sustainability 25 Index and the 2022 Bloomberg Gender Equality Index
In the reporting period, the Cembra share was included in the SXI Switzerland Sustainability 25 Index, which is compiled by the Swiss stock exchange. Cembra was also one of around 400 companies worldwide to be included in the 2022 Bloomberg Gender Equality Index; this is the second year in a row that we have been part of this index, which is based on gender-related criteria such as female leadership, equal pay, inclusive culture and disclosure transparency.

Most relevant sustainability themes
As a result of our engagement with our main stakeholders, Cembra focuses on the five most relevant sustainability themes.

- **Customer orientation** (chapter 3) addresses Cembra's aim of providing high customer value and setting ourselves apart through our outstanding and transparent services as well as our operational excellence. Cembra's offerings are designed to meet current clients' needs and address changes in customers' financial behaviour.
- **Quality and integrity of products and services** (chapter 4) covers the responsible provision of financing products and services that adhere to strict safety standards. Since we provide retail financial products and services, we are highly responsible for our customers' financial situation.
- **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) was not considered a material topic by our stakeholders. Nevertheless, Cembra has been committed to a number of community-related and philanthropic activities since 2003, and we continue to report on this engagement. "Corporate governance" and "incentives and the compensation framework" have combined because incentives and compensation are commonly regarded as an aspect of corporate governance by external stakeholders, especially by proxy advisors and other governance specialists. Details of these topics are included in the Corporate Governance Report (see page 67) and the Compensation Report (see page 96).

The Sustainability Committee reviewed and confirmed the most relevant sustainability themes in January 2022.

Commitments, performance measures and assessment 2021

We have developed commitments and key performance indicators for each of the five most relevant topics.

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 (GPTW)[1]	We reduce our environmental footprint per employee	We take a zero tolerance approach to non-compliance
Key performance indicators	Net promoter score of at least +30 on a scale from -100 to +100	Qualitative assessment of lending portfolio quality metrics	GPTW employee trust index of at least 70%	Reduce Scope 1+2 emissions until 2025 by 75% (basis 2019)	Qualitative assessment of reported complaints and cases
Assessment 2021	Net promoter score of 28 (2020: 30)	Continued solid asset quality metrics	Employee trust index of 71% in 2020 (2018: 69%), measured every two years	Reported scope 1+2 emissions increased by 39% due to extension of coverage	Zero reportable cases
Reference and details	Page 35	Page 37	Page 42	Page 51	Page 54

[1] www.greatplacetowork.ch

Details of the five most relevant topics and our community engagement 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 high standards.

- In 2021, 95% of Cembra's total assets were in cash (or cash equivalents) or in unsecured and secured loans (net financing receivables) in Swiss francs and 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 described in the chapter on climate-related risks (see Risk Management Report page 26). Our vehicle financing portfolio is continuously shifting towards the financing of electromobility.
- 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 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, pages 20-21).

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 a customer-first mindset one of our four values (see page 29), thereby underpinning the importance we place on customers' needs. We are aware of the fact that our products can significantly impact the financial situation of customers. Taking responsibility for ensuring that our customers have a good understanding of our products and services is of utmost importance. We have several internal policies that govern business practices and define how employees should behave towards customers. But while the way we behave with our customers is of utmost importance, we also need to make sure we keep pace with their ever-evolving needs. Customer behaviour is shifting, with increasing use of digital services and changing financing needs. This, of course, effects the way we approach and interact with our 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. Net promoter scores were introduced at Cembra in 2016, and the Management Board is responsible for them.

Progress in 2021
In 2021, Cembra's total weighted NPS was +28 (2020: +30), on a scale of –100 to +100. While we consider this score to be good with regards to our internal objectives, we aim to again achieve an NPS of at least +30 through our ongoing and planned initiatives in 2022.

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 and our own offerings, we provide 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.

We provide customers with financing solutions. 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 and education.

Investments in digital platforms and training

To satisfy the needs of tomorrow's customers, we invest in intuitive payment and financing solutions, through use of technology and continued strong customer service, including a user-friendly, needs-based digital platform. Our customer focus is also enhanced by the selection, motivation and training of employees (see page 43).

Moving towards widely accessible products

In the last decade, we have been successfully pursuing a long-term strategic shift towards a balanced product 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 2011 to 2021 (as % of net revenues)

	2011	2016	**2021**
Personal loans	58 %	39 %	**39 %**
Auto leases and loans	33 %	22 %	**26 %**
Credit cards	9 %	37 %	**33 %**
Other	–	2 %	**2 %**

4 Quality and integrity of products and services

Aim and approach

We aim to be recognised by our stakeholders as a responsible provider of intuitive customer solutions in consumer finance. Our overall goal is to provide customers with the amount of credit that suits their individual situation. Cembra aims to prevent customers from taking on too much debt, as this would not only have a negative impact on our customers' personal lives but could also affect Cembra's credit default risk. Additionally, our lending activities are subject to Swiss laws and regulations, requiring us to handle our products and services with adequate due diligence to protect customers. The risk of unforeseen events in the lives of our customers remains, and there is always a chance that this will lead to excessive levels of debt. In such cases, we work closely with our customers to find mutually beneficial solutions. Due to the nature of our financing products and services, we have to handle a large amount of sensitive and personal data. It is therefore our duty to handle and store data with diligence and take adequate protective measures. To ensure quality and integrity, we monitor various performance 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 2021
The main event in the 2021 financial year was the continued Covid-19 pandemic. As in the previous reporting period, Cembra did not record a significantly higher number of customers facing financial difficulties. The government's social protection measures 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 likely to 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 and 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 favourable loss performance in 2021 despite the effects of the Covid-19 pandemic (see the Management Report, page 16). Our risk management approach helped us to achieve this performance again, as we adopted specific measures, such as restrictions on segments that were materially exposed to macro-economic stress, and supported customers in difficulty.

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, focusing on:

- 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 2021, 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 applicable laws and regulations, 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. Legal infringements, if any, have been judged unintended and immaterial in number and significance in 2021.

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 the section on our sustainability commitment and performance measures, page 33). Through certain features of the products we offer, we aim to protect customers from the negative aspects of consumer loans and debts. We also achieve this 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 members of the Swiss Payment Association and took effect on 1 January 2022. This revised convention replaced the previous credit card business agreement of 2016. The agreements are available at www.cembra.ch/sustainability in German. Cembra is a member of these associations and is committed to complying with their guidelines. In 2021, however, one advertising letter that was mailed to customers was deemed to be in breach of the applicable provisions of the agreement. The guidelines and processes concerning marketing activities are detailed in an internal policy on marketing activities and external correspondence (see page 61, for details).

Since 2018, our advertising campaigns have 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 the Sustainability Report 2021, 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 (such as 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 policy on marketing activities and external correspondence (see page 64).

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 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 prevent over-indebtedness and 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. There are five consumer ratings, each having an implied probability of default based on historical default experience. A customer's behaviour can also influence the assessment of creditworthiness (see page 136 for further details).

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 when the customer receives the copy of the agreement), under the condition that the customer has not exercised their 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 of the Code of Conduct on responsible lending – 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 handled in accordance with applicable laws and our internal regulations. The process is formalised in an internal policy. 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 2021, the number of complaints amounted to 0.2% of the total customer base of 1.0 million (2020: 0.3%; 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 such as customer payment difficulties.

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 training sessions and an internal training team provides 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 (see page 44 for details on functional trainings).

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 page 39).

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, divorce or a pandemic-induced decrease in a customer's capacity to make repayments:

- **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's need is assessed and substantiated. Loan extensions or deferrals are used in financially difficult situations to enable the customer to fulfil contractual obligations. Only a small portion of customers made use of these tools, and this proportion was lower in 2021 than in 2020, mainly because of the economic support measures brought in by the government. Cembra has only minimal exposure to troubled debt restructuring (TDR) and such restructuring would be granted in exceptional individual cases only (see page 127 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 six years and including the 2021 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 a successful bank 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 attracting, retaining and promoting qualified and responsibly minded staff. We also recognise and consider the advantages of a diverse workforce, be it in terms of gender, age, nationality or cultural background. We strongly believe that diverse teams deliver more diverse solutions, which in turn enables us to offer better solutions to our equally diverse clients.

Targets
Our key performance indicator in this area is employee engagement. Our goal is to achieve an Employee GPTW (greatplacetowork.org) trust index of at least 70% (see table on page 33). We also set internal targets for a number of other indicators, such as employee retention rates, the absentee rate and diversity figures.

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 management board meetings and workshops as required, and provides HR management expertise.

Progress in 2021
The main progress in people and development in the 2021 financial year was as follows:

- During the ongoing Covid-19 pandemic, Cembra maintained or adapted existing measures for the health and safety of all employees (see page 46).
- We revised our policy regarding flexible working models. In future, our employees will be allowed to work remotely for up to 60% of their work time (see page 46).
- A purpose statement was developed for Cembra in 2021. Our employees were actively involved in the process and were able to provide input through various channels. Their feedback was important in developing our purpose statement as part of the strategy process in 2021.
- The Great Place to Work organisation named us as one of the "Best Workplaces Switzerland" and as one of "Europe's Best Workplaces".
- Based on our gender-related performance and disclosure in the previous reporting period (2020), Cembra was included in the 2022 Bloomberg Gender Equality Index in January 2022, for the second time.

No large-scale redundancies (i.e. job cuts affecting more than 5% of the total workforce) were implemented at Cembra in 2021 or have been since our initial public offering in 2013.

Coverage
The indicators and activities presented below do not include: temporary workers from agencies (2% of headcount; 2020: 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[1]	Retention rate – permanent contracts	Turnover rate – permanent contracts	Turnover rate – voluntary[2]	Turnover rate – temporary contracts	Average number of years of employment
2019	89%	11%	7%	1%	9.0
2020	88%	12%	8%	1%	9.2
2021	88%	12%	9%	1%	9.7

[1] Turnover rate and seniority per gender can be found in the Annex to Cembra's Sustainability Report 2021
[2] Only considers resignations on employees' own initiative, excluding dismissals by the employer and retirements
Coverage: Cembra excluding Swissbilling; including cashgate since 2020

Overall, in 2021, the employee turnover rates remained at prior years' levels. Turnover was relatively higher in operational functions among employees often at an intermediary career stage. The number of years of employment, reflecting employees' loyalty and engagement, continued to increase slightly in 2021. Details regarding new employees are provided below, in the table on 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%

The last survey was conducted in 2020 with a participation rate of 72%, which resulted in a trust index of 71%, an improvement of two percentage points on the survey in 2018 (69%). As a result of this score and having passed the audit report assessment by Great Place to Work, in May 2021 Cembra was ranked ninth (April 2019: fifth) among the Great Places to Work in Switzerland 2021, in the Large Companies (250+ employees) category. In addition, in September 2021, we were nominated for the "Europe's Best Workplaces" award for the first time, where we were came 44th out of 50 companies (Large Companies category).

Based on the results of the survey conducted in 2020, Cembra asked employees where we can improve further. Following these deep-dive sessions it was decided to concentrate on three specific optimisation areas in 2021 ("Day-to-day simplification", "Culture Journey, Values & Behaviours" and "Leading with a Trust and Team attitude and mindset").

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 not only check candidates' technical and functional skills, but we also assess how they would fit into the team and our culture based on the principles of our Code of Conduct.

Staff regulations

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. In 2021, there was one case of inadequate behaviour reported.

Our "Dialogue" performance management approach

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. With this approach, we aim to promote an open and honest dialogue between managers and employees through continuous feedback in both directions to learn from each other, and help each other further develop our strengths. Employees are encouraged to periodically give subjective feedback to their manager with regard to their perceived leadership behaviour.

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 aim to promote an open and honest dialogue between managers and employees through continuous feedback in both directions to 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. 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.

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 55) 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. Where necessary, specific groups of employees receive additional mandatory online training covering topics such as user access management, high privileged access and work and rest period provisions in Switzerland.

Key figures mandatory training	2021	2020	2019
Number of mandatory e-learning courses (of which 10 were mandatory for all employees in 2021)	**19**	21	24
Total average training hours per employee	**4.2**	4.7	4.2

Cembra excluding Swissbilling; including cashgate since 2020

All **new employees** attend the mandatory two-day "onboarding" training course offered in the first 2-3 months of employment. The training covers topics such as compliance, risk management and our vision and culture, as well as our products, employee benefits and the Cembra brand. Due to the continued Covid-19-related restrictions, the onboarding days were temporarily shortened to one day and held in an online format in 2021.

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; human 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 web-based 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 skill gaps in customer service employees, e.g. managing complaining customers, negotiation skills and handling retention issues.

The mandatory functional training programmes are developed and carried out by eight internal functional trainers and one lead. In 2021 a total of 1,241 (2020: 1,041) participants were trained through 69 (2020: 49) different courses.

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 a reduced training programme due to the ongoing pandemic and the restrictions related to running live, on-site training courses. A number of planned courses were, therefore, redesigned to a shorter, online format. The 2021 offering, nevertheless, covered soft and management skills topics such as resilience, engagement, unconscious bias, feedback, flex-work, leadership and health, and a special focus on absence management to enable our line managers to develop sensitivity to the topic and assess employee health concerns.

Key figures for non-mandatory internal training

	2021	2020	2019
Management and soft skills training days	**7**	7	30
Courses offered	**12**	6	17
Number of employees taking part in management and soft skills training sessions	**238**	100	289
% of employees trained in management and soft skills	**25%**	10%	36%
Total training costs in CHF 1,000	**32**	60	150

For figures per gender and seniority see Annex to Sustainability Report 2021, section 5
Cembra excluding Swissbilling; including cashgate since 2020.

In 2021, 25% of employees took advantage of the offering (2020: 10%). The shorter sessions and moving to online formats allowed us to increase the number of employees taking part in training courses even though the number of training days remained at a low level.

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.

In 2021, CHF 0.14 million was spent on technical and functional training and certifications by external providers (2020: CHF 0.03 million) and a total of 86 employees received such training. The relatively low number in 2020 was due to Covid-19 restrictions. These training courses are generally one to two-day courses to ensure that our employees and specialists can adapt to constantly changing professional and technical conditions. Examples of such training courses are debt collection, architecting on AWS, ISACA certifications, cyber security, due diligence and money laundering prevention, and compensation governance.

Furthermore, we support employees in improving their language skills and their professional development. All employees have the opportunity to apply for funding for a course or training session at an external educational institution. In 2021 we reimbursed CHF 0.03 million to a total of 28 employees for language training and CHF 0.12 million to 27 employees for external advanced training such as a DAS (Diploma of advanced studies) and CAS (Certificate of advanced studies). As a founding member of the "Advance" network for gender equality in business, we get access to various skills-building training courses (for details, please see page 43). In 2021, 18 employees took courses on topics such as influencing, leading your team effectively, courage – crush self-doubt, and women on boards.

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 at the top management level and one functional hierarchy level 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 and has been expanded to include a module in general management. The Bank-wide programme consists of 22 training days over a period of nine 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 2021, the blended-learning programme was launched in June and will run until March 2022. Ten young employees are currently enrolled in the programme.

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 2021 to find an adequate follow-up solution for all apprentices after they had completed their apprenticeship.

Over the past 11 years, 52 apprentices have successfully completed their programme at the Bank, of which 18 are still employed. Three of the six apprentices who graduated in 2021 are still working within the Bank.

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. The measures taken in 2021 included:
- Cembra provided updates and advised all employees on how to stay safe. Employees were updated frequently on relevant information and measures regarding Covid-19. Additional hygiene measures were taken in the office environment and employees worked from home wherever possible.
- Social distancing and/or physical separation was ensured for employees who could not work from home.
- Free lunches were offered to employees working at headquarters when the staff restaurant had to remain closed due to national regulations.

Responsibility for working conditions and ensuring a healthy work environment lies with the Management Board, which 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 calculated as the percentage of work time that an employee is absent due to sickness or an accident. Sickness includes both short-term and long-term sickness as well as sickness during pregnancy. In 2021, the absentee rate was 3.8% (2020: 3.2%). The ongoing Covid-19 situation certainly had an impact on this increase. Cembra has set internal targets with the aim of reducing the absentee rate.

Healthy work environment and work-life balance

Employee health is important to us, and we are continuously working on improving our health management. The current 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 an accident.
- **Work-life balance training,** such as health and leadership, resilience, and stress management, both online and physically. In the in-house gym at headquarters, we offer fitness courses and yoga classes. In 2021, these courses and classes were cancelled due to Covid-19-related restrictions.
- **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.

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 matters (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. In 2021, seven cases were handled by the external provider. For medical issues and in cases of long-term absences, we work with our insurance provider and the related disability insurance office. In 2021, 11 medical and/or long-term absences were handled.

Flexible ways of working

The Bank offers flexible working solutions to foster a healthy work-life balance. The solutions include part-time and remote work arrangements, given that Cembra is convinced that flexible ways of working can increase job satisfaction, employee commitment, productivity and retention. Covid-19 and the resulting restrictions mean that most of our employees now have the technical prerequisites to be able to work remotely and we assume that many of them will continue to opt for a hybrid solution in the future. We have therefore revised our policy regarding flexible working models to allow employees to work remotely for up to 60% of their work time in the future. The flexible work arrangements are outlined in our ways of working framework. The key elements of the framework are described on page 61.

Many of our part-time employees are working parents. At year-end 2021, 25% (2020: 25%) of all employees were working part time (for the detailed figures please see the Annex to the Sustainability Report 2021).

Annual leave and absentee regulation

The health of our employees and their families is a high priority for the Bank. In general, we believe that annual leaves and other days off have positive effects on health and well-being, that they 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. Employees over the age of 50 are entitled to five additional days of annual leave. Moreover, we also grant employees paid days off for various family matters.

Safety in the workplace and emergency response system
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 so that all emergency information is provided 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, the duration of which exceeds the legal requirements. Fully paid paternity leave is ten workdays, reflecting the legal requirement. See the Annex to the Sustainability Report for details.

In the reporting period a total of 15 women took maternity leave (five are still on leave) and 11 men took paternity leave. In the previous year, 19 women took maternity leave and 29 men took paternity leave. Of these 19 women, 10 have returned and all of these 10 were still employed by the Group at year-end 2021.

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 offers a variety of benefits including travel vouchers for public transport (covering the full cost for commuting within the city of Zurich), financial support for employees with children, meal benefits 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 and originations.

There is no significant sub-contracting of employees. The number of people working for Cembra to address short-term needs represented 2% (2020: 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

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 (See 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 (2020: 49%). At the employee level (including the employee and senior employee levels), the proportion of female employees is 51% (2020: 51%). At the management level (including the management and senior management levels), it is 23% (2020: 21%). For the detailed figures please see the Annex to the Sustainability Report 2021.

Internal career mobility

HR key figures	**2021**	2020	2019
Total entries	**101**	113	156
– of which women	**44**	53	65
– of which total new employees 50+ (excl. cashgate)	**9**	12	18
Internal department changes	**15**	52	175[1]
Internal promotions (pay grade changes)	**36**	26	66
– of which women	**21**	12	25

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. As in 2020, the programme had to be significantly reduced in 2021 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 skills-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 43 different countries (2020: 39; not counting multiple citizenships) and with diverse cultural backgrounds. For the detailed figures please see the Annex to the Sustainability Report 2021.

Equal pay for men and women

In the previous reporting period 2020, we had 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. The analysis confirmed that Cembra complies with the principle of "equal pay for work of equal value". The analysis was audited by KPMG as an external entity (see Annual Report 2020). Based on the analysis, Cembra had been awarded the "We Pay Fair" certificate by the Competence Center for Diversity and Inclusion of the University of St Gallen.

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

Pay quartiles

In 2021, women made up 25.0% of our top earners (i.e. whose pay was in the 1st quartile). 55% of our revenue-producing roles were held by women (figure not comparable to previous ones due to adjusted definition).

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

Pay quartile	**2021**	2020	2019
1st quartile	**24.7%**	25.0%	27.2%
2nd quartile	**44.8%**	46.3%	42.4%
3rd quartile	**60.3%**	58.2%	58.5%
4th quartile	**65.1%**	64.5%	62.4%

Top-to-median salary ratio

The top-to-median pay ratio was 12.1 in 2021, in line with previous years (2020: 12.3; 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, our stakeholders considered environmental stewardship to have a "medium impact" (see page 32). 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 the climate-change-related effects on the business and as part of our general risk management (see the Risk Management Report on Climate-related risks, 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.

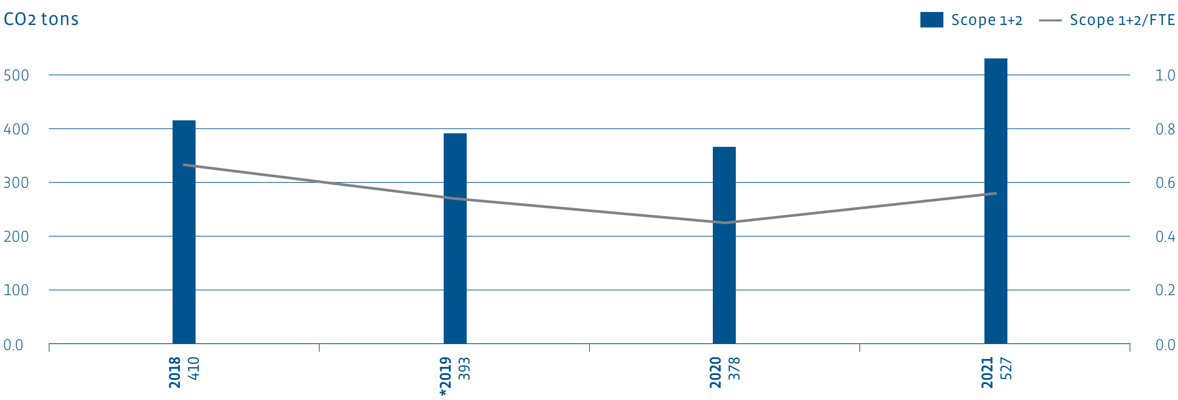
Progress in 2021
Cembra continued replacing cars with combustion engines in its own fleet with electric vehicles, leading to a slight decrease of the carbon emissions from its own fleet. Various operational improvements were made to reduce other carbon emissions in 2021. The planned switch to district heating was delayed owing to the pandemic. For details see below.

In 2021, coverage of **scope 1 and 2 emissions** was extended from 76% to 100% of employees (see paragraph below on Coverage and boundaries). As a consequence scope 1 and 2 emissions increased by 39% to 527 carbon tonnes (2020: 379). The **scope 1 and 2 emissions intensity** increased from 0.46 in 2020 to 0.57 in 2021 for the first time after several years. This effect was driven by several factors: the extended coverage (see Coverage and boundaries below), the lower number of employees as well as higher gas consumption .

In addition, we further enhanced our carbon emission disclosures by slightly restating and improving our scope 1 and scope 2 emissions to reflect new data sources and insights.

In the period 2017–2021 we were able to considerably reduce our scope 1 and 2 carbon emissions intensity (CO_2 tons/FTE). This trend reversed in 2021 mainly because of less Covid-19 restrictions compared to 2020.

Scope 1+2 emissions (CO_2 tons) and emissions intensity (CO_2 tons/FTE) 2018–2021



* 2019 excluding cashgate

Coverage and boundaries

Since 2021, Cembra's the coverage of energy and emissions reporting was considerably extended to cover the whole group and 100% of employees (coverage up to 2020: 76% of employees at headquarters). Through our Business Partners' Principles of Conduct, we also pay attention to our suppliers' environmental management systems (see page 58).

Operational environmental management

Cembra's environmental management is based on Swiss law relating to environmental protection, energy and carbon. 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 (about three quarters of all employees), we have been using electric power generated 100% from renewable sources since 2016. The majority of the branches and service centres use heating gas, and three branches use heating oil. The majority of the branches are using electric power generated from renewable sources, while some branches are using 100% Nativa energy where a large majority comes from renewable sources.
  We 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 the greenhouse effects of energy use.
  In 2021, the heating intensity (kWh/average number of FTE) increased considerably by 57% to 1,371. The increase was driven by several factors, such as more cold days compared to previous years, more fresh air circulation, and the extended coverage (for details see below under Coverage and boundaries). Since 2013, the consumption of electric power per FTE has declined by 46% and heating by 49%.

		2021	2020	2019	2018	2017	2016	2015	2014	2013
Electricity	kWh/FTE avg	**1,849**	2,317	2,570	2,633	2,525	2,649	2,944	3,188	3,409
Gas	kWh/FTE avg	**1,371**	871	850	1,231	1,220	1,695	2,351	1,983	2,679

Coverage: 100% of total employees since 2021, and 76% of total employees until 2020. From 2021, heating includes oil and gas heating. Until 2020, heating consisted of gas heating at headquarters only.

- **Upcoming significant reduction in carbon emissions at headquarters:** The owner of the building where Cembra is headquartered switched to district heating in 2021 (effective from 2022 on) and is planning to switch to district cooling by 2022. These thermal networks, which are environmentally friendly and energy efficient, will replace gas heating and allow us to further decrease our direct carbon emissions in the coming years.
- **Company fleet:** In 2020, Cembra had adopted a new internal target to significantly reduce carbon emissions from its own vehicles. In 2021, the number of cars in the fleet amounted to 62 (2020: 60; 2019: 57; 2018: 63). The increase related to the addition of Swissbilling cars. In 2021, the total number of kilometres travelled stayed the same as the previous year, mainly because of the continued 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 47). In 2021, commuting with private cars and public transport was considerably lower due to longer periods of Covid-related restrictions for employees compared to the previous reporting period.
- **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 61 for a summary) we have been encouraging teleworking and flexible working hours since 2018. Due to the ongoing Covid-19 pandemic, remote working remained exceptionally high in 2021.

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. In 2021, energy efficiency was further increased at headquarters: incandescent light bulbs were replaced with LEDs and a building automation system was installed with thermostatic valves to help reduce gas consumption.

Key environmental figures

Since 2021, the coverage of the key environmental figures include 100% of employees, except for the items waste and water for which the coverage are Cembra headquarters (about 75% of employees]. In the years until 2020, the key environmental figures include Cembra headquarters only.

	Unit	2021	2020	2019
Consumption				
Electricity [2]	kWh	**1,704,739**	1,538,548	1,553,193
Gas, oil and district heating [2]	kWh	**1,263,727**	578,700	513,900
Water	m3	**1,727**	3,454	3,342
Paper	kg	**10,945**	18,166	24,335
Waste	liters	**484,000**	596,000	819,600
Lease cars (own fleet) [1]	km	**1,583,692**	1,583,747	1,783,526
Lease cars (own fleet) / FTE [1]	km / FTE avg	**1,718**	1,674	2,292
Business air travel	km	**21,500**	34,000	565,600
Greenhouse gas emissions				
Direct emissions (scope 1)	**CO_2 tons**	**502**	**357**	**371**
Heating [2]	CO_2 tons	**264**	117	104
Lease cars (own fleet)	CO_2 tons	**238**	240	267
Indirect emissions (scope 2)	**CO_2 tons**	**25**	**22**	**22**
Electricity [2]	CO_2 tons	**25**	22	22
Indirect emissions (scope 3)	**CO_2 tons**	**n/a**	**n/a**	**n/a**
Business air travel (cat. 6)	CO_2 tons	**5**	5	78
Scope 1+2 emissions / FTE [3]	CO_2 tons	**0.57**	0.46	0.55
Number of employees (emissions scope) [2,3]	FTE avg	**922**	664	604

[1] Excluding Swissbilling up to 2020
[2] Scope: Zurich headquarters and branches (100% of employees) since 2021. Up to 2020, only Zurich headquarters (about 75% of employees) and only gas heating
[3] Since 2021, average of FTEs in Cembra Group

Scope 3 reporting

Our Scope 3 reporting is currently limited to business air travel by our employees. In 2021, Cembra was a participant in the Scope 3-related "Climate Accelerator Initiative" by UN Global Compact Switzerland. In this initiative, we continued to learn how to further develop our Scope 3 disclosure. The current "ScBTi Financial Sector Science-Based Targets Guidance v1.1" states that consumer finance and motor vehicle loans, which account for more than 90% of Cembra's total assets, are not applicable for Scope 3. Cembra's commissions and fees are also not considered applicable for Scope 3 in the guideline. Other less material categories (e.g. purchased goods and services and employee commuting by private car/train) are currently not measured. We continue to assess the need for further Scope 3 reporting in 2022.

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. Our strategy is to continue to grow this business in line with the market trend, to ensure continued diversification in the auto portfolio.

The share of electric vehicles in Switzerland is growing fast. In 2021, about 22% 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 new cars in Switzerland equipped with only electric engines increased to 13% (2020: 8%; 2019: 4.2%; 2018: 1.7%).

In 2021, Cembra's share of new electric vehicles (including grid-charging plug-in hybrid vehicles) financed in the vehicle loans and leases portfolio decreased temporarily from 9% in 2020 to 3%.

7 Business integrity

Aim, approach and progress

As an independent bank that has been listed since 2013, we are required to comply with strict regulatory requirements. We continuously aim to 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 foster 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. For us, business integrity in many aspects implies going beyond the mere legal requirements that we need to fulfil and act in a way that ensures we are perceived as a transparent and trustworthy business partner, such as ensuring responsible cooperations or supporting customers in financial difficulties. Clearly defined structures, responsibilities and processes, as well as their regular review, form the basis of our approach to managing compliance and reputational risks in a highly regulated and competitive market with increasing customer and stakeholder expectations. In this way, we aim to earn the reputation of being a trusted business partner that behaves with integrity and takes a zero-tolerance approach to non-compliance.

This allows us to set ourselves apart in the marketplace.

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, employees gain in-depth knowledge of products, processes and market conditions and can stay on top of the latest trends, innovations and regulations.

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

Progress in 2021
The existing anti-money-laundering (AML) policy was revised and amended (see pages 59-60), and procedures were adapted accordingly.

In 2021, 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. These include the Code of Conduct and the Business Partners' Principles of Conduct, the policy on fraudulent practices by external parties, the policy on the acceptance and presentation of gifts, and the policy 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" 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 are set out in various policies (e.g. AML policy) (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 for business ethics. An annual compliance risk assessment is performed on behalf of the Management Board and reported to the Board of Directors.

The compliance department is represented on the Management Board by the general counsel.

Mandatory training for employees
Cembra has 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, insurance (intermediation), risk and control, data management, identity and access management, and working hours regulations.
- **Mandatory training for all new employees:** Onboarding days typically comprise two days at the start and one day after two months. Due to the ongoing Covid-19 pandemic, the onboarding days were temporarily shortened to one day and held in an online format in 2021.

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 for ensuring that all targeted employees successfully complete the mandatory training courses.

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 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 model, see Risk Management Report page 21). 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 Cembra's 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. New employees also 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 are working on including 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 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 2021, all employees completed the mandatory online compliance training including 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 policies 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 and 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 department, compliance department 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 2021, no cases were reported (2020: one case).

Political involvement
Cembra does not make any political contributions, as stated in chapter 3, paragraph 5, 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).

Sign-off on policies
There is an annual sign-off on 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 intranet, 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 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 2021, the Management Board reviewed the actual or potential human rights issues that could be of concern and committed to continue 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 2020.

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 Code of Conduct. The standards were improved in 2020. They explicitly cover integrity, anti-corruption and social and environmental standards and are aligned with the principles of the UN Global Compact. With our 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, 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).

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 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 – i.e. all third parties delivering products or services to the Bank that may directly support the delivery of core banking processes –, the supplier standards will become an integral part of the contractual framework governing the business relationship. We continuously extend coverage and include the supplier standards in all relevant supplier agreements by renewing and extending existing contracts, 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. Breaches are monitored and followed up on by Cembra.

Cembra's sourcing and vendor management departments are 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. The vast majority of our suppliers are Switzerland-based companies with extensive supplier standards and that implicitly already fulfil Cembra requirements. Cembra has updated 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. As at end-2021, 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 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 to carry out periodic checks of key suppliers. 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.

In 2021 we asked our key suppliers and those identified by an internal cross-functional group as most relevant to our sustainability footprint to complete a self-assessment relative to our Business Partners' Principles of conduct. Excluding a few outstanding replies, all respondents considered themselves to be fully compliant and most considered that they were ahead of their respective industry average. Some mentioned that they see potential for improvement regarding evidence-based controls on their subcontractors. We will continue to work with our partners to continuously improve our control quality and appreciate all related efforts.

Training
The sourcing and the vendor management department includes senior employees who actively draw up Cembra policies and 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 personal data, including customer data. We have implemented a comprehensive framework to ensure data protection, banking secrecy and information security, in order to adhere to applicable legislation and regulations.

- The Bank implements this framework with the overall intent of ensuring that critical information, personal data (such as customer data), and information technology relevant to data processing are protected. This framework also covers the protection of data processed 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.

In its Guidance 05/2020, the Swiss Financial Market Supervisory Authority (FINMA) details 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 order to provide utmost transparency, Cembra shared in 2021 two incidents with the regulator despite judging them non-reportable given the lack of materiality.

Furthermore, the Bank has implemented and maintains response plans in line with the requirements of FINMA, the Swiss Federal Act on Data Protection and the EU General Data Protection Regulation (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 with 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 been developed over several decades. The average sales area manager has been with the Bank for 15 years. At year-end 2021, about 115 (2020: about 125) 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. In August 2021, Cembra announced that the partnership with Migros (since 2006) would be terminated by June 2022.

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, good 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.	Credit card partners and their branches are regularly visited by a review team.
Training We provide regular training to ensure business integrity.	Training focuses on business and product strategies, products, processes and compliance. Around 115 independent intermediaries receive training each year. In 2021 all training sessions were conducted despite 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 centrally run 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. The number of point-of-sale training sessions increased to 300 from 200, reflecting increasing needs, for our partners' about 80 branches. In 2021 the training sessions were conducted both at the partners' locations and virtually.
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 by the dealer, the partnership is terminated.	Credit card partners and their branches are regularly visited by a review team. 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 e-learning programme which is mandatory for all employees covering the most important topics and other related policies.
- An internal monitoring system is implemented by the control functions (risk and compliance). It is also part of the whistleblowing process, which is used to detect corruption ("ombuds system").
- The policies are relevant for all employees

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 AML programme and then attend regular refresher training sessions in subsequent years (see the chapter on people and development, page 44).

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

- Cembra defines the processes, roles and responsibilities needed to prevent suspected cases of fraud by external parties and 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, the risk function is supported by other departments within the B2C business area.

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 policy 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 covers receiving gifts, presenting gifts and events. In particular, the policy 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. Furthermore, it states that granting or accepting facilitating payments or goods is strictly forbidden. The legal and compliance departments are responsible for any changes to this policy.

Policy on sponsoring, contributions and donations
This policy 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; it is applicable 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 policy.

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 policy states that:

- Sponsoring activities are carried out in keeping with the priorities set by some departments as part of their respective communications, marketing and brand strategies.
- Contributions may only be awarded to those institutions and organisations with which goodwill will be created, in the specific interests of the Bank or a subsidiary and its sales channels.
- No support can be given to political parties.
- 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 from the public relations budget can be made available for donations. Donations must be determined, on a binding basis, as part of public relations measures.
- 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 CFO.

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 policy 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 legislation 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 policy 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 policy are also complied with and implemented by such third parties.

In particular, the policy states that:

- Consumer credit contracts (including lease and loan agreements, credit and customer cards) may not be advertised aggressively.
- In product advertising, the relevant provider (company) must be clearly specified and a calculation example, including the effective interest rate and the total costs, must be 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
The Bank is committed to fostering cooperation based on mutual trust and supports flexible ways of working, provided that the personal needs of employees can be reconciled with company goals. As a result, the Bank has acted on the desire for greater flexibility and to work from home; it has also adapted to changes in working practices. The policy demonstrates various working models offered by the Bank and is the responsibility of human resources.

In particular, the policy:

- 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 focus will not be compromised) and describes different work options (flexible location or time, part-time working, job-sharing). Employees may freely choose their own ways of working in conjunction with their line managers, taking into account the Bank's core principles.
- addresses how to deal with data protection, banking and business secrecy and work equipment and costs when working flexplace.

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 2021

In 2021, we continued our long-term oriented community engagement activities of which some were impacted by the Covid-19 restrictions. Going forward, we see particular potential for creating synergies between social engagement and relevant business skills. In this context Cembra continued to support 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 2021, please see the Annex to the Sustainability Report 2021.

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.

KPMG

Independent limited assurance report on selected Sustainability Information of Cembra Money Bank AG

To the Board of Directors of Cembra Money Bank AG, Zurich

We have undertaken a limited assurance engagement on Cembra Money Bank AG's (hereinafter "Cembra") Sustainability Information in the following sections of the Sustainability Report as part of the Annual Report for the year ended December 31, 2021 (hereinafter "Sustainability Information"):

- Our approach to sustainability
- Customer orientation
- Quality and integrity of products and services
- People and development
- Environmental stewardship
- Business integrity

Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Sustainability Report or in the Annual Report 2021 or linked to from the Sustainability Information or from the Annual Report 2021, including any images, audio files or embedded videos.

Our Limited Assurance Conclusion

Based on the procedures we have performed as described under the *'Summary of the work we performed as the basis for our assurance conclusion'* and the evidence we have obtained, nothing has come to our attention that causes us to believe that Cembra's Sustainability Information in the above-mentioned sections of the Annual Report 2021 for the year ended December 31, 2021 is not prepared, in all material respects, in accordance with the Global Reporting Initiative (GRI) Standards' option "core".

We do not express an assurance conclusion on information in respect of earlier periods or to any other information included in the Sustainability Report or in the Annual Report 2021 or linked to from the Sustainability Information or from the Annual Report 2021, including any images, audio files or embedded videos.

Understanding how Cembra has Prepared the Sustainability Information

The GRI Standards, option "core", have been used as criteria references for the topic-specific disclosures. Consequently, the Sustainability Information needs to be read and understood together with the GRI Standards, option "core".

Inherent Limitations in Preparing the Sustainability Information

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur in disclosures of the Sustainability Information and not be detected. Our engagement is not designed to detect all internal control weaknesses in the preparation of the Sustainability Information because the engagement was not performed on a continuous basis throughout the period and the audit procedures performed were on a test basis.

Cembra's Responsibilities

The Board of Directors of Cembra is responsible for:

- Selecting or establishing suitable criteria for preparing the Sustainability Information, taking into account applicable law and regulations related to reporting the Sustainability Information;
- The preparation of the Sustainability Information in accordance with the criteria (the GRI Standards' option "core");
- Designing, implementing and maintaining internal control over information relevant to the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our opinion to the Board of Directors of Cembra.

As we are engaged to form an independent conclusion on the Sustainability Information as prepared by management, we are not permitted to be involved in the preparation of the Sustainability Information as doing so may compromise our independence.

Professional Standards Applied

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our work was carried out by an independent and multidisciplinary team including assurance practitioners and sustainability experts. We remain solely responsible for our assurance conclusion.

Summary of the Work we Performed as the Basis for our Assurance Conclusion

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Sustainability Information is likely to arise. The procedures we performed were based on our professional judgment. Carrying out our limited assurance engagement on the Sustainability Information included, among others:

- Assessment of the design and implementation of systems, processes and internal controls for determining, processing and monitoring sustainability performance data, including the consolidation of data;
- Inquiries of employees responsible for the determination and consolidation as well as the implementation of internal control procedures regarding the selected disclosures;
- Inspection of selected internal and external documents to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;

- Assessment of the data collection, validation and reporting processes as well as the reliability of the reported data on a test basis and through testing of selected calculations;
- Analytical assessment of the data and trends of the quantitative disclosures for the GRI disclosures included in the scope of the limited assurance engagement;
- Assessment of the consistency of the GRI disclosures applicable to Cembra with the other disclosures and key figures and of the overall presentation of the disclosures through critical reading of the Sustainability Report as part of the Annual Report 2021.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

KPMG AG

Silvan Jurt	Theresa Tiersch
Licensed audit expert	

Zurich, 15 March 2022

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 AG. 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

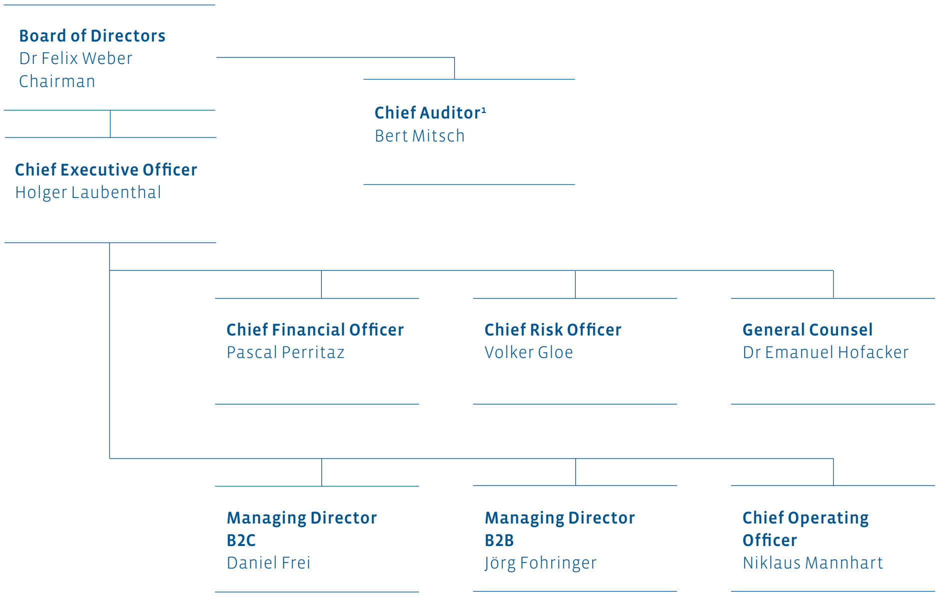
1.1 Group structure

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 network of branches and online distribution channels, as well as credit card partners (including Conforama, Fnac, IKEA, LIPO, Migros and TCS), independent intermediaries and car 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, the insurance sold in this context, invoice financing, and deposits and savings products. The corporate functions include finance, operations, legal & compliance, communications, risk management, internal audit and human resources.

Organisational Group structure at 31 December 2021:

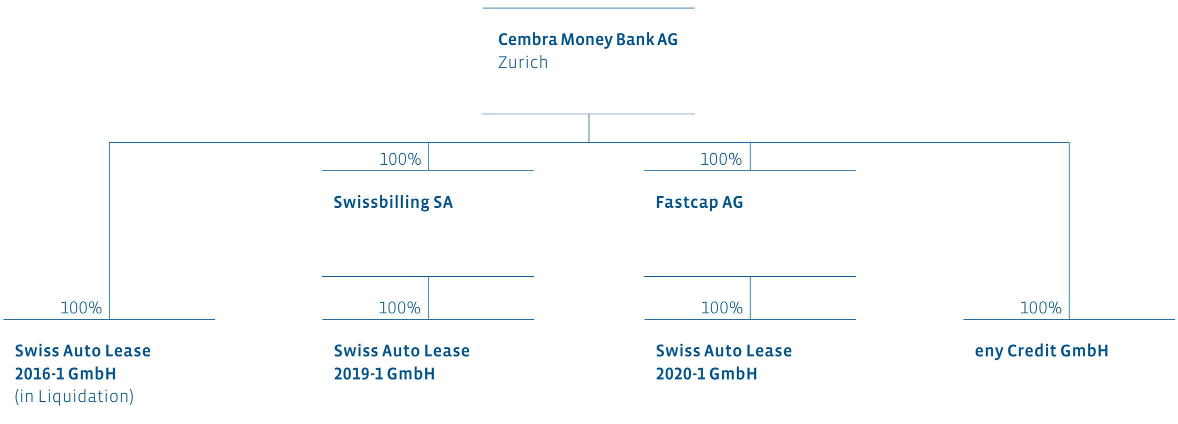


[1] The internal audit department is an independent function with a reporting line to the Board of Directors and the Audit and Risk Committee (see section 3.5)

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);
- 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 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 2021, the Bank's issued nominal share capital amounted to CHF 30,000,000 and the market capitalisation amounted to CHF 1,993 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 AG 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 2021, the Bank was not aware of any person or institution, other than UBS Fund Management (Switzerland) AG (5.41%), BlackRock Inc. (4.99%), Swisscanto Fondsleitung AG (3.05%) and Credit Suisse Funds AG (3.00%), 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 SIX Exchange Regulation AG'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 2021, 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 22 April 2023, 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 2019, 2020 and 2021, 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 2021, 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

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 2021, all members of the Board of Directors were non-executive, as mandated by Swiss law applicable to the Bank as a regulated entity 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.

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 2021, 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	2022
Martin Blessing[1]	DE	Vice Chairman	Chairperson Compensation and Nomination Committe	2021	2022
Urs Baumann[1]	CH	Member	Member Compensation and Nomination Committee	2014	2022
Thomas Buess	CH	Member	Member Audit and Risk Committee	2020	2022
Denis Hall[1]	UK	Member	Member Audit and Risk Committee	2013	2022
Susanne Klöss-Braekler	DE	Member	Member Compensation and Nomination Committee	2021	2022
Dr Monica Mächler	CH	Member	Chairperson Audit and Risk Committee	2015	2022

1 Will not stand for re-election at the 2022 Annual General Meeting (see section 3.8)

Name	Dr Felix Weber
Nationality	Swiss
Function	Chairman
First elected	2013
End current period	2022

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 2022. 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 2018: Chairman of BLR Capital AG (Zurich, Switzerland)
- Since 2017: Vice Chairman Climatex AG (Altendorf, Switzerland)
- Since 2013: Board member BLR & Partners AG (Zurich, Switzerland)

Previous board memberships:
- 2019–2021: Chairman of Trendcommerce AG (Gossau, Switzerland)
- 2019–2021: Board Member of Assepro AG (Pfäffikon, Switzerland)
- 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	Martin Blessing
Nationality	German
Function	Vice Chairman
First elected	2021
End current period	2022

Martin Blessing

German national and resident, born in 1963

Mr Blessing was appointed as a member of the Board of Directors on 22 April 2021. He is also Chairperson of the Compensation and Nomination Committee. His current term expires at the Annual General Meeting in 2022. Mr Blessing holds a Master in Business Administration from the University of Chicago (USA).

Professional experience:

- Since 2021: CEO of EFIC1 (Amsterdam, the Netherlands), a company listed on the Stock Exchange of the Netherlands
- 2016–2019: Co-President Global Wealth Management (2018 – 2019) and Member of the Group Executive Board of UBS Group AG (Zurich, Switzerland)
- 2001–2016: Different roles at Commerzbank, 2008 – 2016 as Chief Executive Officer (Germany)
- 2000–2001: Chief Executive Officer at Advance Bank (a subsidiary of Dresdner Bank) (Munich, Germany)
- 1997–2000: Co-Head Private and SME Clients at Dresdner Bank (Frankfurt am Main, Germany)
- 1989–1996: Project Manager at McKinsey & Company, 1994 - 1996 as a Partner (Germany and USA)

Other board memberships and activities:

- Since 2020: Member of the Supervisory Board of Danske Bank (Copenhagen, Denmark)

Previous board memberships:

- 2007–2008: Member of the Board of Directors of Evonik AG (Essen, Germany), a company listed on the German Stock Exchange
- 2005–2008: Deputy Chairman of BRE/mbank (Warsaw, Poland), a company listed on the Warsaw Stock Exchange
- 2003–2007: Member of the Board of Directors of Heidelberger Druckmaschinen AG (Heidelberg, Germany), a company listed on the German Stock Exchange
- 2002–2006: Member of the Board of Directors of Eurohypo AG (Frankfurt am Main, Germany), a company listed on the German Stock Exchange
- 2002–2004: Chairman of the Board of comdirect AG (Quickborn, Germany), a company listed on the German Stock Exchange
- 2002–2003: Member of the Board of Directors of T-Online International AG (Berlin and Frankfurt am Main, Germany), a company listed on the German Stock Exchange
- 2001–2007: Member of the Board of Directors of AMB Generali Germany AG (Munich, Germany), a company listed on the German Stock Exchange

Name	Urs Baumann
Nationality	Swiss
Function	Member
First elected	2014
End current period	2022

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 Member of the Compensation and Nomination Committee. His current term expires at the Annual General Meeting in 2022. Mr Baumann holds a Master of Arts from the University of St. Gallen and a MBA from the University of Chicago (USA).

Professional experience:
- Since 2015: Chief Executive Officer of Blue Earth Capital AG - formerly known as 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 Blue Earth Capital AG – formerly known as 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	2022

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 2022. 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 2021: Member of the Board of Directors of Grovana Watch AG (Tenniken, Switzerland)
- Since 2021: Member of the Board of Directors of Swiss KMU Partners AG (Jona, Switzerland)
- 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	2022

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 2022. 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

Name	Susanne Klöss-Braekler
Nationality	German
Function	Member
First elected	2021
End current period	2022

Susanne Klöss-Braekler

German national and resident, born in 1964

Mrs Klöss-Braekler was appointed as a member of the Board of Directors on 22 April 2021. She is also Member of the Compensation and Nomination Committee. Her current term expires at the Annual General Meeting in 2022. Mrs Klöss-Braekler holds a Master in Business Administration from Johann Wolfgang-Goethe University in Frankfurt am Main (Germany).

Professional experience:
- 2018–2020: Member of the Management Board of DB Privat- und Firmenkundenbank AG (Frankfurt am Main, Germany)
- 2012–2018: Member of the Management Board of Deutsche Postbank AG (Bonn, Germany)
- 2011–2016: Global Head of Credit Products, Deposits & Payments, Managing Director at Deutsche Bank AG (Frankfurt am Main, Germany)
- 1988–2011: Accenture PLC; Last Position: Managing Partner and Member of the Financial Services Management Board (Dublin, Ireland)

Other board memberships and activities:
- Since 2021: Member of the Supervisory Board of Deutsche Pfandbriefbank AG (Garching, Germany), a company listed on the German Stock Exchange
- Since 2021: Co-Chair of the Supervisory Board of ING DiBa AG, since 09/2021 Chairperson of the Supervisory Board (Frankfurt am Main, Germany)
- Since 2021: Member of the Supervisory Board of ODDO BHF AG (Frankfurt am Main, Germany)
- Since 2021: Member of the Advisory Board of Auticon GmbH (Munich, Germany)
- Since 2016: Member of the Advisory Board of HDI Deutschland Bancassurance GmbH (Hilden, Germany)

Previous board memberships:
- 2019–2020: Member of the Supervisory Board of Schufa AG (Wiesbaden, Germany)
- 2016–2020: Chairperson of the Supervisory Board of Postbank Direkt GmbH (Bonn, Germany)
- 2013–2020: Member of the Supervisory Board of Postbank Filialvertrieb AG, since 2017 Chairperson of the Supervisory Board (Bonn, Germany)
- 2013–2020: Member of the Supervisory Board of BHW Bausparkasse AG (Hameln, Germany)
- 2013–2015: Member of the Supervisory Board of Deutsche Bank Bauspar AG (Frankfurt am Main, Germany)
- 2012–2018: Member of the Supervisory Board of Eurex Frankfurt AG (Frankfurt am Main, Germany), a company listed on the German Stock Exchange
- 2012–2018: Member of the Board of Directors of Eurex Schweiz (Zurich, Switzerland)
- 2011–2014: Member of the Supervisory Board of Gigaset AG (Munich, Germany), a company listed on the German Stock Exchange

Name	Dr Monica Mächler
Nationality	Swiss
Function	Member
First elected	2015
End current period	2022

Dr Monica Mächler

Swiss national and resident, born in 1956

Dr Mächler was appointed as a member of the Board of Directors on 29 April 2015. Her current term expires at the Annual General Meeting in 2022. 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 Policy Development Committee (formerly called 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 2021: Member of the Boards of IICIF/IICI, Foundation (The Hague, the Netherlands); Public Benefit Corporation (California, USA)
- 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 of 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 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.

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 assesses 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 2021, nine Board of Directors meetings were held. The meetings typically last at least half a day.

Board of Directors meeting dates and corresponding attendance were as follows in 2021:

Date	Dr Felix Weber	Prof. Dr Peter Athanas[2]	Martin Blessing[3]	Urs Baumann	Thomas Buess	Denis Hall	Susanne Klöss-Braekler[3]	Katrina Machin[2]	Dr Monica Mächler
17 February 2021[1]	X	X		X	X	X		X	X
17 March 2021[1]	X	X		X	X	X		X	X
27 May 2021	X		X	X	X	X	X		X
14 July 2021[1]	X		X	X	X	X	E		X
21 July 2021[1]	X		X	X	X	X	X		X
25 August 2021	X		X	X	X	X	X		X
24 September 2021[1]	X		X	X	X	X	X		X
22 October 2021	X		X	X	X	X	X		X
2 December 2021[1]	X		X	X	X	X	X		X

1 Conference call
2 Elected as Member of the Board of Directors until 22 April 2021
3 Elected as Member of the Board of Directors at the Annual General Meeting on 22 April 2021
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 of Directors: Dr Mächler (Chairperson of the Audit and Risk Committee), Mr Buess and Mr Hall. 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, particularly regarding (i) the financial reporting and the integrity of the financial statements of the Group on a legal entity and a consolidated basis; including assistance on non-financial information (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 2021, seven Audit and Risk Committee meetings were held.

Please see details in the table below:

Date	Dr Monica Mächler	Thomas Buess	Denis Hall
16 February 2021[1]	X	X	X
16 March 2021[1]	X	X	X
26 May 2021[1]	X	X	X
21 July 2021[1]	X	X	X
24 August 2021	X	X	X
21 October 2021	X	X	X
2 December 2021[1]	X	X	X

1 Conference call

Compensation and Nomination Committee
The Compensation and Nomination Committee currently consists of three members of the Board of Directors: Mr Blessing (Chairperson of the Compensation and Nomination Committee), Mr Baumann and Mrs Klöss-Braekler. In accordance with the OaEC, the members of the Compensation and Nomination Committee are elected by the Annual General Meeting. The Board of Directors designates a member of the Compensation and Nomination Committee as committee 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 96 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 2021, eight Compensation and Nomination Committee meetings were held.

Please see details in the table below:

Date	Urs Baumann	Martin Blessing[2]	Prof. Dr Peter Athanas[3]	Susanne Klöss-Braekler[2]	Katrina Machin[3]
11 January 2021[1]	X		X		X
28 January 2021[1]	X		X		X
16 February 2021[1]	X		X		X
22 April 2021[1]	X	X		X	
26 May 2021[1]	X	X		X	
24 August 2021	X	X		X	
21 October 2021	X	X		X	
25 November 2021[1]	X	X		X	

1 Conference call
2 Elected as Member of the Compensation and Nomination Committee at the Annual General Meeting on 22 April 2021
3 Elected as Member of the Compensation and Nomination Committee until 22 April 2021

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 2021, 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. During the reporting year all members of the Management Board attended each of the Board of Directors' meetings and were 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 in the media release relating to the 2021 Annual Report and the invitation to the 2022 Annual General Meeting on 16 March 2022, Urs Baumann and Martin Blessing will not stand for re-election at the 2022 Annual General Meeting for reasons relating to other professional activities. Denis Hall will not stand for re-election as part of the regular succession planning and after nine successful years as member of the Board of Directors. The Board of Directors will propose Jörg Behrens, an expert for risk management, Marc Berg, a specialist for digital financial services, and Alex Finn, a financial expert, for election as new members to the Board of Directors at the 2022 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.

The table below sets forth the name, nationality, date of appointment and position of each member of the Management Board as of 31 December 2021, followed by a short description of each member's professional experience, education and activities.

Name	Nationality	Appointed	Position
Holger Laubenthal[1]	DE	2021	Chief Executive Officer (CEO)
Jörg Fohringer[3]	CH	2018	Managing Director B2B
Daniel Frei[3]	CH	1997[2]	Managing Director B2C
Volker Gloe	DE	2013[2]	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 Holger Laubenthal took over as CEO on 1 March 2021 as Robert Oudmayer stepped down as CEO end of February 2021
2 Appointed in predecessor organisations prior to IPO
3 Stepped down as Management Board member as of 31 December 2021

Name	Holger Laubenthal
Nationality	German
Appointed	2021
Position	Chief Executive Officer (CEO)

Holger Laubenthal

German national and Swiss resident, born in 1972

Mr Laubenthal has been the Bank's Chief Executive Officer since March 2021. Mr. Laubenthal holds an MBA degree from Harvard Business School (2002) and a Diplom-Ingenieur (equivalent to Master of Science) in Wirtschaftsingenieurwesen (Industrial Engineering).

Professional experience:
- 2019–2020: President, Consumer & Manufacturing of Alghanim Industries (Kuwait)
- 2016–2019: President & CEO of GE Inspection Technologies (Lewistown, PA, USA & Cologne, Germany)
- 2014–2016: President & CEO of Mubadala GE Capital PJSC (Abu Dhabi, UAE)
- 2011–2014: President & CEO of GE Money Bank Russia (Moscow, Russia)
- 2008–2011: Vice President & Global Head of Strategy at GE Capital Corporation (Norwalk, CT, USA)
- 2007–2008: Vice Chairman of the Executive Board at GE Money Bank Germany (Hannover, Germany)
- 2006–2007: Director, Auto and Retail Sales Finance at GE Money Bank Germany (Hannover, Germany)
- 2003–2006: Different leadership roles at GE Money Bank Switzerland (Zurich, Switzerland)
- 1997–2000: Working for DaimlerChrysler AG (Germany, UK and Indonesia)

Mr Laubenthal is Chairman of the Board of Directors of the Bank's following subsidiaries: Swissbilling SA 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 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. 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)
- 2002–2005: 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 was 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 (in Liquidation) and eny Credit GmbH as well as Member of the Board of Directors of Fastcap AG.

Name	Dr Emanuel Hofacker
Nationality	Swiss
Appointed	2014
Position	General Counsel

Dr Emanuel Hofacker

Swiss national and resident, born in 1968

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

Professional experience:
- 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 in Liquiditation as well as member of the Board of Directors of Swissbilling SA. Furthermore, he is Member of the Bank's Pension Fund Board, Board member of IKO (Information Center regarding Consumer Loans Association) and President of the Swiss Consumer Finance Association KFS.

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

Niklaus Mannhart

Swiss national and resident, born in 1967

Mr Mannhart has been Chief Operating Officer 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 subsidiary Fastcap AG. Furthermore, he is the President of the ZEK (Central Office for Credit Information).

Pascal Perritaz

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

Swiss national and resident, born in 1972

Mr Perritaz has been Chief Financial Officer 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 subsidiary eny Credit GmbH as well as Vice Chairman of the Board of Directors of Swissbilling SA and 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 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 2021, and no such contracts are in place as per 31 December 2021.

4.5 Material changes after the balance sheet date

Peter Schnellmann has been appointed Chief Sales and Distribution Officer and member of the Management Board as of 1 January 2022.

On 17 January 2022 it was announced that Dr Emanuel Hofacker, General Counsel, has decided to leave the company as of 30 June 2022.

On 24 February 2022 it was announced that Niklaus Mannhart, Chief Operating Officer, has decided to leave the company by the end of August 2022 at the latest.

5 Compensation, shareholdings and loans

Information about compensation, shareholdings and loans can be found in the Compensation Report on page 96.

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 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 96.

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 is Mr Ertugrul Tüfekçi, Partner.

8.2 Auditing fees

Expenses related to the Group's financial and regulatory audit amounted to CHF 1,177,000 for the financial year 2021.

8.3 Additional fees

Expenses related to assurance-related services amounted to CHF 73,500 for the financial year 2021.

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 2021, 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 2021. 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 notifications of ad hoc announcements at www.cembra.ch/investors.

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

Contact address
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8048 Zurich
Switzerland

Investor Relations
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10 Quiet trading periods

Trading in the Bank's securities, its derivatives and other related securities is prohibited during the period starting two weeks before the full-year and half-year balance sheet dates of the Bank and ending one full trading day following the respective public release.

The regular trading restrictions apply to the following persons: all members of the Board of Directors, the Management Board and any employee of the Group as well as any employees of third parties providing services to any subsidiary and the physical persons acting on their behalf having access to insider information.

Compensation Report

Message from the Chairperson 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 Compensation Report 2021 of Cembra Money Bank AG (hereafter referred to as "Cembra" or "the Bank").

2021 was a year of significant developments for Cembra. On 1 March 2021, we welcomed our new CEO Holger Laubenthal who succeeded Robert Oudmayer; at the Annual General Meeting on 22 April 2021, our shareholders newly elected Martin Blessing and Susanne Klöss-Braekler to the Board of Directors and Martin Blessing was thereafter appointed as new CNC chairperson succeeding Urs Baumann. On the business side, Cembra and IKEA Switzerland launched the IKEA Family credit card in April 2021; on 23 August 2021, we announced that after a successful 15-year partnership, Cembra and Migros would terminate their cooperation agreement for the Cumulus-Mastercard credit card as of June 2022; and on its Investor Day on 7 December 2021, Cembra presented its updated strategy for 2022-2026. Cembra's new strategy is presented in the Management report on page 18.

2021 financial performance
In 2021, Cembra's net income increased by 6% to CHF 161.5 million, or CHF 5.50 per share. Net revenues declined by 2%, with commission and fee income increasing by 7% following a rebound that began in the second quarter. Despite the challenging environment, the loss performance remained very strong at 0.6%, or 0.8% adjusted for a sale of loss certificates. As a result, return on equity came in at 13.9%, and the Tier 1 capital ratio stood at 18.9% (see Shareholders' Letter 2021 page 6-7). Due to the announcement of the termination of the Migros partnership, total return for our shareholders was negative, at -35% in 2021.

Management Board performance
These achievements are reflected in the compensation decisions for 2021. Based on the goal framework for the Management Board and the related achievements, the total compensation for the Group's Management Board was TCHF 5,823 for 2021, as compared to the budget of TCHF 6,400 comprising the fixed compensation approved at the Annual General Meeting 2020 and the variable compensation approved at the Annual General Meeting 2021. The total compensation in the previous year was TCHF 5,074 compared to an approved total compensation of TCHF 6,400. The total compensation for 2021 was higher than for the previous year due to a higher total amount for fixed compensation because of the Bank's contractual obligations for the previous CEO for the performance year 2021. The total compensation paid to the Management Board, excluding the former CEO and the current CEO, amounts to TCHF 3,464 and is comparable to total compensation paid in 2020 (TCHF 3,494).

Compensation disclosure and shareholders' feedback
As in previous years, we greatly appreciated the opportunity to continue our dialogue with investors and stakeholders. As a result of this ongoing dialogue, we have increased the level of disclosure of our Executive Variable Compensation Plan mechanisms. We enhance the description of the scorecard for our short-term incentive programme by providing the goals and their weights individually for the CEO and each of the Management Board members. Further, we enhance the description of the payout mechanism for our long-term incentive plan.

Changes to the Management Board
Holger Laubenthal took over the function as CEO of Cembra, effective 1 March 2021, succeeding Robert Oudmayer. Both CEOs worked together during a period of transition to ensure a successful hand over of responsibilities and Robert Oudmayer went on early retirement as planned at the end of December 2021. Holger Laubenthal's overall target compensation is comparable to that of the previous CEO. The compensation paid for 2021 to the departing CEO is in accordance with his contractual terms and is disclosed in section 4 of this report.

As announced on 7 December 2021, Cembra is combining its client-facing units in the newly created Sales and Distribution division as part of its updated strategy. On 1 January 2022, Peter Schnellmann, who already worked for Cembra in leading positions from 2009 to 2018, was appointed Chief Sales and Distribution Officer and member of the Management Board. Peter Schnellmann's target compensation is in line with the compensation framework for Management Board members and will be included in the Compensation Report 2022. Daniel Frei, Managing Director B2C, and Jörg Fohringer, Managing Director B2B, stepped down from the Management Board on 31 December 2021. The two departing Management Board members will receive compensation in accordance with their contractual terms for the 6-month notice period.

Annual General Meeting 2022

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 2022. Furthermore, we will ask you to vote on the maximum total compensation amount for the Board of Directors for the Annual General Meeting 2022 to Annual General Meeting 2023 term of office and on the maximum total compensation for the Management Board to be paid out in the financial year 2023.

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.

Martin Blessing
Chairperson 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. 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 Chairperson or Vice Chairperson of the Board of Directors and as Chairperson 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 2021, the CNC held eight meetings, although six 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 Management Board member and Board of Directors member recruitment processes and to monitor the Covid-19 pandemic implications on Cembra. The table below presents a high-level overview of the activities performed.

	January	February	April	May	August	October	November
Compensation plans & principles	Review EVCP plan Equal Pay, update			Company Pension Fund, update	EVCP framework assessment	Review EVCP framework	Discuss possible compensation plans for all Bank employees
Board of Directors compensation		Determine Board compensation for next office term for shareholders vote					
CEO & Management Board performance	Strategic lookback assessment	Set goals and objectives for upcoming year					Review the Goals and Objectives framework for 2022
	Performance review & bonus approval						Discuss the 2021 incentive forecast
CEO & Management Board compensation	Individual compensation review	Determine maximum aggregated compensation amount for shareholders vote	Approve STI goals 2021	Approve the qualitative targets included in the STI goals 2021			
			Approve EPS target for LTI 2021–2023				
Nomination & succession planning	Recruitment for new Board Members and new Chief Sales and Distribution Officer						
		Nominate Board of Directors & CNC members for next office term	Election of the CNC chair-person [1]		Review succession planning for Management Board and their direct reports		
					Review Board of Directors composition		
Compliance & regulatory	Compensation Report review (previous year)			Review AGM and investors feedback on Compensation Report	CNC charter review	Information pension obligation for Board of Directors	

[1] Since August 2021, the CNC chairperson is elected by the Board of Directors

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 Chairperson 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 2021, HCM International Ltd provided independent advice on compensation matters related to the Management Board. HCM International Ltd holds no other mandate with Cembra. In addition, internal compensation experts such as the head of human resources provided support and expertise. For further governance-related information, see the Corporate Governance Report on page 67.

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 not based on occupational pension schemes 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
Chairperson 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 2021

The following tables disclose the compensation awarded to the members of the Board of Directors for 2021 and 2020. For 2021, members of the Board of Directors received a total compensation of TCHF 1,400 (previous year TCHF 1,355).

For the year ended 31 December 2021 (CHF)

Name	Function	Basic fee	Committee/ chair fee	Employer social security contributions	Total	Thereof in shares in CHF [5]	Number of shares
Dr Felix Weber	Chairman	**450,000**	**–**	**27,244**	**477,244**	**150,031**	**2,051**
Prof. Dr Peter Athanas [1]	Vice Chairman, Member CNC	**30,769**	**18,462**	**2,742**	**51,973**	**16,420**	**156**
Martin Blessing [2]	Vice Chairman, Chair-person CNC	**69,231**	**55,385**	**9,222**	**133,837**	**41,541**	**645**
Urs Baumann	Member CNC	**100,000**	**36,154**	**10,118**	**146,272**	**45,415**	**612**
Thomas Buess	Member Audit and Risk Committee	**100,000**	**35,000**	**10,058**	**145,058**	**45,055**	**616**
Denis Hall	Member Audit and Risk Committee	**93,441**	**34,380**	**14,578**	**142,398**	**42,661**	**583**
Susanne Klöss-Braekler [3]	Member CNC	**69,231**	**20,769**	**–**	**90,000**	**30,029**	**466**
Katrina Machin [4]	Member CNC	**28,807**	**9,067**	**1,395**	**39,269**	**12,638**	**120**
Dr Monica Mächler	Chairperson Audit and Risk Committee	**100,000**	**65,000**	**9,342**	**174,342**	**55,042**	**752**
Total compensation of the members of the Board of Directors		**1,041,478**	**274,216**	**84,699**	**1,400,393**	**438,832**	**6,002**

1 Vice Chairman and Member CNC until Annual General Meeting 2021
2 Vice Chairman and Chairperson CNC since Annual General Meeting 2021
3 Member CNC since Annual General Meeting 2021
4 Member CNC until Annual General Meeting 2021
5 Number of shares reflects shares granted 1 February 2021 for the period 1 January 2021 until Annual General Meeting 2021 and shares granted 1 February 2022 for the period Annual General Meeting 2021 until 31 December 2021. For the grant of 1 February 2021 the share price is CHF 105.05 - volume-weighted average price ("VWAP") 60 trading days before grant date (source: SIX). For the grant of 1 February 2022 the share price is CHF 64.45 - VWAP 60 trading days before 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 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.

The total compensation (including pre-estimated social security contributions) for the period from the Annual General Meeting 2021 to the Annual General Meeting 2022 for the Board of Directors will amount to TCHF 1,399 and is within the maximum aggregate compensation amount of TCHF 1,450 approved at the Annual General Meeting on 22 April 2021.

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 2021-AGM 2022	**2021**	**1 Jan 2021 to 2021 AGM** [1]	**1 Jan 2022 to 2022 AGM**	**2021 AGM to 2022 AGM**	**2021 AGM**	**2021 AGM**
Board of Directors (total)	**1,400,347**	**431,201**	**429,503**	**1,398,649**	**1,450,000**	**96 %**
AGM 2020-AGM 2021	2020	1 Jan 2020 to 2020 AGM	1 Jan 2021 to 2021 AGM [1]	2020 to 2021 AGM	2020 AGM	2020 AGM
Board of Directors (total)	**1,355,422**	**362,597**	**412,681**	**1,405,506**	**1,450,000**	**97 %**

[1] The difference to the 2020 figures is due to the calculation basis GV+365 days, i.e. 16 April 2020 to 15 April 2021 vs. 22 April 2021 to 21 April 2022

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.

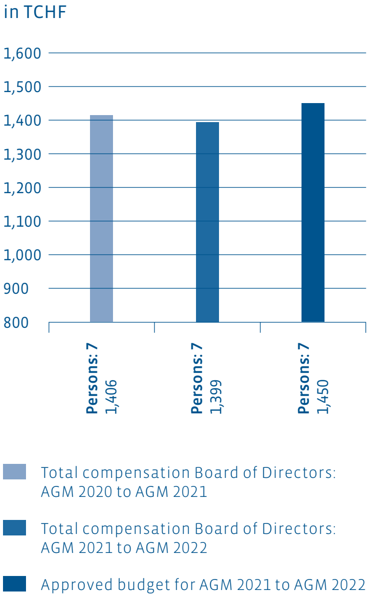
Other compensation, fees and loans to members or former members of the Board of Directors
No other compensation or fees than the amounts reported in the tables above were accrued for, or paid to, any member or former member of the Board of Directors during the reporting period.

For details related to loans outstanding at 31 December 2021 please refer to sub-chapter 6 “Loans and credits: Amounts due from members of governing bodies” on page 116 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



4 Compensation of the Management Board

4.1 Compensation architecture for the Management Board in 2021

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.

The compensation structure for the Management Board is designed to ensure alignment with shareholders' interest, the linkage between performance and pay, while being competitive and fair.

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 2020 was used for 2021 compensation decisions. The peer group selected comprised 26 companies from the Financial Services industry (65% of the companies) and Insurance Companies (35% 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.

Considering the compensation benchmark analysis and internal equity, the Board of Directors approved a compensation adjustment for two Management Board members. Taken together, the two adjustments represent a 1.8% increase on the total target direct compensation (annual base salary and Executive Variable Compensation Plan on target) for the entire Management Board. These changes are reflected in the compensation table presented in section 4.2 Compensation awarded to the Management Board members for 2021, page 111.

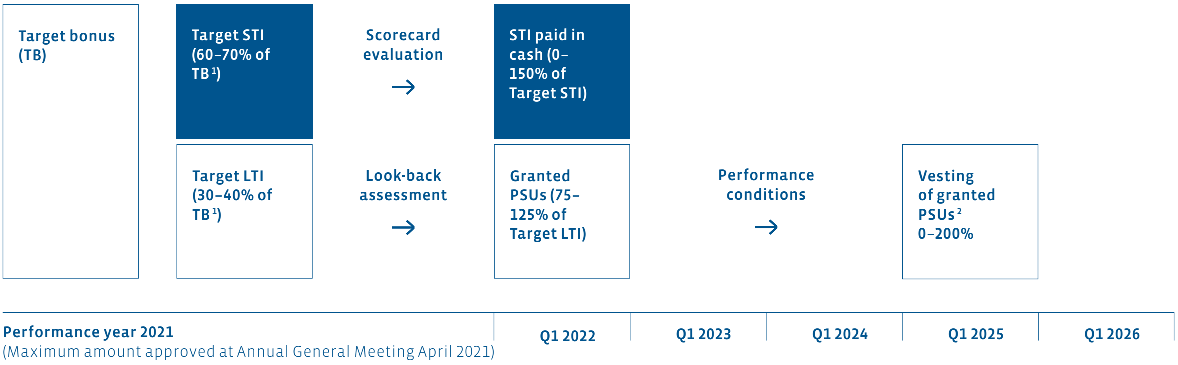
Annual base salary
Annual base salaries are established on the basis of the following factors:
- Scope, size and responsibilities of the role, and the skills required to perform the role;
- External market value of the role; and
- Skills, experience and performance of the individual in the role.

Executive Variable Compensation Plan (EVCP)

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 either 50% or 60% of the annual base salary. The target bonus is divided in two components, an annual cash incentive rewarding short-term performance and an annual grant of equity to pay for long-term performance. 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 2021, 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 the STI goals relative to the Bank performance, divisions performance and individual behaviours. Each goal is assigned a measurable target and a cap. The overall cap is set at 150% of the target. The achievements versus goals' targets are assessed at the end of the year in the scorecard evaluation which determines the final STI bonus.

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

For 2021 the following goal framework was applicable:

	CEO	Chief Financial Officer	Managing Director B2B	Managing Director B2C	Chief Operating Officer	Chief Risk Officer	General Counsel
1. Financials	60 %	60 %	60 %	40 %	30 %	30 %	30 %
Net Income	X	X	X	X	X	X	X
Revenue Growth	X						
New Business Revenue	X						
Interest income			X	X			
Total Fee income			X				
Operating Expenses				X	X		X
Cost / Income ratio		X			X		
Loss Ratio (qualitative)						X	
2. Customer and market	15 %	15 %	15 %	10 %	10 %	10 %	10 %
New Business initiatives	X	X	X	X	X	X	X
Market share	X	X	X				
3. Operational excellence	10 %	10 %	10 %	35 %	45 %	45 %	45 %
Digitalisation	X		X	X	X		
Service level				X		X	X
Division effectiveness		X		X	X	X	X
4. People and leadership	15 %	15 %	15 %	15 %	15 %	15 %	15 %
Strategy and leadership	X	X	X	X	X	X	X
Employee satisfaction and Corporate culture	X	X	X	X	X	X	X

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 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.

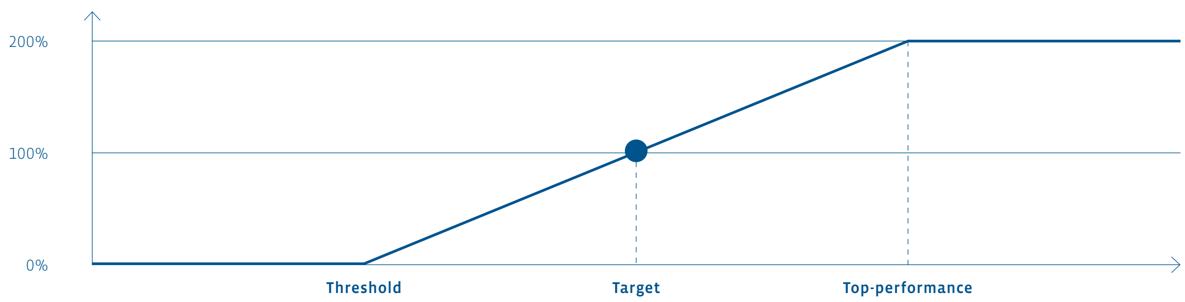
Long-term incentive (LTI)
The LTI is a Performance Share Unit (PSU) plan that rewards the achievement of predefined performance goals over a three-year vesting period.

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 target amount 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 metrics, 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 metric 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



Overall, the LTI vesting curves have been calibrated in a way so that there is a realistic performance-based chance of vesting under the PSU plan (i.e., statistically in 2 out of 3 cases the LTI plan pays out; the "no payout" probability is kept at 33%). The target performance levels are determined at a challenging but achievable level. Any positive and/or negative deviation from the target performance level is reflected proportionately in the number of vested PSUs.
A symmetrical link between realized performance and payout factor above and below the target performance level enables a robust long-term variable compensation system while limiting excessive risk-taking by plan participants.

- For rTSR, if Cembra's TSR exceeds the Total Return Index (TRI)-Benchmark by 20% or more, a payout factor of 200% applies. If Cembra's TSR falls short of the TRI-Benchmark by 20% or more, the payout factor is 0%. If Cembra's TSR is between –20% and +20% of the TRI-Benchmark, the payout factor is determined by linear extrapolation.
- For EPS, if the actual EPS reaches or exceeds the maximum threshold for top-performance, a payout factor of 200% applies. If the actual EPS falls below the minimum threshold, the payout factor is 0%. The maximum threshold is set at 20% above target and the lower threshold at 20% below target. Linear interpolation applies between the threshold, target and maximum performance levels.

At the end of the three-year vesting period, the achievement of each performance metric is calculated and their respective payout factor is determined accordingly. 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

The vesting is subject to forfeiture rules in case of employment termination before the end of the vesting period. 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, the unvested PSUs vest on the normal vesting date and are subject to 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. In case of termination of employment due to death, disability, termination by the Bank without cause or termination following a change of control, the unvested PSUs are subject to a 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.

EVCP target and maximum payout potential
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 % - 60 %	
	STI	LTI	STI	LTI
% of target bonus	60 %	40 %	70 %	30 %
Target bonus as % of annual base salary	54 %	36 %	35 % - 42 %	15 % - 18 %
Cap at grant in % of annual base salary	81 %	45 %	53 % - 63 %	19 % - 23 %
Pay out / vesting range in % of annual base salary	0-81 %	0-90 % [1]	0-53 % (63 %)	0-38 % (46 %) [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 109 of this report. For the grant 2021, the EPS target was approved at CHF 6.71 for the performance period 2021 until 2023.

The payout level of the variable compensation (short-term incentive paid in cash and PSU awards) in the reporting year is explained and commented on in section 4.2 of this report.

Clawback of variable compensation
Clawback provisions allow for partial or full recovery of the variable compensation (STI paid in cash, vested and unvested PSU awards). These provisions apply for the three years preceding the discovery of the event 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.

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 67.

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 2021

Compensation of active Management Board members
The total compensation paid to the active members of the Management Board for the performance year 2021, respectively 2020, is disclosed in the table below.

For the performance year ended 31 December (CHF)	2021 CEO [6]	2021 Management Board [5]	2021 Total compensation	2020 CEO	2020 Management Board	2020 Total compensation
Base salary	**525,000**	**2,623,751**	**3,148,751**	630,000	1,975,001	2,605,001
Social security	**46,603**	**286,965**	**333,569**	66,762	159,518	226,280
Pension plan	**75,165**	**425,749**	**500,914**	108,324	315,260	423,584
Other compensation [1]	**120,442**	**181,341**	**301,783**	221,841	56,471	278,312
Replacement award	**–**	**–**	**–**	–	–	–
Total fixed compensation	**767,210**	**3,517,807**	**4,285,016**	**1,026,927**	**2,506,251**	**3,533,178**
STI / EVCP paid in cash [2]	**238,616**	**824,688**	**1,063,303**	318,536	666,443	984,979
LTI / EVCP granted in PSUs / RSUs	**183,110**	**207,681**	**390,791**	203,076	265,625	468,701
Number of PSUs / RSUs granted [3]	**2,951**	**3,347**	**6,298**	2,159	2,824	4,983
Value per PSU / RSU [4]	**62.05**	**62.05**	**62.05**	94.06	94.06	94.06
Social security	**24,460**	**59,877**	**84,337**	31,493	55,596	87,089
Total variable compensation for the performance year	**446,185**	**1,092,247**	**1,538,432**	**553,105**	**987,664**	**1,540,769**
Total compensation for the performance year	**1,213,395**	**4,610,053**	**5,823,448**	**1,580,032**	**3,493,915**	**5,073,947**
Number of persons receiving compensation			**8**			7
FTE receiving compensation [5]			**7.83**			7.00

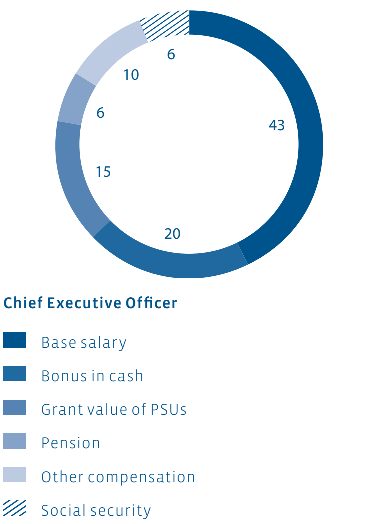
1 Includes benefits for relocated employees such as school fees as well as other benefits such as company cars. Due to lower school costs in 2021 and no tax settlements from previous years the CEO's other compensation was lower compared to 2020.
2 Paid out in March 2022, respectively March 2021
3 PSUs granted in 2022 and 2021 for the performance years 2021 and 2020
4 PSUs for 2021: Fair Market Value is based on the risk-adjusted volume-weighted average price ("VWAP") 60 trading days before grant date 1 February 2022 (CHF 64.45 - source: SIX). PSUs for 2021: 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). Determination through a Monte Carlo simulation algorithm.
5 Includes the former CEO for the full year 2021
6 Start date CEO 1 March 2021

Highest total compensation
Holger Laubenthal, CEO, received the highest total compensation in 2021. 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 2021 amounts to TCHF 5,823. 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 2020 and the expected portion of variable compensation of TCHF 2,600 approved by the Annual General Meeting 2021).
- The total fixed compensation of the Management Board for the business year 2021 amounts to TCHF 4,285 (previous year TCHF 3,533).
- The total fixed compensation is higher because the former CEO received, in line with his contractual agreement, a fixed compensation until 31 December 2021, and the new CEO was paid effective his start date 1 March 2021.
- The total variable compensation including social charges for the performance year 2021 amounts to TCHF 1,538 (previous year TCHF 1,541). For the performance year 2021, the variable compensation amounted to 26% of the total compensation (previous year 30%).
- The total variable compensation is pro-rated for the new CEO effective his start date and for the former CEO effective his garden leave start date. The total variable compensation amount is lower than in the previous year primarily because of a lower achievement factor in the variable compensation, which reflects our pay-for-performance philosophy.

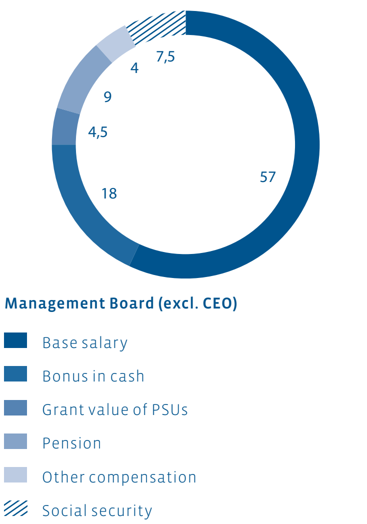
Performance year 2021 compensation structure CEO

in %



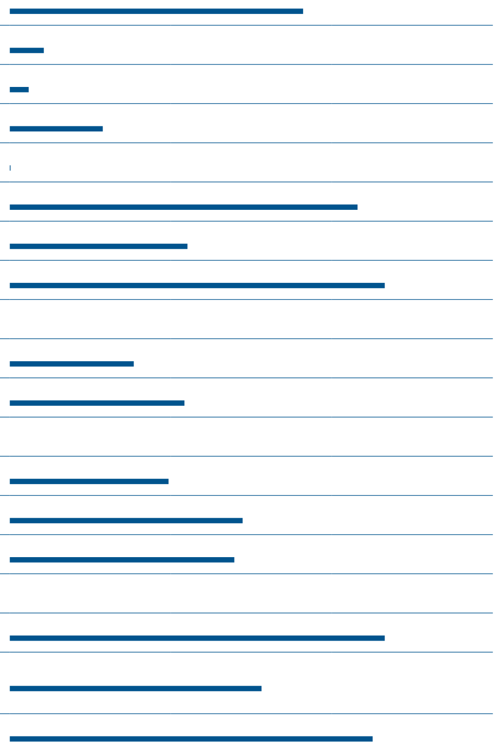
Performance year 2021 compensation structure Management Board excl. CEO

in %



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 56% to 99% for the performance year 2021 for the members of the Management Board including the CEO (previous year 76% to 107%). The achievement per goal on average is illustrated in the table below.

	Assessment compared to plan	CEO	Other MB Members[2]	2021 assessment
				Minimum / Target / Maximum
STI	1. Financials	60 %	30 % – 60 %	
	Net Income	X	X	
	Revenue Growth	X		
	New Business	X		
	Interest Income		X	
	Total Fee Income		X	
	Operating Expenses		X	
	Cost/Income ratio		X	
	Loss ratio		X	
	2. Customer and market	15 %	10 % – 15 %	
	New Business Initiatives	X	X	
	Market Share	X	X	
	3. Operational excellence	10 %	10 % – 45 %	
	Digitalization	X	X	
	Service Level		X	
	Divisional Effectiveness		X	
	4. People and leadership	15 %	15 %	
	Strategy and Leadership	X	X	
	Employee Satisfaction and Corporate Culture	X	X	
LTI	Strategic lookback assessment			



The long-term incentive grants for the performance year 2021 have been approved by the Board of Directors in the range of 100% to 125% (previous year 100%) based on the strategic look-back assessment to recognize the achievements for the development of the new strategy and roadmap and special individual contributions. 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 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	39 %	0 %	19 %	336	21,286
EVCP 2019	2020	2020 - 2022	6.25	2023	n/a	n/a	n/a	n/a	n/a
EVCP 2020	2021	2021 - 2023	6.71	2024	n/a	n/a	n/a	n/a	n/a
EVCP 2021	2022	2022 - 2024	n/a	2025	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; EVCP vesting on 1 February 2022 valued with share price of CHF 63.35

In addition to the number of PSUs vested in 2021 disclosed in the above table, 6,547 PSUs vested on 31 December 2021 for Management Board Members who stepped down from the Management Board and were entitled to a pro-rated early vesting.

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 2021, 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.

4.3 2022 Outlook

In the context of the new strategic cycle starting in 2022, the Board of Directors will review the Goals and Objectives framework for the year 2022 to ensure that the Management Board’s performance is measured on the most important drivers for success. The 2022 Goals and Objectives framework will be disclosed in the 2022 Compensation Report.

5 Compensation awarded to all Bank employees in 2021

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 2021 and 2020, including compensation for members of the Management Board. The Bank had 880 (full-time equivalents) as of 31 December 2021 compared to 899 employees (full-time equivalents) as of 31 December 2020 respectively.

	2021		2020	
For the performance year ended 31 December	**Amount (in TCHF)**[2]	**Eligible employees (FTE)**	Amount (in TCHF)	Eligible employees (FTE)
Base salaries	**95,796**		93,591	
Variable compensation [1]	**6,802**	**361**	6,567	344
Total	**102,599**	**880**	**100,158**	**899**

1 Includes annual variable incentive payments for Management Board, other management team members and middle management as well as sales incentive payments for the performance year 2021, respectively 2020.
2 Covers only employees of the Bank

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 2021 and 31 December 2020.

Shareholdings of the Board of Directors

At 31 December		2021		2020	
Name	Function	**Number of shares**	**Number of blocked shares**	Number of shares	Number of blocked shares
Dr Felix A. Weber	Chairman	**9,750**	**8,238**	7,250	6,810
Martin Blessing	Vice Chairman	**5,000**	**–**	–	–
Urs D. Baumann	Member	**7,200**	**2,747**	7,200	2,271
Thomas Buess	Member	**–**	**411**	–	–
Denis Hall	Member	**–**	**1,964**	–	1,558
Susanne Klöss-Braekler	Member	**–**	**–**	–	–
Dr Monica Mächler	Member	**–**	**2,569**	–	2,045

The members of the Board of Directors did not hold any share options at 31 December 2021 and at 31 December 2020.

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

At 31 December		**2021**			2020		
Name	Position	**Number of shares**	**Number of RSUs**	**Number of PSUs**	Number of shares	Number of RSUs	Number of PSUs
Holger Laubenthal	CEO	**1,056**	**–**	**–**			
Jörg Fohringer	Managing Director B2B	**501**	**–**	**–**	–	–	560
Daniel Frei	Managing Director B2C	**6,059**	**–**	**–**	5,735	–	1,657
Volker Gloe	CRO	**1,229**	**–**	**1,569**	4,245	–	1,602
Dr Emanuel Hofacker	General Counsel	**–**	**–**	**1,409**	661	–	1,472
Niklaus Mannhart	COO	**3,038**	**–**	**1,369**	–	3,038	869
Pascal Perritaz	CFO	**1,250**	**–**	**1,354**	–	–	818
Robert Oudmayer	former CEO	**5,051**	**–**	**–**	73	–	7,849

The members of the Management Board do not hold any share options at 31 December 2021 and at 31 December 2020.

Loans and credits: amounts due from members of governing bodies

At 31 December (CHF in thousands)	**2021**	2020
Amounts due from members of governing bodies	**48**	21

Amounts due from members of governing bodies as of 31 December 2021 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.

KPMG

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

We have audited the accompanying remuneration report of Cembra Money Bank AG for the year ended 31 December 2021. 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 remuneration 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 remuneration system and defining individual remuneration packages.

Auditor's Responsibility
Our responsibility is to express an opinion on the accompanying remuneration 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 remuneration 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 remuneration 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 remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration 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 remuneration report for the year ended 31 December 2021 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, 15 March 2022

Your Swiss Bank

Financial Report 2021

Consolidated Financial Statements

Consolidated statements of income

For the years ended 31 December (CHF in thousands)	Notes	2021	2020
Interest income	21	**382,701**	401,814
Interest expense	22	**– 26,032**	– 26,856
Net interest income		**356,668**	**374,958**
Commission and fee income	23	**130,350**	122,273
Net revenues		**487,018**	**497,231**
Provision for losses on financing receivables	**4**	**– 40,282**	**– 56,411**
Compensation and benefits		**– 132,207**	– 129,541
General and administrative expenses	24	**– 114,048**	– 117,867
Total operating expenses		**– 246,255**	**– 247,408**
Income before income taxes		**200,481**	**193,412**
Income tax expense	16	**– 38,987**	– 40,490
Net income		**161,495**	**152,922**
Earnings per share			
Basic	14	**5.50**	5.21
Diluted	14	**5.49**	5.20

See accompanying Notes to the consolidated financial statements

Consolidated statements of comprehensive income

For the years ended 31 December (CHF in thousands)	2021	2020
Net income	**161,495**	152,922
Net prior service cost, net of tax	**– 924**	– 1,283
Actuarial gain / (loss), net of tax	**23,139**	– 3,940
Unrealised gains / (losses) on investment securities, net of tax	**–**	– 7
Total other comprehensive gain / (loss), net of tax	**22,215**	– 5,230
Comprehensive income	**183,710**	**147,693**

See accompanying Notes to the consolidated financial statements

Consolidated statements of financial position

At 31 December (CHF in thousands)	Notes	2021	2020
Assets			
Cash and cash equivalents		**544,769**	599,002
Financing receivables, net	4	**6,206,995**	6,292,563
Property, plant and equipment, net	5	**28,863**	35,376
thereof operating lease - right-of-use (ROU) assets	5	**23,678**	28,175
Intangible assets, net	6	**70,127**	81,846
Goodwill	7	**156,828**	156,828
Other assets	8	**87,717**	78,877
Total assets [1]		**7,095,299**	**7,244,491**
Liabilities and equity			
Deposits	9	**3,199,397**	3,274,620
Accrued expenses and other payables		**167,323**	210,306
Short-term debt	10	349,994	275,216
Long-term debt	10	**2,142,064**	2,290,014
Other liabilities	12	**30,567**	66,618
thereof operating lease - lease liability	5	**23,785**	28,474
Deferred tax liabilities, net	16	**5,678**	694
Total liabilities [1]		**5,895,022**	**6,117,468**
Common shares		**30,000**	30,000
Additional paid in capital (APIC)		**257,683**	259,046
Retained earnings		**953,689**	902,374
Treasury shares		**– 34,540**	– 35,843
Accumulated other comprehensive loss (AOCI)		**– 6,556**	– 28,555
Total shareholders' equity		**1,200,276**	**1,127,023**
Total liabilities and shareholders' equity		**7,095,299**	**7,244,491**

[1] The Group's consolidated assets as at 31 December 2021 and 2020 include total assets of TCHF 608,949 and TCHF 633,653, 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 2021 and 2020 include liabilities of the VIEs of TCHF 503,181 and TCHF 503,639, 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 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 TCHF 2,003	–	–	–	–	**– 8,587**	**– 8,587**
Reclassifications from accumulated other comprehensive loss net of deferred tax of TCHF -447 [1]	–	–	–	–	**3,364**	**3,364**
Unrealised gains / (losses) on available for sale debt securities, net of deferred tax of TCHF 2	–	–	–	–	**– 7**	**– 7**
Balance at 31 December 2020	**30,000**	**259,046**	**902,374**	**– 35,843**	**– 28,555**	**1,127,023**
Balance at 1 January 2021	**30,000**	**259,046**	**902,374**	**– 35,843**	**– 28,555**	**1,127,023**
Net income	–	–	**161,495**	–	–	**161,495**
Dividends paid	–	–	– 110,181	–	–	**– 110,181**
Change due to share-based compensation	–	– 1,363	–	1,814	–	**451**
Treasury shares	–	–	–	– 511	–	**– 511**
Movements related to the Group's benefit plan obligation, net of deferred tax of TCHF -4,289	–	–	–	–	17,896	**17,896**
Reclassifications from accumulated other comprehensive loss net of deferred tax of TCHF -957 [1]	–	–	–	–	4,103	**4,103**
Balance at 31 December 2021	**30,000**	**257,683**	**953,689**	**– 34,540**	**– 6,556**	**1,200,276**

[1] Reclassifications from accumulated other comprehensive loss related to the Group's pension 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	2021	2020
Cash flows from operating activities			
Net income		**161,495**	152,922
Adjustments to reconcile net income to cash provided from operating activities:			
Provision for losses on financing receivables		**40,282**	56,411
Deferred income taxes		**– 261**	1,116
Depreciation		**2,825**	3,346
Amortisation of intangible assets		**22,220**	23,176
(Decrease) / Increase in accrued expenses and other payables		**– 42,983**	8,148
Decrease / (Increase) in tax receivables		**– 3,875**	– 6,096
Decrease / (Increase) in other receivables		**– 193**	4,283
Decrease / (Increase) in deferred expenses		– 437	– 3,754
All other operating activities		**– 4,463**	– 6,288
Net cash provided by operating activities		**174,609**	**233,264**
Cash flows from investing activities			
Net change in financing receivables	26	**37,077**	236,581
Proceeds from sale of loss certificates	4	**8,209**	–
Proceeds from maturity of investment securities		**–**	5,668
Additions to intangible assets		**– 9,968**	– 12,920
All other investing activities		**– 867**	– 195
Net cash provided by investing activities		**34,450**	**229,134**
Cash flows from financing activities			
Net change in deposits		**– 75,223**	– 220,533
Issuance of short-term and long-term debt		**200,000**	250,000
Repayments of short-term and long-term debt		**– 275,216**	– 325,063
Dividends paid		**– 110,181**	– 110,233
Purchase of treasury shares		**– 511**	– 2,182
All other financing activities		**2,496**	2,888
Net cash used for financing activities		**– 258,635**	**– 405,122**
Net increase / (decrease) in cash and cash equivalents		**– 49,576**	**57,276**
Cash and cash equivalents, including restricted cash classified in "Other assets"			
Beginning of the period		**630,822**	573,546
thereof restricted cash		**31,820**	30,967
End of period		**581,245**	**630,822**
thereof restricted cash		**36,476**	31,820
Supplemental disclosure			
Interest paid		**– 23,152**	– 24,880
Income taxes paid		**– 52,043**	– 55,614

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 2016-1 GmbH in Liquidation, Swiss Auto Lease 2019-1 GmbH, Swiss Auto Lease 2020-1 GmbH, Swissbilling SA, eny Credit GmbH 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 are rounded in thousands of Swiss francs, therefore rounding differences can occur.

Consolidation

The consolidated financial statements represent the Bank and all of its majority-owned or controlled subsidiaries. All significant transactions and balances among the Group's consolidated subsidiaries have been eliminated.

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

In accordance with ASC 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 the reporting period and beyond actual conditions could alter, 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 takes into account our historical experience, adjusted for current conditions with each product and customer type, and our judgment concerning the probable effects of relevant observable data, trends and market factors. The Group's loan portfolio consists of smaller-balance, homogenous pools of 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 to estimate the likelihood that a loan will progress through the various stages of delinquency. The considerations in these analyses include historical loss performance on actual defaulted loans, historical behaviour of different account vintages, roll rate movements, risk management techniques applied to various accounts, recent trends in delinquencies, bankruptcy filings, account collection management, policy changes, seasoning, trends in new loan volume and lending terms, payment rates and a review process of the adequacy of the allowance for losses. Management also considers current economic conditions, forecasting uncertainties, behaviour on specific accounts 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. The underlying assumptions, estimates and assessments are updated periodically to reflect our view of current conditions and are subject to the Group's end user computing (EUC) governance.

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 (until merger in June 2021) 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 (until merger in June 2021) 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.

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 7. Goodwill for further details.

Intangible assets and amortisation

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 6. Intangible assets 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 25. Share-based compensation.

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 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 addoption of the standard as of 1 January 2021 did not had an impact the Group’s financial position, results of operations and related notes.

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 addoption of the standard as of 1 January 2021 did not had a material impact on the Group.

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, estimating an increase of allowance for credit losses of CHF 50 million to CHF 70 million, which will be recognised as cumulative effect adjustment to opening retained earnings as of 1 January 2023. Under US GAAP, provisions for losses on the income statement are not affected on the day one of adoption of CECL.

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

Following a successful business integration, in June 2021 cashgate AG was legally merged with the Bank, as planned.

On 23 August 2021, we announced that after a 15-year partnership, Cembra and Migros would terminate their cooperation agreement for the Cumulus-Mastercard credit card as of June 2022.

In December 2021, the liquidation process for Swiss Auto Lease 2015-1 GmbH in Liquidation was completed with the cancellation of the company from the register of commerce of Zurich.

4. Financing receivables and allowance for losses

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.

The environmental reserve, which was recorded on personal loans with the scope to further strengthen the allowance for losses in light of Covid-19 related macroeconomic impacts, remains in place at CHF 2.1 million and CHF 2.2 million for the years ended 31 December 2021 and 2020, respectively, considering continuous uncertainties and potential second-round effects on the Swiss macro economy related to the pandemic. The environmental reserves are calculated by applying migration analysis that is based on past performance and historical behaviour during similar periods of economic downturn.

In the first half of 2021, previously written off financing receivables were sold to a third party. The proceeds were recorded as recoveries impacting the activity in the allowance for losses, which resulted in a reduction in the provision for losses of TCHF 8,209 in the Group's financial results of the reported period.

At 31 December 2021 and 2020, 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)	2021	2020
Loans	**3,611,064**	3,696,458
Deferred costs, net	**42,467**	43,659
Total loans, including deferred costs, net	**3,653,531**	**3,740,117**
Investment in financing leases, net of deferred income	**2,574,761**	2,573,674
Other [1]	**66,484**	62,827
Financing receivables before allowance for losses	**6,294,776**	**6,376,617**
Less allowance for losses [2]	**–87,781**	–84,055
Financing receivables, net	**6,206,995**	**6,292,563**

1 Other includes Swissbilling SA
2 Includes Covid-19 environmental reserve of TCHF 2,089 and TCHF 2,165 as at 31 December 2021 and 2020, respectively

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)	2021	2020
Total minimum lease payments receivable	**2,778,034**	2,770,331
Deferred income [1]	**– 203,274**	– 196,657
Investment in direct financing leases	**2,574,761**	**2,573,674**
Less allowance for losses	**– 10,849**	– 9,654
Net investment in direct financing leases	**2,563,912**	**2,564,020**

1 Includes TCHF 25,721 and TCHF 25,602 of initial direct costs on direct financing leases as at 31 December 2021 and 2020, respectively

The subsidiaries held TCHF 572,473 and TCHF 601,766 of net financing receivables as at 31 December 2021 and 2020, respectively, as collateral to secure third-party debt in securitisations. See note 19. Variable interest entities for further details of securitisations.

As at 31 December 2021, the Group's contractual maturities for loans and financing leases were:

Due in (CHF in thousands)	Loans	Minimum lease payments receivable
2022	**91,745**	**257,538**
2023	**207,060**	**466,981**
2024	**346,079**	**662,368**
2025	**439,856**	**789,069**
2026	**566,938**	**544,917**
2027 and thereafter	**901,657**	**57,161**
Consumer revolving loans	**1,057,731**	**–**
Total	**3,611,064**	**2,778,034**

Actual maturities may differ from contractual maturities.

The following table provides further information about financing receivables:

At 31 December (CHF in thousands)	2021	2020
Personal loans	**2,356,414**	2,472,644
Auto leases and loans	**2,833,437**	2,865,029
Credit cards	**1,038,442**	976,117
Other [1]	**66,484**	62,827
Financing receivables, before allowance for losses	**6,294,776**	**6,376,617**
Allowance for losses [2]	**– 87,781**	– 84,055
Financing receivables, net	**6,206,995**	**6,292,563**

1 Other includes Swissbilling SA
2 Includes Covid-19 environmental reserve of TCHF 2,089 and TCHF 2,165 as at 31 December 2021 and 2020, respectively

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

CHF in thousands	Balance at 1 January 2021	Provision for losses [3]	Amounts written off	Recoveries [3]	Other	Balance at 31 December 2021
Personal loans [1]	**64,401**	**18,400**	**– 67,401**	**48,765**	**–**	**64,164**
Auto leases and loans	**12,097**	**12,467**	**– 35,046**	**23,963**	**–**	**13,482**
Credit cards	**6,375**	**7,538**	**– 16,591**	**11,081**	**–**	**8,403**
Other [2]	**1,180**	**1,876**	**– 1,989**	**665**	**–**	**1,732**
Total [1]	**84,055**	**40,282**	**– 121,028**	**84,474**	**–**	**87,781**
As a % of total financing receivables, net						**1.4 %**

1 Includes Covid-19 environmental reserve of TCHF 2,089
2 Other includes Swissbilling SA
3 Includes recoveries of TCHF 8,209 from previously written off financing receivables that were sold to a third party

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**	**–**	**6,376**
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

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. Basis of presentation and summary of significant accounting policies.

Past due financing receivables

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

	2021		2020	
	Over 30 days past due	**Over 90 days past due**	Over 30 days past due	Over 90 days past due
Personal loans	**3.1 %**	**1.3 %**	3.3 %	1.4 %
Auto leases and loans	**0.6 %**	**0.1 %**	0.7 %	0.1 %
Credit cards	**1.0 %**	**0.3 %**	1.0 %	0.4 %
Total [1]	**1.6 %**	**0.6 %**	**1.8 %**	**0.7 %**

[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)	2021	2020
Personal loans	**29,361**	33,674
Auto leases and loans	**2,473**	3,544
Credit cards	**3,463**	3,587
Total [1]	**35,297**	**40,804**
Nonperforming loan coverage [2]	**249 %**	206 %

[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 non-accrual financing receivables

Credit quality indicators

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

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

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

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

At 31 December (CHF in thousands)			2021		
	CR1	CR2	CR3	CR4	CR5
Personal loans	978,938	766,406	419,507	114,927	38,539
Auto leases and loans	1,487,647	913,173	356,697	58,917	17,003
Credit cards	782,643	185,372	65,101	5,252	74
Total [1]	3,249,227	1,864,950	841,306	179,096	55,616
As a % of total financing receivables before allowance for losses [1]	52.5 %	30.1 %	13.6 %	2.9 %	0.9 %

[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)			2020		
	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	719,543	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

5. Property, plant and equipment

At 31 December (CHF in thousands)	Estimated useful lives (years)	2021	2020
Original cost			
Buildings and improvements	(5-40)	8,486	9,598
Office equipment	(3-10)	16,842	15,916
Total		25,328	25,514
Accumulated depreciation			
Buildings and improvements		– 6,512	– 6,733
Office equipment		– 13,631	– 11,580
Total		– 20,143	– 18,313
Net carrying value			
Buildings and improvements		1,974	2,865
Office equipment		3,211	4,336
Total		5,185	7,201

Depreciation expense was TCHF 2,825 and TCHF 3,346 for the year ended 31 December 2021 and 2020, respectively. The Group did not recognise any impairment losses in both 2021 and 2020.

The Group holds operating leases primarily related to real estate and automobiles.

At 31 December (CHF in thousands)	2021	2020
Components of the lease liability		
Operating lease - right-of use (ROU) assets	**23,678**	28,175
Operating lease - lease liability	**23,785**	28,474
Short-term classification	6,445	6,636
Long-term classification	17,340	21,838
Supplemental information		
Right-of-use (ROU) assets obtained for new lease liabilities	–	14,893
Weighted average remaining lease term (in years)	4.32	4.56
Weighted average discount rate	0.19 %	0.20 %

For the years ended 31 December (CHF in thousands)	**2021**	2020
Components of the lease expense		
Operating lease expense [1]	**6,787**	7,880
Supplemental cash flow information		
Operating cash flows paid for operating leases	6,358	7,188
Operating cash flows paid for short-term	389	563

[1] Includes impariment loss of TCHF 0 and TCHF 575 on operating leases for the year ended 31 December 2021 and 2020, respectively

At 31 December (CHF in thousands)	2021
Maturities of operating lease liabilities	
2022	**6,475**
2023	**5,581**
2024	**4,220**
2025	**4,432**
2026	**3,172**
Total lease payments	**23,879**
Less: imputed interest	**– 93**
Total	**23,785**

6. Intangible assets

CHF in thousands	Estimated useful lives (years)	2021	2020
Original cost			
Capitalised software	(1-5)	**101,040**	91,065
Customer relationships	(5 - 5.5)	**48,087**	48,087
Trademarks	(5)	**10,957**	10,964
Total		**160,085**	**150,117**
Accumulated amortisation			
Capitalised software		**– 64,278**	– 53,532
Customer relationships		**– 20,563**	– 11,815
Trademarks		**– 5,117**	– 2,924
Total		**– 89,958**	**– 68,271**
Net carrying value			
Capitalised software		**36,762**	37,533
Customer relationships		**27,524**	36,273
Trademarks		**5,840**	8,040
Total		**70,127**	**81,846**

Amortisation expense related to intangible assets was TCHF 22,220 and TCHF 23,176 for the year ended 31 December 2021 and 2020, respectively. As at 31 December 2021, the Group estimates the annual pre-tax amortisation for intangible assets over the next five years to be as follows:

CHF in thousands	2022	2023	2024	2025	2026 and thereafter
Estimated pre-tax amortisation	**22,660**	**20,482**	**17,388**	**6,749**	**2,847**

7. 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 the goodwill impairment analysis as of 30 September 2021 and follow up procedures performed covering the last quarter 2021, 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 2021. There are no deferred taxes booked related to goodwill.

CHF in thousands	Balance at 1 January 2021	Goodwill acquired during the period	Other	Balance at 31 December 2021
Gross amount of goodwill	156,828	–	–	156,828
Accumulated impairment	–	–	–	–
Net book value	**156,828**	**–**	**–**	**156,828**

At 31 December (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**

8. Other assets

At 31 December (CHF in thousands)	2021	2020
Restricted cash	**36,476**	31,820
Tax receivables	**34,608**	30,733
Other receivables	**7,779**	7,586
Deferred expenses	**7,594**	7,157
Other	**1,260**	1,581
Total other assets	**87,717**	**78,877**

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 36,476 and TCHF 31,820 of restricted cash related to the consolidated VIEs (see note 19. Variable interest entities) as at 31 December 2021 and 2020, respectively. The tax receivables at 31 December 2021 consisted of VAT input tax.

9. Deposits

The following table shows the maturities of the Group's customers' saving deposits, term deposits and prepaid card balances as at 31 December 2021 and 2020, respectively:

At 31 December (CHF in thousands)	2021	2020
On demand	**167,915**	167,124
Less than 3 months	**347,803**	328,852
3 to less than 6 months	**172,364**	327,727
6 to less than 12 months	**901,878**	820,039
12 months plus, thereof	**1,609,437**	1,630,878
due in 2022	–	578,330
due in 2023	**576,872**	359,629
due in 2024	**412,032**	341,649
due in 2025	**263,565**	120,802
due in 2026	**126,978**	66,601
due in 2027 and thereafter	**229,991**	163,868
Total	**3,199,397**	**3,274,620**

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 0.37% as at 31 December 2021 and was comparable to that of the prior year.

10. Short-term and long-term debt

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

At 31 December (CHF in thousands)	Maturity	2021 Amount	2021 Contractual interest rate [2]	2020 Amount	2020 Contractual interest rate [2]
Short-term portion					
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 %
Non-recourse borrowings (Auto ABS) [1]	2022	**250,000**	**0.15 %**	–	–
External debt (unsecured bond)	2022	**99,994**	**1.25 %**	–	–
Long-term portion					
Non-recourse borrowings (Auto ABS) [1]	2022	–	–	250,000	0.15 %
External debt (unsecured bond)	2022	–	–	99,988	1.25 %
External debt (unsecured bond)	2023	**250,000**	**0.00 %**	250,000	0.00 %
External debt (unsecured bond)	2023	**200,000**	**0.18 %**	200,000	0.18 %
Non-recourse borrowings (Auto ABS) [1]	2024	**250,000**	**0.00 %**	250,000	0.00 %
External debt (unsecured bond)	2024	**200,095**	**0.25 %**	200,136	0.25 %
External debt (perpetual tier 1 capital bond)	2024	**150,000**	**2.50 %**	150,000	2.50 %
External debt (unsecured bond)	2025	**150,413**	**0.38 %**	150,533	0.38 %
External debt (unsecured bond)	2026	**125,147**	**0.88 %**	125,179	0.88 %
External debt (senior convertible bond)	2026	**248,709**	**0.00 %**	248,420	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 %
External debt (unsecured bond)	2028	**200,000**	**0.42 %**	–	–
Debt issuance costs		– 7,301		– 9,242	
Total short-term and long-term debt		**2,492,058**		**2,565,230**	

1 Related to consolidated VIEs, for further details refer to note 19. Variable interest entities
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 2021, the Group had fixed rate funding only.

The Group defers the debt issuance costs and amortises them over the expected lifetime of the relevant debt instrument. As per 31 December 2021 and 2020, unamortised debt issuance costs amounted to TCHF 7,301 and TCHF 9,242, respectively. Commitment fees are recognised as incurred over the commitment period.

On 16 December 2021, the Group signed a revolving credit facility with a Swiss bank with a committed term until 2025. 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 2021, the Group signed a revolving credit facility with as Swiss bank with a committed term until 2024. 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.

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.

As at 31 December 2021, 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 2021 and 2020, respectively.

On 21 October 2021, the Group issued at TCHF 200,000 senior unsecured bond at 100% with maturity of seven years and a coupon of 0.4175%.

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 2021 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 3 March 2020, the Group launched its sixth auto lease asset backed security ("ABS") transaction and issued fixed rate senior notes of TCHF 250,000 on the Swiss capital market with a contractual maturity of ten years, an optional redemption date of four years from the date of issuance and coupon of 0.00%.

On 6 March 2019, the Group launched its fifth auto lease asset backed security ("ABS") transaction and issued fixed rate senior notes of TCHF 250,000 on the Swiss capital market with a legal maturity of ten years , an optional redemption date of 3 years from the date of issuance and coupon of 0.15%.

The Group has a total outstanding of TCHF 2,350,000 of senior unsecured bonds (including ABS and Convertible) and TCHF 150,000 subordinated additional tier 1 bond issued as at 31 December 2021. These bonds have been issued in 2014 (maturing in 2022), 2016 (maturing in 2023), 2017 (maturing in 2024 and 2025) and 2018 (maturing in 2026), 2019 (maturing in 2021, 2022, 2023, 2026 and 2027), 2020 (maturing in 2024) and 2021 (maturing 2028). All debt instruments are repayable in full at maturity or at the earliest possible redemption date.

11. 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 2021 and 2020, respectively, were as follows:

At 31 December	**2021**	2020
Active employees	**972**	982
Beneficiaries and pensioners	**162**	155
Total	**1,134**	**1,137**

The cost of the pension plans is presented below:

For the years ended 31 December (CHF in thousands)		2021	2020
Service cost for benefits earned	Compensation and benefits	**8,479**	8,678
Prior service credit amortisation	General and administrative expenses	**–1,413**	–1,590
Expected return on plan assets	General and administrative expenses	**–7,565**	–7,316
Interest cost on benefit obligations	General and administrative expenses	**332**	642
Net actuarial loss amortisation	General and administrative expenses	**6,473**	5,726
Net periodic benefit cost		**6,306**	**6,140**

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	**2021**	2020
Discount rate	**0.20%**	0.10%
Compensation increases	**1.79%**	1.85%
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. Management expects to contribute approximately TCHF 10,610 to the pension plan in 2022.

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

The accumulated benefit obligation was TCHF 335,985 and TCHF 330,439 for 31 December 2021 and 2020, respectively. The changes in the projected benefit obligation are presented below:

CHF in thousands	**2021**	2020
Balance at 1 January	**339,575**	**328,499**
Service cost for benefits earned	**8,479**	8,678
Interest cost on benefit obligations	**332**	642
Participant contributions	**6,903**	6,850
Actuarial (gain) / loss, net	**– 3,675**	9,795
Benefits (paid) / received, net	**– 7,057**	– 14,889
Balance at 31 December	**344,557**	**339,575**

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. Basis of presentation and summary of significant accounting policies.

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

CHF in thousands	2021	2020
Balance at 1 January	**304,896**	**293,832**
Actual return on plan assets	**26,075**	6,521
Employer contributions	**10,385**	12,582
Participant contributions	**6,903**	6,850
Benefits (paid) / received, net	**– 7,057**	– 14,889
Balance at 31 December	**341,202**	**304,896**

The asset allocations are described below:

At 31 December	2021 Target allocation	2021 Actual allocation
Equity securities		
Swiss equity securities	**13 %**	**13 %**
Non-Swiss equity securities	**23 %**	**24 %**
Debt securities		
Swiss bonds	**18 %**	**21 %**
Non-Swiss bonds	**17 %**	**18 %**
Real estate funds	**19 %**	**21 %**
Other investments	**10 %**	**4 %**

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:

	2021			
At 31 December (CHF in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities				
Swiss equity securities	**44,481**	**–**	**–**	**44,481**
Non-Swiss equity securities	**80,352**	**–**	**–**	**80,352**
Debt securities	**–**	**–**	**–**	**–**
Swiss bonds	**71,106**	**–**	**–**	**71,106**
Non-Swiss bonds	**60,668**	**–**	**–**	**60,668**
Real estate funds	**–**	**69,868**	**–**	**69,868**
Other investments [1]	**6,524**	**7,780**	**–**	**14,304**
Total investments	**263,132**	**77,648**	**–**	**340,780**
Other				**422**
Total assets				**341,202**

[1] Primarily includes infrastructure funds and cash

	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

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

At 31 December (CHF in thousands)	**2021**	2020
Funded status	**– 3,355**	– 34,679
Pension liability recorded in the statement of financial position		
Other liabilities		
Due after one year	**– 3,355**	– 34,679
Net amount recognised	**– 3,355**	**– 34,679**
Amounts recorded in shareholders' equity (unamortised)		
Prior service credit	**– 3,022**	– 4,435
Net actuarial loss	**11,011**	39,669
Net amount recognised	**7,989**	**35,234**

In 2022, the Group estimates that it will amortise TCHF 1,413 of prior service credit and TCHF 1,769 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	2022	2023	2024	2025	2026	2027-2031
Pension plan	22,561	21,638	20,854	21,970	21,899	84,167

12. Other liabilities

This section primarily reflects the pension plans funded status of TCHF 3,355 and TCHF 34,679 as at 31 December 2021 and 2020, respectively. It also comprises deferred compensation related to the Group's jubilee plan amounting to TCHF 3,427 and TCHF 3,464 as at 31 December 2021 and 2020, 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 5. Property, plant and equipment.

13. 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 arragements converted into credit equivalents, non-counterparty risk, market risk and operational risk from processes, people, systems and external events.

As of 31 December 2021, 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 2021" available at www.cembra.ch/financialreports.

At 31 December (CHF in thousands)	2021	2020
Eligible regulatory capital		
Tier 1 capital	**1,056,594**	1,000,436
of which CET1 capital	**906,594**	850,436
of which additional Tier 1 capital	**150,000**	150,000
Total eligible capital	**1,056,594**	**1,000,436**
Risk-weighted assets		
Credit risk	**4,821,675**	4,861,055
Non counterparty risk	**39,289**	42,215
Market risk	**1,385**	3,452
Operational risk	**737,719**	755,157
Total risk-weighted assets	**5,600,068**	**5,661,879**
Capital ratios		
CET1 ratio	**16.2 %**	15.0 %
Tier 1 ratio	**18.9 %**	17.7 %
Total capital ratio	**18.9 %**	**17.7 %**

14. 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)	2021	2020
Net income attributable to shareholders for basic earnings per share (CHF in thousands)	**161,495**	152,922
Net income attributable to shareholders for diluted earnings per share (CHF in thousands)	**161,495**	152,922
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	**621,475**	624,270
Weighted-average numbers of common shares outstanding for basic earnings per share	**29,378,525**	**29,375,730**
Dilution effect number of shares	**16,219**	20,740
Weighted-average numbers of common shares outstanding for diluted earnings per share	**29,394,745**	**29,396,470**
Basic earnings per share (in CHF)	**5.50**	**5.21**
Diluted earnings per share (in CHF)	**5.49**	**5.20**

The amount of common shares outstanding has changed as follows:

	2021	2020
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	**629,535**	**621,644**
Share-based compensation	**– 20,604**	– 17,109
Purchase	**5,000**	25,000
Balance at end of period	**613,931**	**629,535**
Common shares outstanding	**29,386,069**	**29,370,465**

15. 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)	2021	2020
Insurance	**22,971**	23,953
Credit cards	**80,429**	71,382
Total	**103,400**	**95,335**

The table above differs from note 23. Commissions and Fee Income as it includes only contracts with customers that are in scope of ASC Topic 606 – Revenue from Contracts with Customers.

16. Income tax expense

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

For the years ended 31 December (CHF in thousands)	2021	2020
Current tax expense	**39,248**	39,374
Deferred tax expense / (benefit) from temporary differences	**– 261**	1,116
Income tax expense	**38,987**	**40,490**

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 were approximately 19% and 21% for the years ended 31 December 2021 and 2020, respectively. The lower effective tax rate in 2021 reflects the impact of tax law changes in 2019 and a one-off participation relief on dividend income.

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

At 31 December (CHF in thousands)	2021	2020
Assets		
Pension plans	**532**	6,561
Operating lease - lease liability	**4,567**	5,467
Loss carried forward	**95**	285
Other	**658**	686
Total deferred tax assets	**5,852**	**12,999**
Liabilities		
Deferred loan origination fees and costs	**– 720**	– 860
Intangibles	**– 6,264**	– 7,425
Operating lease - right-of-use assets	**– 4,546**	– 5,410
Total deferred tax liabilities	**– 11,530**	**– 13,694**
Net deferred tax assets / (liabilities)	**– 5,678**	**– 694**

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

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

17. Commitments and guarantees

The Group's guarantees are provided in the ordinary course of business and are underwritten by considering the economic, liquidity and credit risk of the counterparty.

Swiss banking law and the deposit insurance system require Swiss banks and securities dealers to jointly guarantee an amount of up to CHF 6 billion for privileged client deposits in the event that a Swiss bank or securities dealer becomes insolvent. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate, the Group's share in the deposit insurance guarantee programme was TCHF 6,388 and TCHF 6,674 as at 31 December 2021 and 2020, respectively. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 31 December 2021, 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 2021 amounts to TCHF 33,789 and management assesses that the probability of payout is remote.

For details on rental commitments under non-cancellable operating leases refer to note 5. Property, plant and equipment.

18. Financial instruments

The following table provides information about the assets and liabilities not carried at fair value in the statement of financial position.

The table excludes finance leases and non-financial assets and liabilities and convertible bonds. For the most part, the assets and liabilities discussed below are considered to be Level 3.

	2021		2020	
At 31 December (CHF in thousands)	**Carrying amount net**	**Estimated fair value**	Carrying amount net	Estimated fair value
Assets				
Loans	**3,578,038**	**3,656,409**	3,666,896	3,741,341
Liabilities				
Deposits	**–3,199,397**	**–3,228,807**	–3,274,620	–3,308,535
Borrowings	**–2,492,058**	**–2,259,965**	–2,565,230	–2,334,796

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 11. Pension plans for further details on pension funds.

19. Variable interest entities

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

The Group completed 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 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)	2021	2020
Assets		
Financing receivables, net	**572,473**	601,766
Financing leases	**542,504**	545,920
Loans	**29,969**	55,846
Other assets	**36,476**	31,887
Total assets	**608,949**	**633,653**
Liabilities		
Accrued expenses and other payables	**3,878**	5,035
Non-recourse borrowings	**499,303**	498,604
Total liabilities	**503,181**	**503,639**

Revenues from the consolidated VIEs amounted to TCHF 30,638 and TCHF 30,955 for the years ended 31 December 2021 and 2020, respectively. Related expenses consisted primarily of provisions for losses of TCHF 1,942 and TCHF 3,465, general and administrative expenses releated to porftolio service costs of TCHF 1,714 and TCHF 770 and interest expense of TCHF 1,099 and TCHF 1,254 for the years ended 31 December 2021 and 2020, respectively. These amounts did not include intercompany revenues and costs, principally fees and interest between the Bank and the VIEs, which are eliminated for consolidation purposes.

20. Related-party transactions

The Group had no related-party transactions in 2021 and 2020 outside the normal course of business.

21. Interest income

The details of interest income are shown below:

For the years ended 31 December (CHF in thousands)	2021	2020
Personal loans	**169,359**	190,684
Auto leases and loans	**130,106**	129,358
Credit cards	**84,484**	83,649
Other	**–1,249**	–1,877
Total	**382,701**	**401,814**

22. Interest expense

The details of interest expense are shown below:

For the years ended 31 December (CHF in thousands)	2021	2020
Interest expense on ABS	**1,328**	1,469
Interest expense on deposits	**12,736**	13,132
Interest expense on debt	**11,968**	12,255
Total	**26,032**	**26,856**

23. Commission and fee income

The details of commission and fee income are shown below:

For the years ended 31 December (CHF in thousands)	2021	2020
Insurance	**22,971**	23,953
Credit cards	**80,429**	71,382
Loans and leases	**14,603**	15,708
Other	**12,347**	11,229
Total	**130,350**	**122,273**

24. General and administrative expenses

The details of general and administrative expenses are shown below:

For the years ended 31 December (CHF in thousands)	2021	2020
Professional services	**17,763**	17,788
Marketing[1]	**8,134**	10,936
Collection fees	**10,517**	11,653
Postage and stationery	**10,826**	10,082
Rental expense under operating leases	**6,787**	7,880
Information technology	**41,449**	39,101
Depreciation and amortisation	**25,045**	26,522
Other	**– 6,472**	– 6,095
Total	**114,048**	**117,867**

1 Marketing includes advertising costs, which are expensed as incurred

25. Share-based compensation

Under the Executive Variable Compensation Plan (EVCP) that was set up for the senior management team in 2013 each member of the Group's senior management team received at grant a number of restricted stock units (RSUs) as part of their annual variable compensation. Vesting for the RSUs takes place in three equal tranches. The last grant of RSUs 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 have been all 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 2021 and 2020, respectively:

	2021		2020	
	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	**3,038**	**248,121**	5,552	411,783
Granted	–	–	–	–
Vested	**– 3,038**	**– 248,121**	– 2,514	– 163,661
Forfeited	–	–	–	–
RSUs outstanding at 31 December	–	–	3,038	248,121
RSUs expected to vest	–	–	**3,038**	**248,121**

The total recognised compensation cost was TCHF 48 and TCHF 90 for the years ended 31 December 2021 and 2020, respectively. There is no remaining unrecognised cost as of 31 December 2021.

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.

	2021		2020	
	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	**15,545**	**1,472,385**	17,001	1,377,323
Granted	**3,738**	**392,681**	6,353	717,254
Vested	**– 11,215**	**– 1,049,146**	– 6,056	– 447,236
Forfeited	**– 1,063**	**– 114,468**	– 1,753	– 174,956
PSUs outstanding at 31 December	**7,005**	**701,452**	15,545	1,472,385
PSUs expected to vest	**870**	**84,169**	**19,285**	**1,245,493**

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 105.05 and CHF 112.90 at the grant date of 1 February 2021 and 2020, respectively, and one PSU was equal to one ordinary share of the Bank.

At 31 December 2021, the weighted-average conversion ratio of one PSU was 12% based on performance conditions. The total recognised compensation cost was TCHF 46 and TCHF 761 for the years ended 31 December 2021 and 2020, respectively. The remaining unrecognised cost of TCHF 19 is expected to be recognised over a weighted-average period of 13 months.

26. Supplemental cash flow information

Certain supplemental information related to cash flows is shown below:

For the years ended 31 December (CHF in thousands)	**2021**	2020
Increase in loans to customers	**– 1,804,323**	– 1,746,412
Principal collections from customers – loans	**1,923,025**	1,984,109
Investment in equipment for financing leases	**– 1,334,049**	– 1,277,066
Principal collections from customers – financing leases	**1,326,196**	1,271,288
Net change in credit card receivables and other	**– 73,771**	4,662
Net change in financing receivables	**37,077**	**236,581**

27. Off-balance sheet arrangements

At 31 December 2021 and 2020, 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)	**2021**	2020
Ordinary course of business lending commitments	**183,552**	58,405
Unused revolving loan facilities	**66,031**	78,669
Unused credit card facilities	**3,748,298**	3,658,331

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. The increase in lending commitments from the ordinary course of business, in current year, is related to a methodology change in how we estimate the undrawn part of approved commitments.

28. Subsequent events

The Group has evaluated subsequent events from the financial statements date through 15 March 2022, the date at which the financial statements were available to be issued. There were no subsequent events at that date.

KPMG

Statutory Auditor's Report

To the General Meeting of Cembra Money Bank AG, Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cembra Money Bank AG (and its subsidiaries) (the Group), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (pages 120 to 158).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit, which include relevant ethical requirements in the United States of America, with the provisions of Swiss law and the requirements of the Swiss audit profession. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Valuation of allowance for losses on financing receivables

Valuation of goodwill

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

KPMG

Valuation of allowance for losses on financing receivables

Key Audit Matter

As per December 31, 2021 gross financing receivables (smaller-balance, homogenous loans, including primarily credit card receivables, personal loans as well as auto leases and loans) amount to CHF 6,294.8 million (representing 88.7% of total assets). At the same time, the Group has recorded an allowance for losses on financing receivables of CHF 87.8 million.

The valuation of collective allowance for losses on financing receivables relies on the application of significant management judgment in determining the methodology and parameters in calculating the allowance. 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 behaviour, which is subject to management judgment.

These judgments 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 behaviour, by comparing data and assumptions made to historical accuracy of estimates.

With the involvement of our Financial Risk Management 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, 2021, Cembra Money Bank Group reports goodwill of CHF 156.8 million arising from three acquisitions in previous periods.

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

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

Our response

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

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

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 capitalisation.

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

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

- Note 1 (Basis of presentation and summary of significant accounting policies, Goodwill)
- Note 7 (Goodwill)

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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 provisions of Swiss law, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

KPMG

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Swiss Law, and Swiss Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, Swiss Law, and Swiss Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances[6], but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit of the Group. We remain solely responsible for our audit opinion. We are required to communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters, including any significant deficiencies, that we identified during the audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information in the Annual Report

The Board of Directors is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report, the sustainability report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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 recommend that the financial statements submitted to you be approved.

KPMG AG

Ertugrul Tüfekçi
Licensed Audit Expert
Auditor in Charge

Malea Bourquin
Licensed Audit Expert

Zurich, March 15, 2022

Individual Financial Statements

Balance sheet

At 31 December (CHF in thousands)	Notes	2021	2020
Assets			
Liquid assets		**523,570**	586,833
Amounts due from banks		**5,296**	7,131
Amounts due from customers	7.1	**5,649,646**	5,725,987
Financial investments	7.2	**208**	404
Accrued income and prepaid expenses		**81,126**	80,705
Participations		**4,620**	218,283
Tangible fixed assets		**39,080**	40,994
Intangible assets	7.3	**131,753**	4,441
Other assets	7.4	**21,729**	12,856
Total assets		**6,457,028**	**6,677,634**
Total subordinated claims		**99,101**	90,601
Liabilities			
Amounts due to banks		**10,000**	20,000
Amounts due in respect of customer deposits		**1,261,240**	1,418,730
Cash bonds		**1,945,982**	1,944,996
Bond issues and central mortgage institution loans		**1,999,358**	2,074,472
Accrued expenses and deferred income		**59,577**	63,057
Other liabilities	7.4	**23,986**	44,496
Provisions	7.7	**5,962**	3,421
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		**988,916**	969,353
Own shares	7.12	**– 34,540**	– 35,843
Profit carried forward		**36**	86
Profit (result of the period)		**151,339**	129,693
Total liabilities		**6,457,028**	**6,677,634**
Total subordinated liabilities		**150,000**	150,000
Off-Balance-Sheet arrangements			
Contingent liabilities	7.1	**33,789**	93,405
Irrevocable commitments	7.1	**189,940**	6,674

Income statement

For the years ended 31 December (CHF in thousands)	Notes	2021	2020
Result from interest operations			
Interest and discount income	8.1	**418,028**	435,308
Interest and dividend income from financial investments		**839**	1,789
Interest expense	8.1	**– 24,933**	– 25,616
Gross result from interest operations		**393,934**	**411,482**
Changes in value adjustments for default risks and losses from interest operations		**– 35,007**	– 40,997
Subtotal net result from interest operations		**358,927**	**370,485**
Result from commission business and services			
Commission income from other services		**149,695**	150,262
Commission expense		**– 78,954**	– 78,313
Subtotal result from commission business and services		**70,741**	**71,949**
Other result from ordinary activities			
Income from participations		**23,500**	63,692
Other ordinary income		**432**	1,118
Subtotal other result from ordinary activities		**23,932**	**64,811**
Operating expenses			
Personnel expenses	8.2	**– 132,517**	– 125,417
General and administrative expenses	8.3	**– 83,697**	– 136,116
Subtotal operating expenses		**– 216,213**	**– 261,533**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		**– 52,787**	– 79,437
Changes to provisions and other value adjustments, and losses		**– 1,081**	– 454
Operating result		**183,519**	**165,822**
Extraordinary income	8.4	**8,610**	149
Taxes	8.5	**– 40,790**	– 36,277
Profit (result of the period)		**151,339**	**129,693**

Appropriation of profit

For the years ended 31 December (CHF in thousands)	**2021**	2020
Profit	**151,339**	129,693
Profit carried forward	**36**	86
Distributable profit	**151,375**	**129,779**
Appropriation of profit		
Allocations to voluntary retained earnings reserves	– 38,000	– 19,500
Dividends declared	**– 113,136**	– 110,243
New profit carried forward	**239**	**36**

Statement of changes in equity

CHF in thousands	Bank's capital	Statutory capital reserves	Statutory re-tained earnings reserves	Voluntary re-tained earnings reserves and profit carried forward	Own Shares	Result of the period	**Total**
Equity at 1 January 2021	**30,000**	**171**	**15,000**	**969,440**	**– 35,843**	**129,693**	**1,108,461**
Appropriation of profit 2019							
Allocation to legal reserves	–	–	–	–	–	–	**–**
Allocation to voluntary reserves	–	–	–	129,743	–	– 129,743	**–**
Dividends	–	–	–	– 110,221	–	–	**– 110,221**
Net change in profit carried forward	–	–	–	– 50	–	50	**–**
Change of own shares	–	–	–	41	1,303	–	**1,344**
Other	–	–	–	–	–	–	**–**
Profit (result of the period)	–	–	–	–	–	151,339	**151,339**
Equity at 31 December 2021	**30,000**	**171**	**15,000**	**988,952**	**– 34,540**	**151,339**	**1,150,922**

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 in thousands of Swiss francs, 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. Assets for which sufficient and reliable estimates are not possible are considered 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 for participations, tangible fixed assets and intangible assets.

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

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

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

Pension liability
The employees of the Bank are insured by the pension fund of the Bank. The pension liabilities as well as pension assets to cover these liabilities are 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 2021 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 management 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 Concumer 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 2021" 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 arragements 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 2021, 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 2021, 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 2021" available at 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 15 March 2022, the date at which the financial statements were available to be issued. There were no subsequent events at that date.

6. Reasons that led to the premature resignation of the auditor

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

7. Notes to the balance sheet

7.1 Collateral for financing receivables and off-balance sheet and impaired financing receivables

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

At 31 December 2021 (CHF in thousands)	Secured by mortgage	Other collateral	Unsecured	Total
Financing receivables				
Amounts due from customers (before netting with value adjustments)	–	**973,826**	**4,753,632**	**5,727,458**
Total financing receivables (before netting with value adjustments)	**–**	**973,826**	**4,753,632**	**5,727,458**
Prior year	–	918,727	4,880,470	5,799,198
Amounts due from customers (after netting with value adjustments)	–	**969,639**	**4,680,007**	**5,649,646**
Total financing receivables (after netting with value adjustments)	**–**	**969,639**	**4,680,007**	**5,649,646**
Prior year	–	915,236	4,810,751	5,725,987
Off-balance sheet arrangements				
Contingent liabilities	–	–	**33,789**	**33,789**
Irrevocable commitments	–	–	**189,940**	**189,940**
Total off-balance sheet arrangements	**–**	**–**	**223,729**	**223,729**
Prior year	–	–	100,079	100,079

Impaired financing receivables are as follows:

At 31 December 2021 (CHF in thousands)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments [1]
Impaired loans / receivables	**27,150**	**1,396**	**25,754**	**–**
Prior year	30,143	1,820	28,323	–

[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 2021	Book value 2020	Fair value 2021	Fair value 2020
Debt securities held to maturity	–	–	–	–
Debt securities available for sale	–	–	–	–
Repossessed vehicles held for sale	**208**	404	**208**	404
Total	**208**	**404**	**208**	**404**

The breakdown of counterparties by rating is following:

At 31 December 2021 (CHF in thousands)	AAA to AA-	A+ to A-	BBB+ to BBB-	Lower than B-	Not rated
Book value of debt securities	–	–	–	–	**208**

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 2020	Current Year Additions	Disposals	Amortisation	Book value as per 31 December 2021
Goodwill	11,103	– 6,662	4,441	160,994	–	– 34,420	131,016
Total intangible assets	**11,103**	**– 6,662**	**4,441**	**221,031**	**–**	**– 93,720**	**131,753**

7.4 Other assets and liabilities

At 31 December (CHF in thousands)	2021 Other assets	2021 Other liabilities	2020 Other assets	2020 Other liabilities
Indirect taxes	**5,551**	**1,105**	6,442	– 24
Settlement accounts	**8,800**	**22,867**	73	42,622
Amounts due from the sale of insurance products	**1,740**	**–**	1,301	–
Various assets and liabilities	**5,637**	**14**	5,039	1,898
Total other assets and liabilities	**21,729**	**23,986**	**12,856**	**44,496**

7.5 Liabilities to own pension plans

At 31 December (CHF in thousands)	2021	2020
Amounts due in respect of customer deposits	**1,372**	–
Total due to own pension plans	**1,372**	**–**

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)			**2021**	2020	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 2020 and 2019 of the 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 31.12.2021**		Economic interest of the bank	Change in economic interest versus prior year	**Contribution paid 2021**	Pension expense in personnel expense	
CHF in thousands		**2021**	2020			**2021**	2020
Employer sponsored funds / schemes	**–**	**–**	–	–	**–**	**–**	–
Pension plans without overfunding / underfunding	**–**	**–**	–	–	**–**	**–**	–
Pension plans with overfunding	**44,973**	**–**	–	–	10,210	**10,146**	8,151
Pension plans with underfunding	**–**	**–**	–	–	**–**	**–**	–

[1] Based on audited financial statements 2020 and 2019 of the 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, with employment contracts below three months, 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 2020	Use in conformity with designated purpose	Reclassifications	Recoveries, past due interest	New provisions charged to income	Releases to income	**Balance as per 31 December 2021**
Value adjustments and provisions for default risks	73,210	– 112,912	–	75,388	61,474	– 19,348	**77,812**
Provision for pension benefit obligations	–	–	–	–	–	–	**–**
Other provisions	3,421	– 88	–	–	2,629	–	**5,962**
Total value adjustments and provisions	**76,631**	**– 112,999**	**–**	**75,388**	**64,103**	**– 19,348**	**83,775**

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	2021 Total par value in CHF	2021 Number of shares	2021 Capital eligible for dividend in CHF	2020 Total par value in CHF	2020 Number of shares	2020 Capital eligible for dividend in CHF
Share capital	**30,000,000**	**30,000,000**	**29,386,069**	30,000,000	30,000,000	29,370,465
Total	**30,000,000**	**30,000,000**	**29,386,069**	**30,000,000**	**30,000,000**	**29,370,465**
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]	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Members of the Board of Directors	**37,879**	31,496	**2,517,060**	3,376,371	**–**	–	**–**	–
Members of the Management Board	**18,184**	10,714	**1,208,327**	1,148,541	**5,701**	17,865	**674,331**	1,653,984
Employees	**3,541**	4,289	**235,299**	459,781	**1,304**	719	**27,121**	66,522
Total	**59,604**	**46,499**	**3,960,686**	**4,984,693**	**7,005**	**18,584**	**701,452**	**1,720,506**

[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)	2021	2020
Amounts due from related companies	**143,397**	160,356
Amounts due to related companies	**14,539**	106,154

There are no off-balance-sheet arragements with 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)	2021	2020
Amounts due from members of governing bodies	**48**	21
Amounts due to members of governing bodies	**2,244**	2,742

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:

	2021			2020		
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 %
UBS Fund Management	**1,623,913**	**1,623,913**	**5.4**	1,623,913	1,623,913	5.4
Black Rock Inc.	**1,497,000**	**1,497,000**	**5.0**	1,740,271	1,740,271	5.8

7.12 Own shares

Treasury shares (number)	2021	Average transaction price (CHF)
Balance at 1 January	**629,535**	
Purchase	**5,000**	102.22
Sale	**–**	–
Share based compensation	**– 20,604**	88.04
Balance at 31 December	**613,931**	

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

Non-distributable reserves

At 31 December (CHF in thousands)	2021	2020
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		**2021**		2020	
Name	Function	**Number of shares**	**Number of blocked shares**	Number of shares	Number of blocked shares
Dr Felix A. Weber	Chairman	**9,750**	**8,238**	7,250	6,810
Martin Blessing	Vice Chairman	**5,000**	**–**	–	–
Urs D. Baumann	Member	**7,200**	**2,747**	7,200	2,271
Thomas Buess	Member	**–**	**411**	–	–
Denis Hall	Member	**–**	**1,964**	–	1,558
Susanne Klöss-Braekler	Member	**–**	**–**	–	–
Dr Monica Mächler	Member	**–**	**2,569**	–	2,045
Katrina Machin	Member until 22.04.2021	**–**	**–**	–	1,864
Prof. Dr Peter Athanas	Member until 22.04.2021	**–**	**–**	–	2,498

Management Board

At 31 December		**2021**			2020		
Name	Position	**Number of shares**	**Number of RSUs**	**Number of PSUs**	Number of shares	Number of RSUs	Number of PSUs
Holger Laubenthal	CEO	**1,056**	**–**	**–**			
Jörg Fohringer	Managing Director B2B	**501**	**–**	**–**	–	–	560
Daniel Frei	Managing Director B2C	**6,059**	**–**	**–**	5,735	–	1,657
Volker Gloe	CRO	**1,229**	**–**	**1,569**	4,245	–	1,602
Dr Emanuel Hofacker	General Counsel	**–**	**–**	**1,409**	661	–	1,472
Niklaus Mannhart	COO	**3,038**	**–**	**1,369**	–	3,038	869
Pascal Perritaz	CFO	**1,250**	**–**	**1,354**	–	–	818
Robert Oudmayer	former CEO	**5,051**	**–**	**–**	73	–	7,849

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)	2021	2020
Negative interest on assets (reduction of interest income)	**2,278**	1,794
Negative interest on liabilities (reduction of interest expense)	**457**	342

8.2 Personnel expenses

For the years ended 31 December (CHF in thousands)	2021	2020
Salaries	**108,744**	106,433
of which share-based compensation and alternative forms of variable compensation	**106**	862
Social security benefits	**19,443**	16,263
Other compensation	**4,330**	2,722
Compensation and benefits	**132,517**	**125,417**

8.3 General and administrative expenses

For the years ended 31 December (CHF in thousands)	2021	2020
Office space expenses	**7,043**	7,501
Expenses from furniture and fixtures	**1,257**	1,294
Expenses for information and communication technology	**39,639**	35,373
Audit fees	**1,228**	1,219
Other operating expense	**34,530**	90,729
Total	**83,697**	**136,116**

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

For the years ended 31 December (CHF in thousands)	2021	2020
Sale of a portfolio of loss certificates	**8,209**	–
Other income	**401**	149
Total	**8,610**	**149**

8.5 Current and deferred taxes

For the years ended 31 December (CHF in thousands)	**2021**	2020
Current tax expense	**40,790**	36,277
Income tax expense	**40,790**	**36,277**

The Bank's effective tax rates were approximately 19% and 21% for the years ended 31 December 2021 and 2020, respectively. There were no deferred taxes.

KPMG

Statutory Auditor's Report

To the General Meeting of Cembra Money Bank AG, Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cembra Money Bank AG (pages 164 to 185), which comprise the balance sheet as at December 31, 2021, the income statement, statement of changes in equity for the year ended December 31, 2021 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements for the year ended December 31, 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

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

KPMG

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

Key Audit Matter

As per December 31, 2021 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 5,649.6 million (representing 87% of total assets) and includes an allowance for losses of CHF 77.8 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)

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on Other Legal Requirements

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 Tüfekçi Licensed Audit Expert Auditor in Charge	Malea Bourquin Licensed Audit Expert

Zurich, March 15, 2022

Information for Shareholders

Cembra Money Bank AG registered shares

Stock exchange listing	SIX Swiss Exchange
ISIN	CH0225173167
Ticker symbol	CMBN.SW (Bloomberg)
Security number	22517316
Par value	CHF 1.00
Number of shares	30,000,000
Selected indices	SPI, SMIM, SXI Switzerland Sustainability 25 Index, Bloomberg Gender Equality Index 2022
Major shareholders	More than 5% of the shares: UBS Fund Management (Switzerland)
	More than 3% of the shares: BlackRock Inc., Credit Suisse Funds AG, Swisscanto Fondsleitung AG

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

Financial calendar

Annual General Meeting 2022	21 April 2022

Contacts

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