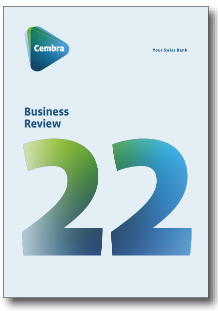
Your Swiss Bank

Annual Report 2022

Table of contents



Business Review
for the financial year 2022

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.

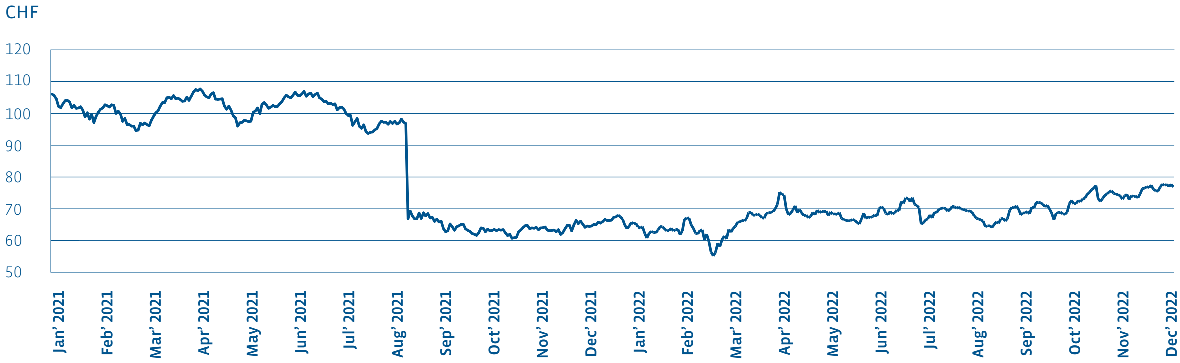
Key figures

Key figures

At 31 December (in CHF millions)	**2022**	2021	2020	2019	2018
Net interest income	**356.2**	356.7	375.0	332.0	309.2
Commission and fee income	**152.7**	130.3	122.3	147.7	129.6
Net revenues	**508.9**	487.0	497.2	479.7	438.8
Provision for losses	**–40.9**	–40.3	–56.4	–45.1	–50.1
Total operating expenses	**–257.5**	–246.3	–247.4	–231.8	–193.0
Net income	**169.3**	161.5	152.9	159.2	154.1
Total assets	**7,653**	7,095	7,244	7,485	5,440
Net financing receivables	**6,520**	6,207	6,293	6,586	4,807
Personal loans	**2,387**	2,292	2,408	2,625	1,885
Auto leases and loans	**2,975**	2,820	2,853	2,915	1,974
Credit cards	**1,045**	1,030	970	1,029	940
BNPL	**114**	65	62	17	8
Shareholders' equity	**1,274**	1,200	1,127	1,091	933
Return on shareholders' equity (ROE)	**13.7%**	13.9%	13.8%	15.7%	16.9%
Net interest margin	**5.5%**	5.6%	5.7%	5.8%	6.5%
Cost/income ratio	**50.6%**	50.6%	49.8%	48.3%	44.0%
Tier 1 capital ratio	**17.8%**	18.9%	17.7%	16.3%	19.2%
Employees (full-time equivalents)	**929**	916	928	963	783
Credit rating (S&P)	**A–**	A–	A–	A–	A–
Basic earnings per share (in CHF)	**5.77**	5.50	5.21	5.53	5.47
Dividend per share (in CHF)	**3.95**	3.85	3.75	3.75	3.75
Book value per share (in CHF)	**42.47**	40.00	37.57	36.35	31.10
Share price (in CHF)	**76.90**	66.45	107.20	106.00	77.85
Market capitalisation	**2,307**	1,993	3,216	3,180	2,336

Key figures and profile

Share price Cembra

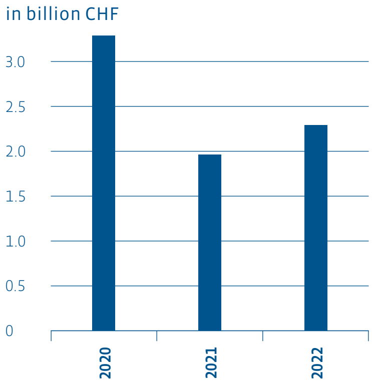


Key figures

CHF

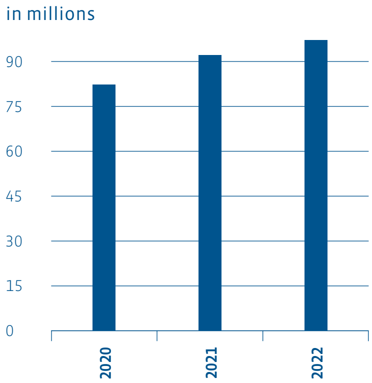
2,307,000,000

was the market capitalisation of Cembra at the end of 2022



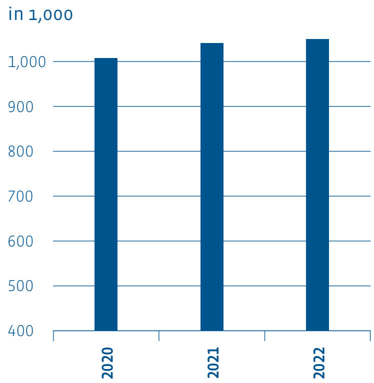
96,976,463

credit card transactions were processed by Cembra in 2022



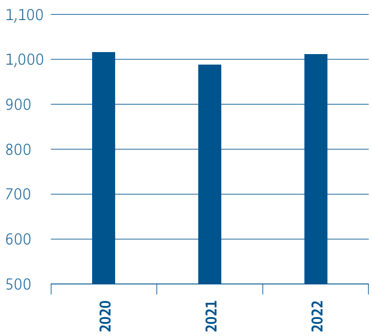
1,054,000

customers have chosen Cembra as their preferred partner



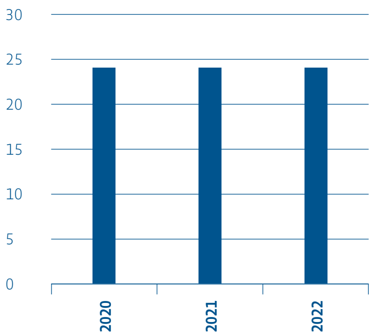
1,010

employees from 42 different nations work for Cembra



24

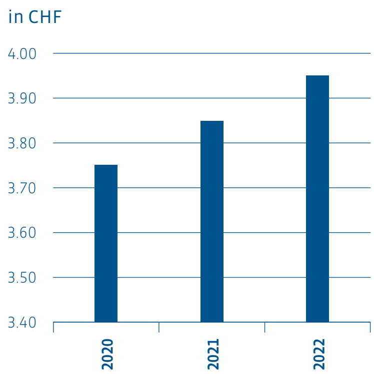
sales area managers serve around 3,700 car dealers across Switzerland



CHF

3.95

dividend per share proposed at Annual General Meeting



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 42 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 2013. Cembra is rated A- by Standard & Poor's and is included in the MSCI ESG Leaders Index and in the 2023 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 3,700 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, SPAR, TCS, and as well as our own credit cards. 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 (BNPL):** We offer invoice financing services through our subsidiaries Swissbilling and Byjuno.

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

2022 was a successful year for Cembra, as we grew profitably in all business areas in a challenging environment. This underlines that our financing solutions are attractive and well appreciated by customers. We are also making good progress in implementing our strategy. The launch of our own credit card family Certo! is a success, and by deepening and broadening our partnerships we are laying the foundations for further growth. With the acquisition of Byjuno, we have also significantly strengthened our leading position in the rapidly growing BNPL business.

Strong business performance
The Group's total net financing receivables at 31 December 2022 amounted to CHF 6.5 billion, an increase of 5% compared with 31 December 2021.

In the personal loans business, the growth continued in the second half and receivables increased by 4% to CHF 2.4 billion by 31 December 2022. As a result of the lower opening balance of net financing receivables compared to 2021 and the continued competitive environment, interest income in the personal loans business decreased by 4% to CHF 163.1 million, with a yield of 6.8%.

Net financing receivables in auto leases and loans increased by 6% to CHF 3.0 billion in the reporting period. Interest income edged up by 2% to CHF 133.1 million, with a yield of 4.6%.

In the credit cards business, net financing receivables rose by 1% to CHF 1.0 billion. Interest income in the cards business rose by 5% to CHF 89.1 million, with a yield of 8.5%. Transaction volumes increased by 5% year on year. The number of cards issued amounted to 1,051,000 at 31 December 2022, a decline of 2%.

In the buy now pay later (BNPL) business, Cembra recorded an increase of billing volumes by 51% to CHF 477.4 million in 2022. The 'BNPL and other' fee income amounted to CHF 19.5 million (+58%). The acquisition of Byjuno was completed on 1 November 2022 and the business has been consolidated from that date.

Fee business drives up revenues
Total net revenues increased by 4% to CHF 508.9 million in 2022, and net interest income remained stable at CHF 356.2 million (FY 2021: CHF 356.7 million). Interest expense increased by 13% to CHF 29.4 million, reflecting the changed interest rate environment in the second half of the reporting period.

Commission and fee income increased by 17% to CHF 152.7 million, mainly driven by higher income from credit card fees (+18%) as Covid-19-related restrictions were lifted as well as by growth in BNPL. The share of net revenues generated from commissions and fees increased from 27% to 30% in 2022.

Total operating expenses increased by 5% to CHF 257.5 million. Personnel expenses increased by 2% to CHF 135.5 million. General and administrative expenses increased by 7% to CHF 122.0 million, mainly due to investments into strategic initiatives and the launch of the proprietary card proposition in the second half of 2022. The cost/income ratio remained stable at 50.6% (2021: 50.6%).

Continued very strong loss performance
The provision for losses increased by 2% to CHF 40.9 million, reflecting a continued very strong underlying loss performance. This resulted in a stable loss rate of 0.6% in 2022 (2021: 0.6%, and 0.8% adjusted for a loan sale). The non-performing-loans (NPL) ratio increased slightly to 0.7% (2021: 0.6%). The rate of over-30-days past due financing receivables increased to 2.0% (2021: 1.6%).

Stable and balanced funding mix
In line with the growth in financing receivables and liquid assets, the Group's diversified funding portfolio increased by 8% to CHF 6.1 billion at 31 December 2022. Overall, the funding mix remained largely stable with 57% deposits and 43% non-deposits. The weighted average duration amounted to 2.1 years (2021: 2.5 years), the period-end funding cost increased to 79 basis points (2021: 44 basis points) and the average funding costs in 2022 amounted to 0.50% (2021: 0.45%)

Strategy execution progressing well – successful transition to proprietary card offering
The implementation of Cembra's key strategic initiatives – Operational Excellence, Business Acceleration, New Growth Opportunities and Cultural Transformation – is progressing well.

As part of the strategic initiative Operational Excellence, Cembra launched the new credit card app in April 2022 to strengthen its customer relationships and increase efficiency. It had about 320,000 active users by the end of the year. The company's data centers have been consolidated and moved, and the foundation for a cloud infrastructure was established. The new IT platform for the leasing business is being tested and the first release will be launched in 2023.

The successful launch of the new credit card range Certo! was another key step in the strategy implementation. Following the successful rollout of the proprietary Certo! card family in July 2022, about half of the previous Cumulus card portfolio has been migrated to the new proprietary offering. In addition, Cembra continued to extend and strengthen its co-branding partnerships for credit cards.

The acquisition of Byjuno and its combination with Swissbilling will enable Cembra to create compelling solutions in online and POS checkouts for pay-by-invoice services in Switzerland and to accelerate profitable growth in the BNPL business.

Focus on sustainability performance
In May 2022, MSCI ESG upgraded Cembra's rating to AAA, and Sustainalytics reaffirmed Cembra's "Low ESG Risk" rating based on the Bank's sustainability performance and an externally verified Sustainability Report. In January 2023, Cembra was included in Bloomberg's Gender Equality Index 2023 for the third time.

Strong capital and increased dividend
Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 17.8% (31 December 2021: 18.9%). Shareholders' equity increased by 6% to CHF 1.274 billion, after Cembra paid out the dividend of CHF 113 million in April 2022.

Given Cembra's robust financial performance, the Board of Directors will propose a CHF 3.95 dividend per share (a 68% payout ratio) at the next General Meeting on 21 April 2023 translating into a 3%, or CHF 0.10, increase compared to last year.

Outlook
Cembra currently expects to deliver a resilient business performance in 2023, with net revenues to develop at least in line with Swiss GDP and a continued solid loss performance. Cembra is reiterating its ROE target of 13–14% for 2023 and confirms its mid-term targets.

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 17 January and 24 February 2022, we announced that two members of the Management Board, Emanuel Hofacker (General Counsel) and Niklaus Mannhart (Chief Operating Officer), will leave the Bank by end of June 2022 and the end of August 2022, respectively.

On 21 April 2022, Cembra held its ninth Annual General Meeting as a SIX-listed company, in Zurich. Due to Covid-19, shareholders did not attend the meeting in person. The following members of the Board of Directors were re-elected for a further one-year term of office: Felix Weber (Chairman), Thomas Buess, Susanne Klöss-Braekler and Monica Mächler. Jörg Behrens, Marc Berg and Alex Finn were newly elected to the Board of Directors. The shareholders approved an increased dividend of CHF 3.85 per share.

On 19 May 2022, we announced the extension of our credit card partnerships with Conforama and FNAC. Additionally, Cembra announced to issue a new credit card in collaboration with the retail chain SPAR as of summer 2022.

On 30 May 2022, we announced that in recognition of the Bank's recent progress in the area of sustainability, MSCI had upgraded Cembra's ESG rating to AAA, while Sustainalytics reaffirmed Cembra's "Low ESG Risk" rating.

On 1 June 2022, Cembra and Zurich Insurance Company AG entered into a cooperation agreement that will benefit customers on both sides. The two companies have simplified the vehicle insurance process, offering a new service package for car and van financing customers.

On 1 July 2022, Cembra launched Certo! – a new range of credit cards offering money back rewards and other services. The new range initially comprised two credit cards, such as Certo! One Mastercard, which is available to anyone, and the Certo! Mastercard for existing Cembra customers with a Cumulus-Mastercard.

On 6 July 2022, Cembra announced two new members to its Management Board. Alona Eiduka was appointed Chief Operating Officer per 1 July 2022. Eric Anliker joined Cembra as General Counsel on 1 September 2022.

On 23 September 2022, we announced that TWINT and Cembra's subsidiary Swissbilling agreed on a partnership. Through the collaboration, TWINT's payment options will be expanded and made more customisable. The launch is planned for summer 2023.

On 30 September 2022, Cembra reported that it had entered into an agreement with Intrum AG to acquire 100% of the shares of Byjuno AG and its sister company Intrum Finance Services AG (subsequently renamed to Byjuno Finance AG, collectively with Byjuno AG called "Byjuno"). Cembra will combine Byjuno with its subsidiary Swissbilling to create a leading provider of invoice payment solutions with the aim to establish compelling solutions for pay-by-invoice services in Switzerland.

On 25 October 2022, Cembra appointed Christian Schmitt as Chief Technology Officer and Member of the Management Board of Cembra per 1 November 2022.

On 1 November 2022, Cembra announced the completion of its acquisition of Byjuno, and that the business will be consolidated from the beginning of November 2022.

On 8 December 2022, Cembra announced that Felix Weber, Chairman of the Board of Directors since 2013, decided not to stand for re-election. The Board of Directors proposed Franco Morra as the new Chairman, subject to approval by the Annual General Meeting.

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 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 2.1% in 2022, after an increase of 3.7% in 2021. Consumer spending increased by 4.0% (2021: +2.6%).

Interest rates

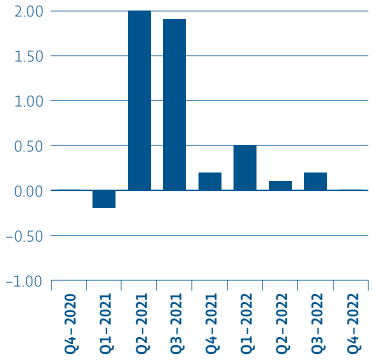
Interest rates are a key indicator for the Group's funding. In 2022, Swiss-franc interest rates increased considerably and were volatile with large movements in a short period of time. The main reasons for higher interest rates were higher inflation and significant interest rates hikes worldwide. Between June 2022 and December 2022, the Swiss National Bank (SNB) raised its SNB policy rate by 175 basis points from -0.75% to 1.00%.

Unemployment rate

The unemployment rate serves as an important indicator for the credit risk profile of the Group's customers. The unemployment rate in Switzerland decreased to 2.1% in December 2022 (December 2021: 2.6%), and the average unemployment rate in 2022 was 2.2% (2021: 3.0%).

GDP Switzerland

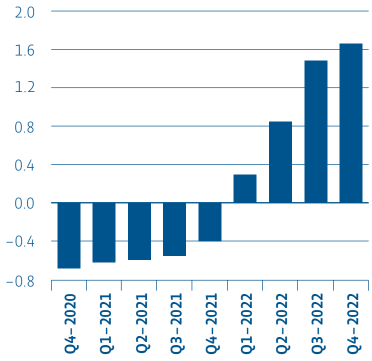
Change versus previous quarter (in %)



Source: SECO

CHF 3-year swap rate

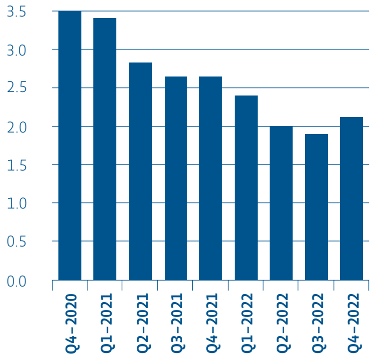
in %



Source: Bloomberg

Unemployment rate in Switzerland

in %



Source: SECO

Product markets

Consumer loan market

In 2022, the Swiss consumer loan market grew. According to the Central Office for Credit Information (ZEK), the Swiss consumer loan market increased by 7%, from CHF 7.840 billion at 31 December 2021 to CHF 8.414 billion in outstanding assets at 31 December 2022. The number of loan contracts outstanding increased by 3% to 358,000 in 2022, from 348,000 in 2021. In a competitive environment, the Group had an estimated market share of approximately 39% of outstanding consumer loans.

Auto market

The Swiss auto market recovered 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 226,000 new cars were registered in 2022, a decrease of 5% versus 2021. A total of 712,000 used cars were sold in Switzerland according to auto-i-dat AG (a provider of automotive market data); this represents a 9% decrease compared with 2021 (785,000). The Group estimated its auto leasing market share to be about 20% of total leasing assets outstanding as of December 2022.

Credit card market

The growth trend continued in the credit card market in 2022. Based on Swiss National Bank statistics, in 2022, the number of credit cards issued in Switzerland grew by 2% to 8.5 million. The number of transactions increased by 16% in 2022, to 684 million from 587 million in 2021. Overall, credit card transaction volumes increased by 17% to CHF 54.1 billion in 2022.

The Group’s number of cards decreased by about 17,000, or 2%, to about 1,051,000 compared with year-end 2021. The Group’s market share, based on the number of credit cards in circulation, was 12% in 2022 (13% in 2021), and the share of transactions conducted via near-field communications (NFC) amounted to 19%.

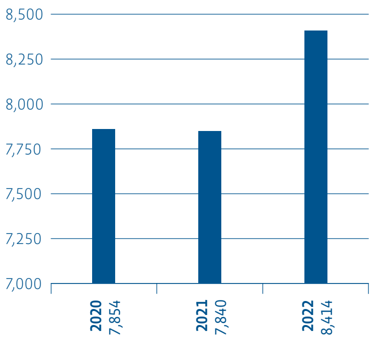
Buy now pay later market

E-commerce sales in Switzerland increased by 5% to CHF 15 billion estimated in 2022 with buy now pay later (BNPL) representing 8 - 11% of total e-commerce sales.

Cembra has a market share of 30 - 40% of the BNPL market via its subsidiaries Swissbilling and Byjuno. E-commerce (online) volume more than doubled in 2022, and billing volume grew by 51% to CHF 477 million, driven by growth both by Swissbilling and Byjuno (consolidated since November 2022).

Swiss consumer loan market

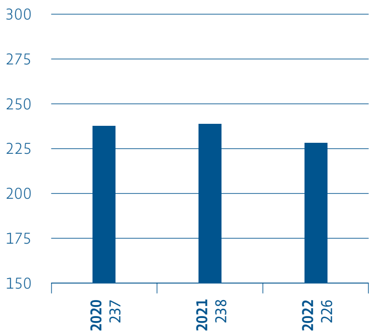
CHF in millions



Source: ZEK

New car registrations in Switzerland

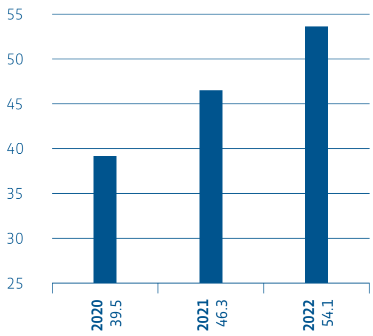
in 1,000



Source: auto-schweiz

Transaction volume Swiss credit cards

CHF in billions



Source: SNB

Balance sheet analysis

At 31 December (CHF in millions)	**2022**	2021	Change	as %
Assets				
Cash and cash equivalents	**633**	545	88	16
Net financing receivables	**6,520**	6,207	313	5
Personal loans	**2,387**	2,292	94	4
Auto leases and loans	**2,975**	2,820	155	6
Credit cards	**1,045**	1,030	15	1
BNPL	**114**	65	49	75
Investment securities	**97**	–	97	–
Other assets	**403**	344	60	17
Total assets	**7,653**	**7,095**	**558**	**8**
Liabilities and equity				
Deposits and debt	**6,126**	5,691	435	8
Deposits	**3,513**	3,199	314	10
Debt	**2,613**	2,492	121	5
Other liabilities	**253**	204	49	24
Total liabilities	**6,379**	**5,895**	**484**	**8**
Shareholders' equity	**1,274**	1,200	74	6
Total liabilities and shareholders' equity	**7,653**	**7,095**	**558**	**8**

Since November 2022, Cembra consolidated Byjuno AG and Byjuno Finance AG.

Net financing receivables amounted to CHF 6,520 million, an increase of 5%, or CHF 313 million, compared with year-end 2021. The increase was mainly driven by the lifting of pandemic restrictions and its impact on consumer financing needs.

At the end of 2022, the Group’s personal loans accounted for 37% (2021: 37%) of net financing receivables, auto leases and loans made up 45% (2021: 45%), the credit cards business accounted for 16% (2021: 17%), and the BNPL business made up 2% (2021: 1%).

As at 31 December 2022, net financing receivables from personal loans amounted to CHF 2,387 million, 4% higher than at year-end 2021. Auto leases and loans expanded by 6% to CHF 2,975 million, up from CHF 2,820 million at the end of 2021. These increases were predominantly driven by increased market demand. Credit cards increased by 1%, from CHF 1,030 million to CHF 1,045 million. BNPL net financing receivables increased to CHF 114 million (2021: CHF 65 million) and included the Swissbilling and Byjuno business.

Funding

The Group kept its funding diversified in 2022. The deposit base increased from CHF 3,199 million at 31 December 2021 to CHF 3,513 million at 31 December 2022, primarily due to a 14% increase in the institutional deposit base and a decrease of 3% in the retail deposit base. The Group’s non-deposit debt increased by 5% from CHF 2,492 million at 31 December 2021 to CHF 2,613 million at 31 December 2022. In March 2022 the Group paid back a CHF 250 million auto lease asset backed security (“ABS”) and in October 2022 a CHF 100 million unsecured bond. In May 2022 and October 2022, the Group issued unsecured bonds amounting to CHF 250 million and CHF 220 million respectively.

Equity
Total shareholders' equity increased by CHF 74 million, from CHF 1,200 million to CHF 1,274 million at year-end 2022. The increase was mainly driven by the net income of CHF 169.3 million. The increase was partially offset by the CHF 113 million dividend for the 2021 financial year, which was paid in April 2022.

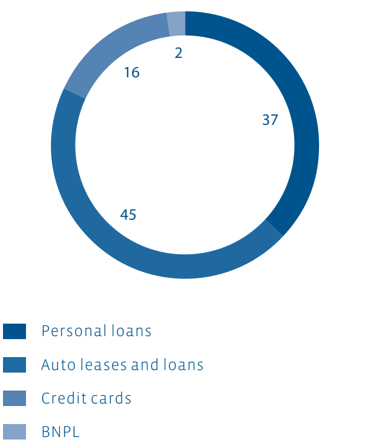
Capital position

At 31 December (CHF in millions)	2022	2021	Change	as %
Risk-weighted assets	**5,938**	5,600	338	6
Tier 1 capital	**1,055**	1,057	– 2	– 0
Tier 1 ratio	**17.8 %**	**18.9 %**		

Risk-weighted assets increased by 6% to CHF 5,938 million at 31 December 2022, compared with CHF 5,600 million at 31 December 2021. This increase was largely in line with the trend in net financing receivables. Tier 1 capital decreased by CHF 2 million to CHF 1,055 million, mainly as a result of the statutory net income generated in 2022, offset by the expected dividend payment. This resulted in a Tier 1 capital ratio of 17.8% at 31 December 2022, which is significantly above the regulatory requirement of 11.2%.

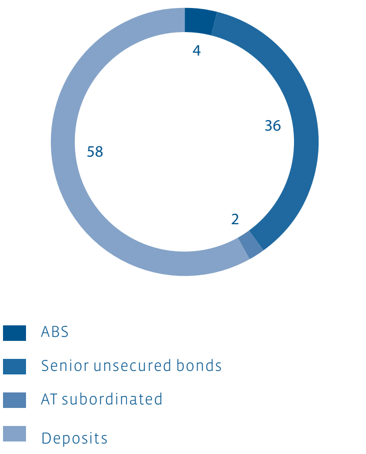
Net financing receivables

in %



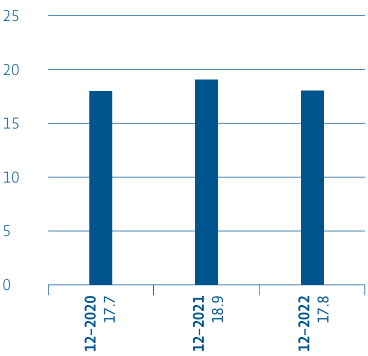
Funding structure

in %



Tier 1 capital ratio

in %

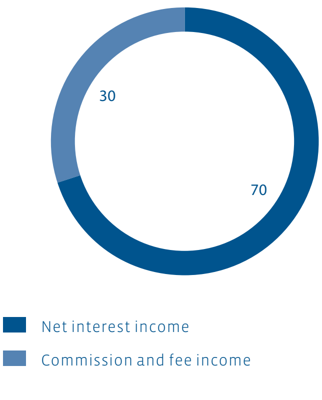


Profit and loss analysis

For the years ended 31 December (CHF in millions)	2022	2021	Change	as %
Interest income	**385.6**	382.7	2.9	1
Interest expense	**– 29.4**	– 26.0	3.4	13
Net interest income	**356.2**	**356.7**	**– 0.5**	**– 0**
Commission and fee income	**152.7**	130.3	22.3	17
Net revenues	**508.9**	**487.0**	**21.8**	**4**
Provision for losses on financing receivables	**– 40.9**	**– 40.3**	**0.7**	**2**
Compensation and benefits	**– 135.5**	– 132.2	3.3	2
General and administrative expenses	**– 122.0**	– 114.0	7.9	7
Total operating expenses	**– 257.5**	**– 246.3**	**11.2**	**5**
Income before income taxes	**210.5**	**200.5**	**10.0**	**5**
Income tax expense	**– 41.2**	– 39.0	2.2	6
Net income	**169.3**	**161.5**	**7.8**	**5**
Other comprehensive income / (loss)	**19.7**	22.2	– 2.5	– 11
Comprehensive income	**189.0**	**183.7**	**5.3**	**3**

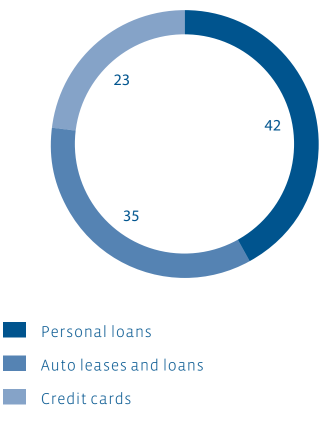
Net revenues

as %



Interest income

as % (excluding “Other”)



Interest income

For the years ended 31 December (CHF in millions)	2022	2021	Change	as %
Personal loans	**163.1**	169.4	– 6.3	– 4
Auto leases and loans	**133.1**	130.1	3.0	2
Credit cards	**89.1**	84.5	4.6	5
Other	**0.3**	– 1.2	1.6	128
Total	**385.6**	**382.7**	**2.9**	**1**

In 2022, the contribution of personal loans to interest income (excluding other interest income) decreased to 42%, from 44% in 2021. The relative weight of auto leases and loans increased to 35%, from 34%, as well as the weight of credit cards increased to 23%, from 22% in the year-earlier period.

Total interest income increased by 1%, or CHF 2.9 million, to CHF 385.6 million in 2022.

Interest income from personal loans declined by CHF 6.3 million, or 4%, to CHF 163.1 million, predominantly due to the lower yield, which declined from 7.0% to 6.8% over the reporting period. Interest income from auto leases and loans increased by CHF 3.0 million, or 2%, to CHF 133.1 million. The yield remained stable at 4.6% (2021: 4.6%). Interest income from credit cards rose, up CHF 4.6 million, or 5%, to CHF 89.1 million in 2022. The yield stood at 8.5% (2021: 8.4%). Other interest income amounted to CHF 0.3 million, which included interest from cash and financial instruments as well as income from the BNPL business.

Cost of funds

For the years ended 31 December (CHF in millions)	2022	2021	Change	as %
Interest expense on ABS	**0.6**	1.3	– 0.7	– 54
Interest expense on deposits	**13.7**	12.7	1.0	8
Interest expense on debt	**15.1**	12.0	3.1	26
Total	**29.4**	**26.0**	**3.4**	**13**

Overall, interest expense increased by CHF 3.4 million, or 13%, to CHF 29.4 million in 2022. Interest expense on auto lease asset-backed securities (ABS) decreased by 54% to CHF 0.6 million. Interest expense on deposits increased by 8% to CHF 13.7 million. Interest expense on debt rose by 26% to CHF 15.1 million, due to increased debt funding at higher interest rates.

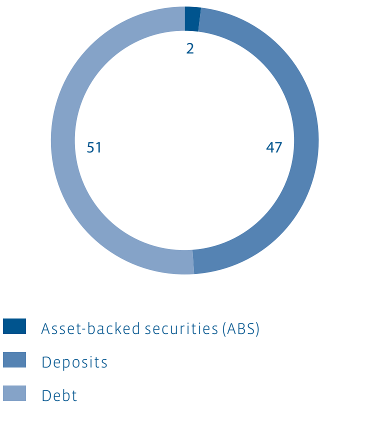
Commission and fee income

For the years ended 31 December (CHF in millions)	2022	2021	Change	as %
Insurance	**23.4**	23.0	0.5	2
Credit cards	**94.8**	80.4	14.3	18
Loans and leases	**15.0**	14.6	0.4	3
BNPL and other[1]	**19.5**	12.3	7.2	58
Total	**152.7**	**130.3**	**22.3**	**17**

[1] Primarily includes BNPL fee income related to Swissbilling SA and Byjuno AG (starting 1 November 2022)

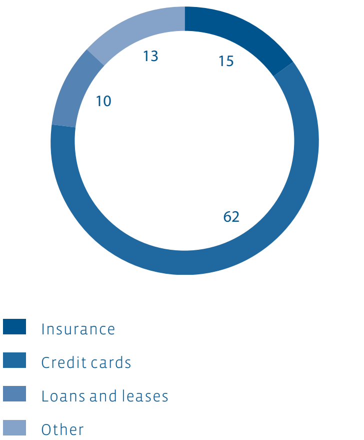
Cost of funds

as %



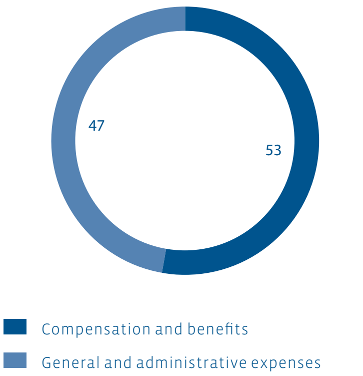
Commission and fee income

as %



Operating expenses

as %



Commission and fee income increased significantly by CHF 22.3 million, or 17%, from CHF 130.3 million to CHF 152.7 million during the reporting period. Insurance income, which consists mainly of revenues from payment protection insurance products, increased by CHF 0.5 million, or 2%, to CHF 23.4 million. Fee income on credit cards increased by CHF 14.3 million, or 18%, to CHF 94.8 million, driven by higher consumer spending in the reporting period. Fees from loans and leases increased slightly by CHF 0.4 million to CHF 15.0 million. BNPL and other fees increased by 58% to CHF 19.5 million, mainly driven by higher fee income from Swissbilling amounting to CHF 13.9 million and income from Byjuno amounting to CHF 4.1 million.

Provision for losses on financing receivables

For the years ended 31 December (CHF in millions)	**2022**	2021	Change	as %
Provision for losses on personal loans	**24.9**	18.4	6.5	35
Provision for losses on auto leases and loans	**3.0**	12.5	– 9.5	– 76
Provision for losses on credit cards	**7.3**	7.5	– 0.2	– 3
Provision for losses on BNPL	**5.7**	1.9	3.9	N/A
Total	**40.9**	**40.3**	**0.7**	**2**

In 2022, the Group's provision for losses on financing receivables increased by CHF 0.7 million, or 2%, to CHF 40.9 million compared with CHF 40.3 million in 2021. The provision for losses on personal loans increased by CHF 6.5 million to CHF 24.9 million, reflecting the normalisation following the one-off effect in 2021 related to the sale of previously written-off financing receivables to a third party. On auto leases and loans, the provision for losses decreased by CHF 9.5 million to CHF 3.0 million, driven by exceptional recoveries relating to prudent write-off procedures during the pandemic and the continued robust price level in the vehicle market. The provision for losses on credit cards declined by CHF 0.2 million to CHF 7.3 million. Provision for losses on BNPL increased by CHF 3.9 million to CHF 5.7 million related to the execution of the Group's strategy and accelerated growth with key partners.

The Group's loss rate was at 0.6% stable compared to prior year reporting period.

Compensation and benefits

For the years ended 31 December (CHF in millions)	2022	2021	Change	as %
Compensation and benefits	**135.5**	**132.2**	**3.3**	**2**

Compensation and benefit expenses increased by CHF 3.3 million, or 2%, to CHF 135.5 million. The increase was driven by Byjuno acquisition and higher average salaries and incentive compensation.

At 31 December 2022, the number of employees (FTEs) stood at 929, an increase of 13 FTEs, from 916 at year-end 2021. The Group's average number of FTE remained stable at 922 in 2022, compared with 922 in the prior-year period. The average cost per FTE of TCHF 147 in 2022 increased compared with TCHF 143 in 2021, and in line with the increase of the compensation and benefit expenses.

General and administrative expenses

For the years ended 31 December (CHF in millions)	2022	2021	Change	as %
Professional services	**22.0**	17.8	4.2	24
Marketing	**15.7**	8.1	7.6	93
Collection fees	**10.7**	10.5	0.2	2
Postage and stationery	**15.0**	10.8	4.2	39
Rental expense under operating leases	**6.7**	6.8	– 0.1	– 1
Information technology	**43.9**	41.4	2.5	6
Depreciation and amortisation	**26.0**	25.0	0.9	4
Other	**– 18.1**	– 6.5	11.6	179
Total	**122.0**	**114.0**	**7.9**	**7**

General and administrative expenses increased by CHF 7.9 million, or 7%, from CHF 114.0 million to CHF 122.0 million in 2022.

Costs from professional services rose to CHF 22.0 million. Marketing expenses increased by 93%, or CHF 7.6 million, due to launch of the new card programme Certo!. Collection fees slightly increased by 2% to CHF 10.7 million. Costs for postage and stationery increased by 39% to CHF 15.0 million, mainly as a result of communication expenses related to the launch of the Certo! card programme and the mobile application. Rental expenses decreased slightly by 1%. Information technology costs of CHF 43.9 million were 6% higher than at year-end 2021; this increase was due to expenses for initiatives in the Operational Excellence programme. Depreciation and amortisation was 4% higher, mainly due to higher amortization of software and the Byjuno acquisition. This was offset by a CHF 11.6 million decrease in other expenses mainly due to lower pension employer contributions as a result of valuation effects on Cembra's pension fund.

The cost/income ratio remained stable at 50.6% in 2022.

Income tax expense

The Group's income tax expense increased by CHF 2.2 million, or 6%, to CHF 41.2 million in 2022, with a normalised tax rate following a one-time effect in the prior reporting period. The effective tax rate was 19.6%, 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 continued to execute on 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 family 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 subsidiaries Swissbilling and Byjuno, 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 is the work on our corporate culture. Above all, it involves how people interact with each other and how customers are approached.

Outlook

Assuming the Swiss economy continues to grow slightly in 2023, Cembra currently expects to deliver a resilient business performance in 2023, with net revenues expected to develop at least in line with economic growth in Switzerland. Cembra expects a continued solid loss performance for 2023.

Cembra aims to achieve an ROE of 13–14% in 2023 and above 15% starting in 2024; pay a dividend of at least CHF 3.95 for 2023 and thereafter increasing based on sustainable earnings growth; and will target a Tier 1 capital ratio 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
- 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 at least 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 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, other risks
Sustainability Committee	Sustainability, related opportunities and risks, monitoring of environmental, social, and governance (ESG) trends and ratings, climate-related risks

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
- 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 regulations further detail the expected principles of risk management and control for various risk categories.

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 honor their contractual obligations. The obligations include, for example, repayment of principal, interest and fees. A consequent loss may be partial or complete and may arise at any time as a result of a number of isolated or interlinked circumstances. The Group is exposed to credit risk on all its lending products.

The Credit Committee serves as the main decision-making body concerning credit strategies and exposures, and regularly reviews the Group's credit risk performance. The Credit Committee is responsible for making lending decisions on individual counterparties and lending programmes that are not under the authority of the Chief Risk Officer (CRO) or specific subsidiaries, but under the authority of the Board of Directors. The Credit Committee is chaired by the CRO.

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

Credit risk metrics, portfolio and collection performance reports and macroeconomic trends are reviewed by the Credit Committee regularly, at least once every quarter. 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 practices. 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 or write off. The Group's financing receivables from non-defaulted customers (before allowance for losses) at 31 December 2022 and 2021 were distributed among the CRs as follows:

At 31 December 2022[1]	Personal loans	Auto leases and loans	Credit cards	Total
CR1	43.4 %	53.3 %	72.8 %	52.8 %
CR2	31.7 %	32.7 %	19.4 %	30.2 %
CR3	18.0 %	11.6 %	7.2 %	13.3 %
CR4	5.1 %	1.9 %	0.5 %	2.9 %
CR5	1.7 %	0.5 %	0.0 %	0.9 %

[1] Does not include eny Credit GmbH, Swissbilling SA, Byjuno AG and Byjuno Finance AG

At 31 December 2021[2]	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 %

[2] Does not include eny Credit GmbH and Swissbilling SA

The Group is utilising behavioural scoring to enhance consumer rating methodology by considering customer behaviour through the life-cycle and its impact on probabilities of default. This enhanced methodology enables to further assess customer data in the areas such as calculation of allowances for credit losses, underwriting, limit management and collection strategies. Details about the calculation of allowances for credit losses are further described on page 135.

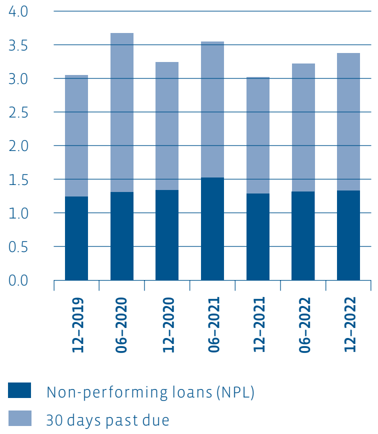
More details on the CRs and implied probability of default are provided in the Consolidated Financial Statements on page 146.

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 cooperation 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 146. The historic trend is indicated in the graphs below.

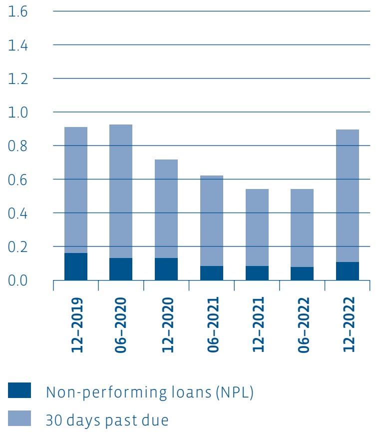
Personal loans

Delinquencies as %



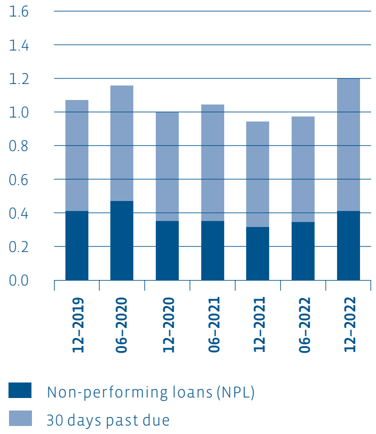
Auto leases and loans

Delinquencies as %



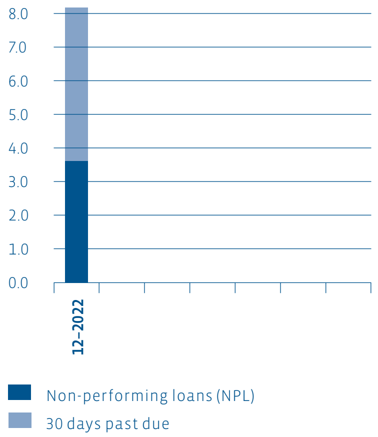
Credit cards

Delinquencies as %



BNPL

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 Asset & Liability Committee (ALCO) is the decision-making committee for asset and liability management activities and has overall responsibility for the administration 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 policies 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. Credit risk related to investment activities and liquidity management is assessed and monitored in line with the credit risk policy.

The Group maintains a robust and 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 LCR at 31 December 2022 was 339%, 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 2022 was 107%, above the required minimum level of 100%.

Further quantitative information is provided in the separate document "Basel III Pillar 3 disclosures 2022" 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 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 2022, 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 2022, 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 2022" 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 2022, 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 2022, the Group's Tier 1 capital ratio was 17.8%, 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 2022, the Group's leverage ratio was 13.5%, well above the recommended 3.0%.

Further quantitative information is provided in the separate document "Basel III Pillar 3 disclosures 2022" 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 2022 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 the 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 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. The Risk & Controllership Committee (RCC) reviews and monitors all key internal controls, compliance and operational risk management activities and has overall responsibility for the administration of the respective regulations, as well as their monitoring and reporting. The RCC is chaired by the General Counsel and the CRO.

Key instruments to manage operational risk 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 risks
- Key risk indicators: regularly monitored risk metrics that serve as early warning indicators for 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 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 of relevant staff, protection and detection of data confidentiality, integrity and availability risks, and making use of vulnerability scans and penetration tests.

As part of its lending activities the Group is exposed to external fraud risk which is managed through comprehensive fraud detection, prevention and investigation processes and tools. Specifically in the area of BNPL, an automated digital identities verification process is utilised in order to identify and prevent digital fraud attempts.

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 would be damaged or made inaccessible. In compliance with the Recommendation for Business Continuity Management (BCM) issued by the Swiss Bankers Association, the Group has implemented a BCM programme, which involves identifying critical processes and their dependency on information technology and 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. In addition to its BCM framework and in the context of operational risk management the Group targets effective operational resilience in its critical functions in order to ensure robustness under consideration of severe but plausible scenarios.

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 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 service providers to support its business activities. With the implementation of policies governing this area and an ongoing monitoring process, the Group ensures compliance with relevant regulatory requirements. Before entering any material engagement with a service provider a due diligence exercise is conducted.

Climate-related risks

Climate-related risks include physical, transition, or legal and reputational 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.

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. For management of climate-related risks, the Group builds on the established risk management process as described on 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. 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.

Immediate physical risks are generally considered to be rather low due to being a financial services provider that actively operates exclusively in Switzerland. The Group assesses physical security of its 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. The Group regularly monitors vehicle brand and model diversification and adopts bespoke mitigation measures. For further information on managing the residual value risk refer to the Credit risk section on page 21 and see also our approach to sustainability on page 30.

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 regulations, 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 page 20. The general risk management process is also applied for business risks that are caused by extraordinary events such as outbreak of pandemics, geopolitical conflicts, power supply shortages or economic downturns. 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.

The Group’s strategic programmes and transformation roadmap aim to accomplish a future state as outlined in the Group’s vision and mission statements. Its execution highly depends on employees that through the Group’s values determine the corporate culture. Consequently, various risks related to this transformation, such as human capital or employee health risks but also general execution risks relating to a changing technology and process landscape, are identified and managed.

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 2022". This annex was approved by Cembra's Sustainability Committee and reviewed by the Audit and Risk Committee and the Board of Directors in March 2023 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 2022, we continued 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 current economic uncertainty, and thanks to our cautious, long-term risk management approach, our overall loss performance remained robust, and we provided appropriate, tailored solutions to customers who were unable to meet their contractual repayment obligations (see pages 39-43 for details).

In 2022, Cembra enhanced its approach to assessing its carbon footprint. For the first time, we conducted a full GHG emissions inventory to capture all material scope 1, 2 and 3 emissions from our corporate operations; this included a detailed analysis of emissions from our value chain. (see pages 52-56 for details).

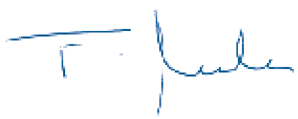
Our risk management includes climate-related risk. Immediate physical climate risks are generally considered to be limited to specific activities, as we are a financial services provider operating exclusively in Switzerland. Climate-related transition risks could gradually materialise in the form of credit risk. 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 2022, in which it oversaw ongoing sustainability initiatives and projects. In addition, the committee confirmed and reviewed the sustainability targets which 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 114-115).

To the extent decisions are not reserved to the Board of Directors, it provides oversight on sustainability-related topics, assisted by the Audit and Risk Committee. For the second time we were seeking external assurance on the most material topics in this Sustainability Report (see pages 33 and 67-69 for details).

Our increasing efforts to promote sustainability were again acknowledged by leading ESG rating agencies. We are very pleased that MSCI ESG Research upgraded us to AAA in 2022, with Cembra ranking first among all listed consumer finance peers worldwide. Moreover, we are one of only eleven Swiss-based companies to join the Bloomberg Gender Equality Index 2023, and we were again certified as "Great Place to Work" in 2023 (see page 44 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 seek to generate long-term value by considering the interests and expectations of our stakeholders, encouraging responsible behaviour and practices and actively working to build a more sustainable future. We are aware of our responsibilities and the impact that our operations have on our customers, business partners, shareholders, employees, regulators and communities. In this way, we always aim to adhere to high responsibility standards from an economic, legal, social, environmental and ethical perspective. Our sustainability commitments:

- We ensure our products and services meet high quality and integrity standards, by responsibly creating financial solutions that support aspirations. When developing new products and services and enhancing existing solutions, we factor in the extent to which they will help us to achieve our sustainability targets.
- As a forward-looking business partner, we embrace innovation and leverage new technology in order to develop reliable, demand-driven products and services that generate added value.
- As a credible investee, we adhere to strict corporate governance and risk management practices. – As an attractive employer, we aim to raise our people up by creating a healthy work environment and promoting diversity, equal opportunities and personal development. We also support our employees' awareness of and engagement in environmental and social responsibility.
- As a good corporate citizen we contribute to community development and use resources sustainably, by continuously reducing our impact on the environment.
- As part of our stakeholder-oriented approach we consult with stakeholders on sustainability topics, we continuously monitor our sustainability performance and work towards our environmental, social and governance-related targets set for the next years.

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

Values

The daily work of our employees is guided by our values. In line with our strategy announced in December 2021, our values serve as our guiding principles: customer obsession, "trust and team", accountability and empowerment, and change and learning. Our cultural transformation programme which started in January 2022 is 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.

For details on our values, see Annex to Sustainability Report 2022, chapter 2.

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 57).

Our other main policies are described on pages 63-65.

UN Global Compact and Sustainable Development Goals
Cembra is a signature to United Nations Global Compact (UNGC) since 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 had re-assessed 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 vehicle 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. In 2022, we continued our SDG journey. For further information on our contributions to the SDGs see the Annex to the Sustainability Report 2022.

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 processes to identify and manage the company's impacts on the economy, environment, and people, including 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 Compensation and Nomination Committee reviewed Cembra's ESG performance as part of the strategic lookback assessment for the long-term incentive compensation. The Audit and Risk Committee did a special walk through this Sustainability Report.

The Board of Directors is updated on all sustainability-related activities (including impacts) at Cembra by the Sustainability Committee and by members of the Management Board at least twice a year. This Sustainability Report, including the materiality process and the resulting matrix, was reviewed and approved by the Board of Directors in March 2023, assisted by the Audit and Risk Committee.

Organisation at the executive management level
Sustainability is managed by the Management Board through a dedicated **Sustainability Committee**. It complements the existing Management Board committees, which include the Credit Committee, the Asset and Liability Committee, and the Risk and Controllership Committee. The Sustainability Committee is chaired by the CEO, and the members of the Management Board, the head of product and innovation, the head of human resources, the head of corporate communications 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 2022, the Sustainability Committee held five meetings, in March, May, July, September and November. In addition, a Bank-wide **sustainability community** held monthly meetings. This informal working group, which is composed of managers and experts from various departments and levels, continued to share information and to work on various sustainability matters in the company.

The **sustainability-oriented key performance indicators** (see page 36) are considered important for the implementation and they have formed part of the criteria for determining the Management Board's long-term incentive compensation since 2020 (see the Compensation Report, page 114-115).

Reporting

This report was drawn up in accordance with the Global Reporting Initiative (GRI) Standards and in line with its eight reporting principles, taking into account the Standards' most recent recommendations and guidelines. Our sustainability reporting for 2022 consists of the Annual Report 2022, including this chapter on sustainability, as well as the Annex to the Sustainability Report 2022, the GRI Content Index 2022, and additional disclosures on our website. All information is available online at www.cembra.ch/sustainability.

Independent limited assurance

This Sustainability Report 2022 was provided independent limited assurance according to the GRI Standards by an independent auditor. The chapter Community engagement was excluded as it was not considered material in the stakeholder assessment. For the independent limited assurance and further details see the audit opinion pages 67-69.

Coverage and reporting boundaries

This report describes the current situation and the progress made in the area of sustainability in the 2022 financial year. Most data and indicators are available for the three financial years up to and including 2022. **Following the consolidation of Byjuno since November 2022, Byjuno's activities and figures were not included in this sustainability report, with any exceptions marked in footnotes.** The scope for the environmental figures on emissions covers all Cembra locations. The process of harmonising and enhancing key environmental figures internally was continued in 2022. In 2022, Cembra enhanced its approach to assessing its carbon footprint and conducted a full GHG emissions inventory to capture all material scope 1, 2 and 3 emissions from our corporate operations (see page 53).

Stakeholder engagement

Cembra's most relevant stakeholders are customers, business partners, regulators, shareholders, employees and communities. We are aware of the impact of our activities and 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. The feedback we receive from investors, analysts, sustainability rating agencies, proxy advisors and other stakeholders is considered very important and helps us to decide on actions that are taken to manage the material topics and related impacts, and to review the effectiveness of these actions.

As part of our continued efforts to manage sustainability and following the progress made in recent years, Cembra carried out a stakeholder assessment in line with the GRI Standards in 2020, resulting in an updated materiality matrix. This process helped to sharpen our sustainability agenda, understand stakeholders' expectations and concerns (including prioritisation of impacts), and identify actual and potential, negative and positive impacts on the economy, environment, and people.

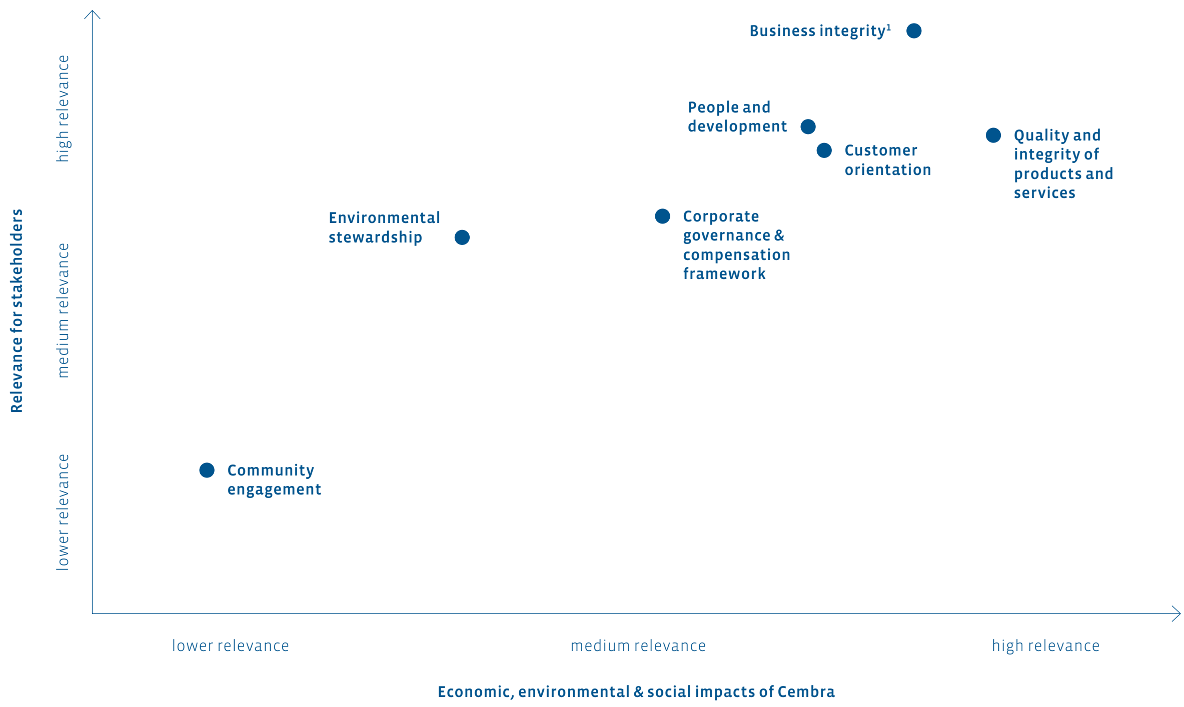
To determine Cembra's material economic, environmental, social and governance topics, an approach was chosen that reflected current discussions around materiality and anticipated the new GRI Universal Standards 2021. In the analysis and the stakeholder interviews, potential impacts by Cembra on relevant topics were considered, as well as the relevance of these topics for the internal and external stakeholders.

In a first step, Cembra put together a long list of topics related to potential areas of impact. In a second step, the topics and their potential impact were evaluated and prioritised through the stakeholder assessment. Individuals representing the perspectives of investors, ESG analysts, business partners, customers, local authorities, employees and civil society as well as digitalisation and environmental experts were interviewed with the support of external experts and asked to evaluate the relevance of Cembra's sustainability topics from their perspective. Internally, employees from various functions participated in a workshop to rate the relevance of topics from an internal view. All feedbacks enabled Cembra to identify the topics that are of high relevance for stakeholders and to understand why. In line with the latest GRI Standards, Cembra also asked all internal and external participants to review Cembra's impacts on the social, ecological and economic environment in the various sustainability topics. Based on the stakeholder feedbacks, the topics were prioritised.

The formal stakeholder engagement made it possible to update Cembra's materiality matrix. More importantly, however, the company received valuable feedback on its focus areas in sustainability management (including the related positive and negative impacts), valuable inputs for its further development, and cultivated relationships with its internal and external stakeholders.

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 2022



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 May 2022, the MSCI ESG rating was upgraded to AAA from A, and our strong ratings by Sustainalytics was reaffirmed. Selected ESG rating levels are mentioned on page 207.

Inclusions in the MSCI ESG Leaders index and the 2023 Bloomberg Gender Equality index
Following the upgrade to AAA by MSCI ESG Research in May 2022, Cembra was included as MSCI ESG Leaders Constituent 2022 for the first time, and is part of several ESG indices issued by the index provider MSCI. Cembra continued to be included as one of around 400 companies worldwide in the 2023 Bloomberg Gender Equality Index; this is the third 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. The Cembra share was excluded from the SXI Switzerland Sustainability 25 Index, as a consequence of the removal of the Swiss small-mid cap index SMIM in September 2022. Cembra shares are included in other ESG indices issued by the Swiss stock exchange and other index providers.

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. Being a reliable provider of access to financial services, we offer high value for our retail customers, particularly in the credit card business.
- **Quality and integrity of products and services** (chapter 4) covers the responsible provision of financing products and services that adhere to strict safety standards. We are aware of the fact that our products can significantly impact the financial situation of customers, and as a consequence 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. These aspects directly impact the lives of employees and their families.
- **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, limiting the potentially negative impacts with regard to their personal 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 2023.

Commitments, performance measures and assessment 2022

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 2022	Net promoter score of 26 (2021: 28)	Continued solid asset quality metrics	Employee trust index of 71% in 2022 (2020: 71%), measured every two years	Reported scope 1+2 emissions on track to reach 2025 target	No cases reported
Reference and details	Page 37	Page 39	Page 44	Page 52	Page 57

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 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 2022, 93% 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.
- We aim to include climate-related opportunities and risks in our business planning.
- Environmental risks are described in the chapter on climate-related risks (see Risk Management Report page 27). 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 39).
- Our Business Partners’ Principles of Conduct (supplier standards, see page 60) and our participation in the UN Global Compact (see page 32) 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 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 our 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 2022
In 2022, Cembra's total weighted NPS was +26 (2021: +28), on a scale of –100 to +100. The NPS was temporarily lower compared to 2021 due to transformational projects in the cards and in the vehicle leasing business. We aim to again achieve an NPS of at least +30 through our ongoing and planned initiatives, including a more frequent internal reporting.

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 pages 46-48).

Moving towards widely accessible products (access to finance)

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 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 products see pages 5 and 11.

Long-term shift in business mix (as % of net revenues)

	2012	2017	**2022**
Personal loans	56%	45%	**36%**
Auto leases and loans	34%	20%	**25%**
Credit cards	10%	34%	**35%**
Other	0%	1%	**4%**

Since its initial public offering in 2013, Cembra was able to increase the number of retail customers in Switzerland by more than 60% to 1.1 million in 2022. This trend is reflecting the high customer value of our products, as well as a long-term shift in business mix towards products and services providing simple and secure access to finance. For other information relating to access to finance see the chapters 4 and 7 in this report as well as the Annex to Sustainability Report 2022, section 7.

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. Comprehensive and transparent information on financial products and related opportunities and risks support and impact customers' decision making process. Our overall goal is to provide customers with the amount of credit that suits their individual situation. Access to financial services, taking into account individual situations, can have a positive impact on customers' personal lives. 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. 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 2022

The main economic events in Switzerland in the 2022 financial year were the lifting of restrictions after the Covid-19 pandemic in the first half of the year and increased inflation, interest rates and uncertainty about the economic development in the second half of the year. Unemployment remained very low throughout the year (see page 10). 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 again recorded a favourable loss performance in 2022 (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 Consumer Credit Act (CCA) 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 2022, 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 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 is committed to act in accordance with applicable laws and regulations, and 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 2022 (same assessment as 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 2022, there were no cases or breaches of the guidelines (2021: one case). The guidelines and processes concerning marketing activities are detailed in an internal policy on marketing activities and external correspondence (see page 65, 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. Campaigns address certain situations in life when a loan might be an option, such as education, housing and vehicle purchases.

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 65).

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 139 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 59.)

In 2022, the number of complaints amounted to 0.2% of the total customer base of 1.1 million (2021: 0.2%, 2020: 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 policies 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 46 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. Cembra has only minimal exposure to troubled debt restructuring (TDR) and such restructuring would be granted in exceptional individual cases only (see page 135 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 seven years and including the 2022 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. In the areas of work-life balance, health promotion, diversity and development our initiatives directly impact the lives of our employees and their families.

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%. In 2022 Cembra achieved a trust index score of 71% (see table on page 36). The GPTW trust index, which is measured bi-annually, remained stable compared to the last assessment in 2020. Cembra considers this a good result also given the ongoing implementation of the new strategy and cultural transformation (see chapter on Strategy on page 18).

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 directly to the CEO.

Progress in2022
The main progress in people and development in the 2022 financial year was as follows:
- At the end of 2022 we conducted the bi-annual “Great Place to Work” employee engagement survey, we were able to keep the trust index of 71% (2020 71%).
- After launching our new strategy (see page 18) at the end of 2021, which also includes the cultural transformation, various leadership trainings, initiatives, channels and tools have been used in 2022 to generate and facilitate change.
- Based on our gender-related performance and disclosure in the previous reporting period (2021), Cembra was included in the 2023 Bloomberg Gender Equality Index in January 2023, for the third time.
- Our policy regarding flexible working models, which was revised during the Covid-19 pandemic, is well established, many employees make use of it and do now work in a hybrid model.

Coverage
The indicators and activities presented below do not include: temporary workers from agencies (6% of headcount; 2021: 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 subsidiaries Swissbilling and Byjuno.

Temporary workers
Temporary workers are usually employed by a staffing firm that is in the business of supplying temporary labour. These workers are typically engaged to supplement, or provide cover for, existing employees at times of work surges, finite projects or employee absence. The staffing firm pays salary and benefits to these workers, although the Bank or a subsidiary generally provides daily direction and control. At the end of the reporting period the bank engaged 81 temporary workers (FTE: 77) compared to 30 (29 FTE) in 2021. The significant increase compared to the previous year is mainly due to the development and the launch of our new credit card Certo! as well as various IT projects in the context of our strategic programme Operational Excellence. Accordingly, the majority of these people work either in the call centre or in the technology area.

The majority of employees work at our headquarters in Zurich Altstetten (80%), while the remainder work in our network of branches and service centres across Switzerland (20%).

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
2020	88%	12%	8%	1%	9.2
2021	88%	12%	9%	1%	9.7
2022	85%	15%	12%	1%	7.4

[1] Turnover rate and seniority per gender can be found in the Annex to Cembra's Sustainability Report 2022
[2] Only considers resignations on employees' own initiative, excluding dismissals by the employer and retirements
Coverage: Cembra excluding Swissbilling and Byjuno

The increase in the turnover rate is explained by the competition for talent, the ongoing implementation of a new strategy and the related cultural transformation as part of the strategy until 2026 (see page 18). Employee 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, decreased because of the increased turnover. Details regarding new employees are provided below, in the table on diversity and equal pay.

No large-scale redundancies (i.e. job cuts affecting more than 5% of the total workforce) were implemented at Cembra in 2022 or have been since our initial public offering in 2013.

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)	**2022**	**2020**	2018
Trust index	71%	71%	69%
Participation rate	73%	72%	77%

The last survey was conducted in 2022 with a participation rate of 73% (2020: 72%), which resulted in a trust index of 71% (2020: 71%). With a Trust index of 71% we achieved the re-certification as Great Place to Work. The feedback from this employee satisfaction survey will be analysed in more detail in the first quarter of 2023 in order to determine areas for optimisation.

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 values (see page 31). 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 2022, there were two cases reported (2021: one case).

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 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 approach for employees eligible for our variable incentive compensation plan. The "Dialogue" approach was put in place in 2020, and it replaced the traditional performance ratings (management by objectives).

B. Development and training

Knowledge is an important asset. With Cembra's internal training programme, we support employees of all functional levels in building and expanding their knowledge.

Mandatory training

Cembra requires **all employees** to complete a number of mandatory online training courses (see section on training on responsible sales practices, page 43, and on regulatory and in-house practices, page 58) 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	2022	2021	2020
Number of mandatory e-learning courses (of which 11 were mandatory for all employees in 2022)	20	19	21
Total average training hours per employee	4.1	4.2	4.7

Cembra excluding Swissbilling and Byjuno

The slight reduction of mandatory training hours per employee in 2022 was explained due to marginal shifts in the composition of trainings compared to 2021.

All **new employees** attend the mandatory "onboarding" training course offered usually in the first 2-3 months of employment. The training covers topics such as compliance, risk management, sustainability and our vision and culture, as well as our products, employee benefits and the Cembra brand.

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 provided 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 seven internal functional trainers and one lead. In 2022 a total of 1,112 (2021: 1,241) participants were trained through 50 (2021: 69) different courses.

Non-mandatory training

We aim to find a balance that gives employees the opportunity to develop both professional and soft skills. By assessing the employees' and the Bank's needs, new course offerings are announced regularly. We use a wide variety of learning formats for this purpose: Be it in classroom, virtual, as a lunch and learn or as a team learning session, Cembra offers relevant, modern and practical training that are aimed to approach tasks more competently and efficiently.

Some of the courses offered in 2022 were: Coaching for Leaders, Leading Change, Strengthen Strengths, Flexwork Structures, Mental Health, Performance and Health, as well as Absence Management in order to enable our line managers to develop sensitivity to the topic and assess employee health concerns.

Key figures for non-mandatory internal training

	2022	2021	2020
Management and soft skills training days	**16**	7	7
Courses offered	**20**	12	6
Number of employees taking part in management and soft skills training sessions	**224**	238	100
% of employees trained in management and soft skills	**24%**	25%	10%
Total training costs in CHF 1,000	**300**	32	60

For figures per gender and seniority see Annex to Sustainability Report 2022, section 5
Cembra excluding Swissbilling and Byjuno

At the beginning of the year, the last pandemic-related restrictions were lifted, which allowed us to increase the training offered accordingly. In 2022, 24% of employees took advantage of the offering (2021: 25%). The large increase in training costs is mainly driven by training costs related to the cultural transformation (see Strategy page 18), such as the development and implementation of specific training and coaching by external providers.

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 2022, CHF 0.17 million was spent on technical and functional training and certifications by external providers (2021: CHF 0.14 million) and a total of 85 employees received such training. 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.

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 2022 we reimbursed CHF 0.03 million to a total of 25 employees for language training and CHF 0.11 million to 35 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 51). In 2022, 13 employees took courses on topics such as Foundational Leadership, Presence & Impact, courage – crush self-doubt, and Experience Genuine Confidence.

Succession planning and talent development

The development of internal talents 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.

Talent development programmes for junior and experienced talents

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.

Ten young employees participated in the last programme, which lasted from June 2021 to March 2022. All ten successfully completed the programme, are still employed within the Bank and could partly already develop further within the organisation.

As part of the cultural transformation, it was also decided to review our internal junior talent development programme. A new programme is currently being established.

At the end of 2022, we kicked off our new internal development programme for 18 talented experienced employees (Cembra Impact Programme, or CIP). Through this programme, we aim to develop and retain the targeted talents by offering them assistance in form of different possibilities and tools. The CIP includes a conduction of a development center as a position determination for each participant / talent which is the basis for the creation of individual development plans and, thus, for the elaboration of appropriate development measures.

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.

Over the past 10 years, 47 apprentices have successfully completed their programme at the Bank, of which 16 are still employed. Three of the four apprentices who graduated in 2022 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.

During the last months of Covid-19-related restrictions in the first quarter of the reporting period, Cembra continued to ensure the health and safety of employees at all times. For an overview of the measures taken, please see Annual Report 2021, page 46.

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 2022, the absentee rate was 4.8% (2021: 3.8%). The continuing Covid-19 situation in the first quarter of 2022 and the ongoing implementation of a new strategy and the related cultural transformation across the company had an impact on this increase, and other companies also observed increases in absentee rates. Cembra has set internal targets with the aim of reducing the absentee rate and pursued five training workshop on absence management for 34 leaders.

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 and the senior management including the management board. The training provides managers with a clear process before, during and after an absence due to a personal crisis, an illness or an accident (see also paragraph above).
- **Work-life balance training,** such as health and leadership and flexible working structures all offered online. In the in-house gym at headquarters, we offer fitness courses and yoga classes.
- **Seminars on health topics,** such as "fuel for performance" (in sport and daily life), back health at the office or tips related to health and running. 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 2022, 22 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 2022, 12 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. Most of our employees have the technical prerequisites to be able to work remotely and many of them opt for a hybrid solution. We have revised our policy regarding flexible working models to allow employees to work remotely for up to 60% of their work time and to ensure there are no complicated approval procedures for this. The flexible work arrangements are outlined in our ways of working policy. The key elements of the framework are described on page 65.

Many of our part-time employees are working parents. At year-end 2022, 24% (2021: 25%) of all employees were working part time (for the detailed figures please see the Annex to the Sustainability Report 2022).

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 2022 for details.

In the reporting period a total of 18 women took maternity leave (three are still on leave) and 16 men took paternity leave. In the previous year, 15 women took maternity leave and 11 men took paternity leave. Of these 15 women, 10 have returned and all of these 10 were still employed by the Bank at year-end 2022.

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, 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.

The number of people working for Cembra to address short-term needs represented 6% (2021: 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

48% of our employees are women (2021: 49%). At the employee level (including the employee and senior employee levels), the proportion of female employees is 50% (2021: 51%). At the management level (including the management and senior management levels), it is 24% (2021: 23%). For the detailed figures please see the Annex to the Sustainability Report 2022.

Internal career mobility

HR key figures	**2022**	2021	2020
Total entries	**140**	101	113
– of which women	**51**	44	53
– of which total new employees 50+ (excl. cashgate until 2021)	**17**	9	12
Internal department changes	**56**	15	52
Internal promotions (pay grade changes)	**51**	36	26
– of which women	**25**	21	12

Cembra excluding Swissbilling and Byjuno.

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.

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 more than 40 different countries (not counting multiple citizenships) and with diverse cultural backgrounds. For the detailed figures please see the Annex to the Sustainability Report 2022.

Equal pay for men and women
In the 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 in 2021 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 workplace-related criteria like employee level and personal qualification elements, i.e. education, to calculate an adjusted pay gap.

Pay quartiles
In 2022, women made up 23.8% of our top earners (i.e., whose pay was in the 1st quartile). 55% of our revenue-producing roles were held by women (2021: 55%).

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

Pay quartile	**2022**	2021	2020
1st quartile	**23.8%**	24.7%	25.0%
2nd quartile	**42.6%**	44.8%	46.3%
3rd quartile	**58.9%**	60.3%	58.2%
4th quartile	**65.8%**	65.1%	64.5%

CEO-to-employee salary ratio
The top-to-median pay ratio was 11.6 in 2022, in line with previous years (2021: 12.1, 2020: 12.3). The median salary (without the highest salary) was CHF 103,167 in 2022 and the highest salary was CHF 1,197,000. The pay ratio is calculated based on the annual base salary plus variable target compensation and the annual base salary is extrapolated to full-time equivalents. For details on the compensation of the highest salary see Compensation Report on page 119.

6 Environmental stewardship

Aim and approach

Environmental stewardship is an important element of our sustainability aspiration. To minimise the negative impact of our operations, and to support the transition to a low-carbon economy, we are committed to using resources in a sustainable manner (see page 31). As identified by our materiality assessment, our key stakeholders considered environmental stewardship to have a "medium relevance" (see page 34).

Cembra manages its environmental impact using a two-fold approach:

- **Operational environmental management:** We remain focused on protecting the environment by conserving natural resources and preventing pollution from both our business operations and supply chain partners. In addition, Cembra strives to manage the climate change-related risks on the business and identify any opportunities arising from climate change. Where deemed significant, we include environmental risks and opportunities in our business planning. We also intend to include such impacts in our scenario analysis framework.
- **Ongoing shift towards financing of electromobility:** Cembra is one of the leaders in financing electromobility in Switzerland, with electric vehicles representing a growing proportion of our financing. The surge in demand for climate-friendly products is seen by our business as an opportunity, and we provide loans and leases for electric vehicles on highly favourable terms.

Progress in 2022

In 2022, we recorded positive progress towards our target to reducing our scope 1 and 2 emissions by 75% by 2025 relative to our 2019 baseline. Scope 1 and 2 emissions intensity fell from 0.59 tCO2e/FTE average in 2021 to 0.34 tCO2e/FTE average in 2022, a reduction of 42%. The reduction was a result of multiple factors, of which the switch from gas heating to district heating at our headquarters was a major one (see section Operational environmental management page 56 for details).

Our operational energy management initiatives have been a major factor in driving our emissions reductions. The switch to district heating at our headquarters in 2022 contributed to a drop in gas consumption. Cembra reduced its consumption of electricity (by 4%) and gas heating (by 73%) per average FTE over the course of 2022 relative to 2021.

We more than doubled the share of electric-powered vehicles in our company fleet throughout the year, with this vehicle type making up 22% of the total fleet in 2022 (2021: 10%). Driven by our commitment to cut greenhouse gas (GHG) emissions, Cembra will continue to expand the share of electric and other low-emission models in our company fleet.

As for the reporting on our carbon footprint, reporting, Cembra continued to improve its GHG emissions disclosures in 2022 (see paragraph below).

Improved approach to carbon footprint assessment

In 2022, Cembra enhanced its approach to assessing its carbon footprint in alignment with international best practice. For the first time, we conducted a full GHG emissions inventory to capture all material scope 1, 2 and scope 3 emissions from our corporate operations (i.e. excluding scope 3 emissions generated from investments, category 15I). This included a detailed analysis of emissions from our value chain.

To align with international best practice guidance, including the GHG Protocol: Corporate Standard (2004:2015), the Partnership for Carbon Accounting Financials (PCAF) Financed Emissions (Part A, 2022), and the Science Based Targets initiative's (SBTi) Financial Institutions (2022), Cembra's organisational boundary was defined to capture the scope of all Cembra's activities (head office, all branches and subsidiary Swissbilling) based on a financial control approach. This approach focuses on elements Cembra can influence, with activities considered significant based on the level of financial control and ability to control processes associated with these activities.

Cembra's recalculated **scope 1 and 2** carbon footprint for 2021, and most recent 2022 footprint, now includes all relevant scope 1 and 2 categories (expanded to include refrigerants and market-based electricity, respectively).

Cembra's operational **scope 3** reporting for 2021 was previously limited to employee business air travel. In the reporting period. Since 2021 the reporting period, Cembra's operational scope 3 emissions now cover seven materially significant scope 3 categories: purchased goods and services, capital goods, business travel, employee commuting and homeworking, fuel- and energy-related activities, and waste generated in operations (including wastewater).

Cembra's operational **scope 3** reporting for 2021 was previously limited to employee business air travel. Since 2021 the reporting period, Cembra's operational Scope 3 emissions now cover seven materially significant scope 3 categories: purchased goods and services, capital goods, business travel, employee commuting and homeworking, fuel- and energy-related activities, and waste generated in operations (including wastewater). We are currently in the process of analysing the scope 3 emissions associated with our vehicle leasing (investments – category 15 of the GHG Protocol); and we aim to publicly disclose these figures in the future.

The latest SBTi Financial Institutions (2022) guidance suggests that vehicle and personal loans, including credit card loans, are out of scope due to the limited control or influence that a loan provider has over the use of products. As per the SBTi's guidance, Cembra's commissions and fee income as well as personal loans also are not considered applicable for scope 3 emissions reporting because of the inaccuracy in calculating associated emissions.

Coverage and boundaries
In line with best practice, including the GHG Protocol (2004:2015) and the SBTi's Net Zero Standard, and to support our carbon reduction initiatives, we have conducted a GHG emissions screening and inventory analysis for all material scope 1, 2 as well as all material operational scope 3 emissions. Our emissions reporting covers the Group and 100% of our employees. [1] For some figures, e.g. district heating or electricity, Cembra uses extrapolated average annual numbers.

Further refinements in the scope 1 and 2 reporting have resulted in a restatement of Cembra's 2021 GHG emissions: scope 1 increased by 4% whereas scope 2 decreased by 12%.

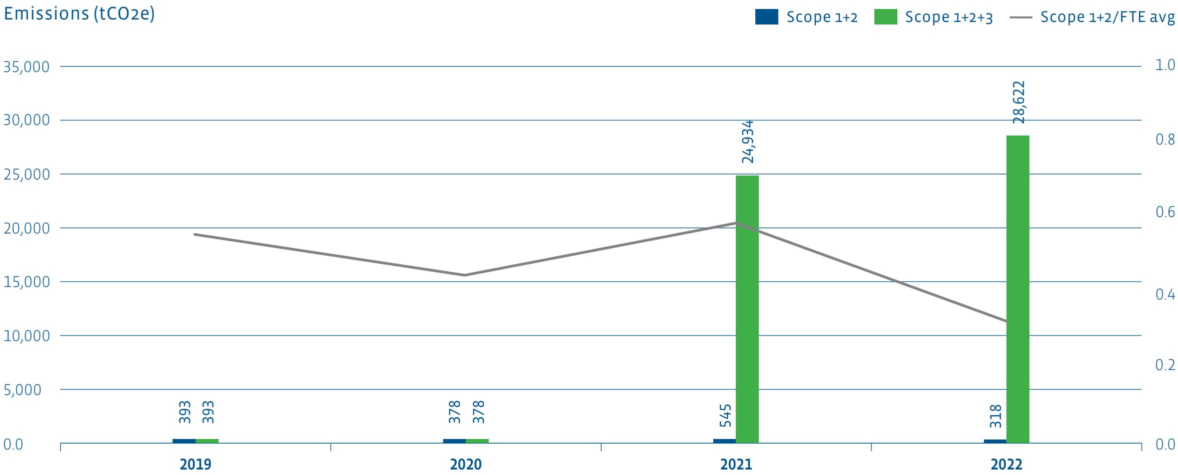
Key environmental figures
Cembra's total 2022 GHG emissions (for scopes 1, 2 and operational scope 3 categories) amounted to 28,622 tCO2e. Cembra's 2021 operational carbon footprint was 24,934 tCO2e (see table below.

Cembra's scope 1, 2 and 3 operational emissions intensity metrics:

	Unit	2022	2021	2020
Scope 1 and 2 emissions/FTE avg	tCO2e	**0.34**	0.59 [2]	0.46 [3]
Scope 1, 2 and 3 emissions/FTE avg	tCO2e	**31.04**	27.04	–
Scope 1, 2 and 3 emissions/CHF m revenue	tCO2e	**57.24** [4]	51.20	–
Number of employees (emissions scope)	FTE avg	**922**	922	664

[1] Except for the items waste and water for which the coverage is limited to Cembra headquarters (about 75% of employees). In the years until 2020, emissions reporting included Cembra headquarters only
[2] The scope 1 and 2 emissions intensity per FTE average in 2021 was previously reported by Cembra as 0.57. Cembra has enhanced its disclosure by slightly restating and improving its scope 1 and 2 emissions to reflect new data sources and insights
[3] The FTE figure used to calculate the intensity for scope 1 and 2 GHG emissions in 2019 and 2020 uses year-end FTE. From 2021 onwards, we adopted the average FTE across the Group to inform the GHG calculations. This accounts for the deviance in reported results
[4] The 2022 net revenue was estimated by doubling Cembra's H1 2022 net revenue figure (CHF 250.0 million). The actual FY 2022 net revenues amounted to CHF 508.9 million

Cembra's operational emissions and emissions intensity (tCO2e/FTE avg) 2019–2022 [5]



Breakdown of Cembra's scope 1, 2 and operational scope 3 emissions

	Unit	2022	2021 [6]	2020
Consumption				
Refrigerants	kg	**29**	30	–
Vehicle fuel	km	**1,016,452**	1,583,692	1,583,747
Gas and heating oil	kWh	**342,740**	1,255,490	578,700
District heating	kWh	**705,680**	8,237	–
Electricity	kWh	**1,641,633**	1,704,739	1,538,548
Water	m^3	**2,822**	2,635	3,454
Waste	tonnes	**836**	927	596
Purchased goods	euros	**93,049,040**	76,893,600	–
Capital goods	euros	**2,359,961**	873,906	–
Fuel- and energy-related activities	kWh	**2,690,053**	2,968,466	–
Business travel – transport	p.km	**145,209**	61,521	34,000 [7]
Business travel – hotel stays	room per night	**132**	65	–
Employee commuting	p.km	**6,639,629**	6,589,599	–
Employee commuting – homeworking	FTE working day	**85,804**	85,158	–
Greenhouse gas emissions				
Direct emissions (scope 1)	**tCO2e**	**253**	**524**	**357**
Vehicle fuel	tCO2e	**142**	239	240
Boiler fuel (natural gas and heating oil)	tCO2e	**69**	243	117
Refrigerants	tCO2e	**42**	42	–
Indirect emissions (scope 2)	**tCO2e**	**65**	**21**	**22**
Purchased electricity (location-based)	tCO2e	**20**	20	22
Purchased electricity (market-based)	tCO2e	**10**	11	–

[5] Cembra's operational emissions do not include scope 3 emissions generated from its investments (category 15)
[6] For restatements of 2021, see section titled 'An improved approach to our carbon footprint assessment'
[7] Only included air travel

Purchased heating	tCO2e	**45**	0.36	–
Indirect emissions (scope 3)	**tCO2e**	**28,304**	**24,388**	**n/a**
Purchased goods and services (category 1)	tCO2e	26,714	23,372	–
Capital goods (category 2)	tCO2e	907	333	–
Fuel- and energy-related activities (category 3)	tCO2e	90	96	–
Waste generated in operations (category 5)	tCO2e	19	21	–
Business travel (category 6)	tCO2e	11	8	5
Employee commuting (category 7)	tCO2e	563	559	–
Scope 1, 2 and 3 emissions	**tCO2e**	**28,622**	**24,934**	**5**

Operational environmental management

Cembra's environmental management is based on Swiss law relating to environmental protection, energy and carbon. We continue to ensure environmental stewardship mainly by optimising processes and outputs with a significant environmental impact. We also achieve cost reductions by optimising and reducing our use of energy and equipment.

Purchased goods and services was the second largest source of emissions in 2022. Crucially, five areas of expenditure accounted for 92% of emissions: IT contractors, software licences (and maintenance of the software), marketing, postage and material use. Total emissions generated by this category grew by 14% relative to 2021, impacted by the significant increase in marketing expense in the context of the launch of our new credit card range in the second half of 2022 (see page 17).

Energy and emissions

Cembra aims to reduce its GHG emissions and be more energy efficient. As a participant of the voluntary energy programme run by the Energy Agency of the Swiss Private Sector (EnAW) in Zurich since 2012, we have committed to optimising energy efficiency and actively reducing carbon emissions. By collaborating with the EnAW, an official partner of the Swiss Federal Government and cantons for energy savings and climate protection, Cembra has been able to reduce its energy consumption and increase cost-efficiency.

- **Lower energy consumption.** In terms of Cembra's operations, our energy consumption accounts for our largest impact on the environment. Since 2016, 100% of the electricity we consume at our headquarters (accounting for three quarters of all employees) is generated from renewable sources. Moreover, our nine branches use a 100% Nativa electricity mix whereby most of the electricity is derived from renewable sources. Cembra's headquarters switched to district heating in 2022, and the majority of our branches consume natural gas for heating, with heating oil used by four branches. To ensure our business operations are not impeded, we have a strong interest in maintaining a stable procurement of energy. Cembra continuously implements various measures aimed at reducing GHG emissions associated with energy use to lower our environmental impact and costs. Since 2019, the consumption of electric power per average FTE has decreased by 31% and energy used for heating (natural gas and heating oil) decreased by 56%. This decrease was partly offset by the substantial increase in our district heating intensity, which was mainly caused by the switch to district heating (from natural gas) at our headquarters in the reporting period.

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Electricity	kWh/FTE avg	**1,767**	1,845	2,317	2,570	2,633	2,525	2,649	2,944	3,188	3,409
Gas	kWh/FTE avg	**372**	1,361	871	850	1,231	1,220	1,695	2,351	1,983	2,679
District heating	kWh/FTE avg	**765**	9	–	–	–	–	–	–	–	–

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

- **Significant reduction in carbon emissions at headquarters in 2022:** The owner of the building where Cembra is headquartered switched to district heating effective from January 2022. These environmentally-friendly and energy efficient thermal networks, which are largely powered by waste and biomass, have replaced the gas heating at our headquarters. This enabled us to achieve a further significant reduction in our direct carbon emissions in 2022.
- **Company fleet:** In 2020, Cembra had adopted a new internal target to significantly reduce carbon emissions from its own vehicles. In 2022, the number of cars in our fleet amounted to 58 (2021: 62). The share of electric- powered vehicles in our company increased to 22% (2021: 10%). The total number of kilometres travelled by our company fleet decreased by 36% from 2021 to 2022, which was the result of lower number of cars, and other factors, i.e. a lower number of branches (2022: 9: 2021: 13), and greater use of public transport and home office among our employees.
- **Employee benefits to support the use of public transport:** We encourage our people to commute using public transport as part of our employee benefits; in fact, public transport commuting costs are covered by Cembra for most employees (see page 50). In 2022, our employees commuted 6.6 million kilometres representing a carbon footprint of 563 tCO2e, or 0.61 tCO2e per FTE.

Ongoing shift towards financing of electromobility

Cembra is committed to financing electromobility in Switzerland, offering loans and leases for electric vehicles on highly favourable terms. Electric vehicle leasing is expected to generate an increasing share of Cembra's total revenues, with the supply of used vehicles expected to further rise. Our strategy is to continue to grow this business in line with the market trend, to ensure continued diversification in our vehicle leasing portfolio.

According to the Swiss eMobility association, the demand for electric vehicles continued to increase in 2022, with 25% of new cars purchased in Switzerland defined as fully electric or plug-in hybrid electric models. This represents a 5% overall increase relative to 2021.

In an analysis of the emissions associated with our vehicle leasing we observed that, whilst total scope 3 emissions of our vehicle leasing increased in 2022 in line with the financed assets, the emissions intensity decreased (i.e. the quantity of GHG emissions emitted per contracted kilometre). The slight decrease can be attributed to changes in the portfolio mix towards a greater share of low-emissions vehicles, which reflects the development of the market.

Cembra is currently reviewing and improving how Scope 3 including vehicle leasing data is collected, in line with the Partnership for Carbon Accounting Financials guidance (PCAF 2022), and once Cembra has further consolidated and examined the dataset we will continue to assess the need for further extended Scope 3 reporting in line with industry best practice guidance.

7 Business integrity

Aim and approach

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.

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. Therefore, our business integrity also covers the protection and security of customers' privacy, limiting the potentially negative impacts with regard to their personal data.

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).

Our business integrity commitment "We take a zero tolerance approach to non-compliance" (see table page 34) 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 2022
The existing anti-money-laundering (AML) policy was revised and amended (see pages 59-60), and procedures were adapted accordingly.

In 2022, no cases were reported to regulators (2021: no cases).

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 fully committed to adhere 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 Group uses the "three lines" framework to manage risk and monitor compliance with legal requirements and internal policies (see the Risk Management Report, pages 20-21, for more details). Binding, regularly updated processes likewise ensure that the Group 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 Board of Directors and 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, conflicts of interest.
- **Annual mandatory training for specific target groups:** Credit cards, insurance (intermediation), risk and control, data management, identity and access management.
- **Mandatory training for all new employees:** Onboarding day typically at the start of the employment.

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

Cembra 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, published in April 2020 and reviewed for topicality in May 2022. 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 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

- All new employees are given the Code of Conduct as part of their employment contract.
- All employees are required to attend annual online compliance training that covers key components of the Code of Conduct. 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 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.
- All employees in scope 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.
- Whistleblowers 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 2022, two cases were reported (2021: no cases).

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 applicable reporting procedures (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 2022, the Management Board reviewed the actual or potential human rights issues 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.

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). Our supplier standards are based on our values. 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. 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).

Coverage

Besides ensuring that our key suppliers are aware of and fulfill our sustainability expectations, our supplier standards also aim to raise awareness and to develop our other suppliers regarding sustainability, especially those 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 based on Cembra templates. 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 are addressed, as needed, e.g. part of the renewal cycle. In those situations where an increased sustainability risk has been identified and the contracting is not based on Cembra templates, we apply a case by case, risk-based approach. We typically strive to include a reference to our Standards unless we see that coverage of our principles is in principle otherwise established (e.g. own sustainability programs)

Supplier management processes
We rely on a multi-layered enforcement process:

- Our supplier standards are available on our website, and our 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 are integral part of the contractual framework unless already covered in Partner standard contract 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. A very small number of our key suppliers do not accept deviations from their standard contractual language (large software companies and some specific niche product suppliers). In a very small number of related cases Cembra had to accept contracts based on supplier templates. Often these partners run their own sustainability and corporate social responsibility programmes, covering the vast majority of our standards. However, we have identified that there might be a coverage gap and will work in 2023 on establishing a formal exception process to control for substitutions/non-inclusion of our standards whilst still ensuring the underlying risk management by our key suppliers.
- 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.
- 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.

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.

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.

We plan to amend our control framework in 2023 to also embrace the mentioned planned improvements, especially with regards to risk tiering and exception processes related to substitution/non-inclusion of the Cembra Business Partners Principles of conduct.

We will continue to work with our partners to continuously improve our control quality and appreciate all related efforts.

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).

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.

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, information security and cyber-crime (e.g. awareness about phishing). 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.

Cembra adheres to 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 2022 one security incident with the regulator.

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, cyber security and data protection frameworks and related process and technology control effectiveness. 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. At year-end 2022, about 95 (2021: about 115) independent intermediaries were originating personal loans for the Bank. In the auto leases and loans segment, we partner with around 3,700 car dealers. In the credit card segment, we have longstanding relationships in Switzerland with Conforama (since 2008, renewed in 2022), Touring Club Suisse (since 2011), and FNAC (since 2016, renewed in 2022). In 2019 and 2020, new partnerships were entered into with the retailers LIPO and IKEA Switzerland and in 2022 with SPAR Switzerland. In September 2022, we announced that we entered a partnership with the leading Swiss payment app TWINT.

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 95 independent intermediaries receive training each year. In 2022 all training sessions were conducted.	Training focuses on business and product strategies, products, processes and compliance. Training is given to our dealers mostly locally by our 24 sales area managers.	Retailer credit card partners receive regular training and additional onboarding training for new partnerships. The number of point-of-sale training sessions amounts to about 300, reflecting increasing needs, for our partners' about 90 branches. In 2022 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 24 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 incl. cyber-crime 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, 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 business to customer 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 employees of the Group as well as to the members of the Board of Directors..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 remote and outside the business premises.

8 Community engagement

Aim and approach

Our community engagement aims to have a positive impact on society, while is not considered to be a highly material topic by our stakeholders. It is also important for our employees and relations in Switzerland, and we therefore address the topic 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. 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 2022

In 2022, we continued our long-term oriented community engagement activities. 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 supports volunteering activities by counting such activities as working time if they take place on weekdays.

Alongside our other activities (e.g. collaboration with Swiss Red Cross by organising blood drives and the Pink Ribbon Charity Walk), 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. Every year in summer, employees support the Theodora Foundation at the Kid's Day to fund raise the Giggle Doctors' visits to children in hospitals. With a lot of commitment and fun Cembra volunteers also support the Children's Cancer Aid Switzerland at the holiday camps in Lenzerheide and Engelberg to take care of the children, allowing parents to switch off from everyday life and have time for themselves.

For a table with details of the various projects we pursued in 2022, please see the Annex to the Sustainability Report 2022.

Cembra regularly informs all employees about the volunteering activities. We also keep up a constant dialogue with our partners. Since the Covid pandemic, companies contribution to society and philanthropy-related matters have gained on relevance reason why at Cembra, we are in the process to evaluate and re-design community engagement activities.

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, 2022 (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 2022 or linked to from the Sustainability Information or from the Annual Report 2022, 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 2022 for the year ended December 31, 2022 is not prepared, in all material respects, in accordance with the GRI Sustainability Standards (GRI SRS).

We do not express an assurance conclusion on information in respect of earlier periods or to any other information included in the annual report 2022 or linked to from the Sustainability Information or from the annual report 2022, including any images, audio files or embedded videos.

Understanding how Cembra has Prepared the Sustainability Information

The GRI SRS, have been used as criteria references for the disclosures. Consequently, the Sustainability Information needs to be read and understood together with the GRI SRS.

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.

KPMG

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 of the GRI SRS;
- 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 2022.

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	Cyrill Kaufmann
Licensed audit expert	Licensed audit expert

Zurich, 14 March 2023

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") as well as the Group Governance Regulations (in place since 1 January 2023), embody 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 Group.

Unless expressly stated otherwise, this Corporate Governance Report presents the law as of the balance sheet date (31 December 2022). References to legal provisions are, therefore, references to the law applicable as of 31 December 2022. On 1 January 2023, the Swiss Corporate Law Reform came into force, which has an impact on some of the legal provisions and descriptions of the law cited in this Corporate Governance Report. Among other changes, the Ordinance against Excessive Compensation in Listed Stock Corporations (VegüV) was repealed as of 1 January 2023 and its provisions were transferred to the Swiss Code of Obligations with certain amendments. Articles of association and organisational regulations that do not comply with the revised provisions must be adapted to the revised provisions within a transitional period of two years from the entry into force of the Swiss Corporate Law Reform.

1 Group structure and shareholders

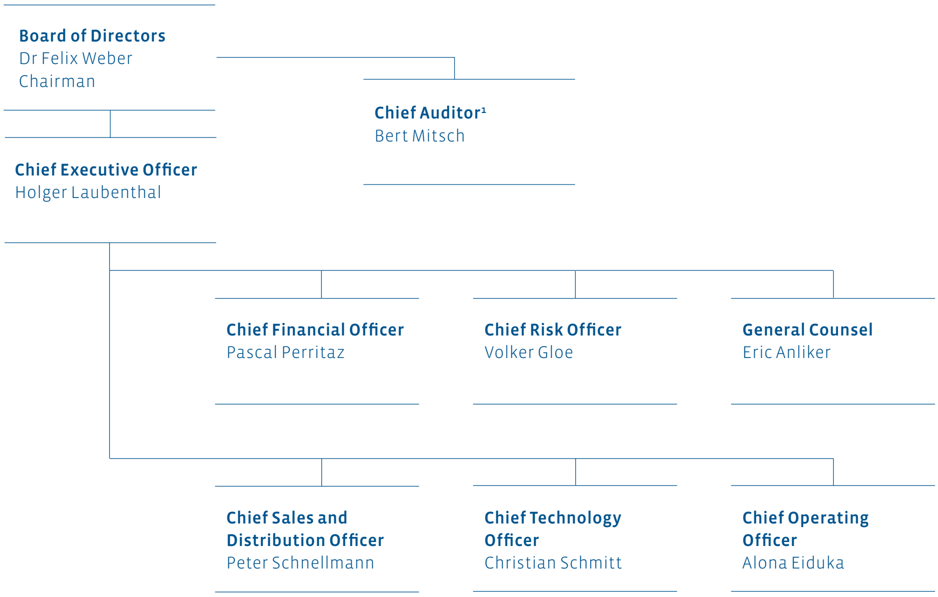
1.1 Group structure

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. On 30 September 2022, the Bank signed a share-purchase agreement with Intrum AG to acquire 100% of the shares of Byjuno AG, a major provider of invoice payment solutions in Switzerland, and its sister company Intrum Finance Services AG, subsequently renamed to Byjuno Finance AG. The transaction closed in the fourth quarter of 2022.

The Group operations 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, SPAR 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, technology, legal & compliance, communications, risk management, investor relations including sustainability, internal audit and human resources.

Organisational Group structure at 31 December 2022:

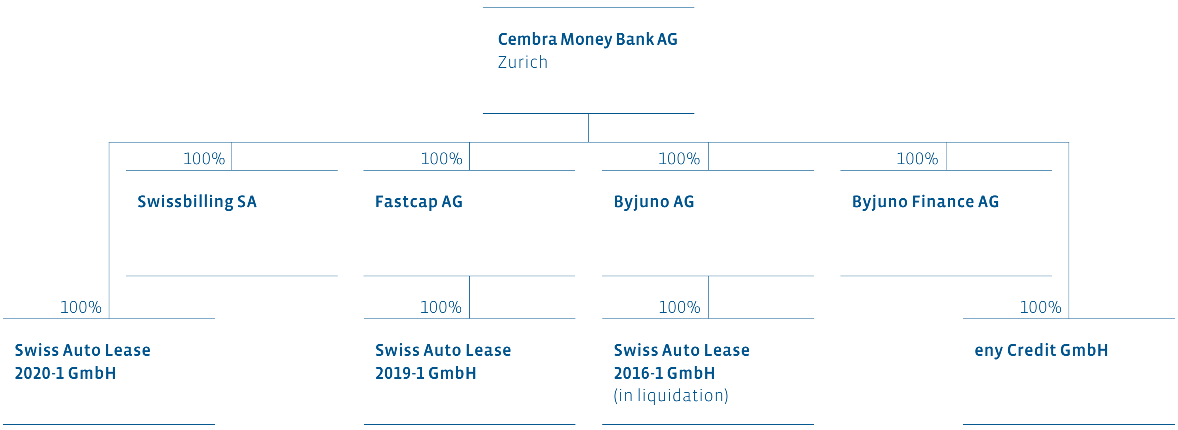


[1] The internal audit department is an independent function with a reporting line to the Board of Directors and the Audit and Risk Committee (see section 3.5)

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 CHF 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);
- Byjuno AG (with registered office in Zug, Switzerland, share capital CHF 100,000, shares 100 x CHF 1,000);
- Byjuno Finance AG (with registered office in Schwerzenbach, Switzerland, share capital CHF 50,000, shares 50 x CHF 1,000);
- 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; cancelled as of 17 January 2023);



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 2022, the Bank's issued nominal share capital amounted to CHF 30,000,000 and the market capitalisation amounted to CHF 2,307 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 2022, the Bank was not aware of any person or institution, other than UBS Fund Management (Switzerland) AG (5.41%), Credit Suisse Funds AG (4.99%) and Swisscanto Fondsleitung AG (3.05%), 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 2022, 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 2020, 2021 and 2022, 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 2022, 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	Conversion Ratio	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 (Volume-Weighted Average Price) 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 2022, 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.

At the Annual General Meeting on 21 April 2022, the members of the Board of Directors Dr Felix Weber (Chairman), Thomas Buess, Susanne Klöss-Braekler and Dr Monica Mächler were re-elected for a one-year term. Urs Baumann, Martin Blessing and Denis Hall did not stand for re-election at the Annual General Meeting on 21 April 2022. Detailed information about Urs Baumann, Martin Blessing and Denis Hall can be found in the Corporate Governance Report of the Annual Report 2021 (www.cembra.ch/financialreports). Jörg Behrens, Marc Berg and Alex Finn were elected as new independent member of the Board of Directors for a one-year term at the Annual General Meeting on 21 April 2022.

Induction meetings were provided to the new Board of Directors members regarding in particularly roles and responsibilities. Furthermore, a training on trends and regulatory update was held by KPMG for the members of the Audit and Risk Committee and optionally for the other members of the Board of Directors.

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 2022, 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[1]	CH	Chairman		2013	2023
Thomas Buess	CH	Vice Chairman	Member Compensation and Nomination Committee	2020	2023
Dr Jörg Behrens	DE/CH	Member	Member Audit and Risk Committee	2022	2023
Marc Berg	DE	Member	Member Compensation and Nomination Committee	2022	2023
Alex Finn	US/UK	Member	Member Audit and Risk Committee	2022	2023
Susanne Klöss-Braekler	DE	Member	Chairperson Compensation and Nomination Committee	2021	2023
Dr Monica Mächler	CH	Member	Chairperson Audit and Risk Committee	2015	2023

1 Will not stand for re-election at the 2023 Annual General Meeting (see section 3.4)

Name	Dr Felix Weber
Nationality	Swiss
Function	Chairman
First elected	2013
End current period	2023

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 2023. 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 2013: Board member BLR & Partners AG (Zurich, Switzerland)

Previous board memberships:
- 2017-2022: Vice Chairman Climatex AG (Altendorf, Switzerland)
- 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 (Berne, Switzerland), listed on SIX

Thomas Buess

Name	Thomas Buess
Nationality	Swiss
Function	Vice Chairman
First elected	2020
End current period	2023

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 Vice Chairman and also member of the Compensation and Nomination Committee. His current term expires at the Annual General Meeting in 2023. 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)

Dr Jörg Behrens

Name	Jörg Behrens
Nationality	German/Swiss
Function	Member
First elected	2022
End current period	2023

German/Swiss dual national and Swiss resident, born in 1964

Dr Behrens was appointed as a member of the Board of Directors on 21 April 2022. He is also member of the Audit and Risk Committee. His current term expires at the Annual General Meeting in 2023. Mr Behrens holds a Master in Nuclear Physics from Swiss Federal Institute of Technology (ETH) Zurich and a PhD in Particle Physics from ETH Zurich.

Professional experience:
- Since 2019: Independent Advisor and Coach to Executives (Zurich, Switzerland)
- Since 2019: Founder and Managing Director of MRM Solution (Russikon, Switzerland)
- 2009–2019: Founder and Managing Partner at Fintegral AG (Zurich, Switzerland)
- 2008–2009: Global Head Financial Risk Analytics at Ernst & Young (Zurich, Switzerland)
- 2006–2008: Head Financial Risk Management Central Europe at Ernst & Young (Zurich, Switzerland)
- 2003–2006: Partner Global Financial Risk at Ernst & Young (Zurich, Switzerland)
- 2002–2003: Partner Financial Risk Management at Ernst & Young Switzerland (Zurich, Switzerland)
- 2000–2002: Head Quantitative Risk at Arthur Andersen Switzerland (Zurich, Switzerland)
- 1999–2000: Head Quantitative Models & Statistic Credit Team at UBS AG (Zurich, Switzerland)
- 1997–1998: Deputy Head Global Quantitative Risk Management Group, Local Head at UBS AG (London, UK)
- 1994–1996: Risk Analyst Global Derivatives at UBS AG (Zurich, Switzerland)

Other board memberships and activities:
- Since 2021: Independent Non-Executive Director at Ubinetic AG (Zug, Switzerland)
- Since 2020: Founder and Managing Director at MRMSolution (Russikon, Switzerland)
- Since 2009: Non-Executive Director at Fintegral AG, Chairman since 2019 (Zurich, Switzerland)

Previous board memberships:
- 2012-2021: Independent Non-Executive Director, Chairman of Risk Committee and member of the Audit Committee at Leonteq Securities AG, Chairman of combined Risk and Audit Committee from April 2020 – March 2021 (Zurich, Switzerland)
- 2010-2018: Member of Supervisory Board at Mathfinance AG (Frankfurt am Main, Germany)
- 2009-2015: Chairman at Syndex Capital Management AG (Wollerau, Switzerland)
- 2001-2020: Vice-Chairman at Buechweid Foundation (Russikon, Switzerland)
- 2001–2007: Member of the Board of Directors of AMB Generali Germany AG (Munich, Germany), a company listed on the German Stock Exchange

Name	Marc Berg
Nationality	German
Function	Member
First elected	2022
End current period	2023

Marc Berg

German national and resident, born in 1975

Mr Berg was appointed as member of the Board of Directors on 21 April 2022. He is also member of the Compensation and Nomination Committee. His current term expires at the Annual General Meeting in 2023. Mr Berg has completed his Lic.Oec. and Master in Science at the University of St. Gallen and his Executive MBA in Marketing at the University of Münster (Germany).

Professional experience:
- Since 2022: Managing Director, Solvd GmBH, Allianz SE (Munich, Germany)
- 2018–2022: CEO of Free Now Group (Intelligent Apss GmbH) (Hamburg, Germany)
- 2016–2018: CEO of Klarna GmbH and Sofort GmbH (Munich, Germany)
- 2013–2016: CEO of Otto Group Digital Solutions GmbH (Hamburg, Germany)
- 2009–2012: Director Corporate Strategy of Otto Group (Hamburg, Germany)
- 2006–2009: Director for Marketing, Purchasing and E-Commerce at Marionnaud Parfumeries (Fällanden, Switzerland)
- 2002–2006: Head of Sales and Brand Strategy at Otto GmbH & Co KG (Hamburg, Germany)
- 1999–2000: Product Manager at Advantage Medical Network AG (Zug, Switzerland)

Previous board memberships:
- 2013–2016: Board member at About You SE (Hamburg, Germany)
- 2012–2016: Board member at Ifeelgood Inc. (Redwood City, USA)
- 2012–2016: Board member at Shopping24 GmbH (Hamburg, Germany)

Name	Alex Finn
Nationality	US/UK
Function	Member
First elected	2022
End current period	2023

Alex Finn

US/UK national and UK resident, born in 1961

Mr Finn was appointed as a member of the Board of Directors on 21 April 2022. He is also member of the Audit and Risk Committee. His current term expires at the Annual General Meeting in 2023. Mr Finn has completed his Bachelor of Science in economics and international relations studies at the London School of Economics and Political Science.

Professional experience:
- 2021-2022: High Profile Client Review Partner at PricewaterhouseCoopers (PwC) (London, UK)
- 2010-2021: Partner based in PwC London and Zurich responsible for global services provided to Swiss Re (2010-2017), Zurich Insurance Group (2017–2021), Prudential plc (2011-2015) and the European Insurance CFO Forum. He was also PwC EMEA Insurance Leader from 2014-2020.
- 2001-2010: Partner in London Capital Markets and Accounting Advisory practice at PwC (London, UK)
- 1995-2001: Partner in London insurance practice at PwC (London, UK)
- 1983-1995: Staff member at various grades at PwC General Practice and insurance Practice (London, UK and New York, USA)

Other board memberships and activities:
- Since 2022: Member of the Board of Directors of abrdn Asia Focus plc (London, UK)

Name	Susanne Klöss-Braekler
Nationality	German
Function	Member
First elected	2021
End current period	2023

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 the Chairperson of the Compensation and Nomination Committee. Her current term expires at the Annual General Meeting in 2023. 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 (Dublin, Ireland); 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

Dr Monica Mächler

Name	Dr Monica Mächler
Nationality	Swiss
Function	Member
First elected	2015
End current period	2023

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 2023. 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, Berne, 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 (Berne, Switzerland)
- 1990–2006: Key positions at Zurich Insurance Group (Zurich, Switzerland): Corporate Legal Advisor (1990–1998), Group General Counsel (1999–2006) and member of the Group Management Board (2001–2006)
- 1985–1990: Attorney at Law at De Capitani, Kronauer & Wengle (Zurich, Switzerland)

Other board memberships and activities:
- Since 2021: Member of the Boards of IICIF/IICI, Foundation (The Hague, the Netherlands);
- Since 2021: Public Benefit Corporation (California, USA)
- Since 2019: Member of the International Advisory Council to the China Banking and Insurance Regulatory Commission
- 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, term of office and succession planning

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.

The General Meeting 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.

The internal requirements profile (in addition to FINMA Circular 17/1) further specifies that the Board of Directors should be composed of persons of integrity which, as a whole, possess expertise and experience in relevant areas such as business strategy and risk policy, legal, leadership and organisation, human resources and corporate culture, investment and technology/digitisation. The professional competencies are evidenced by recognised and long-standing professional experience at Executive Board, Group Executive Board or Board of Directors level in medium-sized or larger companies in the relevant areas.

As announced in the media release of 8 December 2022, Dr Felix Weber will not stand for re-election at the forthcoming Annual General Meeting on 21 April 2023. In the search for a successor, which was accompanied by an external advisor, attention was paid in particular to: broad and international experience, thorough understanding of corporate governance, as well as experience in digital transformation. Based on the requirements profile, an initial candidate pool meeting diversity requirements and ensuring a balanced board composition was formed. Various members of the Board of Directors (including the Compensation and Nomination Committee) personally met the shortlisted candidates and reviewed the candidates' profiles and skills/experience. With Franco Morra, the Board of Directors will propose a personality with extensive experience in the management of banks and leading transformation processes for election as Chairman to the Board of Directors at the forthcoming Annual General Meeting on 21 April 2023.

The Compensation and Nomination Committee started to create a pipeline of female candidates to adequately consider gender diversity in a next vacancy.

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 an annual basis. The review concluded that the Board and its committees are functioning effectively and efficiently.

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

In 2022, nine Board of Directors meetings were held. The meetings on average lasted half a day. In addition, several strategy updates have been held during 2022. The attendance of the Board of Directors meetings was 95% in 2022.

Board of Directors meeting dates and corresponding attendance were as follows in 2022:

Date	Dr Felix Weber	Thomas Buess	Dr Jörg Behrens[3]	Marc Berg[3]	Alex Finn[3]	Susanne Klöss-Braekler	Dr Monica Mächler	Martin Blessing[2]	Urs Baumann[2]	Denis Hall[2]
15 February 2022[1]	X	X				X	X	X	X	X
15 March 2022	X	X				X	X	X	E	X
18 May 2022	X	X	X	X	X	X	X			
24 June 2022[1]	X	X	E[4]	X	X	X	X			
20 July 2022[1]	X	X	X	X	X	X	X			
24 August 2022	X	X	X	X	X	X	X			
26 September 2022[1]	X	X	X	X	X	X	X			
28 October 2022	X	X	X	E	X	X	X			
7 December 2022	X	X	X	X	X	X	P			

1 Conference call
2 Elected as Member of the Board of Directors until 21 April 2022
3 Elected as Member of the Board of Directors at the Annual General Meeting on 21 April 2022
4 Due to technical issues
P Partly
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), Dr Behrens and Mr Finn. All members of the Audit and Risk Committee are appointed by the Board of Directors. All members of the Audit and Risk Committee have relevant accounting and financial expertise to carry out their duties in the Audit and Risk Committee effectively.

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 as well as the non-financial reporting 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 on average lasted three hours and are also attended by all members of the Management Board, the Bank's Chief Auditor and the External Auditor. During 2022, seven Audit and Risk Committee meetings were held. The attendance of the members to the Audit and Risk Committee meetings was 100% in 2022.

Please see details in the table below:

Date	Dr Monica Mächler	Dr Jörg Behrens[2]	Alex Finn[2]	Thomas Buess[3]	Denis Hall[4]
14 February 2022[1]	X			X	X
14 March 2022	X			X	X
17 May 2022	X	X	X		
20 July 2022[1]	X	X	X		
23 August 2022	X	X	X		
27 October 2022	X	X	X		
5 December 2022[1]	X	X	X		

1 Conference call
2 Elected as Member of the Board of Directors at the Annual General Meeting on 21 April 2022
3 Changed Role (elected as member of the Compensation and Nomination Committee at Annual General Meeting 21 April 2022)
4 Elected as Member of the Board of Directors until 21 April 2022

Compensation and Nomination Committee
The Compensation and Nomination Committee currently consists of three members of the Board of Directors: Mrs Klöss-Braekler (Chairperson of the Compensation and Nomination Committee), Mr Berg and Mr Buess. 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 99 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 on average lasted one to two hours and are also attended by the Head of Human Resources and the CEO. During 2022, eight Compensation and Nomination Committee meetings were held. The attendance of the members to the Compensation and Nomination Committee was 88% in 2022.

Please see details in the table below:

Date	Susanne Klöss-Braekler	Marc Berg[2]	Thomas Buess[2]	Urs Baumann[3]	Martin Blessing[3]
27 January 2022[1]	X			X	X
14 February 2022[1]	X			X	X
14 March 2022	X			E	X
17 May 2022	X	X	X		
23 August 2022	X	X	X		
27 October 2022	X	E	X		
10 November 2022	X	E	X		
6 December 2022[1]	X	X	X		

1 Conference call
2 Elected as Member of the Compensation and Nomination Committee at the Annual General Meeting on 21 April 2022
3 Elected as Member of the Compensation and Nomination Committee until 21 April 2022

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 and other members who lead significant business units. These members are appointed by the Board of Directors. At 31 December 2022, in addition to the CEO, the Management Board consisted of the CFO, the CRO, the General Counsel, the Chief Operating Officer (COO), the Chief Technology Officer (CTO) and the Chief Sales and Distribution Officer (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 and data privacy and cybersecurity.

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 as well as non-financial 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 date

There were no material changes between the balance sheet date and the editorial deadline.

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.

As part of the Bank's updated strategy, the distribution activities were combined into the new Sales and Distribution department as of 1 January 2022. Peter Schnellmann, has been appointed Chief Sales and Distribution Officer and member of the Management Board as of 1 January 2022. Further, to ensure the focused implementation of the Bank's strategic programmes in the areas of digitisation and technology, the Operations and Technology department has been split into two departments which are now managed separately by Alona Eiduka as Chief Operating Officer (Head of Operation department) and Christian Schmitt as Chief Technology Officer (Head of Technology department).

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 2022, followed by a short description of each member's professional experience, education and activities.

Name	Nationality	Appointed	Position
Holger Laubenthal	DE	2021	Chief Executive Officer (CEO)
Eric Anliker[1]	CH	2022	General Counsel
Alona Eiduka[2]	LV	2022	Chief Operating Officer (COO)
Volker Gloe	DE	2013[3]	Chief Risk Officer (CRO)
Pascal Perritaz	CH	2018	Chief Financial Officer (CFO)
Christian Schmitt[2]	CH	2022	Chief Technology Officer (CTO)
Peter Schnellmann	CH	2022	Chief Sales and Distribution Officer

1 Eric Anliker took over as General Counsel on 1 September 2022 after Emanuel Hofacker stepped down as General Counsel as per end of June 2022
2 Niklaus Mannhart stepped down as COO end of August 2022. Alona Eiduka took over as COO on 1 July 2022 and Christian Schmitt took over as CTO on 1 November 2022 following the separation of the previously combined Operations and Technology departments
3 Appointed in predecessor organisations prior to IPO

Detailed information about Emanuel Hofacker and Niklaus Mannhart can be found in the Corporate Governance Report of the Annual Report 2021 (www.cembra.ch/financialreports).

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 a 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, Byjuno AG, Byjuno Finance AG and Fastcap AG.

Name	Eric Anliker
Nationality	Swiss
Appointed	2022
Position	General Counsel

Eric Anliker

Swiss national and resident, born in 1968

Mr Anliker has been the Bank's General Counsel since September 2022. He holds a Master in Law from the University of Berne.

Professional experience:

- 2018–2022: General Counsel at Ocorian Group (Jersey, UK)
- 2009–2017: Executive Counsel at GE Capital International (London, UK)
- 2005–2008: General Counsel at GE Money CEE/ME (Paris, France)
- 2002–2005: General Counsel at GE Money Bank AG (Zurich, Switzerland)
- 1999–2002: Chief Legal Counsel at Comco Holding (Biel, Switzerland) and Senior Associate at Nägeli & Streichenberg (Berne, Switzerland)
- 1995–1999: Transaction Counsel at UBS AG (Zurich, Switzerland)

Mr Anliker is member of the Board of Directors of the Bank's subsidiary Swissbilling SA and he is also member of the Bank's Pension Fund Board.

Alona Eiduka

Name	Alona Eiduka
Nationality	Latvian
Appointed	2022
Position	Chief Operating Officer (COO)

Latvian national and Swiss resident, born in 1980

Mrs Eiduka has been the Bank's Chief Operating Officer since July 2022. She holds a Bachelor of Humanities in Philology from the University of Latvia and an MBA in Cross-Cultural Leadership from the University of Applied Sciences Northwestern Switzerland and Edinburgh Business School.

Professional experience:
- 2019–2022: Head of Origination at Cembra Money Bank AG (Zurich, Switzerland)
- 2014–2018: Collections Leader at Cembra Money Bank AG (Zurich, Switzerland)
- 2013–2014: Senior Manager Operations Productivity at Cembra Money Bank AG (Zurich, Switzerland)
- 2012–2013: Collections Leader at-interim at GE Money Bank AG Switzerland (Zurich, Switzerland)
- 2007–2012: Various roles at GE Money Bank Latvia (Riga, Latvia)
- 2004–2007: Various roles at Atlas Services Group (Riga, Latvia)

Volker Gloe

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

German national and Swiss resident, born in 1968

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

Professional experience:
- 2007–2013: Chief Risk Officer 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 Chairman of the Board of Managing Directors of the Bank's subsidiaries Swiss Auto Lease 2020-1 GmbH and Swiss Auto Lease 2019-1 GmbH and Vice Chairman of the Board of Managing Directors of Swiss Auto Lease 2016-1 GmbH (in liquidation) and eny Credit GmbH as well as 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).

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

Pascal Perritaz

Swiss national and resident, born in 1972

Mr Perritaz has been Chief Financial Officer 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 Vice Chairman of the Board of Managing Directors of the Bank's subsidiaries Swiss Auto Lease 2020-1 GmbH and Swiss Auto Lease 2019-1 GmbH and Chairman of the Board of Managing Directors of the Bank's subsidiary eny Credit GmbH. He is also member of the Board of Directors of the Bank's subsidiaries Swissbilling SA, Byjuno AG and Byjuno Finance AG as well as member of the Bank's Pension Fund Board.

Name	Christian Schmitt
Nationality	German/Swiss
Appointed	2022
Position	Chief Technology Officer (CTO)

Christian Schmitt

German and Swiss national and resident, born in 1976

Mr Schmitt has been the Bank's Chief Technology Officer since November 2022. He holds an EMBA in General Management with Stockholm School of Economics and a Bachelor in International Business at International Business School Bad Homburg.

Professional experience:
- 2020–2022: Clients and Markets Leader EMEA at UnitedLex (Schindellegi, Switzerland)
- 2008–2020: Director and Partner in various areas at PWC among others Global Relationship Partner for UBS (Zurich, Switzerland)
- 2007: Manager at b&m management (Zurich, Switzerland)
- 2000–2007: Various functions at Accenture (Kronberg im Taunus, Germany)
- 1997–2000: Self Employed Contractor (Bad Homburg, Germany)
- 1995–1997: Apprenticeship and Employee Project Support at Plastic Omnium (Karben, Germany)

Name	Peter Schnellmann
Nationality	Swiss
Appointed	2022
Position	Chief Sales and Distribution Officer

Peter Schnellmann

Swiss national and resident, born in 1973

Mr Schnellmann has been Chief Sales and Distribution Officer since January 2022. He has a Bachelor of Business Administration from the European Business School in Zurich (Switzerland).

Professional experience:
- 2020–2021: Co-Founder and Partner of Buyogo GmbH (Zurich, Switzerland)
- 2018–2019: Member of the Management Board, Distribution Officer at Bank Cler AG (Basel, Switzerland)
- 2018–2019: Member of the Management Board of Basler Kantonalbank Gruppe (Basel, Switzerland)
- 2014–2018: Managing Director, Consumer Banking at Cembra Money Bank AG (Zurich, Switzerland)
- 2009–2014: Head Institutional & Commercial Sales at GE Money Bank AG (Zurich, Switzerland)
- 2005–2009: Sales Leader Direct Sales at GE Capital (later GE Money Bank AG) (Zurich, Switzerland)
- 2003–2005: Project Manager Finance at Holcim Group Central & Eastern Europe (Switzerland)
- 1997–2002: Project Manager at Avantiac AG (Wollerau, Switzerland)
- 1992–1997: Customer advisor at UBS AG (Schwyz, Zug and Berne, Switzerland)

Mr Schnellmann is member of the Board of Directors of the Bank's subsidiaries Fastcap AG, Byjuno AG and Byjuno Finance AG and he is also member of the Bank’s Pension Fund Board. Furthermore he is member of the Observer Board of Peat GmbH (Plantix) (Berlin, Germany), on the Board of the Swiss Payment Association and President of KFS (Consumer Finance Switzerland).

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 2022, and no such contracts are in place as per 31 December 2022.

4.5 Material changes after the balance sheet date

There were no material changes between the balance sheet date and the editorial deadline.

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). For further details please refer to art. 8 of the Articles of Incorporation under: www.cembra.ch/corporategovernance.

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

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

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

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

6.2 Statutory quorums

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

6.3 Convocation of the General Meeting

The statutory rules on the convocation of the General Meeting 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 99.

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 appointment is reviewed annually by the Audit and Risk Committee to determine whether the appointment remains appropriate. 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 1,094,188 for the financial year 2022.

8.3 Additional fees

Expenses related to assurance-related services amounted to CHF 47,250 for the financial year 2022. Apart from these assurance-related services, no other non-audit services were provided.

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 2022, 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 2022. 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 Regulation. 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
Cembra Money Bank AG
Bändliweg 20
8048 Zurich
Switzerland

Investor Relations
E-mail: investor.relations@cembra.ch
Telephone: +41 44 439 85 72

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 the Group and the physical persons acting on their behalf having access to insider information.

Compensation Report

The Compensation Report is written in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations, the Directive on Information relating to Corporate Governance of the SIX Exchange Regulation and the principles of the Swiss Code of Best Practice for Corporate Governance by economiesuisse. The compensation principles take into consideration the rules of FINMA Circular 2010/1 “Remuneration schemes”.

On 1 January 2023, the revised Swiss Company Law entered into force. Among other changes, the Ordinance against Excessive Compensation in Listed Stock Corporations was repealed and, with few changes transferred to the new law. References made in this report relate to applicable law as at reference date, i.e., 31 December 2022.

Letter from the Chairperson of the Compensation and Nomination Committee

Dear Shareholders,

On behalf of the Board of Directors and the Compensation and Nomination Committee ("CNC"), I am pleased to introduce the Compensation Report 2022 of Cembra Money Bank AG (hereafter referred to as "Cembra" or "the Bank"). This report outlines the compensation for Cembra's Board of Directors as well as for the members of the Management Board in 2022. It explains the underlying framework and philosophy, highlights the changes made during the reporting year and provides some outlook going forward.

Cembra's Management Board 2022
As part of the strategic realignment introduced at the end of 2021, to further improve our customers' experience and to strengthen the creation of a modern, future-focused technology landscape, Cembra decided to split the roles of Chief Operating Officer and Chief Technology Officer. Alona Eiduka took over the role of Chief Operating Officer on 1 July 2022. Alona Eiduka has worked at Cembra for ten years in various management positions and is the first woman appointed to the Management Board. Her focus is on operational excellence and customer experience on a day-to-day basis. Christian Schmitt was appointed Chief Technology Officer as of 1 November 2022. In this newly created Management Board function, he is responsible for the technical implementation of the strategy as well as the digitalisation of processes. Further, Eric Anliker was appointed General Counsel as of 1 September 2022.

Compensation structure and disclosure
In the reporting year, the CNC, amongst others, has particulary focused on the following topics:

- Compensation structure of the Management Board
- Long-term incentives including shareholding requirements
- Compensation benchmark analysis for the Management Board and Board of Directors
- Nomination and assessment of candidates for the Management Board and Board of Directors
- Succession planning including gender diversity
- Objectives setting and performance evaluation based on strategic assessment and individual performance

The CNC intensively reviewed the compensation structure for the Management Board with the aim to increase its alignment with shareholders' interests. As from 2023, the weight of the variable compensation in the total compensation of the management board, particularly the long-term element, will increase significantly to further incentivise long-term value creation and to encourage the Management Board to increase their share ownership. A glance of the changes is presented in the Outlook section of this report.

As part of the regular review process, the CNC conducted two benchmark assessments looking at the structure and level of compensation of the Management Board and Board of Directors. For the Management Board a new provider was contracted to allow for the disclosure of the peer group and increased transparency.

With the appointment of the first female Management Board member, the CNC reinforces its strategy to increase the gender diversity in management and in the Board of Directors. With two female Board Members, the chair of the Risk and Audit Committee and the chair of the CNC, the current female representation ratio is 28.6%. The CNC started to create a pipeline of potential female candidates so that at least one woman is presented as candidate to the Board of Directors when a vacancy occurs.

In addition to these enhancements, the CNC has initiated a review of the disclosure approach to increase transparency, readability and focus of this report.

Shareholders' feedback
As in previous years, we greatly appreciated the opportunity to continue our dialogue with investors and stakeholders. At our 2022 Annual General Meeting, the shareholders expressed their support of the 2021 Compensation Report with about 75% of the votes. In line with our general approach of gathering feedback and engaging with our shareholders, the Board of Directors and the CNC took the outcome of this vote seriously and carefully reviewed the continued adequacy of Cembra's compensation framework and disclosure practices. As a result, several changes will be introduced for the new reporting year.

Annual General Meeting 2023
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 2023. Furthermore, we will ask you to vote on the maximum total compensation amount for the Board of Directors for the Annual General Meeting 2023 to Annual General Meeting 2024 term of office and on the maximum total compensation for the Management Board to be paid out in the financial year 2024.

Looking ahead, we encourage and pursue open and regular dialogue with our shareholders and their representatives, as we continue to evolve our remuneration system, with the goal of ensuring continued alignment with the strategy and performance of Cembra and the interests of our shareholders.

On behalf of the Board of Directors and the CNC, I would like to thank you again for your feedback and trust you will find this report informative.

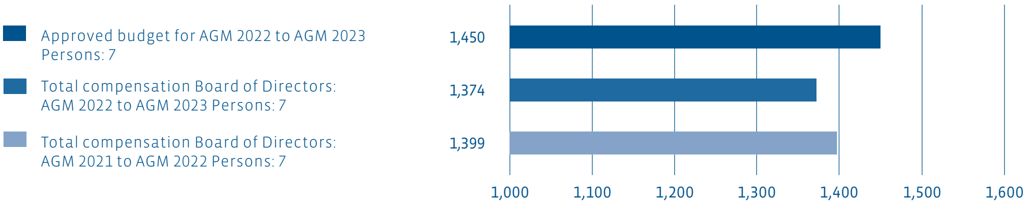
Susanne Klöss-Braekler
Chairperson of the Compensation and Nomination Committee

1 Compensation at a glance

Total compensation awarded to the Board of Directors for the term of office AGM 2022-AGM 2023
Members of the Board of Directors (BoD) only receive a fixed compensation. Two-thirds of the compensation is delivered in cash and one-third of the compensation is delivered in shares subject to a blocking period of five years.

Total compensation Board of Directors

in TCHF	Fees paid in Cash (TCHF) (two-thirds of the annual compensation)	Fees delivered in blocked shares (TCHF) (one-third of the annual compensation)
Chairman of the Board of Directors	327	150
Other Members of the Board of Directors	600	290



Please refer to section 6 for detailed disclosure.

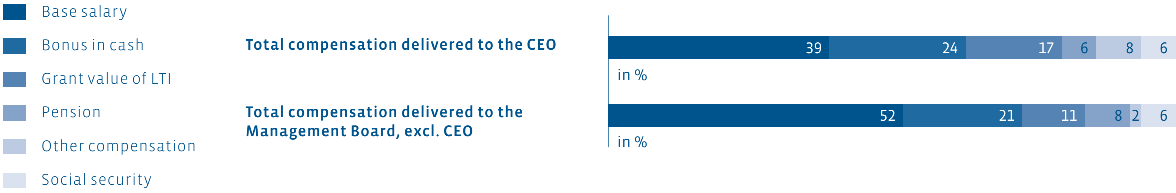
Total compensation delivered to the Management Board for the performance year 2022
The compensation of the Management Board consists of fixed and variable elements. Base salary and benefits form the fixed compensation and are based on prevalent market practice. Variable compensation consists of short-term and long-term elements and rewards performance against pre-determined targets as well as alignment with long-term shareholder interests. As of 31 December 2022, the Management Board was constituted of seven members, including the CEO. Please refer to section 7 for detailed disclosure.

Annual Base Salary Paid in cash	Short-term incentive (STI) Cash bonus paid in Q1 2023	Long-term incentive (LTI) PSU Grant in Q1-2023 and RSU grant in Q3-2022 [1]	Benefits Pension, welfare and allowances paid in 2022
TCHF 2,709	TCHF 1,214	TCHF 723	TCHF 944

Total compensation delivered for the performance year 2022
TCHF 5,590

Maximum aggregate compensation approved by the AGM 2021 for the year 2022
TCHF 6,400

[1] including 1,453 RSUs granted as replacement award to a new Management Board Member hired in 2022



Response to feedback received during the last year

Following the outcome of the vote at the 2022 Annual General Meeting, we engaged in a dialogue with our shareholders to better understand their views. The table below sets out the main concerns raised by shareholders and the actions we have taken to address them.

Concern raised	Our response
Disclosure and transparency: The information is sometimes difficult to find and the writing style unclear	The Compensation Report has been restructured and the style carefully reviewed to ease the reading
Disclosure of the individual name of companies included in the peer group used for Management Board compensation benchmark.	A new provider was contracted for the benchmark analysis performed in 2022 to allow for disclosure of the full peer group (see section 3)
Pay for performance principle: The relatively low portion of variable compensation for the Management Board, in particular of the LTI does not reflect the pay-for performance principle	As from performance year 2023, the payment mix will be shifted significantly to variable pay. Within the variable compensation the weight of the long-term incentive will increase to emphasise the importance of linking our Management Board's compensation with the long-term interests of our shareholders.
Absence of executive share ownership guidelines	Shareholding guidelines will be introduced in 2023 and will be supported by a Share Matching Plan to allow Management Board members to build-up the required level of shareholding in a reasonable time period.

Please refer to the Outlook section on page 123 for further information about the changes in 2023.

2 Compensation Governance

Shareholders' involvement

The shareholders are involved and have decision-making authority on various compensation matters. They annually approve the maximum amounts of compensation for the Board of Directors and for the Management Board in separate votes. We further ask our shareholders annually for their opinion and feedback on our compensation system in general via our consultative vote on the Compensation Report. In addition, the principles of compensation are governed by the Articles of Incorporation, which have been approved by the shareholders. The provision of the Articles of Incorporation on compensation are summarised below and can be found on our website (please refer to www.cembra.ch/governance under "Regulations and principles"):

- **Compensation principles applicable to the Board of Directors** (art. 25c): 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.
- **Compensation principles applicable to the Management Board** (art. 25d, 25h, 25i): The compensation for the Management Board consists of a fixed base salary paid in cash and a variable compensation. Variable compensation may comprise short-term and long-term elements. Compensation may be paid in cash, shares or other benefits.
- **Say-on-pay vote** (art. 11a): The Annual General Meeting annually approves the aggregate maximum amounts of compensation of the Board of Directors for the period until the next ordinary Annual General Meeting and the maximum compensation of the Management Board that is awarded or paid out in the business year following the Annual General Meeting. In addition, the Compensation Report is submitted to a consultative vote.
- **Additional amount for new members of the Management Board** (art. 25e): The additional aggregate compensation per year for all new members of the Management Board appointed after the Annual General Meeting has approved the aggregate maximum compensation shall not exceed 30% of the last aggregate maximum compensation amount approved by the Annual General Meeting.
- **Loans, credits and pension benefits** (art. 25g): The Bank may grant loans, credits, and pension benefits outside the occupational pension scheme to the members of the Board of Directors and the members of the Management Board to an extent that in total does not exceed 50% of the maximum total remuneration last 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.

The Bank also engages in dialogues with shareholders and their representatives on a regular basis to gather outside perspectives.

Compensation and Nomination Committee

According to the Articles of Incorporation and the Organisational Regulations (available at www.cembra.ch/governance under "Regulations and principles"), the Compensation and Nomination Committee (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. At the Annual General Meeting 2022, Ms Susanne Klöss-Braekler (Chairperson), Mr. Thomas Buess, and Mr. Marc Berg were elected members of the CNC. Information on the individual members of the Board of Directors including other external mandates can be found in the Corporate Governance Report on page 76. Re-election is possible.

The functions, responsibilities and powers of the CNC are specified in art. 22a of the Articles of Incorporation and comprise the following elements:

- Nominate and assess candidates for positions to the Board of Directors and assess candidates for positions to the Management Board
- Establish and review the compensation strategy and principles
- Propose to the Board of Directors the maximum aggregate amounts of compensation of the Board of Directors and of the Management Board to be submitted to the shareholders' vote at the Annual General Meeting
- Annually review and make a recommendation to the Board of Directors concerning the structure and amount of the compensation for the members of the Board of Directors, the CEO, and the other members of the Management Board
- Annually review and assess the objectives upon which the compensation of the CEO and the other members of the Management Board is based
- Provide the Board of Directors with a performance assessment of the CEO and of the other members of the Management Board and make a recommendation on the individual compensation level of the CEO and of the other members of the Management Board together with a recommendation on the annual incentive opportunity level and the long-term incentive opportunity level
- Recommend to the Board of Directors any employment agreements and other arrangements or provisions, and special or supplementary benefits for the CEO and the other members of the Management Board

The members of the Board of Directors shall abstain from voting when their own individual compensation is concerned.

Approval and authority levels
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
Maximum aggregate compensation amount of Board of Directors and of Management Board	CNC	Board of Directors	Annual General Meeting (binding vote)
Individual compensation of Chairman and members of the Board of Directors	CNC		Board of Directors
Compensation of Chief Executive Officer	CNC		Board of Directors
Individual compensation of members of the Management Board (excluding CEO)	CEO	CNC	Board of Directors
Consultative vote on the Compensation Report	CNC	Board of Directors	Annual General Meeting (consultative vote)

Generally, meetings of the CNC are attended by the Chairman of the Board of Directors, the CEO and the head of human resources in an advisory capacity as guests. 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 holds meetings at least once every quarter. During 2022, the CNC held four meetings as conference calls and four meetings in person. Five meetings were attended fully by all CNC members and three meetings were attended by two of the three CNC members. The table below presents a high-level overview of the activities performed in each of the meetings:

	Jan	Feb	Mar	May	Aug	Oct	Nov[1]	Dec[1]
Compensation governance, principles and compliance								
Review external stakeholders feedback on Compensation policy and disclosure				—				
CNC charter review					—			
Compensation report review	—	—	—					—
Benchmark analysis review, including peer group, for BoD compensation and MB compensation					—	—	—	
Company Pension Fund update				—				
Board of Directors Compensation								
Determine BoD compensation for next office term for Annual General Meeting vote		—						—
Management Board Compensation								
Executive Variable Compensation Plan - framework assessment				—				
Executive Variable Compensation Plan - framework review						—		
Performance review and bonus approval	—							
Lookback assessment	—							
Set goals and objectives for upcoming year	—	—						
Individual compensation review	—		—					—
Determine maximum aggregated compensation amount for Annual General Meeting vote		—						
EPS target approval for LTI 2022 – 2024			—					
Nomination and succession planning								
Recruitment for new members of the BoD and of the MB[2]	—	—	—	—	—	—		
Review BoD composition					—			
BoD performance assessment								—
Nomination of BoD & CNC Members for next office term		—						—
Election of the CNC Chair			—					
Succession planning review for MB members and their direct reports			—	—	—			

[1] Extraordinary meeting
[2] Ongoing activity

Role of external advisors
The CNC may decide to consult external advisors from time to time for specific compensation matters. In 2022, HCM International Ltd provided a benchmark analysis report on Board of Directors compensation as well as independent advice on compensation matters related to the Management Board. Willis Towers Watson provided a compensation analysis report on Management Board compensation. HCM International Ltd and Willis Towers Watson hold no other mandate with Cembra. In addition, internal compensation experts such as the head of human resources provided support and expertise. Section 3 of this report provides information on how benchmark analysis is used in the process of determination of compensation.

For further governance-related information, see the Corporate Governance Report on page 70.

3 Process of determination of Board of Directors and Management Board Compensation

To assist decision-making on the compensation of the Board of Directors and Management Board, benchmarking studies are carried out periodically. The compensation practices of comparable companies are analysed in order to assess market practices and competitive compensation 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.

The CNC also considers other factors it deems relevant in its judgement such as Cembra's performance, the environment in which Cembra operates, individual performance of the members of the Management Board.

Further details of the benchmarking analyses and the peer groups of companies are provided below.

Benchmarking and peer group

Benchmarking and peer group for Board of Directors Compensation

The CNC regularly reviews the compensation of the Board of Directors as well as the peer group used for benchmarking studies. The most recent benchmarking was conducted in 2022 by the Company's independent advisors of HCM International Ltd, to assess the market competitiveness of the compensation of the members of the Board of Directors in terms of structure and quantum. The peer group consisted of financial institutions listed in Switzerland with comparable governance arrangements to take account of industry specifics that may affect the supervisory mandate of the Board of Directors. The difference in size of the companies in the peer group was normalised through a regression analysis to ensure a congruent comparison. This general approach has remained unchanged since 2015, thereby establishing stability in approach and comparability over the years. The final comparison group consisted of 18 companies (2018: 17 companies):

Peer group for Board of Directors compensation benchmarking purpose

Baloise	Julius Baer	Swiss Re
BB Biotech[1]	Leonteq	UBS
CS Group	Liechtensteinische Landesbank	Valiant
EFG	Partners Group	Vaudoise Assurances
GAM	Swiss Life	Vontobel
Helvetia	Swissquote[1]	Zurich Insurance

1 Newly included in the peer group; Pargesa was excluded following their delisting in 2020

The guiding principles for the fee structure are 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.

Following the review conducted in 2022, the Board of Directors decided to request the shareholders' approval on an adjustment to the basic fees at the Annual General Meeting 2023 while the committee fees shall stay unchanged. Further details are provided in the Outlook section (page 123) and in the invitation to the Annual General Meeting.

Benchmarking and peer group for Management Board Compensation
The compensation of the Management Board is reviewed annually considering among other elements, compensation benchmark information provided by an independent consulting firm. The benchmark analysis is typically performed every two years and generally also includes a review of the applied peer group. Until 2021, the list of the peer group selected for the benchmark analysis could not be disclosed due to non-disclosure and confidentiality agreements that some of the companies had with the independent consulting firm. Some of our shareholders and their proxy advisors perceived this as a lack of transparency, which the Bank was keen to address. In 2022, a new analysis was performed by Willis Towers Watson considering a peer group of 15 companies based in Switzerland and Liechtenstein that are comparable in size and industry sector. The peer group was set so that Cembra is positioned around the market median in terms of revenue, market capitalisation and headcount and comprises the following companies:

Peer group for Management Board compensation benchmarking

Bank for International Settlements	Julius Baer & Co	Refinitiv
Banque Cantonale Vaudoise	Leonteq	SIX Group
BB Biotech	LGT	Swisscard
Cofra Holding	Liechtensteinische Landesbank	Vontobel
IG Group	MasterCard	VP Bank

The total direct compensation on target shall be positioned between the median and the upper quartile of the market benchmark. The benchmark analysis assisted the review of the compensation structure and supported the decision-making on the changes to be implemented in 2023. These changes are outlined in the Outlook section on page 123.

4 Board of Directors Compensation System

Compensation principles of the Board of Directors
To underpin their independence in their supervisory duties, the members of the Board of Directors receive only fixed compensation and no variable elements nor pension benefits. Reasonable cash expenses that occur in the discharge of their duties are reimbursed as incurred. The compensation is delivered partially in cash and partially in blocked shares to strengthen the alignment with shareholders' interests.

The fee structure for the members of the Board of Directors consists of an annual fixed compensation for services on the Board of Directors ("basic fee") and additional fees ("committee fees") for serving on committees of the Board of Directors. The Chairman of the Board of Directors receives only a basic fee and is not compensated for any additional work on committees.

One-third of the compensation is delivered in Cembra Money Bank AG shares blocked for a period of five years during which they cannot be sold, transferred or pledged. Should the Board member not stand for re-election at the Annual General Meeting, the initial blocking period will be lifted, but the shares will remain blocked until the earlier of two years after such date or the regular expiry of the blocking period. In case of death, disability or change of control, the blocking period may be lifted immediately.

Structure of the Board of Directors compensation

In TCHF	Basic fee	Committee / chair fee
Basic fee		
Chairman of the Board of Directors [1]	450	
Member of the Board of Directors	100	
Committee / chair fee		
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 current pay structure (basic and committee fees), pay mix (cash or equity) and levels of compensation have been set up in 2015 and reviewed in a benchmarking study conducted in 2022 by the Company's independent advisors of HCM International Ltd as described in chapter 3 of this report.

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 earlier in this section.

5 Management Board compensation system

Compensation principles of the Management Board

Cembra's compensation programmes are based on the following guiding principles:

Pay for performance
Cembra endorses a performance-oriented approach. Variable compensation of the Management Board is based on the achievements of Cembra's objectives as well as individual performance. Performance objectives reflect both financial as well as non-financial metrics and thereby enable an assessment of the performance of members of the Management Board from both a quantitative as well as a qualitative perspective.

Sound risk management
The compensation framework of the Management Board is designed to further foster the Bank's sound risk management practices. Compliance and governance-related aspects are present in the set of KPIs used to measure performance, further underlining the importance of a balanced risk culture. In order to avoid excessive risk taking, risk metrics and behaviours are included in the performance evaluation, and the variable compensation payouts are capped.

Cembra's business strategy and Cembra's values
The compensation policy supports a culture that rewards excellent performance in delivering Cembra's strategic agenda. The four strategic programmes (Operational excellence, business acceleration, new growth opportunities and cultural transformation) as well as Cembra's core values are embedded in variable compensation elements.

Market competitiveness and internal fairness
Cembra is committed to rewarding employees appropriately and competitively. The compensation is based on the scope of the roles, individual skills and responsibilities. It is not influenced by individual attributes such as gender, race, nationality or religion. In order to attract and retain talented executives, Cembra regularly benchmarks the total compensation for the Bank's management to ensure market competitiveness while maintaining internal equity.

Control functions
Cembra ensures that the remuneration structure and goals for control functions are predominantly linked to the core duties of the functions and that the compensation plans do not create incentives that lead to conflicts of interest. In particular, 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.

Structure of Management Board compensation

The compensation structure of the Management Board (MB) consists of fixed compensation elements (annual base salary as well as pension and other benefits) and variable compensation elements (short-term incentive (STI) and long-term incentive (LTI)), as illustrated below:

	Fixed compensation elements		Variable compensation elements	
Key element	**Annual base salary**	**Pension and other benefits**	**Short-term incentive (STI)**	**Long-term incentive (LTI)**
Vehicle	Cash	Contributions to retirement plans and insurances, perquisites in kind or in cash	Cash	Performance Share Units (PSU)
Purpose	Attract and retain	Protect employees and their dependents against risks	Pay for performance	Alignment with shareholders' interests, participation to the long-term success of the Bank
Drivers	Scope and responsibilities of the role; individual's experience and skills; market competitiveness	Market practice	Business and individual performance over a one-year period	Business performance over a three-year period, share price development
Performance measures	n/a	n/a	Bank financial goals, divisional goals and qualitative goals	Relative Total Shareholder Return (rTSR), Earnings Per Share (EPS)
Performance period	One year	n/a	One year	Three years

Fixed compensation elements
Annual base salary
The annual base salary for members of the MB is paid monthly in twelve equal instalments in cash. Annual base salaries are established based on 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.

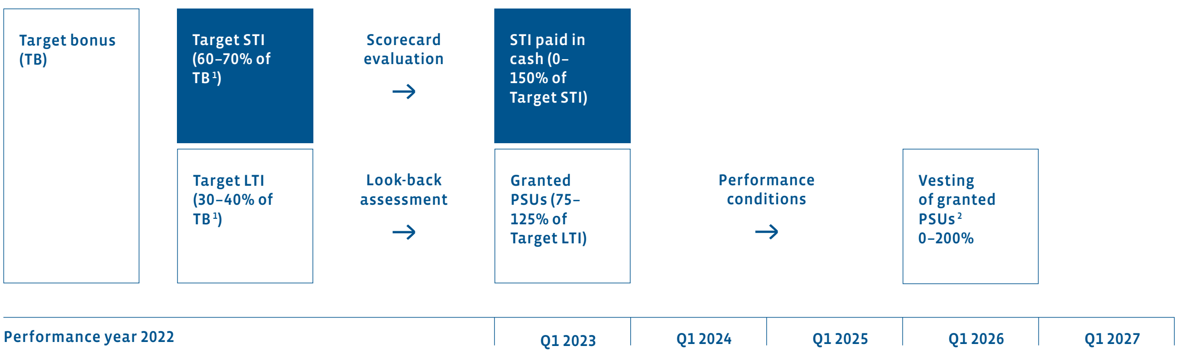
Pension and other benefits
Benefits consist mainly of retirement and insurance plans that are designed to provide a reasonable level of protection for the employees and their dependents in respect to the risk of retirement, disability and death. The members of the MB also participate in regular pension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

Members of the MB 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 7 of this report

Variable compensation elements
The variable compensation of the MB is governed by the Executive Variable Compensation Plan (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. The EVCP is composed of two elements, a STI and a LTI.

Each member of the MB is awarded a so-called individual Target Bonus which amounts to 90% of the annual base salary for the CEO and the CFO, and to between 50% - 60% for the other members of the MB. The individual target bonus is divided in a target STI and a target LTI. The structure of the EVCP is illustrated below:

Executive Variable Compensation Plan mechanism



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

EVCP Target and maximum payout potential
The below table illustrates the target and maximum STI and LTI at grant and at vesting:

	CEO and CFO		Other Management Board Members	
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.

Short-term Incentive (STI) mechanism
The STI is a cash-based variable bonus designed to reward collective company performance and individual performance over a period of one year.

The STI target (i.e. the bonus at 100% target achievement) is expressed as a percentage of the Target Bonus. For the CEO and the CFO, the STI target amounts to 60% of the Target Bonus (54% of the base salary) and for the other Management Board members the STI target amounts to 70% of the Target Bonus (35% to 42% of the base salary).

At the beginning of the year, each Management Board member receives a balanced scorecard containing financial and non-financial goals based on the following four pillars:

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

At the beginning of the year 2022, the CNC assessed the adequacy of the goal framework with the strategic programmes and the cultural transformation. Subsequently, the Board of Directors decided to simplify the goal framework by reducing the number of goals and selected those that are most relevant to determine success for the Management Board as a team. As from and including the year 2022, each MB member's STI balance scorecard is composed of financial goals relative to the Bank (weight: 60%; Control functions: 25%) and non-financial goals (weight: 40%; control functions: 75%) relative to the Bank, divisions and individual performance. Financial goals are of quantitative nature, while non-financial goals are of qualitative or quantitative nature.

The Board of Directors, based on a recommendation by the CNC, sets the STI goals relative to the Bank, divisions and individual performance at the beginning of the year. Each goal is assigned a measurable minimum performance level, under which no payout occurs, a target performance level, leading to a payout of 100%, and a maximum performance level leading to a payout of 125 % to 150% of the target level depending on the nature of the objective. Generally, objectives of qualitative nature have a maximum performance level of 125% while objectives of quantitative nature have a maximum performance level of 150%. The overall payout is capped at 150% of the STI target.

STI goal framework for the performance year 2022

	Alignment to strategic programme	CEO	Chief Financial Officer	Chief Sales & Distribution Officer	Chief Technology Officer	Chief Operating Officer	Chief Risk Officer	General Counsel
1. Financials		**60 %**	**60 %**	**60 %**	**60 %**	**60 %**	**25 %**	**25 %**
Net Income		X	X	X	X	X	X	X
Cost / Income ratio	Operational excellence	X	X	X	X	X		
Net Revenue Growth	Business acceleration	X	X	X	X	X		
Swissbilling / BNPL Growth	Growth opportunity	X	X	X	X	X		
2. Customer and market		**10 %**	**10 %**	**10 %**	**10 %**	**10 %**		
Market share	Business acceleration	X	X	X	X	X		
3. Operational excellence		**20 %**	**20 %**	**20 %**	**20 %**	**20 %**	**65 %**	**65 %**
Roadmap execution	Operational excellence	X		X	X	X	X	X
Service level	Operational excellence					X		
Division effectiveness	Operational excellence		X		X	X	X	X
4. People and leadership		**10 %**	**10 %**	**10 %**	**10 %**	**10 %**	**10 %**	**10 %**
Employee satisfaction and Corporate culture	Cultural transformation	X	X	X	X	X	X	X
				Overall payout range 0 % - 150 %				

Due to the commercial sensitivity of financial and qualitative goals, the internal individual and/or financial targets under the STI are not disclosed ex ante in the Compensation Report. The payout level of the STI bonus paid for the reporting year is disclosed and commented on in section 7 of this report.

Long-term Incentive (LTI) mechanism
The LTI is a Performance Share Unit (PSU) Plan designed to reward long-term company performance and to align Management Board's interests with those of Cembra's shareholders.

The LTI target is expressed as a percentage of the Target Bonus. For the CEO and the CFO the LTI target amounts to 40% of the Target Bonus (36% of the base salary), and for the other Management Board members the LTI target amounts to 30% of the target bonus (15% to 18% of the base salary). In the reporting year, the CNC reviewed the Target Bonus levels to re-balance the overall compensation package of the Management Board towards higher performance-sensitivity in particular for long-term performance. More information can be found in the outlook section of this report.

Grant mechanism
PSUs are granted to the participants as part of the compensation for the previous performance year. At grant, the individual LTI target is subject to an initial hurdle by means of a strategic look-back assessment of the Company's performance by the Board of Directors. The look-back assessment may result in a decrease or an increase of the individual LTI target in a range of 75% to 125% of the LTI target amount and 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 number of PSUs granted is calculated by dividing the actual LTI target amount by the average of the daily volume-weighted average share price during the 60 trading days before the grant date. The value and the number of PSUs granted in the reporting year is disclosed and commented on in section 7 of this report.

Performance measurement and vesting mechanism
The PSUs vest after a period of three years conditionally 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, called Total Return Index (TRI)-Benchmark, over a three-year period; and
- Fully diluted Earnings Per Share (EPS)

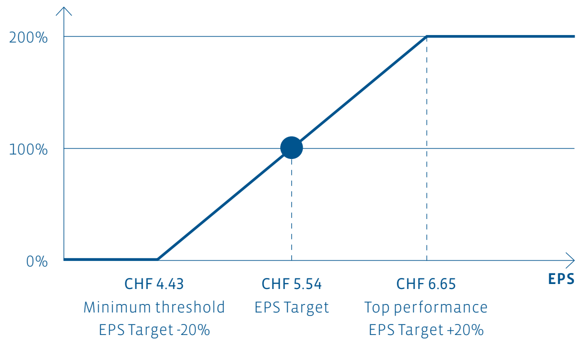
For each performance metric, there is a minimum performance threshold below which no payout occurs, a target performance level, which corresponds to a payout factor of 100% and a maximum threshold of top-performance leading to a payout factor of 200%:

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.

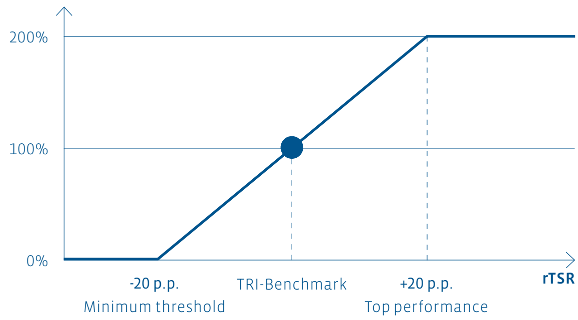
A symmetrical link between realised performance and payout factor above and below the target performance level enables a robust long-term variable compensation system while limiting excessive risk-taking by plan participants.

- 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 interpolation.
- For EPS, the Board of Directors sets an objective three-year target during the annual target setting process, taking into account analysts' views/shareholders' expectations and 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. 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 minimum threshold, the target and the maximum threshold. For the grant in 2022, the EPS target was approved at CHF 5.54 for the performance period 2022 until 2024.

EPS Payout Factor for PSUs granted in 2022



Relative TSR Payout Factor for PSUs granted in 2022



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:

Calculation of the number of shares vested

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

Rules applicable to employment termination

The vesting is subject to the following forfeiture rules in case of employment termination before the end of the vesting period.

Termination reason	Vesting provision	Early vesting	Vesting level
Voluntary resignation	Full forfeiture	n/a	n/a
Termination for cause	Full forfeiture	n/a	n/a
Termination without cause, death, disability	Pro-rata to the number of full months expired	yes	On target
Retirement	Pro-rata to the number of full months expired	no	Based on actual performance

In addition, in case of termination following a change of control, the unvested PSUs are subject to an early vesting at a level determined by the Board of Directors. These rules apply to all plan participants and therefore do not benefit Management Board members in case of a change of control.

Sustainability performance in the STI and the LTI
Sustainability is integrated in the STI goal framework and in the LTI grant decision. Under the STI goal framework, sustainability related goals are included under the People and Leadership pillar. Further, under the 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 sustainability related factors considered in the strategic look-back assessment take into account the definition of sustainability strategy and framework, the achievement of sustainability goals, the 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 LTI grant amount.

Malus and clawback of variable compensation for STI and LTI
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.

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.

Employment contracts of the Management Board

Termination clause, notice period and severance agreements
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 sub-section "Rules applicable to employment termination". For further information refer to the Corporate Governance Report starting on page 70.

Replacement awards
When an individual forfeits outstanding deferred compensation at a former company as a result of joining Cembra's Management Board, the Board of Directors may offer replacement awards on a comparable basis to mirror the value and type of compensation forfeited. The aim is to compensate what is required to match the economic value of the awards forfeited by the individual. Should employment terminates prior to vesting, vesting of awards will be subject to the terms and conditions of the EVCP rules.

In the year under review, one replacement award was granted in Restricted Share Units (RSUs) subject to a three-year cliff vesting. The number of RSUs granted and their fair market value are disclosed in the table presenting the compensation awarded to the Management Board in section 7.

6 Compensation awarded to the Board of Directors in 2022

The following tables disclose the compensation awarded to the members of the Board of Directors for 2022 and 2021. For 2022, members of the Board of Directors received a total compensation of TCHF 1,367 (previous year TCHF 1,400).

For the year ended 31 December 2022 (CHF)

Name	Function	Basic fee	Committee/ chair fee	Employer social security contributions	Total	Thereof in shares in CHF [9]	Number of shares
Dr Felix Weber	Chairman	450,000	–	27,246	477,246	150,059	2,068
Martin Blessing [1]	Vice Chairman, Chair-man CNC	30,495	24,396	– 10,588	44,302	18,298	284
Thomas Buess [2]	Vice Chairman, Member CNC	100,000	52,376	9,574	161,950	50,837	696
Urs Baumann [3]	Member CNC	30,495	9,148	2,625	42,268	13,227	205
Jörg Behrens [4]	Member Audit and Risk Committee	69,505	24,327	2,315	96,147	31,281	407
Marc Berg [5]	Member CNC	69,506	20,852	2,232	92,589	30,160	393
Alex Finn [6]	Member Audit and Risk Committee	64,826	24,312	3,416	92,554	29,733	387
Denis Hall [7]	Member Audit and Risk Committee	28,305	10,673	2,938	41,916	13,011	202
Susanne Klöss-Braekler [8]	Chairperson CNC	100,000	43,901	–	143,901	48,031	658
Dr Monica Mächler	Chairperson Audit and Risk Committee	100,000	65,000	9,343	174,343	55,058	759
Total compensation of the members of the Board of Directors		**1,043,131**	**274,985**	**49,101**	**1,367,217**	**439,693**	**6,060**

1 Vice Chairman and Chairperson CNC until Annual General Meeting 2022
2 Vice Chairman and Member CNC since Annual General Meeting 2022
3 Member CNC until Annual General Meeting 2022
4 Member Audit and Risk Committee since Annual General Meeting 2022
5 Member CNC since Annual General Meeting 2022
6 Member Audit and Risk Committee since Annual General Meeting 2022
7 Member Audit and Risk Committee until Annual General Meeting 2022
8 Chairperson CNC since Annual General Meeting 2022
9 Number of shares reflects shares granted 1 February 2022 for the period 1 January 2022 until Annual General Meeting 2022 and shares granted 1 February 2023 for the period Annual General Meeting 2022 until 31 December 2022. For the grant of 1 February 2022 the share price is CHF 64.45 - volume-weighted average price ("VWAP") 60 trading days before grant date (source: SIX). For the grant of 1 February 2023 the share price is CHF 76.80 - 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 2021 (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**	**–**	**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-man 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.

The compensation disclosed in the Compensation Report always includes the respective calendar year (January to December). However, shareholders approve the compensation to be paid for the period between Annual General Meetings (May to April). The total compensation (including pre-estimated social security contributions) for the period from the Annual General Meeting 2022 to the Annual General Meeting 2023 is disclosed below, including a comparison with the compensation amount approved by the shareholders.

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 2022-AGM 2023	**2023**	**1 Jan 2022 to 2022 AGM** [1]	**1 Jan 2023 to 2023 AGM**	**2022 AGM to 2023 AGM**	**2022 AGM**	**2022 AGM**
Board of Directors (total)	**1,367,217**	**422,085**	**429,067**	**1,374,199**	**1,450,000**	**95 %**
AGM 2021-AGM 2022	2022	1 Jan 2021 to 2021 AGM	1 Jan 2022 to 2022 AGM [1]	2021 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 %**

[1] The difference to the 2021 figures is due to retroactive social security corrections

The total for the period from AGM 2022 to AGM 2023 will amount to TCHF 1,374 and is within the maximum aggregate compensation amount of TCHF 1,450 approved at the Annual General Meeting on 22 April 2022. A conclusive assessment for the entire period will be included in the Compensation Report 2023.

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 2022, please refer to sub-chapter "Loans and credits: Amounts due from members of governing bodies" on page 122 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.

7 Compensation awarded to the Management Board in 2022

In 2022, the members of the Management Board received a compensation of TCHF 5,590 million (2021: TCHF 5,823).

	2022				2021		
For the performance year ended 31 December (CHF)	CEO Holger Laubenthal	Active Management Board	Former Management Board	Total compensation	CEO [7]	Management Board [8]	Total compensation
Base salary	**630,000**	**1,668,541**	**410,417**	**2,708,958**	525,000	2,623,751	3,148,751
Social security	**55,881**	**136,584**	**32,937**	**225,402**	46,603	286,965	333,569
Pension plan	**90,198**	**244,366**	**67,422**	**401,986**	75,165	425,749	500,914
Other compensation [1]	**128,561**	**52,504**	**11,025**	**192,090**	120,442	181,341	301,783
Total fixed compensation	**904,640**	**2,101,995**	**521,801**	**3,528,436**	**767,210**	**3,517,807**	**4,285,016**
STI / EVCP paid in cash [2]	**381,062**	**811,539**	**21,845**	**1,214,446**	238,616	824,688	1,063,303
LTI / EVCP granted in PSUs	**265,797**	**357,031**	**–**	**622,828**	183,110	207,681	390,791
Number of PSUs granted [3]	**3,397**	**4,563**	**–**	**7,960**	2,951	3,347	6,298
Value per PSU [4]	**78.24**	**78.24**	**–**	**78.24**	62.05	62.05	62.05
Social security	**43,857**	**79,229**	**1,481**	**124,567**	24,460	59,877	84,337
Replacement award granted in RSUs	**–**	**100,054**	**–**	**100,054**			
Number of RSUs granted [5]	**–**	**1,453**	**–**	**1,453**			
Value per RSU [6]	**–**	**68.86**	**–**	**68.86**			
Total variable compensation for the performance year	**690,717**	**1,347,852**	**23,326**	**2,061,895**	**446,185**	**1,092,247**	**1,538,432**
Total compensation for the performance year	**1,595,357**	**3,449,847**	**545,127**	**5,590,330**	**1,213,395**	**4,610,053**	**5,823,448**
Number of persons who received compensation		**10**	**4**	**12**			8
Average FTE who received compensation		**6**	**1.25**	**7.32**			7.83

1 Includes benefits for relocated employees such as school fees as well as other benefits such as company cars.
2 Paid out in March 2023, respectively March 2022
3 PSUs granted in 2023 and 2022 for the performance years 2022 and 2021
4 PSUs for 2022: Fair Market Value is based on the risk-adjusted volume-weighted average price ("VWAP") 60 trading days before grant date 1 February 2023 (CHF 76.80 - 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 2022 (CHF 64.45 - source: SIX). Determination through a Monte Carlo simulation algorithm
5 RSUs granted in 2022 as replacement award for a new hire
6 RSUs 2022 : Fair Markte Value is based on the risk-adjusted volume-weigthed average price ("VWAP") 60 trading days before grant date 1 September 2022 (CHF 68.86 - source: SIX)
7 Start date CEO 1 March 2021
8 Includes the former CEO for the full year 2021

The highest total compensation awarded in 2022 was paid to the CEO. For compensation details, please refer to the above table.

Explanatory comments to the compensation table:

- There were 10 members in the Management Board in 2022 who received compensation. Considering the transition in roles, 4 members served on a full-year basis and 6 members served part of the year. This compares to 8 members in 2021, of which 7 served on a full-year basis.
- The fixed compensation decreased by 18% as a result of the changes in the Management Board composition with some of the roles filled on a part-time basis for a transition period.
- Other compensation paid dropped by 36% compared to previous year; this is mainly due to the departure of the former CEO who was receiving some expatriate related benefits.
- The short-term and long-term incentive awards paid for the performance year 2022 are higher than the awards paid in 2021 as a result of the increase of Target Bonus for three MB members and a higher peformance compared to previous year. The increase in Target Bonus was decided in a first step towards rebalancing the level of variable and fix compensation in the total package. The higher performance achievements reflect the good financial results as well as the delivery of the strategy during the first year of transformation. The compensation adjustments are explained below and the outcome of performance assessment is disclosed in the next sections.

Changes to the Management Board compensation in 2022

In the reporing year, the Board of Directors approved compensation increases for three MB members, reflecting market adjustments as well as a first step towards rebalancing the weight of the variable compensation in the total package. Taken together, the three adjustments represent a 1.2% increase on annual base salary and a 1% on the total compensation on target. These changes are reflected in the compensation table presented.

STI Performance

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 109% to 114% for the performance year 2022 for the members of the Management Board including the CEO (previous year 56% to 99%). No malus was applied.
The achievement per goal on average is illustrated in the table below.

	Assessment compared to plan	CEO	Other MB Members[2]	2022 assessment		
				Minimum	Target	Maximum
STI	1. Financials	60 %	25 % – 60 %			
	Net Income	X	X			
	Cost/Income ratio	X	X			
	Net revenue growth	X	X			
	Swissbilling/BNPL growth	X	X			
	2. Customer and market	10 %	0 % – 10 %			
	Market Share	X	X			
	3. Operational excellence	20 %	20 % – 65 %			
	Roadmap execution	X	X			
	Service Level		X			
	Divisional Effectiveness		X			
	4. People and leadership	10 %	10 %			
	Employee Satisfaction and Corporate Culture	X	X			
LTI	Strategic look-back assessment					

LTI Performance
Based on the strategic look-back assessment, the long-term incentive grants for the performance year 2022 have been approved by the Board of Directors at 115% (previous year 100% to 125%). The lookback assessment above target recognises the progress in delivering the strategic objectives and the high engagement of the Management Board as a team. Further, sustainability concerns are integrated in the day-to-day management work and the results are reflected in the latest ESG rating from MSCI who positions Cembra number 1 in consumer finance.

The final value of this grant will be determined by the performance conditions outlined in the sub-chapter Long-term Incentive (LTI) mechanism on page 113 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	50 %	0 %	25 %	382	30,923
EVCP 2020	2021	2021 - 2023	6.71	2024	n/a	n/a	n/a	n/a	n/a
EVCP 2021	2022	2022 - 2024	5.54	2025	n/a	n/a	n/a	n/a	n/a
EVCP 2022	2023	2023 - 2025	n/a	2026	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; EVCP vesting on 1 February 2023 valued with share price of CHF 80.95

8 Compensation awarded to former members of the Board of Directors and to former members of the Management Board

No such compensation was paid to members of the Board of Directors who left the Bank during the reporting period.

During the reporting year, four former members of the Management Board received compensation in line with the execution of their employment agreement. The total compensation awarded amounted to CHF 545,127 and is disclosed in detail in the section 7.

9 Shareholding 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 2022 and 31 December 2021.

Shareholdings of the Board of Directors

At 31 December		**2022**		2021	
Name	Function	**Number of shares**	**Number of blocked shares**	Number of shares	Number of blocked shares
Dr Felix A. Weber	Chairman	**11,713**	**8,603**	9,750	8,238
Thomas Buess	Vice Chairman	**–**	**1,128**	–	411
Jörg Behrens	Member	**2,350**	**–**	–	–
Marc Berg	Member	**–**	**–**	–	–
Alex Finn	Member	**–**	**–**	–	–
Susanne Klöss-Braekler	Member	**–**	**673**	–	–
Dr Monica Mächler	Member	**589**	**2,834**	–	2,569

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

At 31 December		**2022**			2021		
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**	**–**	**2,951**	1,056	–	–
Eric Anliker [1]	General Counsel	**–**	**1,453**	**–**	–	–	–
Alona Eiduka [2]	COO	**88**	**718**	**–**	–	–	–
Volker Gloe	CRO	**1,334**	**–**	**1,971**	1,229	–	1,569
Pascal Perritaz	CFO	**1,284**	**–**	**2,492**	1,250	–	1,354
Peter Schnellmann	Chief Sales and Distribution Officer	**–**	**–**	**–**	–	–	–
Christian Schmitt	CTO	**–**	**–**	**–**	–	–	–

1 RSUs granted as replacement award
2 RSUs granted prior to her appointment as COO

Loans and credits: amounts due from members of governing bodies

At 31 December (CHF in thousands)	**2022**	2021
Amounts due from members of governing bodies	**47**	48

Amounts due from members of governing bodies as of 31 December 2022 are in connection with credit card and lease-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.

10 Outlook

Board of Directors Compensation
Further to the compensation benchmark analysis performed in 2022, the Board of Directors is proposing an adjustment to the basic fee. Subject to shareholders approval, as from the next office term the basic fee will amount to TCHF 120 (currently TCHF 100) for the Members of the Board of Directors and to TCHF 500 (currently TCHF 450) for the Chairman of the Board of Directors. The committee fees and the pay mix will remain unchanged, with one-third of the compensation delivered in company shares blocked for a period of five years and two-third delivered in cash. The Board of Directors will be required to hold a minimum number of company shares for a period of five years. The minimum shareholding threshold will be a 2.5 multiple of the cash component of the compensation for the Chairman of the Board of Directors and a 1.5 multiple of the cash component of the compensation for the Members of the Board of Directors. The minimum shareholding requirements are expected to be reached within five years. The Board of Directors will not receive any matching shares.

With these adjustments, the quantum and structure of the compensation of the Board of Directors will be in line with market practice. The impact on the maximum aggregated compensation amount is outlined in the invitation to the Annual General Meeting 2023.

Management Board Compensation
The CNC reviews the compensation system for the Management Board on a regular basis to ensure alignment with strategic business objectives, the external market and best practice in compensation design as well as our shareholders' expectations. Throughout 2022, the CNC carefully evaluated the current compensation system and individual compensation levels considering the latest compensation benchmark, shareholders and proxy advisors feedback as well as the evolving environment in which the Bank operates. As a result, the Board of Directors approved the following changes to the compensation system for the Management Board as from 2023:

- The compensation mix is adjusted to give more weight to the variable compensation in the total package. The portion of variable compensation on target will correspond to 41% to 52% of the total package (currently 33% to 47%) and the weight of the LTI will increase to 50% of the Target Bonus (currently 30% to 40% of the Target Bonus).
- At the same time, the maximum payout potential under the STI will be capped at 125%.
- The EVCP will include shareholding guidelines requiring the Management Board members to hold a minimum number of company shares. The minimum shareholding threshold will be 250% of the annual base salary for the CEO and 150% of the annual base salary for the other Management Board members. The minimum shareholding requirements are expected to be reached within five years.
- In relation to the shareholding requirements, the shares vested from the LTI plan will be subject to a 5-year blocking period and a Share Matching Plan (SMP) will be implemented. Under this newly created SMP, Management Board members will receive additonal shares ("Matching Shares") upon deferral of a portion of their cash bonus in company shares. The shares allocated from the cash bonus and the Matching Shares will be blocked for five years.

The aim of these changes is to further align Management Board's interest with those of our shareholders and to further the shareholder culture within management. The changes will be explained in detail in the 2023 Compensation Report.

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

Report on the Audit of the Compensation Report

Opinion
We have audited the Compensation Report of Cembra Money Bank AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) contained in sections 6, 7 and 9 of the Compensation Report.

In our opinion, the information on remuneration, loans and advances in the Compensation Report (pages 99 to 123) complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Compensation Report" section of our report. We are independent of the Company 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.

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include sections 3.2, 4.2 and 6 in the Compensation Report, the consolidated financial statements, the financial statements, the sustainability report and our auditor's reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Compensation Report
The Board of Directors is responsible for the preparation of a Compensation Report 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 a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is 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 SA-CH 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 this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Compensation Report, 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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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.

KPMG AG

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

Zurich, March 14, 2023

Your Swiss Bank

Financial Report 2022

Consolidated Financial Statements

Consolidated statements of income

For the years ended 31 December (CHF in thousands)	Notes	2022	2021
Interest income	22	**385,562**	382,701
Interest expense	23	**– 29,390**	– 26,032
Net interest income		**356,172**	**356,668**
Commission and fee income	24	**152,688**	130,350
Net revenues		**508,859**	**487,018**
Provision for losses on financing receivables	**4**	**– 40,934**	**– 40,282**
Compensation and benefits		**– 135,486**	– 132,207
General and administrative expenses	25	**– 121,969**	– 114,048
Total operating expenses		**– 257,456**	**– 246,255**
Income before income taxes		**210,469**	**200,481**
Income tax expense	17	**– 41,168**	– 38,987
Net income		**169,300**	**161,495**
Earnings per share			
Basic	15	**5.77**	5.50
Diluted	15	**5.76**	5.49

See accompanying Notes to the consolidated financial statements

Consolidated statements of comprehensive income

For the years ended 31 December (CHF in thousands)	2022	2021
Net income	**169,300**	161,495
Net prior service cost, net of tax	**– 1,142**	– 924
Actuarial gain / (loss), net of tax	**21,593**	23,139
Unrealised gains / (losses) on investment securities, net of tax	**– 731**	–
Total other comprehensive gain / (loss), net of tax	**19,719**	22,215
Comprehensive income	**189,019**	**183,710**

See accompanying Notes to the consolidated financial statements

Consolidated statements of financial position

At 31 December (CHF in thousands)	Notes	2022	2021
Assets			
Cash and cash equivalents		632,644	544,769
Financing receivables, net	4	6,520,097	6,206,995
Investment securities	5	97,337	–
Property, plant and equipment, net	6	25,268	28,863
thereof operating lease - right-of-use (ROU) assets	6	19,610	23,678
Intangible assets, net	7	77,950	70,127
Goodwill	8	189,521	156,828
Other assets	9	110,472	87,717
Total assets [1]		**7,653,290**	**7,095,299**
Liabilities and equity			
Deposits	10	3,513,116	3,199,397
Accrued expenses and other payables		203,862	167,323
Short-term debt	11	450,000	349,994
Long-term debt	11	2,163,029	2,142,064
Other liabilities	13	23,027	30,567
thereof operating lease - lease liability	6	19,751	23,785
Deferred tax liabilities, net	17	25,855	5,678
Total liabilities [1]		**6,378,889**	**5,895,022**
Common shares		30,000	30,000
Additional paid in capital (APIC)		258,123	257,683
Retained earnings		1,010,017	953,689
Treasury shares		– 36,903	– 34,540
Accumulated other comprehensive income (loss) (AOCI)		13,164	– 6,556
Total shareholders' equity		**1,274,401**	**1,200,276**
Total liabilities and shareholders' equity		**7,653,290**	**7,095,299**

[1] The Group's consolidated assets as at 31 December 2022 and 2021 include total assets of TCHF 302,816 and TCHF 608,949, 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 2022 and 2021 include liabilities of the VIEs of TCHF 251,194 and TCHF 503,181, 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 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
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**
Balance at 1 January 2022	**30,000**	**257,683**	**953,689**	**– 34,540**	**– 6,556**	**1,200,276**
Net income	–	–	**169,300**	–	–	**169,300**
Dividends paid	–	–	– 112,971	–	–	**– 112,971**
Change due to share-based compensation	–	440	–	633	–	**1,073**
Treasury shares	–	–	–	– 2,997	–	**– 2,997**
Movements related to the Group's benefit plan obligation, net of deferred tax of TCHF -4,676	–	–	–	–	20,091	**20,091**
Reclassifications from accumulated other comprehensive loss net of deferred tax of TCHF -64 [1]	–	–	–	–	360	**360**
Unrealised gains / (losses) on available for sale debt securities, net of deferred tax of TCHF 174	–	–	–	–	– 731	**– 731**
Balance at 31 December 2022	**30,000**	**258,123**	**1,010,017**	**– 36,903**	**13,164**	**1,274,401**

[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	2022	2021
Cash flows from operating activities			
Net income		**169,300**	161,495
Adjustments to reconcile net income to cash provided from operating activities:			
Provision for losses on financing receivables		**40,934**	40,282
Deferred income taxes		**12,286**	– 261
Depreciation		**2,553**	2,825
Amortisation of intangible assets		**23,402**	22,220
(Decrease) / Increase in accrued expenses and other payables		**33,197**	– 42,983
Decrease / (Increase) in tax receivables		**– 3,848**	– 3,875
Decrease / (Increase) in other receivables		**– 3,970**	– 193
Decrease / (increase) in other assets		**– 29,343**	321
All other operating activities		**– 1,090**	– 5,221
Net cash provided by operating activities		**243,421**	**174,609**
Cash flows from investing activities			
Net (increase) / decrease in financing receivables	27	**– 306,419**	37,077
Proceeds from sale of loss certificates	4	**–**	8,209
Purchase of investment securities	5	**– 98,473**	–
Additions to intangible assets		**– 11,772**	– 9,968
Investments in subsidiaries and other investments	3	**– 50,638**	–
All other investing activities		**– 4,568**	– 867
Net cash (used for) provided by investing activities		**– 471,870**	**34,450**
Cash flows from financing activities			
Net change in deposits		**313,719**	– 75,223
Issuance of short-term and long-term debt		**470,000**	200,000
Repayments of short-term and long-term debt		**– 372,145**	– 275,216
Dividends paid		**– 112,971**	– 110,181
Purchase of treasury shares		**– 2,997**	– 511
All other financing activities		**2,039**	2,496
Net cash provided by (used for) financing activities		**297,644**	**– 258,635**
Net increase / (decrease) in cash and cash equivalents		**69,195**	**– 49,576**
Cash and cash equivalents, including restricted cash classified in "Other assets"			
Beginning of the period		**581,245**	630,822
thereof restricted cash		**36,476**	31,820
End of period		**650,441**	**581,245**
thereof restricted cash		**17,797**	36,476
Supplemental disclosure			
Interest paid		**– 24,506**	– 23,152
Income taxes paid		**– 34,681**	– 52,043

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 (cancelled as of 17 January 2023), Swiss Auto Lease 2019-1 GmbH, Swiss Auto Lease 2020-1 GmbH, Swissbilling SA, eny Credit GmbH, Fastcap AG, Byjuno AG and Byjuno Finance 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, invoice financing 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.

Capitalised software, stated at cost less accumulated amortisation, includes purchased software and capitalisable application development costs associated with internally developed software. Capitalised software is included in intangible assets, net of accumulated depreciation. Amortisation expense, computed on the straight-line method, is charged to depreciation and amortisation in general and administrative expenses over the estimated useful life of the software, generally five years.

Cloud computing arrangements consist of software as a service (SaaS). Implementation costs related to such hosting arrangements that are service contracts are capitalised and amortised on a straight-line basis over the noncancelable term of the cloud computing arrangement plus any optional renewal periods that are reasonably certain to be exercised or for which exercise of the renewal option is controlled by the cloud service provider. Implementation costs associated with cloud computing arrangements are recorded in "Other assets". Amortisation expense is charged to information technology in general and administrative expenses.

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, homogeneous pools of loans, including mainly credit card receivables, personal loans, auto leases and loans and invoice financing receivables. 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 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 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, commercial auto finance leases and BNPL receivables are written off on the monthly write-off date after the contract reaches 180 days contractually past due. For credit cards, the Group writes off the account on the date the account becomes 180 days contractually past due. Unsecured consumer loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within the defined write-off periods, whichever occurs earlier.

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

Write-offs are deducted from the allowance for losses when the Group judges the principal to be uncollectable and subsequent recoveries are added to the allowance for losses on a written-off account at the time cash is received or when an asset has been repossessed, the estimated remarketing gain may be booked as recovery.

As part of its business activities, the Group periodically sells previously written-off financing receivables to external parties. These transactions are recorded in accordance with ASC Topic 860-20 Sales of Financial Assets.

Provision for losses

Provision for losses on financing receivables is the expense related to maintaining the allowance for losses at an appropriate level to absorb the estimated probable future losses on financing receivables as at each period end date. Factors that could influence the provision for losses on financing receivables include:

- The impact of general economic conditions on consumers, including unemployment levels, bankruptcy trends and interest rate movements;
- Changes in consumer spending and payment behaviours;
- Changes in the Group’s financing receivables portfolio, including the overall mix of accounts, products and loan balances within the portfolio;
- The level and direction of historical and anticipated loan / lease delinquencies and write-offs;
- The credit quality of the financing receivables portfolio, which reflects, among other factors, the Group’s underwriting practices and effectiveness of collection efforts; and
- Regulatory changes or new regulatory guidance.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with the Swiss National Bank or other banks and cash equivalents. Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less. Restricted cash, which is not available for use in the ordinary course of operations and is restricted in terms of withdrawal or usage, is classified in “Other assets”.

Leases

The Group offers leases for both new and used vehicles (primarily cars but also other auto vehicles including light commercial vehicles, motorcycles and caravans) to private and self-employed individuals and small businesses. These lease transactions are considered and accounted for as direct financing leases as they fulfil the relevant criteria set out in ASC Topic 842. Direct financing leases are carried at the aggregate of lease payments receivable plus the guaranteed residual value of the leased object less unearned income.

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

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

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

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

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

Investment securities

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

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

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

Goodwill

Goodwill arises on the acquisition of subsidiaries. It is measured as the excess of the fair value of the consideration transferred, the fair value of any noncontrolling interest in the acquiree and the fair value of any previously held equity interest in the acquired subsidiary, over the net fair values of the identifiable assets acquired less the liabilities assumed at the acquisition date. Goodwill is not amortised, instead it is tested for impairment annually, or if events or changes in circumstances happen which indicate that goodwill may be impaired. Goodwill is allocated to the Group's reporting units for the purposes of the impairment test. The measurement periods for the valuation of assets acquired and liabilities assumed end as soon as information on the facts and circumstances that existed as of the acquisition dates becomes available, but do not exceed 12 months. Adjustments in purchase price allocations may require a change in the amounts allocated to goodwill during the periods in which the adjustments are determined within this 12 month period. Please refer to note 8. 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 7. 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 26. 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 adoption 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 adoption 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 has evaluated the impact of adoption, using the modified retrospective approach, estimating an increase of allowance for credit losses of CHF 67 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.

In October 2021, the FASB issued ASU No. 2021-08, “Business Combinations (Topic 805): Accounting for contract assets and contract liabilities from contracts with customers”. This ASU amends ASC 805 to require that an entity recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606. The amendments improve comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and those not acquired in a business combination. The new guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Group does not expect the adoption of ASU 2021-08 to have a material impact on its financial statements.

3. Business developments

In February 2022, the Group decided to close four branches in Geneva, Sion, Langenthal and Oerlikon as of April 2022, reducing the number of branches to nine (please see note 6. Property, plant and equipment for more details).

In March 2022, the Group fully repaid its fifth securitisation transaction (Swiss Auto Lease 2019-1 GmbH) of TCHF 250,000 at its optional redemption date and in May 2022 issued an A- rated unsecured bond amounting to TCHF 250,000.

In October 2022, the Group repaid CHF 100 million unsecured bond and issued an A- rated unsecured bond amounting to TCHF 220,000.

As announced earlier, on 30 June 2022, the cooperation agreement with Migros for the Cumulus-Mastercard credit card terminated.

On 31 October 2022, the Group acquired 100% of shares of Byjuno AG and its sister company Byjuno Finance AG (hereinafter collectively referred to as "Byjuno"), a major provider of invoice payment solutions in Switzerland, for total consideration of CHF 60 million in cash without any earn-out. The Group intends to combine Byjuno with its subsidiary Swissbilling to create a leading provider of invoice payment solution with the aim to establish compelling solutions for pay-by-invoice services in Switzerland. Financing receivables generated by Swissbilling AG, Byjuno AG and Byjuno Finance AG are reported under buy now pay later ("BNPL"). Byjuno Finance AG has been formerly known as Intrum Finance Services AG.

The Group determined that this acquisition constitutes a business combination as defined by ASC Topic 805, Business Combinations. Accordingly, as of the date of the acquisition, the Group recorded the assets acquired and liabilities assumed at fair value. The Group determined fair values in accordance with the guidance provided in ASC Topic 820, Fair Value Measurements and Disclosures. Fair value was established using a combination of market, income or cost approaches. The determination of fair values involve high degree of judgement and complexity. The estimation of expected future cash flows, market conditions, and other future events and actual results could differ materially.

The following table summarises the preliminary allocation of the Byjuno purchase price, which is based on the estimated fair values of the assets acquired and liabilities assumed on the close date. The fair value of the assets acquired includes receivables from invoice financing, net of provision for losses of CHF 47.6 million. The gross amount due under contracts is CHF 71.4 million, of which CHF 19.8 million is expected to be uncollectible and written off. Transaction costs of CHF 0.8 million were expensed as incurred.

CHF in thousands	
Cash and cash equivalents	**9,362**
Financing receivables, net	**47,619**
Intangible assets, net	**17,911**
Other current and non-current assets, including trade receivables	**2,510**
Total assets aquired	**77,402**
Term debt	**– 21,821**
Trade payables	**– 22,151**
Other current and non-current liabilities, including accrued expenses	**– 2,781**
Deferred tax liabilities, net	**– 3,342**
Total liabilities aquired	**– 50,095**
Net identifiable assets acquired	**27,307**
Goodwill	**32,693**
Purchase price	**60,000**

The allocation of the purchase price was based upon a preliminary valuation, and the estimates and assumptions are subject to refinement within the measurement period (up to one year from the acquisition close date). Adjustments to the purchase price allocation may require adjustments to goodwill prospectively.

The excess of purchase price over the fair value of assets acquired and liabilities assumed was recorded as goodwill. The goodwill associated with the acquisition includes the acquired assembled workforce, and the value arising from future cost efficiencies and other benefits that are expected to be generated by combining Swissbilling and Byjuno. The intangible assets acquired mainly relate to customer relationships. Based on management's preliminary valuation of the fair value of assets acquired and liabilities assumed, preliminary goodwill of CHF 32.7 million was recorded. Goodwill recognised is not expected to be deductible for tax purposes. Refer to note 8. Goodwill for more information.

In addition, the Group paid a nominal value of CHF 22.1 million to settle a third-party liability of Byjuno AG assumed in the acquisition and replaced it with intercompany financing.

Net revenues of CHF 4.2 million and income before tax of CHF 0.9 million were recognised since the acquisition date and included in the consolidated income statement for the reporting period.

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 headwinds, including the 2009 downturn and in the Covid-19 pandemic. In light of the current economic uncertainty, the Group's credit risk strategy continues to be cautious, and assesses the potential impact of various macroeconomic scenarios.

As part of the recent environment, the appropriate resources have been allocated to support collections strategies, while the usage of tools that were introduced at the beginning of the pandemic, such as repayment plans and payment holidays, continues to be monitored regularly. It should be noted that the utilisation of these tools did not change the original contractual payments terms, and therefore the reported figures regarding the over 30 days past due receivables and nonaccrual receivables are not affected.

The environmental reserve, which was recorded on personal loans with the scope to further strengthen the allowance for losses, under the incurred loss concept, in light of Covid-19-related macroeconomic impacts was removed resulting to the reserve release of CHF 2.1 million in the first half of 2022. Allowances for losses will be impacted by the upcoming CECL implementation under US GAAP as of 1 January 2023 (please refer to note 2. Accounting changes for more details).

At 31 December 2022 and 2021, respectively, the Group’s financing receivables included lending to private customers, vehicle lease financing, credit card financing and BNPL products as follows:

At 31 December (CHF in thousands)	2022	2021
Loans	**3,726,282**	3,611,064
Deferred costs, net	**49,796**	42,467
Total loans, including deferred costs, net	**3,776,078**	**3,653,531**
Investment in financing leases, net of deferred income	**2,716,216**	2,574,761
BNPL [1]	**120,176**	66,484
Financing receivables before allowance for losses	**6,612,469**	**6,294,776**
Less allowance for losses [2]	**– 92,371**	– 87,781
Financing receivables, net	**6,520,097**	**6,206,995**

1 BNPL includes Swissbilling SA and Byjuno AG with sister company Byjuno Finance AG (starting 1 November 2022)
2 Includes Covid-19 environmental reserve of TCHF 0 and TCHF 2,089 as at 31 December 2022 and 2021, 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)	2022	2021
Total minimum lease payments receivable	**2,953,212**	2,778,034
Deferred income [1]	**– 236,996**	– 203,274
Investment in direct financing leases	**2,716,216**	**2,574,761**
Less allowance for losses	**– 10,530**	– 10,849
Net investment in direct financing leases	**2,705,686**	**2,563,912**

1 Includes TCHF 26,640 and TCHF 25,721 of initial direct costs on direct financing leases as at 31 December 2022 and 2021, respectively

The subsidiaries held TCHF 285,019 and TCHF 572,473 of net financing receivables as at 31 December 2022 and 2021, respectively, as collateral to secure third-party debt in securitisations. See note 20. Variable interest entities for further details of securitisations.

As at 31 December 2022, the Group's contractual maturities for loans and financing leases were:

Due in (CHF in thousands)	Loans	Minimum lease payments receivable
2023	**90,076**	**329,785**
2024	**212,619**	**406,385**
2025	**346,104**	**641,051**
2026	**494,233**	**858,639**
2027	**682,170**	**657,438**
2028 and thereafter	**1,221,860**	**59,913**
Consumer revolving loans	**679,219**	**–**
Total	**3,726,282**	**2,953,212**

Actual maturities may differ from contractual maturities.

The following table provides further information about financing receivables:

At 31 December (CHF in thousands)	2022	2021
Personal loans	**2,449,184**	2,356,414
Auto leases and loans	**2,988,920**	2,833,437
Credit cards	**1,054,188**	1,038,442
BNPL [1]	**120,176**	66,484
Financing receivables, before allowance for losses	**6,612,469**	**6,294,776**
Allowance for losses [2]	**– 92,371**	– 87,781
Financing receivables, net	**6,520,097**	**6,206,995**

1 BNPL includes Swissbilling SA and Byjuno AG with sister company Byjuno Finance AG (starting 1 November 2022)
2 Includes Covid-19 environmental reserve of TCHF 0 and TCHF 2,089 as at 31 December 2022 and 2021, respectively

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

CHF in thousands	Balance at 1 January 2022	Provision for losses	Amounts written off	Recoveries	Other[2]	Balance at 31 December 2022
Personal loans	64,164	**24,864**	**– 64,323**	**38,106**	**–**	**62,811**
Auto leases and loans	13,482	**3,006**	**– 31,235**	**28,369**	**–**	**13,622**
Credit cards	8,403	**7,308**	**– 17,566**	**11,195**	**–**	**9,340**
BNPL[1]	1,732	**5,743**	**– 6,011**	**1,248**	**3,886**	**6,598**
Total	**87,781**	**40,920**	**– 119,134**	**78,917**	**3,886**	**92,371**
As a % of total financing receivables, net						**1.4 %**

1 BNPL includes Swissbilling SA and Byjuno AG with sister company Byjuno Finance AG (starting 1 November 2022)
2 Other includes opening balances for allowances for losses from Byjuno AG and Byjuno Finance AG as of 1 November 2022

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
BNPL[2]	1,180	1,876	– 1,990	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 BNPL includes Swissbilling SA (classified as Other in 2021)
3 Includes recoveries of TCHF 8,209 from previously written off financing receivables that were sold to a third party

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:

	2022		2021	
	Over 30 days past due	**Over 90 days past due**	Over 30 days past due	Over 90 days past due
Personal loans	**3.4 %**	**1.3 %**	3.1 %	1.3 %
Auto leases and loans	**0.9 %**	**0.1 %**	0.6 %	0.1 %
Credit cards	**1.2 %**	**0.4 %**	1.0 %	0.3 %
BNPL [1]	**8.2 %**	**3.6 %**	–	–
Total [2]	**2.0 %**	**0.7 %**	**1.6 %**	**0.6 %**

1 BNPL includes Swissbilling SA and Byjuno AG with sister company Byjuno Finance AG (starting 1 November 2022)
2 The 2021 total past due rates were excluding Swissbilling SA and the impact on the Group's past due financing receivables was not material

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)	2022	2021
Personal loans	**32,447**	29,361
Auto leases and loans	**2,861**	2,473
Credit cards	**4,304**	3,463
BNPL [1]	**4,323**	–
Total [2]	**43,935**	**35,297**
Non-performing loan coverage [3]	**210 %**	249 %

1 BNPL includes Swissbilling SA and Byjuno AG with sister company Byjuno Finance AG (starting 1 November 2022)
2 In 2021 total non-accrual financing receivable was excluding Swissbilling SA and the impact on the Group's non-accrual financing receivable was not material
3 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 or write-off. 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.

Scorecard monitoring, including parity test, is run on a bi-yearly 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.

	2022				
At 31 December (CHF in thousands)	CR1	CR2	CR3	CR4	CR5
Personal loans	1,054,362	769,455	437,222	124,313	42,467
Auto leases and loans	1,593,291	977,551	346,736	56,644	14,698
Credit cards	767,441	204,635	76,281	5,752	79
Total [1]	**3,415,094**	**1,951,641**	**860,238**	**186,709**	**57,244**
As a % of total financing receivables before allowance for losses [1]	52.8 %	30.2 %	13.3 %	2.9 %	0.9 %

[1] Does not include eny Credit GmbH and BNPL related to Swissbilling SA and Byjuno AG with sister company Byjuno Finance AG (starting 1 November 2022). There is no material impact on the Group's consumer ratings

	2021				
At 31 December (CHF in thousands)	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

5. Investment securities

Investment securities are comprised of debt securities available for sale.

At 31 December (CHF in thousands)	2022	2021
Debt securities available for sale	**97,337**	–
Total investment securities	**97,337**	**–**

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

	2022				2021			
	Amortised cost	**Gross unrealised gains**	**Gross unrealised losses**	**Fair value**	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value
Debt securities issued by Swiss cantons	**30,011**	**–**	**–351**	**29,661**	–	–	–	–
Debt securities issued by Swiss funding institutions	**39,762**	**–**	**–382**	**39,381**	–	–	–	–
Debt securities issued by banks	**9,908**	**–**	**–28**	**9,879**				
Debt securities issued by supranational organisations	**18,561**	**–**	**–145**	**18,416**	–	–	–	–
Debt securities available for sale	**98,242**	**–**	**–905**	**97,337**	**–**	**–**	**–**	**–**

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

	Amortised cost	Fair value
At 31 December (CHF in thousands)	**2022**	**2022**
Within 1 year	**19,845**	**19,777**
From 1 to 5 years	**78,397**	**77,560**
From 5 to 10 years	**–**	**–**
After 10 years	**–**	**–**
Total debt securities	**98,242**	**97,337**

6. Property, plant and equipment

At 31 December (CHF in thousands)	Estimated useful lives (years)	2022	2021
Original cost			
Buildings and improvements	(5-40)	**8,598**	8,486
Office equipment	(3-10)	**19,756**	16,842
Total		**28,354**	**25,328**
Accumulated depreciation			
Buildings and improvements		**– 7,242**	– 6,512
Office equipment		**– 15,455**	– 13,631
Total		**– 22,697**	**– 20,143**
Net carrying value			
Buildings and improvements		**1,356**	1,974
Office equipment		**4,301**	3,211
Total		**5,657**	**5,185**

Depreciation expense was TCHF 2,553 and TCHF 2,825 for the year ended 31 December 2022 and 2021, respectively. The Group did not recognise any impairment losses in both 2022 and 2021.

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

At 31 December (CHF in thousands)	2022	2021
Components of the lease liability		
Operating lease - right-of use (ROU) assets	**19,610**	23,678
Operating lease - lease liability	**19,751**	23,785
Short-term classification	**5,859**	6,445
Long-term classification	**13,892**	17,340
Supplemental information		
Right-of-use (ROU) assets obtained for new lease liabilities	**1,112**	–
Weighted average remaining lease term (in years)	**3.84**	4.32
Weighted average discount rate	**0.19 %**	0.19 %

For the years ended 31 December (CHF in thousands)	**2022**	2021
Components of the lease expense		
Operating lease expense [1]	**6,687**	6,787
Supplemental cash flow information		
Operating cash flows paid for operating leases	**6,553**	6,358
Operating cash flows paid for short-term	**392**	389

[1] Includes impairment loss of TCHF 236 and TCHF 0 on operating leases for the years ended 31 December 2022 and 2021, respectively

At 31 December (CHF in thousands)	2022
Maturities of operating lease liabilities	
2023	**5,888**
2024	**4,610**
2025	**4,798**
2026	**3,785**
2027 and thereafter	**742**
Total lease payments	**19,823**
Less: imputed interest	**– 72**
Total	**19,751**

7. Intangible assets

CHF in thousands	Estimated useful lives (years)	2022	2021
Original cost			
Capitalised software	(1-5)	**114,009**	101,040
Customer relationships	(5 - 5.5)	**64,802**	48,087
Trademarks	(5)	**10,957**	10,957
Total		**189,768**	**160,085**
Accumulated amortisation			
Capitalised software		**– 75,241**	– 64,278
Customer relationships		**– 29,268**	– 20,563
Trademarks		**– 7,309**	– 5,117
Total		**– 111,818**	**– 89,958**
Net carrying value			
Capitalised software		**38,768**	36,762
Customer relationships		**35,535**	27,524
Trademarks		**3,647**	5,840
Total		**77,950**	**70,127**

Amortisation expense related to intangible assets was TCHF 23,402 and TCHF 22,220 for the year ended 31 December 2022 and 2021, respectively. As at 31 December 2022, the Group estimates the annual pre-tax amortisation for intangible assets over the next five years to be as follows:

CHF in thousands	2023	2024	2025	2026	2027 and thereafter
Estimated pre-tax amortisation	**24,919**	**21,815**	**11,158**	**7,114**	**12,944**

8. Goodwill

On 16 February 2017, the Group acquired 100% of the shares of Swissbilling SA, a Swiss invoice financing company with operations mainly in the French-speaking region of Switzerland. On 30 November 2017, the Group acquired 100% of outstanding shares of EFL Autoleasing AG, a Swiss auto leasing company domiciled in Winterthur. On 2 September 2019, the Group acquired 100% of the shares of cashgate AG, a leading consumer finance provider in Switzerland, for total consideration of CHF 277 million. On 31 October 2022, the Group acquired 100% of shares of Byjuno AG and its sister company Byjuno Finance AG, a major provider of invoice payment solutions in Switzerland, for total consideration of CHF 60 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 2022 and follow up procedures performed covering the last quarter 2022, 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 2022. There are no deferred taxes booked related to goodwill.

CHF in thousands	Balance at 1 January 2022	Goodwill acquired during the period	Other	Balance at 31 December 2022
Gross amount of goodwill	156,828	32,693	–	189,521
Accumulated impairment	–	–	–	–
Net book value	**156,828**	**32,693**	**–**	**189,521**

At 31 December (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**

9. Other assets

At 31 December (CHF in thousands)	2022	2021
Restricted cash	**17,797**	36,476
Tax receivables	**38,456**	34,608
Other receivables	**11,749**	7,779
Deferred expenses	**9,357**	7,594
Other	**33,113**	1,260
Total other assets	**110,472**	**87,717**

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 17,797 and TCHF 36,476 of restricted cash related to the consolidated VIEs (see note 20. Variable interest entities) as at 31 December 2022 and 2021, respectively.

The tax receivables at 31 December 2022 consisted of VAT input tax.

Implementation costs associated with cloud computing arrangements recorded as deferred expenses were TCHF 3,268 and TCHF 0 as of 31 December 2022 and 2021, respectively. There was no amortisation recorded for hosting arrangements implementation costs for the years ended 31 December 2022 and 2021, respectively.

Other includes pension plan asset of TCHF 31,698 and TCHF 0 as of 31 December 2022 and 2021, respectively. For more information please refer to note 12. Pension plans.

10. Deposits

The following table shows the maturities of the Group's customers' saving deposits, term deposits and prepaid card balances as at 31 December 2022 and 2021, respectively:

At 31 December (CHF in thousands)	2022	2021
On demand	**166,062**	167,915
Less than 3 months	**1,199,110**	347,803
3 to less than 6 months	**351,406**	172,364
6 to less than 12 months	**425,033**	901,878
12 months plus, thereof	**1,371,505**	1,609,437
due in 2023	**–**	576,872
due in 2024	**486,915**	412,032
due in 2025	**309,022**	263,565
due in 2026	**154,990**	126,978
due in 2027	**259,739**	101,764
due in 2028 and thereafter	**160,840**	128,227
Total	**3,513,116**	**3,199,397**

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 0.77% and 0.37% as at 31 December 2022 and 2021, respectively.

11. Short-term and long-term debt

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

		2022		2,021	
At 31 December (CHF in thousands)	Maturity	**Amount**	**Contractual interest rate [2]**	Amount	Contractual interest rate [2]
Short-term portion					
Non-recourse borrowings (Auto ABS) [1]	2022	–	–	250,000	0.15 %
External debt (unsecured bond)	2022	–	–	99,994	1.25 %
External debt (unsecured bond)	2023	**250,000**	**0.00 %**	–	–
External debt (unsecured bond)	2023	**200,000**	**0.18 %**	–	–
Long-term portion					
External debt (unsecured bond)	2023	–	–	250,000	0.00 %
External debt (unsecured bond)	2023	–	–	200,000	0.18 %
Non-recourse borrowings (Auto ABS) [1]	2024	**250,000**	**0.00 %**	250,000	0.00 %
External debt (unsecured bond)	2024	**200,055**	**0.25 %**	200,095	0.25 %
External debt (perpetual tier 1 capital bond)	2024	**150,000**	**2.50 %**	150,000	2.50 %
External debt (unsecured bond)	2025	**150,295**	**0.38 %**	150,413	0.38 %
External debt (unsecured bond)	2025	**250,000**	**1.18 %**	–	–
External debt (unsecured bond)	2026	**125,114**	**0.88 %**	125,147	0.88 %
External debt (senior convertible bond)	2026	**248,993**	0.00 %	248,709	0.00 %
External debt (unsecured bond)	2026	**200,000**	**0.15 %**	200,000	0.15 %
External debt (unsecured bond)	2027	**220,000**	**3.11 %**	–	–
External debt (unsecured bond)	2028	**175,000**	**0.29 %**	175,000	0.29 %
External debt (unsecured bond)	2028	**200,000**	**0.42 %**	200,000	0.42 %
Debt issuance costs		– 6,429		– 7,301	
Total short-term and long-term debt		**2,613,029**		**2,492,058**	

[1] Related to consolidated VIEs, for further details refer to note 20. 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 2022, the Group had fixed rate funding only.

As per 31 December 2022 and 2021, unamortised debt issuance costs amounted to TCHF 6,429 and TCHF 7,301, respectively. Commitment fees are recognised as incurred over the commitment period.

On 28 January 2022, the Group signed a revolving credit facility with an international bank with a committed term until 2025. The facility consists of a TCHF 100,000 unsecured commitment.

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.

On 4 July 2021, the Group signed a revolving credit facility with a Swiss bank with a committed term until 2024. The facility consists of a TCHF 100,000 unsecured commitment.

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.

As at 31 December 2022 and 2021, the Group maintained TCHF 400,000 of undrawn committed facilities. The weighted average contractual commitment fee for all facilities was 0.23% and 0.24% at 31 December 2022 and 2021, respectively.

On 18 October 2022, the Group issued a TCHF 220,000 senior unsecured bond at 100% with maturity of four and half years and a coupon of 3.1125%.

On 17 May 2022, the Group issued a TCHF 250,000 senior unsecured bond at 100% with maturity of three and half years and a coupon of 1.1833%.

On 21 October 2021, the Group issued a 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 rate of 0.0%. The effective interest rate on the debt component for the period ended 30 June 2022 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 efore 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 122.02. 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%.

The Group has a total outstanding of TCHF 2,470,000 of senior unsecured bonds (including ABS and convertible) and TCHF 150,000 subordinated additional tier 1 bond issued as at 31 December 2022. These bonds have been issued in 2014 (maturing in 2022), 2016 (maturing in 2023), 2017 (maturing in 2024 and 2025), 2018 (maturing in 2026), 2019 (maturing in 2022, 2023, 2026 and 2027), 2020 (maturing in 2024), 2021 (maturing 2028) and 2022 (maturing 2025 and 2027). All debt instruments are repayable in full at maturity or at the earliest possible redemption date.

12. Pension plans

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

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

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

The Group's pension plan participants as at 31 December 2022 and 2021, respectively, were as follows:

At 31 December	**2022**	2021
Active employees	**984**	972
Beneficiaries and pensioners	**166**	162
Total	**1,150**	**1,134**

The cost of the pension plans is presented below:

For the years ended 31 December (CHF in thousands)		2022	2021
Service cost for benefits earned	Compensation and benefits	**8,368**	8,479
Prior service credit amortisation	General and administrative expenses	**–1,416**	–1,413
Expected return on plan assets	General and administrative expenses	**–8,489**	–7,565
Interest cost on benefit obligations	General and administrative expenses	**685**	332
Net actuarial loss amortisation	General and administrative expenses	**1,769**	6,473
Net periodic benefit cost		**917**	**6,306**

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	**2022**	2021
Discount rate	**2.30%**	0.20%
Compensation increases	**2.33%**	1.79%
Expected return on assets	**3.50%**	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 3.5% 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 10,367 to the pension plan in 2023. 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 278,686 and TCHF 335,985 for 31 December 2022 and 2021, respectively. The changes in the projected benefit obligation are presented below:

CHF in thousands	**2022**	2021
Balance at 1 January	**344,557**	**339,575**
Service cost for benefits earned	**8,368**	8,479
Interest cost on benefit obligations	**685**	332
Participant contributions	**6,954**	6,903
Actuarial (gain)/loss, net	**–66,503**	–3,675
Benefits (paid)/received, net	**–11,387**	–7,057
Business combinations	**3,003**	–
Plan change	**–71**	–
Balance at 31 December	**285,606**	**344,557**

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	2022	2021
Balance at 1 January	**341,202**	**304,896**
Actual return on plan assets	**–33,247**	26,075
Employer contributions	**10,529**	10,385
Participant contributions	**6,954**	6,903
Benefits (paid) / received, net	**–11,387**	–7,057
Business combinations	**3,253**	–
Balance at 31 December	**317,304**	**341,202**

The asset allocations are described below:

At 31 December	2022 Target allocation	2022 Actual allocation
Equity securities		
Swiss equity securities	**13 %**	**11 %**
Non-Swiss equity securities	**23 %**	**21 %**
Debt securities		
Swiss bonds	**18 %**	**20 %**
Non-Swiss bonds	**17 %**	**16 %**
Real estate funds	**19 %**	**24 %**
Other investments	**10 %**	**8 %**

The pension fund board sets investment policies and strategies and oversees the investment allocation, which include 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:

	2022			
At 31 December (CHF in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities				
Swiss equity securities	**35,730**	**–**	**–**	**35,730**
Non-Swiss equity securities	**65,276**	**–**	**–**	**65,276**
Debt securities	**–**	**–**	**–**	**–**
Swiss bonds	**62,689**	**–**	**–**	**62,689**
Non-Swiss bonds	**51,749**	**–**	**–**	**51,749**
Real estate funds	**–**	**77,454**	**–**	**77,454**
Other investments [1]	**4,801**	**12,376**	**–**	**17,177**
Total investments	**220,246**	**89,830**	**–**	**310,076**
Other				**7,228**
Total assets				**317,304**

1 Primarily includes infrastructure funds and cash

	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

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

At 31 December (CHF in thousands)	2022	2021
Funded status	**31,698**	– 3,355
Pension asset (liability) recorded in the statement of financial position		
Other asset (liabilities)		
Due after one year	**31,698**	– 3,355
Net amount recognised	**31,698**	**– 3,355**
Amounts recorded in shareholders' equity (unamortised)		
Prior service credit	**– 1,677**	– 3,022
Net actuarial (gain) loss	**– 15,525**	11,011
Net amount recognised	**– 17,202**	**7,989**

In 2023, the Group estimates that it will amortise TCHF 1,000 of prior service credit and TCHF 2,497 of net actuarial gain for the pension plan from shareholders' equity into pension cost.

The estimated future benefit payments are described below:

CHF in thousands	2023	2024	2025	2026	2027	2028-2032
Pension plan	**21,572**	**20,578**	**21,040**	**20,938**	**20,865**	**79,437**

13. Other liabilities

Other liabilities primarily includes deferred compensation related to the Group's jubilee plan amounting to TCHF 3,187 and TCHF 3,427 as at 31 December 2022 and 2021. The jubilee plan is a voluntary benefit provided by the Group to its employees based on their years of service. It also comprises of pension plans funded status of TCHF 0 and TCHF 3,355 as at 31 December 2022 and 2021, respectively.

For detailed information on operating lease - lease liability please refer to note 6. Property, plant and equipment.

14. Capital adequacy

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

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

The total eligible regulatory capital of the Group comprises Tier 1, Common Equity Tier 1 (CET1), additional Tier 1 capital (AT1), Tier 2 (provisions for defaulted risks) 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, operational risk from processes, people, systems and external events and equity participation in the non-consolidated subsidiaries.

As of 31 December 2022, 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 2022" available at www.cembra.ch/financialreports.

At 31 December (CHF in thousands)	2022	2021
Eligible regulatory capital		
Tier 1 capital	1,055,014	1,056,594
of which CET1 capital	905,014	906,594
of which additional Tier 1 capital	150,000	150,000
Tier 2 capital	3,272	–
Total eligible capital	**1,058,287**	**1,056,594**
Risk-weighted assets		
Credit risk	5,022,582	4,821,675
Non counterparty risk	39,797	39,289
Market risk	346	1,385
Operational risk	715,084	737,719
Amounts below the thresholds for deduction (risk-weighted with 250 %)[1]	160,000	–
Total risk-weighted assets	**5,937,808**	**5,600,068**
Capital ratios		
CET1 ratio	15.2 %	16.2 %
Tier 1 ratio	17.8 %	18.9 %
Total capital ratio	**17.8 %**	**18.9 %**

[1] Related to the equity participation in the non-consolidated subsidiaries

15. Earnings per share and additional share information

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

The components of basic and dilutive EPS are as follows:

For the years ended 31 December (CHF in thousands)	2022	2021
Net income attributable to shareholders for basic earnings per share (CHF in thousands)	**169,300**	161,495
Net income attributable to shareholders for diluted earnings per share (CHF in thousands)	**169,300**	161,495
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	**647,864**	621,475
Weighted-average numbers of common shares outstanding for basic earnings per share	**29,352,136**	**29,378,525**
Dilution effect number of shares	**20,942**	16,219
Weighted-average numbers of common shares outstanding for diluted earnings per share	**29,373,078**	**29,394,745**
Basic earnings per share (in CHF)	**5.77**	**5.50**
Diluted earnings per share (in CHF)	**5.76**	**5.49**

The amount of common shares outstanding has changed as follows:

	2022	2021
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	**613,931**	**629,535**
Share-based compensation	**–7,174**	–20,604
Purchase	**50,000**	5,000
Balance at end of period	**656,757**	**613,931**
Common shares outstanding	**29,343,243**	**29,386,069**

16. Revenue recognition

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

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

Nature of services

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

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

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

Disaggregation of revenues

For the years ended 31 December (CHF in thousands)	2022	2021
Insurance	**23,448**	22,971
Credit cards	**94,765**	80,429
Total	**118,213**	**103,400**

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

17. Income tax expense

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

For the years ended 31 December (CHF in thousands)	2022	2021
Current tax expense	**28,882**	39,248
Deferred tax expense / (benefit) from temporary differences	**12,286**	– 261
Income tax expense	**41,168**	**38,987**

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 20% and 19% for the years ended 31 December 2022 and 2021, respectively.

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

At 31 December (CHF in thousands)	2022	2021
Assets		
Pension plans	–	532
Operating lease - lease liability	**3,792**	4,567
Loss carried forward	**231**	95
Other	**612**	658
Total deferred tax assets	**4,635**	**5,852**
Liabilities		
Deferred loan origination fees and costs	**– 465**	– 720
Intangibles	**– 7,272**	– 6,264
Pension plans	**– 6,101**	–
Operating lease - right-of-use assets	**– 3,765**	– 4,546
CECL adoption in individual financial statements	**– 12,887**	–
Total deferred tax liabilities	**– 30,490**	**– 11,530**
Net deferred tax assets / (liabilities)	**– 25,855**	**– 5,678**

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

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

18. Commitments and guarantees

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

Swiss banking law and the deposit insurance system require Swiss banks and securities dealers to jointly guarantee an amount of up to CHF 6 billion for privileged client deposits in the event that a Swiss bank or securities dealer becomes insolvent. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate, the Group's share in the deposit insurance guarantee programme was TCHF 6,208 and TCHF 6,388 as at 31 December 2022 and 2021, respectively. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 31 December 2022, 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 2022 amounts to TCHF 24,553 and management assesses that the probability of payout is remote.

Byjuno Finance AG issues payment guarantees towards merchants for cases in which the customers will not meet their financial obligations towards them, through a variety of payment guarantee products. These payment guarantees cover the off-balance sheet exposure that represents the outstanding balance to the merchants prior to the guarantee execution timeline (on-balance sheet exposure). The commitment is irrevocable, the exposure as at 31 December 2022 amounts to TCHF 7,486 and management assesses that the probability of payout is remote.

For details on rental commitments under non-cancellable operating leases refer to note 6. Property, plant and equipment.

19. Financial instruments

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

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

	2022		2021	
At 31 December (CHF in thousands)	**Carrying amount net**	**Estimated fair value**	Carrying amount net	Estimated fair value
Assets				
Loans	**3,700,834**	**3,772,825**	3,578,038	3,656,409
Liabilities				
Deposits	**–3,513,116**	**–3,505,529**	–3,199,397	–3,228,807
Borrowings	**–2,613,029**	**–2,263,663**	–2,492,058	–2,259,965

Fair values are estimated as follows:

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

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

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

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

20. Variable interest entities

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

The Group completed six securitisations, all through consolidated VIEs, to obtain funding backed by its auto lease receivables. Four transactions of TCHF 200,000 each, issued between March 2012 and June 2016 were all fully repaid at their optional redemption dates. In March 2019, the Group launched its fifth securitisation transaction (Swiss Auto Lease 2019-1 GmbH) and issued fixed-rate senior notes of TCHF 250,000 with a coupon of 0.15% per annum and an optional redemption date of three years from the date of issuance. In March 2022 the fifth securitisation transaction was fully repaid at its optional redemption date. 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)	2022	2021
Assets		
Financing receivables, net	**285,019**	572,473
Financing leases	**270,411**	542,504
Loans	**14,608**	29,969
Other assets	**17,797**	36,476
Total assets	**302,816**	**608,949**
Liabilities		
Accrued expenses and other payables	**1,558**	3,878
Non-recourse borrowings	**249,664**	499,303
Total liabilities	**251,223**	**503,181**

Revenues from the consolidated VIEs amounted to TCHF 15,546 and TCHF 30,638 for the years ended 31 December 2022 and 2021, respectively. Related expenses consisted primarily of provisions for losses of TCHF 552 and TCHF 1,942 , general and administrative expenses releated to porftolio service costs of TCHF 1,253 and TCHF 1,714 and interest expense of TCHF 272 and TCHF 1,099 for the years ended 31 December 2022 and 2021, respectively. These amounts did not include intercompany revenues and costs, principally fees and interest between the Bank and the VIEs, which are eliminated for consolidation purposes.

21. Related-party transactions

The Group had no related-party transactions in 2022 and 2021 outside the normal course of business.

22. Interest income

The details of interest income are shown below:

For the years ended 31 December (CHF in thousands)	2022	2021
Personal loans	**163,079**	169,359
Auto leases and loans	**133,086**	130,106
Credit cards	**89,050**	84,484
Other	**346**	– 1,249
Total	**385,562**	**382,701**

23. Interest expense

The details of interest expense are shown below:

For the years ended 31 December (CHF in thousands)	2022	2021
Interest expense on ABS	**613**	1,328
Interest expense on deposits	**13,718**	12,736
Interest expense on debt	**15,059**	11,968
Total	**29,390**	**26,032**

24. Commission and fee income

The details of commission and fee income are shown below:

For the years ended 31 December (CHF in thousands)	2022	2021
Insurance	**23,448**	22,971
Credit cards	**94,765**	80,429
Loans and leases	**14,975**	14,603
BNPL and other [1]	**19,500**	12,347
Total	**152,688**	**130,350**

1 Primarily includes BNPL fee income related to Swissbilling SA and Byjuno AG with sister company Byjuno Finance AG (starting 1 November 2022)

25. General and administrative expenses

The details of general and administrative expenses are shown below:

For the years ended 31 December (CHF in thousands)	2022	2021
Professional services	**21,960**	17,763
Marketing [1]	**15,725**	8,134
Collection fees	**10,748**	10,517
Postage and stationery	**15,035**	10,826
Rental expense under operating leases	**6,687**	6,787
Information technology	**43,936**	41,449
Depreciation and amortisation	**25,956**	25,045
Other	**– 18,078**	– 6,472
Total	**121,969**	**114,048**

1 Marketing includes advertising costs, which are expensed as incurred

26. Share-based compensation

The Group had two share-based compensation plans in 2022.

The one-time Long-Term Incentive Plan was set up for employees below the Management Board. Under the one-time long-term incentive plan, employees invited to participate received a fixed number of RSUs free of charge. The RSUs were granted on 29 April 2022 and shall vest on 30 April 2025 (the vesting date) provided that neither termination of employment nor any forfeiture events have occurred in relation to the participant on or before the vesting date. On the vesting date, vested RSUs shall automatically convert into company shares that shall be assigned to the participant with all right attached to them as per the vesting date.

The total number of Restricted Share Units (RSUs) granted under this plan was 18,743 based on a share price of CHF 69.65 at the grant date. The fair value used was calculated as the closing price before the grant date. RSUs issued under this plan will be settled out of shares acquired by the Group for such purpose.

The following table summarises RSUs outstanding as at 31 December 2022 and 2021, respectively:

	2022		2021	
	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
Granted [1]	**20,196**	**1,411,126**	–	–
Vested	–	–	– 3,038	– 248,121
Forfeited	**– 1,364**	**– 95,412**	–	–
RSUs outstanding at 31 December	**18,832**	**1,315,714**	–	–
RSUs expected to vest	**18,832**	**1,315,714**	**–**	**–**

[1] In 2022, the Group granted 1,453 RSUs as replacement award at the grant date 1 September 2022 with a share price of CHF 68.86 (for further details on the replacement award, please refer to the Compensation Report on page 99)

The total recognised compensation cost was TCHF 285 and TCHF 48 for the years ended 31 December 2022 and 2021, respectively. The remaining unrecognised cost of TCHF 1,048 as of 31 December 2022 is expected to be recognised over a weighted-average period of 28 months.

The Executive Variable Compensation Plan (EVCP) was set up for the senior management team in 2013. 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 99 of the Annual Report 2022.

	2022		2021	
	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	**7,005**	**701,452**	15,545	1,472,385
Granted	**5,620**	**356,027**	3,738	392,681
Vested	**– 1,728**	**– 138,758**	– 11,215	– 1,049,146
Forfeited	**– 2,512**	**– 260,326**	– 1,063	– 114,468
PSUs outstanding at 31 December	**8,385**	**658,394**	7,005	701,452
PSUs expected to vest	**9,517**	**625,771**	**870**	**84,169**

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 63.35 and CHF 105.05 at the grant date of 1 February 2022 and 2021, respectively, and one PSU was equal to one ordinary share of the Bank.

At 31 December 2022, the weighted-average conversion ratio of one PSU was 114% based on performance conditions. The total recognised compensation cost was TCHF 185 and TCHF 46 for the years ended 31 December 2022 and 2021, respectively. The remaining unrecognised cost of TCHF 403 as of 31 December 2022 is expected to be recognised over a weighted-average period of 25 months.

27. Supplemental cash flow information

Certain supplemental information related to cash flows is shown below:

For the years ended 31 December (CHF in thousands)	**2022**	2021
Increase in loans to customers	**– 2,054,565**	– 1,804,323
Principal collections from customers – loans	**1,922,801**	1,923,025
Investment in equipment for financing leases	**– 1,531,582**	– 1,334,049
Principal collections from customers – financing leases	**1,386,009**	1,326,196
Net change in credit card and BNPL receivables	**– 29,083**	– 73,771
Net change in financing receivables	**– 306,419**	**37,077**

28. Off-balance sheet arrangements

At 31 December 2022 and 2021, 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)	**2022**	2021
Ordinary course of business lending commitments	**208,616**	183,552
Unused revolving loan facilities	**59,019**	66,031
Unused credit card facilities	**3,716,958**	3,748,298

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.

29. Subsequent events

The Group has evaluated subsequent events from the financial statements date through 22 February 2023, the date at which the financial statements were available to be issued. There were no subsequent events at that date.

30. Significant differences between US GAAP and statutory accounting rules for banks

The Group's consolidated financial statements have been prepared in accordance with US GAAP.

FINMA requires Swiss-domiciled banks which present their financial statements under either US GAAP or International Financial Reporting Standards (IFRS) to provide a narrative explanation of the material differences between accounting rules for banks and its primary accounting standard. The principal provisions of the Swiss Act on Banks and Savings Banks (Banking Act), Swiss Ordinance on Banks and Savings Banks (Banking Ordinance), the Swiss Financial Market Supervisory Authority's Accounting Ordinance (FINMA Accounting Ordinance) and the FINMA circular 2020/1, "Accounting – Banks", governing the accounting rules for banks ("Swiss GAAP") differ in certain aspects from US GAAP. For details on the Group's accounting policies please refer to "Note 1. Basis of presentation and summary of significant accounting policies". The following are the material differences:

Allowances and provisions for credit losses
Starting 1 January 2023, under US GAAP, allowances and provisions for credit losses on financial instruments will be estimated based on the CECL methodology. The credit loss requirements apply to financial assets measured at amortised cost as well as off-balance sheet credit exposures, such as irrevocable loan commitments, credit guarantees and similar instruments. The credit loss requirements are based on a forward-looking, lifetime CECL model by incorporating historical experience, current conditions and reasonable and supportable forecasts of future economic conditions available as of the reporting date. Under Swiss GAAP, the same impairment model and methodology will be applied as under US GAAP. The Bank, under Swiss GAAP, has adopted the CECL methodology as of 31 December 2022. Please refer to "Note 2. Accounting and valuation principles", "Note 4. Methods used for identifying default risks and determining the need for value adjustments" and "Note 7.7 Value adjustments and provisions" for additional information and the impact of CECL adoption on our individual financial statements.

Goodwill amortisation
Under US GAAP, goodwill is not amortised but must be tested for impairment annually or more frequently if an event or change in circumstances indicates that the goodwill may be impaired. Under Swiss GAAP, goodwill is amortised over its useful life, generally not exceeding five years, except for justified cases where a maximum useful life of up to ten years is acceptable. In addition, goodwill is tested at least annually for impairment.

Share based payments
The Swiss accounting rules for banks allow the same accounting treatment for share-based payments as US GAAP with the following exceptions: The expenses for share-based payments are recognised in the income statement with a corresponding entry in accrued expenses and deferred income, instead of additional paid in capital in equity.

Operating leases for lessee
Under US GAAP, at commencement of an operating lease, the lessee recognises a lease liability for future lease payments and a right-of-use asset which reflects the future benefits from the lease contract. The initial lease liability equals the present value of the future lease payments; amounts paid upfront are not included. The right-of-use asset equals the sum of the initial lease liability, initial direct costs and prepaid lease payments, with lease incentives received deducted. Operating lease costs, which include amortisation and an interest component, are recognised over the remaining lease term on a straight-line basis. If the reporting entity permanently vacates premises and sub-leases a leased asset to another party at a loss, an impairment is recognised on the right-of-use asset. The impairment is determined as the difference between the carrying value of the right-of-use asset and the present value of the expected sub-lease income over the sub-lease term. Under Swiss GAAP, at commencement of an operating lease, no right-of-use assets and lease liabilities are recognised on the balance sheet of the lessee. For the calculation of the periodic lease expenses, initial direct costs, lease incentives and prepaid lease payments are considered, and the total cost of a lease contract is expensed on a straight-line basis over the lease term.

Available-for-sale debt securities
Under US GAAP, available-for-sale debt securities are valued at fair value. Unrealised gains and losses due to fluctuations in fair value (including foreign exchange) are not recorded in the consolidated statements of operations but included net of tax in AOCI, which is part of total shareholders' equity. Credit-related impairments may have to be recognised in the consolidated statements of operations if the fair value of an individual debt security decreases below its amortised cost basis due to credit-related factors. Under Swiss GAAP, available-for-sale securities are accounted for at the lower of amortised cost or market with valuation reductions and recoveries due to market fluctuations recorded in other ordinary expenses and income, respectively. Foreign exchange gains and losses are recognised in net income/(loss) from trading activities and fair value option.

Deferred taxes
The Swiss accounting rules for banks generally do not recognize deferred tax in reliable assessment statutory financial statements. The Bank does not recognize any deferred taxes for its individual financial statement in accordance with the Swiss accounting rules for banks.

Debt issuance costs
Under US GAAP, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt. Under Swiss GAAP, debt issuance costs are reported as a balance sheet asset in accrued income and prepaid expenses.

Loan origination fees and costs
US GAAP requires the deferral of fees received upfront and direct costs incurred in connection with the origination of loans not held under the fair value option. Under Swiss GAAP, only upfront payments or fees that are considered interest-related components are deferred (e.g., premiums and discounts). Loan origination costs are deferred and reported under accrued income and prepaid expenses. Fees received from the borrower are deferred and reported under accrued expenses and deferred income.

Extraordinary income and expenses
Unlike US GAAP, Swiss GAAP does report certain expenses or revenues as extraordinary if the recorded income or expense is non-operating and non-recurring.

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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements (pages 127 to 172) present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, 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 Standards on Auditing (SA-CH). 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

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, 2022 gross financing receivables (smaller-balance, homogenous loans, including primarily credit card receivables, personal loans as well as auto leases and loans) amount to CHF 6,612.5 million (representing 86.4% of total assets). At the same time, the Group has recorded an allowance for losses on financing receivables of CHF 92.4 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 behavior, 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 behavior, 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)

Board of Directors’ Responsibilities 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 as the Board of Directors determines is necessary to enable 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and 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 or economic decisions made by a reasonable user based on these consolidated financial statements.

In performing an audit in accordance with GAAS, Swiss law, and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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 the Group’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 consolidated 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.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

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 consolidated 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 compensation report, the sustainability report, and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated 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 PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

KPMG AG

Ertugrul Tüfekçi
Licensed Audit Expert
Auditor in Charge

Malea Bourquin
Licensed Audit Expert

Zurich, February 22, 2023

Individual Financial Statements

Balance sheet

At 31 December (CHF in thousands)	Notes	2022	2021
Assets			
Liquid assets		**608,780**	523,570
Amounts due from banks		**3,172**	5,296
Amounts due from customers	7.1	**6,103,750**	5,649,646
Financial investments	7.2	**97,584**	208
Accrued income and prepaid expenses		**93,161**	81,126
Participations		**64,590**	4,620
Tangible fixed assets		**39,549**	39,080
Intangible assets	7.3	**96,948**	131,753
Other assets	7.4	**34,553**	21,729
Total assets		**7,142,088**	**6,457,028**
Total subordinated claims		**71,737**	99,101
Liabilities			
Amounts due to banks		**265,000**	10,000
Amounts due in respect of customer deposits		**1,409,110**	1,261,240
Cash bonds		**1,860,197**	1,945,982
Bond issues and central mortgage institution loans		**2,369,458**	1,999,358
Accrued expenses and deferred income		**67,982**	59,577
Other liabilities	7.4	**48,061**	23,986
Provisions	7.7	**4,697**	5,962
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		**1,026,916**	988,916
Own shares	7.12	**–36,903**	–34,540
Profit carried forward		**404**	36
Profit (result of the period)		**81,996**	151,339
Total liabilities		**7,142,088**	**6,457,028**
Total subordinated liabilities		**150,000**	150,000
Off-balance sheet arrangements			
Contingent liabilities	7.1	**24,553**	33,789
Irrevocable commitments	7.1	**214,824**	189,940

Income statement

For the years ended 31 December (CHF in thousands)	Notes	2022	2021
Result from interest operations			
Interest and discount income	8.1	**427,413**	418,028
Interest and dividend income from financial investments		**640**	839
Interest expense	8.1	**– 28,901**	– 24,933
Gross result from interest operations		**399,152**	**393,934**
Changes in value adjustments for default risks and losses from interest operations		**– 92,802**	– 35,007
Subtotal net result from interest operations		**306,350**	**358,927**
Result from commission business and services			
Commission income from other services		**171,963**	149,695
Commission expense		**– 90,285**	– 78,954
Subtotal result from commission business and services		**81,678**	**70,741**
Other result from ordinary activities			
Income from participations		**334**	23,500
Other ordinary income		**– 343**	432
Subtotal other result from ordinary activities		**– 9**	**23,932**
Operating expenses			
Personnel expenses	8.2	**– 140,464**	– 132,517
General and administrative expenses	8.3	**– 89,486**	– 83,697
Subtotal operating expenses		**– 229,950**	**– 216,213**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		**– 48,537**	– 52,787
Changes to provisions and other value adjustments, and losses		**1,428**	– 1,081
Operating result		**110,961**	**183,519**
Extraordinary income	8.4	**1,226**	8,610
Taxes	8.5	**– 30,190**	– 40,790
Profit (result of the period)		**81,996**	**151,339**

Appropriation of profit

For the years ended 31 December (CHF in thousands)	2022	2021
Profit	**81,996**	151,339
Profit carried forward	**404**	36
Reclassification from voluntary retained earnings reserves	**34,000**	–
Distributable profit	**116,400**	**151,375**
Appropriation of profit		
Allocations to voluntary retained earnings reserves	**–**	– 38,000
Dividends declared	**– 115,906**	– 113,136
of which distributed from voluntary retained earnings reserves	**– 33,506**	–
New profit carried forward	**494**	**239**

Statement of changes in equity

CHF in thousands	Bank's capital	Statutory capital reserves	Statutory retained earnings reserves	Voluntary retained earnings reserves and profit carried forward	Own Shares	Result of the period	**Total**
Equity at 1 January 2022	**30,000**	**171**	**15,000**	**988,952**	**–34,540**	**151,339**	**1,150,922**
Appropriation of profit 2021							
Allocation to legal reserves	–	–	–	–	–	–	**–**
Allocation to voluntary reserves	–	–	–	150,971	–	–150,971	**–**
Dividends	–	–	–	–112,971	–	–	**–112,971**
Net change in profit carried forward	–	–	–	368	–	–368	**–**
Change of own shares	–	–	–	–	–2,364	–	**–2,364**
Other	–	–	–	–	–	–	**–**
Profit (result of the period)	–	–	–	–	–	81,996	**81,996**
Equity at 31 December 2022	**30,000**	**171**	**15,000**	**1,027,320**	**–36,903**	**81,996**	**1,117,583**

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 banks are recorded at nominal value less value adjustments.

Amounts due from customers
Amounts due from customers consist of financing receivables. The current expected credit loss ("CECL") requirements in accordance with US GAAP as allowed under the statutory accounting rules for banks apply to all financial assets and off-balance sheet exposures measured at amortised cost or nominal value less allowance for credit losses.

The allowance for losses on financing receivables represents the Bank's current estimate of lifetime credit losses inherent in the portfolio.

The Bank's loan portfolio consists of smaller-balance, homogenous pools of loans, including mainly credit card receivables, personal loans as well as auto leases and loans. Each portfolio is evaluated for impairment at least on a quarterly basis. For the purpose of measuring current expected credit losses, the Bank defines pools of financing receivables that share similar risk characteristics at the product type and delinquency bucket level. The segments of financing receivables that do not share risk characteristics similar to the main pools are subject to individual assessment, though they represent only a marginal portion of the total financing receivables. The Bank regularly reviews the segmentation underlying allowances for losses calculation to ensure that all financing receivables within each pool continue to share similar risk characteristics.

The methodology to calculate expected losses takes into account historical and current information, as well as future conditions that are expected to materialize over the lifetime of the financial assets.

Historical and current information
Expected credit loss estimates involve modeling loss projections, which are based on historical loss performance observed over a long period for each pool of financing receivables.

The Bank uses portfolio vintage analysis to quantify the portion of assets on which losses were incurred over the contractual lifetime. For closed-end-loans, the lifetime horizon is derived from historical data by observing the point after which no further material losses are expected. For the credit cards portfolio, where the contractual termination is not defined, different factors such as the average balance of a credit card and the monthly payment obligations are taken into account to determine the lifetime.

For each pool of financing receivables the likelihood of an exposure to become uncollectable is estimated (probability of being written-off). Lifetime recoveries cashflows are as well estimated based on historical data and discounted by the effective interest rate. For both probability of becoming uncollectable and loss given default, vintages for a long time series are considered in the modelling approach in order to estimate a loss rate that is not affected by seasonality.

The vintage approach by construction takes already into account information on prepayment behavior, which is deemed to be stable over time.

Forward-looking adjustment
The Bank includes in the estimates of expected credit losses future expectations, which are based on reasonable and supportable forecasts. The methodology applied includes the estimate based on the expected development of unemployment rate in Switzerland, which is assumed to be the base case scenario. Two additional scenarios, optimistic and adverse, are derived from the base case in order to include in the estimates the uncertainty around macroeconomic environment evolution. The baseline scenario is weighted at 50%, the pessimistic at 30% and the optimistic at 20%. The definition of the likelihood of each scenario to materialize is within the management's responsibility, with the base case being the scenario that is in principle deemed as the most likely to materialize.

The Bank will consider and may qualitatively adjust for conditions, changes and trends in loan portfolios that are not already captured in the modeled results. Such adjustments are based on management's judgment and may involve an assessment of current and forward-looking expectations, changes in lending policies and processes, changes in the portfolio characteristics, as well as uncertainty related to the macro economic environment.

The Bank evaluate customer's payment behavior through a behavioral scorecard that implies the segmentation of financial receivables by credit grading. This information serves as an input in the allowances for losses calculation and aims to capture any portfolio quality changes in the current expected credit losses estimates.

The assumptions underlying the methodology for the estimate of current expected credit losses are updated periodically to reflect current conditions, performance of the methodology used, and are subject to the Bank's governance and controls.

The allowance for credit losses is deducted from the amortised cost base or nominal value, respectively, of the financial asset. Changes in the allowance for credit losses are recorded in the income statement position "Change in value adjustments for default risks from interest operations", or, if related to provisions for off-balance sheet credit exposures, in "Changes to provisions and other value adjustments, and losses". 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. The release of allowance is recorded through the Income Statement position "Change in value adjustments for default risks from interest operations".

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 as well as 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. Unsecured closed-end instalment loans originated by the Bank or cashgate (until the merger in June 2021) with a term duration of 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 the merger in June 2021) with a 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 card receivables, the Bank writes off the account on the date it 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 credit losses when the Bank judges the principal to be uncollectable and subsequent recoveries are added to the allowance for credit 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.

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.

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".

Upon analysing the financial investment portfolios, the Bank determined that no allowance was required as these investment represent high quality liquid assets securities for which the risk of loss was deemed minimal.

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 on a straight line basis 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”. At every balance sheet date, fixed assets are tested for impairment or if events or changes in circumstances happen which indicate that these individual assets may be impaired. In such case, realisable value of the asset is determined, which is the higher of net market value and value in use. 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 consist of goodwill and other intangible assets like customer relationships and trademarks.

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”. At every balance sheet date, intangible assets are tested for 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, customer relationships and trademarks is five years.

Cloud computing arragements
Cloud computing arrangements consist of software as a service (SaaS). Implementation costs related to such hosting arrangements that are service contracts are capitalised and amortised on a straight-line basis over the noncancelable term of the cloud computing arrangement plus any optional renewal periods that are reasonably certain to be exercised or for which exercise of the renewal option is controlled by the cloud service provider. Implementation costs associated with cloud computing arrangements are recorded in “Other assets”. Amortisation expense is charged to general and administrative expenses, expenses for information and communication technology.

Provisions
Legal and factual obligations are valued on a regular basis. When a value outflow is both probable and can be reasonably measured, a corresponding loss provision is recorded as liability.

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 when these are no longer economically necessary 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 arrangements
Off-balance sheet arrangements are recorded at nominal value. For foreseeable risks, provisions are built in the balance sheet. Expected credit loss inherent in the off-balance sheet irrevocable credit exposures is provided through the credit loss provision, but recorded as a separate liability included in "Provisions".

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

On 31 December 2022, the Bank adopted the current expected credit loss approach for its standalone financial statements, which replaces the incurred loss methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortised cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). In line with the transitional provisions, the Bank adopted the expected credit loss approach using the modified retrospective method according to FINMA Accounting Ordinance FINMA-AO, “Art. 98 Transitional provisions” and FINMA Circular 2020/01, “Accounting – Banks” with the effective date 31 December 2022 for its standalone financial statements. The net adoption impact of CHF 66 million was reported in the income statement as an increase of allowance for credit losses. See Note 2. Accounting and valuation principles and Note 7.7 Value adjustments and provisions, for additional information and impact of CECL adoption on our individual financial statements.

Results for reporting periods beginning on or after 1 January 2022 will be presented under the new standard, while prior period amounts before the adoption of CECL on 1 January 2022, continue to be reported in accordance with previously applicable GAAP.

Apart from the CECL implementation, there were no other significant changes in the accounting and valuation principles in 2022 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 (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 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
– Effective controls, monitoring and reporting.

Risk governance structure

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 internal regulations, which set out 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 at least 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 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, other risks
Sustainability Committee	Sustainability, related opportunities and risks, monitoring of environmental, social, and governance (ESG) trends and ratings, climate-related risks

The Bank's risk and control framework operates along 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
- 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 regulations further detail the expected principles of risk management and control for various risk categories.

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 honor their contractual obligations. The obligations include, for example, repayment of principal, 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 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 within its credit competency. 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.

Credit risk metrics, portfolio and collection performance reports and macroeconomic trends are reviewed by the Credit Committee regularly, at least once every quarter. Summary reports of the Bank's credit risk profile are reviewed by the Audit and Risk Committee every quarter and reported to the Board of Directors.

The Bank maintains stringent underwriting processes, which are continually monitored and optimised to ensure that credit risk is adequately and responsibly managed. Prior to granting credit, the customer's creditworthiness, credit capacity and, where applicable, collateral are assessed. The customer's creditworthiness is evaluated by an automated credit risk rating system, which includes the use of scorecards and leverages available information about the customer. This ensures consistent and systematic decision-making across all lending products.

Where applicable, the credit capacity of consumers is also evaluated in accordance with the legal requirements of the Swiss Consumer Credit Act. Internal models determine the credit amount based on the customer's risk profile. Segments that are particularly exposed to credit risk are actively restricted beyond the requirements of the Swiss Consumer Credit Act through specific internal rules that aim to effectively implement and ensure responsible lending practices. 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 Bank 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 Bank 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. The regular monitoring of process and performance metrics ensures diligent and responsible execution and supports the fair treatment of customers across a variety of servicing processes.

The Bank's customer base comprises primarily of individuals 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. However, certain concentration risk can be caused by cooperation with external partners. Credit risk metrics, portfolio and collection performance reports, as well as macroeconomic trends, are reviewed on a quarterly 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 Asset & Liability Committee (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 materialization 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 policies and the risk steering and control process.

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. Credit risk related to investment activities and liquidity management is assessed and monitored in line with the credit risk policy.

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 unfavorable 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 2022" 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 arrangements 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 bank's current capital base and/or future earnings if not managed appropriately. The Bank has implemented an effective interest rate risk management framework to limit 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 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 2022, 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 2022, 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 2022" available at www.cembra.ch/financialreports.

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. The Bank recognizes the importance of the effective management of operational risks and has implemented a robust framework and appropriate processes to manage them. The Risk & Controllership Committee (RCC) reviews and monitors all key internal controls, compliance and operational risk management activities and has overall responsibility for the administration of the respective regulation, as well as their monitoring and reporting. The RCC is chaired by the General Counsel and CRO.

Key instruments of operational risk 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 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 Bank'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 service providers. 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, protecting from and detection of data confidentiality, integrity and availability risks, and making use of vulnerability scans and penetration tests.

As part of its lending activities the Bank is exposed to external fraud risk which is managed through comprehensive fraud detection, prevention and investigation processes and tools.

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 and information technology 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 information technology and service providers. 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. In addition to its BCM framework and in the context of operational risk management the Bank targets effective operational resilience in its critical functions in order to ensure robustness under consideration of severe but plausible scenarios.

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 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 program and the status of the operational risk, cyber and information security framework are regularly reviewed by the RCC and a summary report provided to the Audit and Risk Committee and the Board of Directors.

The Bank has chosen to use service providers to support its business activities. With the implementation of policies governing this area and an ongoing monitoring process, the Bank ensures compliance with relevant regulatory requirements. Before entering any material engagement with a service provider a due diligence exercise is conducted.

Climate-related risks

Climate-related risks include physical, transition, or legal and reputational 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.

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. For management of climate-related risks, the Bank builds on the established risk management process as described on the page 27. Identification, assessment and management of climate-related risks are integrated into the Bank's strategy – from strategic planning through to operations. The Bank actively monitors regulatory developments related to climate change. 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.

Immediate physical risks are generally considered to be rather low due to being a financial services provider that actively operates exclusively in Switzerland. The Bank assesses physical security of its office locations on a regular basis.

Transition risks could gradually materialize 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 Bank 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 Bank. This risk is mitigated by the Bank'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. The Bank regularly monitors vehicle brand and model diversification and adopts bespoke mitigation measures. For further information on managing the residual value risk refer to the Credit risk section on page 21 and see also our approach to sustainability on page 30.

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 regulations, 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 behavioral 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 to the Bank’s business model. The Bank addresses these risks as any other risk through the established risk management process as described on the page 28. The general risk management process is also applied for business risks that are caused by an extraordinary events such as outbreak of pandemics, geopolitical conflicts, power supply shortages or economic downturns. In such events and periods multiple risk factors or categories might be impacted and need to be managed accordingly. The Bank’s BCM framework and its crisis management procedures support the effective continuation of business operations.

The Banks’s strategic programmes and transformation roadmap aim to accomplish a future state as outlined in the Bank’s vision and mission statements. Its execution highly depends on employees that through the Bank’s values determine the corporate culture. Consequently, various risks related to this transformation, such as human capital or employee health risks but also general execution risks relating to a changing technology and process landscape, are identified and managed.

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 or write off.

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 bi-yearly 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 2023, 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 2022 (CHF in thousands)	Secured by mortgage	Other collateral	Unsecured	Total
Financing receivables				
Amounts due from customers (before netting with value adjustments)	**–**	**1,199,914**	**5,045,748**	**6,245,662**
Total financing receivables (before netting with value adjustments)	**–**	**1,199,914**	**5,045,748**	**6,245,662**
Prior year	–	973,826	4,753,632	5,727,458
Amounts due from customers (after netting with value adjustments)	**–**	**1,191,394**	**4,912,356**	**6,103,750**
Total financing receivables (after netting with value adjustments)	**–**	**1,191,394**	**4,912,356**	**6,103,750**
Prior year	–	969,639	4,680,007	5,649,646
Off-balance sheet arrangements				
Contingent liabilities	**–**	**–**	**24,553**	**24,553**
Irrevocable commitments	**–**	**–**	**214,824**	**214,824**
Total off-balance sheet arrangements	**–**	**–**	**239,377**	**239,377**
Prior year	–	–	223,729	223,729

Impaired financing receivables are as follows:

At 31 December 2022 (CHF in thousands)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments [1]
Impaired loans / receivables	**33,151**	**1,821**	**31,330**	**–**
Prior year	27,150	1,396	25,754	–

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

7.2 Financial investments

	Book value		Fair value	
At 31 December (CHF in thousands)	**2022**	2021	**2022**	2021
Debt securities held to maturity	**–**	–	**–**	–
Debt securities available for sale	**97,337**	–	**97,337**	–
Repossessed vehicles held for sale	**247**	208	**247**	208
Total	**97,584**	**208**	**97,584**	**208**

The breakdown of counterparties by rating is following:

At 31 December 2022 (CHF in thousands)	AAA to AA-	A+ to A-	BBB+ to BBB-	Lower than B-	Not rated
Book value of debt securities	**97,337**	**–**	**–**	**–**	**247**

The Bank uses the rating classes of Fitch, Moody's and Standard & Poor's. The Bank did not record any allowance for credit losses on any investment securities at 31 December 2022.

7.3 Intangible assets

CHF in thousands	Cost Value	Accumulated amortisation	Book value as per 31 December 2021	Current Year			Book value as per 31 December 2022
				Additions	Disposals	Amortisation	
Goodwill	172,098	– 41,081	131,016	–	–	– 34,420	96,597
Other intangible assets	60,037	– 59,300	737	–		– 385	351
Total intangible assets	**232,135**	**– 100,382**	**131,753**	**–**	**–**	**– 34,805**	**96,948**

7.4 Other assets and liabilities

	2022		2021	
At 31 December (CHF in thousands)	**Other assets**	**Other liabilities**	Other assets	Other liabilities
Indirect taxes	**9,924**	**2,382**	5,551	1,105
Settlement accounts	**11,898**	**45,177**	8,800	22,867
Amounts due from the sale of insurance products	**2,610**	**–**	1,740	–
Various assets and liabilities	**10,121**	**501**	5,637	14
Total other assets and liabilities	**34,553**	**48,061**	**21,729**	**23,986**

7.5 Liabilities to own pension plans

At 31 December (CHF in thousands)	**2022**	2021
Amounts due in respect of customer deposits	**1,403**	1,372
Total due to own pension plans	**1,403**	**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)			2022	2021	Influence of ECR on personnel expenses	
Employer contribution reserves (ECR)[1]	Nominal value	Waiver of use	Net amount	Net amount	2022	2021
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 2021 and 2020 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" on 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 2022	Pension expense in personnel expense	
CHF in thousands		2022	2021			2022	2021
Employer sponsored funds / schemes	–	–	–	–	–	–	–
Pension plans without overfunding / underfunding	–	–	–	–	–	–	–
Pension plans with overfunding	**61,677**	–	–	–	**10,132**	**10,051**	10,146
Pension plans with underfunding	–	–	–	–	–	–	–

[1] Based on audited financial statements 2021 and 2020 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 2021	Use in conformity with designated purpose	Reclassifications	Recoveries, past due interest	New provisions charged to income[1]	Releases to income	Balance as per 31 December 2022
Value adjustments and provisions for default risks	77,812	– 110,561		78,522	124,351	– 28,213	**141,912**
Provision for pension benefit obligations	–	–	–	–	–	–	**–**
Other provisions	5,962	– 2,291	–	–	3,272	– 2,247	**4,697**
Total value adjustments and provisions	**83,775**	**– 112,851**	–	**78,522**	**127,623**	**– 30,460**	**146,609**

[1] Includes the impact of adopting CECL of CHF 62.7 million increase in value adjustments and provisions for default risks and CHF 3.3 million increase in allowance for irrevocable unfunded loan commitments and financial guarantees in other provisions

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, allowance for off-balance sheet irrevocable unfunded loan commitments and financial guarantees (recorded as liability in Provisions) and other.

7.8 Bank's capital

Bank's capital	2022 Total par value in CHF	2022 Number of shares	2022 Capital eligible for dividend in CHF	2021 Total par value in CHF	2021 Number of shares	2021 Capital eligible for dividend in CHF
Share capital	**30,000,000**	**30,000,000**	**29,343,243**	30,000,000	30,000,000	29,386,069
Total	**30,000,000**	**30,000,000**	**29,343,243**	**30,000,000**	**30,000,000**	**29,386,069**
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]	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Members of the Board of Directors	**27,890**	37,879	**2,144,741**	2,517,060	**–**	–	**–**	–
Members of the Management Board	**3,762**	18,184	**289,298**	1,208,327	**9,585**	5,701	**695,221**	674,331
Employees	**3,873**	3,541	**297,834**	235,299	**17,632**	1,304	**1,278,887**	27,121
Total	**35,525**	**59,604**	**2,731,873**	**3,960,686**	**27,217**	**7,005**	**1,974,108**	**701,452**

[1] Weighted yearly average price since grant date

The Bank had two share-based compensation plans in 2022.

The one-time Long-Term Incentive Plan was set up for employees below the Management Board. Under the one-time long-term incentive plan, employees invited to participate received a fixed number of RSUs free of charge. The RSUs were granted on 29 April 2022 and shall vest on 30 April 2025 (the vesting date) provided that neither termination of employment nor any forfeiture events have occurred in relation to the participant on or before the vesting date. On the vesting date, vested RSUs shall automatically convert into company shares that shall be assigned to the participant with all right attached to them as per the vesting date.

The total number of Restricted Share Units (RSUs) granted under this plan was 18,743 based on a share price of CHF 69.65 at the grant date. The fair value used was calculated as the closing price before the grant date. RSUs issued under this plan will be settled out of shares acquired by the Group for such purpose.

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 99.

7.10 Related parties

At 31 December (CHF in thousands)	**2022**	2021
Amounts due from related companies	**119,707**	143,397
Amounts due to related companies	**21,052**	14,539

There are no off-balance sheet arrangements 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)	**2022**	2021
Amounts due from members of governing bodies	**47**	48
Amounts due to members of governing bodies	**234**	2,244

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:

		2022			2021	
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.	**n/a**	**n/a**	**n/a**	1,497,000	1,497,000	5.0

7.12 Own shares

Treasury shares (number)	**2022**	Average transaction price (CHF)
Balance at 1 January	**613,931**	
Purchase	**50,000**	59.94
Sale	**–**	–
Share based compensation	**–7,174**	88.25
Balance at 31 December	**656,757**	

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

Non-distributable reserves

At 31 December (CHF in thousands)	**2022**	2021
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		**2022**		2021	
Name	Function	**Number of shares**	**Number of blocked shares**	Number of shares	Number of blocked shares
Dr Felix A. Weber	Chairman	**11,713**	**8,603**	9,750	8,238
Jörg Behrens	Member	**2,350**	**–**	–	–
Marc Berg	Member	**–**	**–**	–	–
Thomas Buess	Vice Chairman	**–**	**1,128**	–	411
Alex Finn	Member	**–**	**–**	–	–
Susanne Klöss-Braekler	Member	**–**	**673**	–	–
Dr Monica Mächler	Member	**589**	**2,834**	–	2,569
Urs D. Baumann	Member until 21.04.2022	**–**	**–**	7,200	2,747
Martin Blessing	Vice Chairman until 21.04.2022	**–**	**–**	5,000	–
Denis Hall	Member until 21.04.2022	**–**	**–**	–	1,964

Management Board

At 31 December		2022			2021		
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**	**–**	**2,951**	1,056	–	–
Eric Anliker	General Counsel	**–**	**1,453**	**–**	–	–	–
Alona Eiduka	Chief Operating Officer	**88**	**718**	**–**	–	–	–
Volker Gloe	CRO	**1,334**	**–**	**1,971**	1,229	–	1,569
Pascal Perritaz	CFO	**1,284**	**–**	**2,492**	1,250	–	1,354
Christian Schmitt	Chief Technology Officer	**–**	**–**	**–**	–	–	–
Peter Schnellmann	Chief Sales and Distribution Officer	**–**	**–**	**–**	–	–	–
Robert Oudmayer	former CEO	**–**	**–**	**–**	5,051	–	–
Jörg Fohringer	former Managing Director B2B	**–**	**–**	**–**	501	–	–
Daniel Frei	former Managing Director B2C	**–**	**–**	**–**	6,059	–	–
Dr Emanuel Hofacker	former General Counsel	**–**	**–**	**–**	–	–	1,409
Niklaus Mannhart	former COO	**–**	**–**	**–**	3,038	–	1,369

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)	2022	2021
Negative interest on assets (reduction of interest income)	**353**	2,278
Negative interest on liabilities (reduction of interest expense)	**817**	457

8.2 Personnel expenses

For the years ended 31 December (CHF in thousands)	2022	2021
Salaries	**111,271**	108,744
of which share-based compensation and alternative forms of variable compensation	**500**	106
Social security benefits	**19,153**	19,443
Other compensation	**10,041**	4,330
Compensation and benefits	**140,464**	**132,517**

8.3 General and administrative expenses

For the years ended 31 December (CHF in thousands)	2022	2021
Office space expenses	**6,371**	7,043
Expenses from furniture and fixtures	**1,253**	1,257
Expenses for information and communication technology	**42,611**	39,639
Audit fees	**968**	1,228
Other operating expense	**38,283**	34,530
Total	**89,486**	**83,697**

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)	2022	2021
Sale of a portfolio of loss certificates	**674**	8,209
Other income	**552**	401
Total	**1,226**	**8,610**

8.5 Current and deferred taxes

For the years ended 31 December (CHF in thousands)	2022	2021
Current tax expense	**30,190**	40,790
Income tax expense	**30,190**	**40,790**

The Bank's effective tax rates were approximately 19% and 21% for the years ended 31 December 2022 and 2021, 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, which comprise the balance sheet as at 31 December 2022, the income statement, and the statement of changes in equity for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the financial statements for the year ended 31 December 2022 (pages 178 to 202), 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 Standards on Auditing (SA-CH). 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 Company in accordance with the provisions of Swiss law, together with 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.

Key Audit Matters

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, 2022 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 6,103.8 million (representing 85% of total assets) and includes value adjustments of CHF 141.9 million.

As per December 31, 2022, the Company adopted an approach to determine value adjustments for expected credit losses in line with the accounting principles generally accepted in the US (US GAAP).

The valuation of value adjustments for expected credit losses on amounts due from customers relies on the application of significant management judgement in determining the methodology and parameters in calculating the collective allowance. The Bank uses various modelling techniques and assumptions, which are based on credit loss experience and historical delinquency data as well as current and future trends, conditions and macroeconomic factors.

In particular, the valuation of the collective allowance for losses on amounts due from customers is based on significant estimates, such as future client payment behavior, which is subject to management 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 processes with respect to the creation of value adjustments for expected credit losses on amounts due from customers. This included walkthroughs over the calculation, approval, recording and monitoring of allowances.

With the involvement of our Financial Risk Management specialists, we assessed the appropriateness and reasonableness of models, inputs, implementation, use and documentation of the expected credit loss methodology and challenged the underlying assumptions.

For a selected sample of value adjustments on amounts due from customers 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.

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

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

— Note 7.7 (Value adjustments and provisions)

Board of Directors' Responsibilities 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
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 SA-CH 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 SA-CH, 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 the Company's 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 Company'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 Company 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 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.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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 14, 2023

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, EuroStoxx 600, MSCI ESG Leaders 2022 Constituent, Bloomberg Gender Equality Index 2023
Major shareholders	More than 5% of the shares: Credit Suisse Funds AG, UBS Fund Management (Switzerland) More than 3% of the shares: Blackrock Inc., 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®	AAA
Sustainalytics®	Low ESG risk

Financial calendar

Annual General Meeting 2023	21 April 2023

Contacts

Investor Relations	E-mail: investor.relations@cembra.ch Telephone: + 41 44 439 85 72
Media Relations	E-mail: media@cembra.ch Telephone: + 41 44 439 85 12

Cembra Money Bank AG
Bändliweg 20
8048 Zurich, Switzerland

Where to find us

Branches

Basel
Freie Strasse 39
4001 Basel
061 269 25 80

Bern
Schwanengasse 1
3001 Bern
031 328 51 10

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

Lausanne
Place Chauderon 18
1003 Lausanne
021 310 40 50

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

Lucerne
Weggisgasse 1
6002 Lucerne
041 417 17 17

St. Gallen
Oberer Graben 3
9004 St. Gallen
071 227 19 19

Winterthur
Schmidgasse 7
8401 Winterthur
052 269 23 40

Zurich
Löwenstrasse 52
8001 Zurich
044 227 70 40

Subsidiaries

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

Byjuno AG
Industriestrasse 13c
6300 Zug
041 227 05 05

Headquarters

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

This Annual Report is available in English and partially in German on www.cembra.ch/financialreports.

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