

COMPENSATION
REPORT

EXTRACT FROM
THE ANNUAL REPORT 2016

2016



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Compensation Report

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

Dear Shareholders

On behalf of the Board of Directors and the Compensation and Nomination Committee (“CNC”), I am pleased to introduce the 2016 Compensation Report.

Cembra Money Bank (“Bank”) delivered a strong performance in 2016 against the backdrop of regulatory headwinds such as the introduction of domestic interchange fee and the reduction of interest rate cap. With a net income of CHF 143.7 million and a corresponding return on equity (“ROE”) of 17.4%, we achieved very good results. Net financing receivables increased slightly to CHF 4,073 million despite subdued credit market. In terms of business development we renewed the contract with Migros prior to expiry and gained the French consumer retailer Fnac as new customer for our growing credit cards business. The Bank’s good performance was also reflected in the share price which increased by 15% in 2016.

These achievements are reflected in the compensation decisions for 2016. As a result of the strong financial performance, the total compensation for the Bank’s Management Board was TCHF 3,891 for 2016, as compared to the budget of TCHF 5,300 comprising the fixed compensation approved by the General Meeting 2015 and the variable compensation approved by the General Meeting 2016. The total compensation in the previous year was TCHF 4,072 compared to an approved total compensation of TCHF 5,200.

To ensure the compensation system fulfils its purpose of supporting the achievement of our long-term business objectives and to ensure alignment of executive compensation with the interests of our shareholders, we:

- Regularly review our compensation policy;
- Maintain a compensation system that is premised on pay for performance;
- Clearly define the expected performance through a robust performance management process; and
- Pay market competitive compensation levels for comparable roles and experience.

For the further development of our compensation strategy, we consider the opinion of our stakeholders as relevant and highly valuable. Based on discussions with various stakeholders, the Board of Directors proposed at the General Meeting 2016 to implement a number of changes to the Bank’s compensation system to align our structure with current best practices. The required amendments to the Bank’s articles of incorporation (“Articles of Incorporation”) were approved by the vast majority of shareholders. Following the shareholders’ approval the following changes were implemented to further strengthen the alignment between shareholders and management:

- Since the General Meeting 2016, members of the Board of Directors receive one-third of their compensation in shares subject to a blocking period of five years;

- As of business year 2016, the Executive Variable Compensation Plan consists of a short-term incentive and a separate long-term incentive programme;
- For the short-term variable compensation, the performance is predominantly tied to financial results of the Bank and its divisions (70% to 80% weight) and the assessment of qualitative results (20% to 30% weight).
- Awards under the long-term incentive plan are granted in form of performance share units subject to a three-year performance-based cliff-vesting period. The performance conditions include relative total shareholder return and fully diluted earnings per share. This programme directly links the interests of the executives to those of the shareholders.

These changes to the compensation system are explained in further details in this compensation report. You will have the opportunity to express your opinion on the compensation programmes through a non-binding, consultative shareholders' vote at the General Meeting in April 2017. You will also be asked to vote on the maximum aggregate compensation amount for the Board of Directors for the General Meeting 2017 to General Meeting 2018 term of office and on the maximum aggregate compensation for the Management Board to be paid out in the financial year 2018.

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

A handwritten signature in black ink, appearing to read 'Urs Baumann', with a long horizontal line extending to the right.

Urs Baumann

Chairman of the Compensation and Nomination Committee

1 Compensation Policy and Guiding Principles

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

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

Pay for Performance in Alignment with the Bank's Values	We endorse a performance-oriented approach coupled with sound risk management practices. The compensation policy supports a culture that differentiates and rewards excellent performance and recognises behaviours in line with the Bank's values of customer focus, engagement, responsibility and diversity. Variable compensation of the Management Board is based on the achievements of the Bank's objectives as well as the individual performance. In order to avoid excessive risk taking, risk metrics and behaviours are included in the performance evaluation and the variable compensation payouts are capped.
Market Competitiveness and Fairness	We are committed to reward employees appropriately and competitively. The compensation guidelines ensure that compensation is based on the responsibilities and performance of the employees and is not influenced by gender or by non-performance-related criteria other than professional experience. In line with best practices the Bank regularly benchmarks the compensation for the Bank's executives to ensure that it is competitive and in line with the market developments in order to be able to attract and retain talented executives.
Good Governance Practice	We want to ensure that our compensation practices are transparent for the Bank's stakeholders and aligned with long-term shareholder interests. We act based on the compensation principles set out by FINMA and adhere to rules set by the Ordinance against Excessive Compensation in Listed Corporations ("OaEC"). The implementation of the principles of the FINMA Circular 2010/1 Remuneration Schemes is not mandatory for the Bank. However, since 2011 the Bank decided to comply with the most important standards defining minimum requirements for remuneration schemes applicable to financial institutions.

2 Compensation Governance

2.1 Compensation and Nomination Committee

According to the Articles of Incorporation, the Organisational Regulations and the CNC Charter, the functions, responsibilities and powers of the CNC essentially comprise the following elements:

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

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

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

The following table illustrates the role of the decision authorities between the CNC, the Board of Directors and the General Meeting in matters related to the compensation of the Board of Directors and the Management Board:

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

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

The CNC holds meetings as often as required, but at least once every quarter. During 2016, the CNC held six meetings and performed the following activities:

- Nomination of new Board of Directors members;
- Determination of Board of Directors compensation for following term of office;
- Determination of maximum aggregate compensation amounts of the Board of Directors and the Management Board for shareholders' vote at General Meeting;
- Succession planning for Management Board;
- Approval of the Bank's variable incentive compensation pool for the previous performance year and salary budget for 2016;
- Performance evaluation and determination of variable compensation payout for previous year of Management Board;
- Review of Executive Variable Compensation Plan;
- Goal setting 2016 for Management Board;
- Revision of Articles of Incorporation;
- Draft and approval of compensation report;
- Review of the CNC charter; and
- Determination of the CNC agenda for the following year.

Generally, meetings are attended by the Chairman of the Board of Directors, the CEO and the HR Director in advisory capacity. However, they do not take part in the section of the meetings where their own performance and/or compensation are discussed and have no voting rights. Other members of the Management Board and Board of Directors as well as other persons may be invited if deemed necessary. The Chairman of the CNC reports to the Board of Directors after each meeting on the activities of the CNC. The minutes of the CNC meetings are available to the members of the Board of Directors. The CNC may decide to consult an external advisor from time to time for specific compensation matters. In 2016, HCM International Ltd. was mandated to provide services related to executive compensation matters. This company does not have other mandates with the Bank. In addition, support and expertise are provided by internal compensation experts such as the HR Director and the Senior HR Manager Compensation & Benefits.

For further governance related information refer to section Corporate Governance starting on page 51.

2.2 Method of Determination of Compensation

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

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

2.3 Involvement of Shareholders

The role of shareholders on compensation matters has gained in importance in recent years. First of all, shareholders annually approve the maximum aggregate compensation amounts of the Board of Directors and the Management Board. In addition, the principles of compensation are governed by the Articles of Incorporation, which are also approved by the shareholders. The provisions of the Articles of Incorporation on compensation can be found on the Corporate Governance website (www.cembra.ch/en/investor/investor-relation/corporate-governance/articles-of-incorporation) and are summarised below:

- Compensation principles (Articles 25c, 25d, 25h, 25i): The compensation of the Board of Directors consists of fixed compensation only that may be paid in cash and in blocked shares. The compensation for the Management Board consists of a fixed 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 (Article 11a): Each year, the General Meeting approves separately the aggregate maximum amounts of the compensation of the Board of Directors pursuant to art. 25c for the term of office until the next ordinary General Meeting and of the compensation of the Management Board pursuant to art. 25d that is awarded or paid out in the subsequent business year following the General Meeting. Further, the General Meeting may express their views on the compensation architecture through a consultative vote on the compensation report.
- Additional amount (Article 25e): The Bank may award additional compensation to new members of the Management Board in the event that the members are appointed after the General Meeting has approved the aggregate maximum compensation. The additional aggregate compensation per year for all new members of the Management Board shall not exceed 30% of the last aggregate maximum compensation amount approved by the General Meeting.
- Loans, credits and pension benefits: Members of the Board of Directors and of the Management Board may be granted loans, credits and pension benefits in an amount which in total shall not exceed 50% of the last aggregate maximum compensation amount approved by the General Meeting. The payment of bridge or interim annuities by the Bank to members of the Management Board is possible between early retirement and the statutory retirement age.

3 Compensation of the Board of Directors

3.1 Compensation Architecture for the Board of Directors

Members of the Board of Directors receive only fixed compensation to ensure their independence in their supervisory duties towards the Bank's executive management. The members of the Board of Directors do not receive any variable compensation or pension benefits. The member of the Board of Directors who is employed and compensated by General Electric Group is not allowed to receive any compensation nor reimbursement for cash expenses from the Bank for his service.

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

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

The pay structure (base and committee fees), pay mix (cash or equity) and levels of compensation are based on a benchmarking study conducted in 2015 by the independent advisors of HCM International Ltd. based on listed financial institutions that belong to the 100 biggest companies in Switzerland in terms of market capitalisation. This market comparison group has been further refined by the exclusion of cantonal banks, real estate companies and owner-managed institutions. The final comparison group consisted of 17 companies: Baloise Group, Credit Suisse Group, EFG International, GAM Holding, Helvetia, Julius Baer, Leonteq, LLB, Pargesa, Partners Group, Swiss Life, Swiss Re, UBS, Valiant, Vaudoise Assurances, Vontobel and Zurich Insurance Group. For defining the total compensation levels at the Bank individual company benchmark data has been size-adjusted.

The guiding principles for the fee structure were defined as follows:

- For all members of the Board of Directors, total compensation shall be at or below the market benchmark; and
- The internal pay equity ratios between the Chairman of the Board of Directors, the Vice-Chairman of the Board of Directors and the ordinary Board of Directors members shall be maintained at comparable market level.

Structure of the Board of Directors Compensation:

In TCHF	Basic Fee	Committee/ Chair Fee
Chairman of the Board of Directors ¹	450	
Member of the Board of Directors	100	
Vice-Chairman		30
Chairman of the Audit and Risk Committee		65
Chairman of the CNC		50
Member of the Audit and Risk Committee		35
Member of the CNC		30

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

As part of the revised compensation system, and in line with market best practice, the Board of Directors has decided that as of the General Meeting 2016 one third of their compensation is delivered in Cembra Money Bank AG shares blocked for a period of five years during which they cannot be sold, transferred or pledged. Should the Board member not be standing for re-election at the General Meeting, the initial blocking period will be lifted, but the shares will remain blocked for the earlier of two years after such date or the regular expiry of the blocking period. In case of death, disability or change of control, the blocking period may be lifted immediately.

3.2 Compensation awarded to the Board of Directors for 2016

The following tables disclose the compensation awarded to the members of the Board of Directors for 2016 and 2015, respectively. For 2016, members of the Board of Directors received a total compensation of TCHF 1,231 (previous year TCHF 940). The increase is mainly driven by the following factors:

- The replacement of Richard Laxer who left the Bank effective 1 September 2015 and did not receive any compensation by the Bank with a new Board member who is compensated by the Bank effective from the General Meeting 2016 onwards. This means from a compensation perspective, there was one additional member in 2016 compared to 2015;
- Full-year compensation for one board member who was elected at General Meeting 2015 compared to a pro-rata compensation in previous year; and
- The implementation of the new fee structure as of 1 October 2015.

For the year ended 31 December 2016 (CHF)							
Name	Function	Basic Fee	Committee/ Chair Fee	Employer Social Security Contributions	Total	Thereof in Shares in TCHF ⁵	Number of Shares
Dr. Felix Weber	Chairman	450,000	–	25,688	475,688	101,374	1,327
Christopher Chambers ¹	Vice-Chairman, Member CNC	32,418	19,451	28,363	80,231	–	–
Denis Hall ²	Member Audit and Risk Committee	–	–	–	–	–	–
Prof. Dr. Peter Athanas ³	Chairman Audit and Risk Committee, Member CNC	100,000	74,725	12,511	187,236	37,170	487
Urs Baumann	Chairman CNC	100,000	50,000	7,929	157,929	33,791	443
Dr. Monica Mächler	Member Audit and Risk Committee	100,000	35,000	9,514	144,514	30,412	398
Katrina Machin ⁴	Member CNC	63,272	19,916	10,393	93,580	27,729	363
Ben Tellings ⁴	Member CNC	67,582	20,275	4,129	91,986	29,285	384
Total compensation of the members of the Board of Directors		913,271	219,366	98,527	1,231,165	259,762	3,402

¹ Member of the Board and the CNC until 27 April 2016

² Employed and compensated by General Electric Group

³ Member CNC until 27 April 2016

⁴ Member since 27 April 2016

⁵ Calculation is based on share price of CHF 76.45 – volume-weighted average price (“VWAP”) 60 trading days before grant date 1 March 2017 (source: Bloomberg). Due to the blocking period statutory withholdings are made on discounted share value. The discount is 25.274% according to the table published by the Zurich tax office.

For the year ended 31 December 2015 (CHF)

Name	Function	Basic Fee	Committee/ Chair Fee	Employer Social Security Contributions	Expense Allowance	Total
Dr. Felix Weber	Chairman	327,603	–	21,039	3,750	352,392
Christopher Chambers ¹	Vice-Chairman	137,500	15,000	18,097	3,750	174,347
Denis Hall ²	Member Audit Committee	–	–	–	–	–
Richard Laxer ³	Member CNC	–	–	–	–	–
Prof. Dr. Peter Athanas ⁴	Chairman Audit Committee, Member CNC	137,500	23,750	11,177	–	172,427
Urs Baumann ⁵	Chairman CNC	135,361	12,500	–	–	147,861
Dr. Monica Mächler ⁶	Member Audit Committee	77,885	8,750	6,114	–	92,749
Total compensation of the members of the Board of Directors		815,848	60,000	56,428	7,500	939,777

¹ Chairman CNC until 29 April 2015

² Employed and compensated by General Electric Group

³ Employed and compensated by General Electric Group. Board member until 1 September 2015

⁴ Member of the CNC from 1 September 2015 until 27 April 2016

⁵ Member of the Audit Committee until 28 April 2015. Since 29 April 2015 Chairman of the CNC. From 1 January until 30 June 2015 payments were made directly to employer Bellevue Group.

⁶ Member since 29 April 2015

Total compensation (including pre-estimated social security contributions) for the period from the General Meeting 2016 to the General Meeting 2017 for the Board of Directors will amount to TCHF 1,296 and is within the maximum aggregate compensation amount of TCHF 1,400 approved by the General Meeting on 27 April 2016.

Reconciliation between the reported Compensation of the Board of Directors and the Amounts approved by the Shareholders at the General Meeting

	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 year following financial year (C)	Total compensation earned for the period from AGM to AGM (A-B+C)	Amount approved by shareholders at respective AGM	Ratio between compensation earned for the period from AGM to AGM versus amount approved by shareholders
	2016	1 Jan 2016 to 2016 AGM	1 Jan 2017 to 2017 AGM	2016 AGM to 2017 AGM	2016 AGM	2016 AGM
AGM 2016–AGM 2017						
Board of Directors (total)	1,231,165	380,159	444,600	1,295,606	1,400,000	93 %
AGM 2015–AGM 2016	2015	1 Jan 2015 to 2015 AGM	1 Jan 2016 to 2016 AGM	2015 AGM to 2016 AGM	2015 AGM	2015 AGM
Board of Directors (total)	939,777	281,831	380,159	1,038,105	1,400,000	74 %

Compensation of Members of the Board of Directors who left the Bank during the Reporting Period

No such compensation was paid during the reporting period.

Other Compensation, Fees and Loans to Members or Former Members of the Board of Directors

No other compensation or fees than the amounts reported in the tables above were accrued for, or paid to, any member or former member of the Board of Directors during the reporting period. For details related to loans outstanding as of 31 December 2016 please refer to section 6 “Loans and Credits: Amounts due to/from Members of Governing Bodies”.

Compensation or Loans to Related Parties

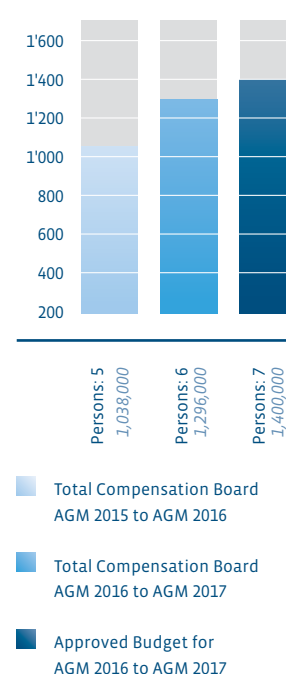
No compensation or loans have been paid or granted, respectively, to persons related to current or former members of the Board of Directors, which are not at arm's length.

Clauses on Changes of Control

The contracts of the members of the Board of Directors (including the Chairman of the Board of Directors) do not make provision for any agreements in the case of a change of corporate control (change of control clauses) other than the lifting of the blocking period for shares as described in section 3.1.

Total Compensation Board of Directors

in TCHF



4 Compensation of the Management Board

4.1 Compensation Architecture for the Management Board in 2016

The compensation of the Management Board is governed by the provisions in the Articles of Incorporation, the individual employment contracts, the Executive Variable Compensation Plan (“EVCP”) and internal directives such as the Fringe Benefit Policy.

In 2015 the CNC mandated HCM International Ltd. to conduct a benchmark analysis of the compensation structure and instruments applicable to the Management Board. As a result of this analysis, the compensation structure has been fundamentally changed in order to strengthen the alignment with shareholder’s interest, the linkage between performance and pay, and to ensure competitive compensation practice. Some adjustments were implemented in 2015 already and further changes have been introduced in 2016 such as the split of the former EVCP into two separate components (short-term incentive (“STI”) and a long-term incentive (“LTI”). The required amendments to the Bank’s Articles of Incorporation were approved by the shareholders at the General Meeting 2016.

The compensation of the Management Board consists of the following elements:

- A fixed annual compensation (base salary);
- A variable incentive compensation awarded in form of an annual STI in cash and an equity-based LTI; and
- Benefits such as pension and other benefits.

The table below provides an overview of the compensation architecture for the Management Board as of 2016:

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

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

To determine the compensation levels for the members of the Management Board, the benchmark methodology of Hay Group is being used. The following companies were selected as peer group: Allreal Holding, Baloise Holding, Bank Coop, Bank Linth LLB, Edmond de Rothschild Suisse, EFG International AG, GAM Holding, Helvetia Holding, Hypothekarbank Lenzburg, Intershop Holding, Leonteq, Mobimo Holding, PSP Swiss Property, Schweizerische National-Versicherungs-Gesellschaft, Swiss Prime Site, Swissquote Group Holding, Valiant Holding, Vaudoise Assurances Holding, Vontobel Holding, VZ Holding, WIR Bank Genossenschaft, Bombardier Transportation Financial Services S.à.r.l., Credit Suisse Group, COFRA Holding, Helvetia Versicherungen, LeasePlan Schweiz, Lloyds TSB Bank plc., Partners Group Holding, PSA Finance Suisse, Swiss Life, Swiss Re, UBS and Zurich Insurance Group. The last benchmark study was performed in 2015 by Hay Group and was used as a basis for decisions on compensation for 2016.

Annual Base Salary

Annual base salaries are established on the basis of the following factors:

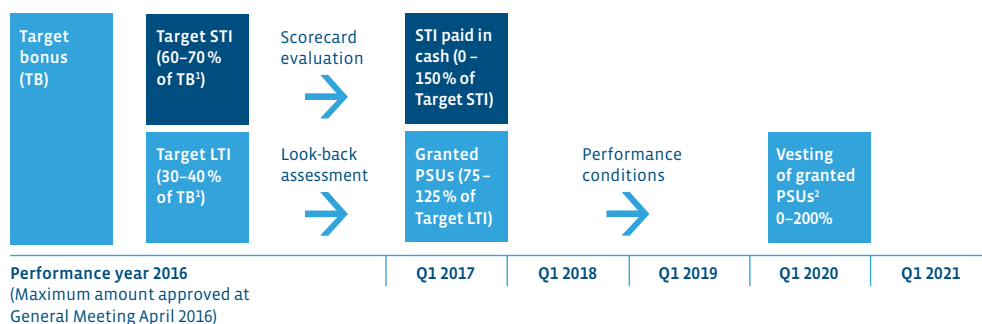
- Scope, size and responsibilities of the role, skills required to perform the role;
- External market value of the role; and
- Skills, experience and performance of the individual in the role.

Executive Variable Compensation Plan

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

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

Executive Variable Compensation Framework



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

Short-term Incentive (“STI”)

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

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

The performance is assessed through a scorecard evaluation based on the achievement of:

- The financial goals of the Bank;
- The financial goals of the respective division; and
- Qualitative goals.

The Goals and their Weighting are illustrated below:

	Goal	Weight CEO	Weight Management Board excl. CEO ¹
Bank financial goals	Net Income Net Revenues	80%	50%
Divisional financial goals ²	As defined in the scorecard approved by the Board of Directors	–	20%
Qualitative goals	Customer Satisfaction Employee Commitment Leadership & Values	20%	30%

¹ These are the target weightings of the new compensation system. In 2016 for the Managing Director B2B Retail the Banks financial goals had 45% weight and the divisional financial goals 25% weight.

² For enabling functions partially qualitative.

The weightings under the new structure have been implemented in line with corporate governance best practice and shareholders’ expectations. The STI is fully settled in cash and is usually paid in March of the following year. It is subject to a stringent malus condition in case of financial loss at group or divisional level, breach of regulatory tier 1 ratio, compliance, risk, regulatory and reputational issues or incidents.

Long-term Incentive (“LTI”)

The LTI is a Performance Share Unit (“PSU”) plan that rewards the achievement of pre-defined performance goals over a three-year vesting period.

The target LTI amounts to 40% of the target bonus for the CEO and to 30% for the other Management Board members. The individual target LTI may be increased or decreased by up to 25%, based on a strategic look-back assessment of the Bank’s performance by the Board of Directors. The look-back assessment considers, among others, the following factors:

- Overall market positioning of the Bank (e.g., market share development, brand reputation);
- Quality of earnings (e.g., sustainability of income drivers and price levels, financing structure and credit rating, digitisation and unit cost efficiency, quality of compliance and risk framework);

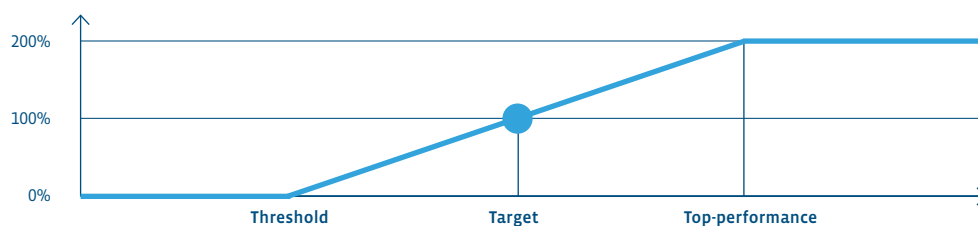
- Future strategy (e.g., strategic roadmap for profitable growth, execution of strategic projects, strategic financial targets, quality of succession planning);
- An assessment of the individual contributions of the participants.

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

- Relative total shareholder return (“rTSR”) compared to the SPI Financial Services Index over a three-year period; and
- Fully diluted earnings per share (“EPS”) using a three-year target of cumulative fully diluted EPS, as set by the Board of Directors. The weighted cumulative EPS result is calculated as the addition of the EPS in the first financial year (weighted at 33%) plus the EPS in the second financial year (weighted at 67%) plus the EPS in the third financial year (weighted at 100%). This formula provides for more weight to the EPS reached in the later years of the vesting period.

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

Payout Factor of originally granted PSUs



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

Vesting of PSUs in Shares

$$\text{Number of shares vested} = \text{Number of PSUs originally granted} \times \text{Overall payout factor}$$

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

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

The below table illustrates the target and maximum STI and LTI at grant and at vesting:

	CEO		Management Board	
	90 %		50 %	
Target Bonus in % of Annual Base Salary	STI	LTI	STI	LTI
% of Target bonus	60 %	40 %	70 %	30 %
Target bonus as % of annual base salary	54 %	36 %	35 %	15 %
Cap at grant in % of annual base salary	81 %	45 %	53 %	19 %
Payout/vesting range in % of annual base salary	0 – 81 %	0 – 90 % ¹	0 – 53 %	0 – 38 % ¹

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

Performance Objectives under STI and LTI

Due to the commercial sensitivity of financial and qualitative objectives under the STI and LTI, they are not being disclosed ex ante in the compensation report. However, the payout level of the variable compensation in the reporting year is explained and commented on in section 4.2.

Benefits

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

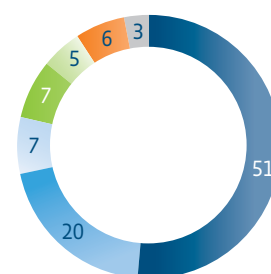
Members of the Management Board may also receive certain executive benefits such as company car and other benefits in kind. In case of employees who have been relocated from abroad, benefits may also include schooling, housing and tax support. The monetary value of these other elements of compensation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

Employment Contract Termination Clauses/Notice Periods and Severance Agreements of the Management Board

Employment contracts of members of the Management Board are subject to a notice period of a maximum of twelve months. The contracts concluded with the members of the Management Board do not contain any clauses relating to severance payments.

Performance Year 2016 Compensation Structure

in %



Management Board (excl. CEO)

- Base Salary
- Bonus in Cash
- Grant Value of PSUs
- Pension
- Other Compensation
- Social Security
- Replacement Award

Clauses on Changes of Control

The contracts of the Management Board do not make provision for any agreements in the case of a change of corporate control (change of control clauses) other than the accelerated vesting provision in the EVCP as described in section 4.1. For further information refer to section Corporate Governance starting on page 51.

4.2 Compensation Awarded to the Management Board for 2016

The total compensation paid to the active members of the Management Board for the performance year 2016, respectively 2015, is disclosed in the table below.

For the performance year ended 31 December (CHF)	2016			2015		
	CEO	Management Board	Total Compensation	CEO	Management Board	Total Compensation
Base Salary	630,000	1,106,587	1,736,587	561,000	1,164,504	1,725,504
Social Security	60,465	90,379	150,844	58,738	122,097	180,835
Pension Plan ¹	108,324	157,256	265,580	145,638	158,887	304,524
Other Compensation ²	206,737	117,141	323,878	197,745	371,302	569,046
Retention Payments ³	-	-	-	-	112,000	112,000
Replacement Award ⁴	-	69,965	69,965	-	-	-
Total Fixed Compensation	1,005,526	1,541,327	2,546,854	963,120	1,928,789	2,891,909
STI/EVCP paid in cash ⁵	464,778	437,220	901,998	404,313	358,967	763,280
LTI/EVCP granted in PSUs/RSUs	219,113	150,432	369,545	199,606	153,907	353,512
- Number of PSUs/RSUs granted ⁶	2,967	2,037	5,004	3,206	2,472	5,678
- Value per PSU/RSU ⁷	73.85	73.85	73.85	62.26	62.26	62.26
Social Security	38,902	33,354	72,255	33,970	28,849	62,820
Total Variable Compensation for the Performance Year	722,793	621,006	1,343,799	637,889	541,723	1,179,612
Total Compensation for the Performance Year	1,728,319	2,162,333	3,890,652	1,601,009	2,470,512	4,071,521
Number of persons receiving compensation ⁸			6			5

¹ 2016 payroll correction of 2015 pension contributions due to salary change on 1 October 2015

² Includes certain benefits for relocated employees such as housing allowance and school fees as well as other benefits such as company cars

³ 2015 Retention Payments refer to GE Money Bank Retention Programme 2013 with the award being payable 24 months after the IPO under the condition of an active employment

⁴ Replacement Award for the CFO for forfeiture of deferred equity awards with previous employer. Award is granted in RSUs in August 2016 with a vesting period of 3 years after grant date.

⁵ Paid out in March 2017, respectively March 2016

⁶ PSUs granted in 2017 for the performance year 2016 and RSUs granted in 2016 for the performance year 2015

⁷ PSUs for 2016: Fair Market Value is based on the risk-adjusted volume-weighted average price ("VWAP") 60 trading days before grant date 1 March 2017 (CHF 76.45 - source: Bloomberg) using a Monte Carlo simulation algorithm. RSUs for 2015: Average share price of February 2016

⁸ 6 persons in 2016 because of new hire of CFO effective 1 August 2016 and active employment contract with previous CFO until 31 March 2016

Highest Total Compensation

Robert Oudmayer, CEO, received the highest total compensation in 2016. For compensation details, please refer to the table above.

Compensation of Management Board Members who left the Bank during the Reporting Period

No compensation was paid in 2016 to former Management Board members who left the Bank in the performance year 2016 (previous year TCHF 258 were paid to a former Management Board member).

Explanation of Deviations versus the Previous Year:

- The total compensation of the Management Board members for the performance year 2016 amounts to TCHF 3,891 (previous year TCHF 4,072).
- The total fixed compensation of the members of the Management Board for the business year 2016 amounts to TCHF 2,547 (previous year TCHF 2,892). This amount is within the maximum fixed compensation amount of TCHF 3,100 approved by the General Meeting 2015. The total fixed compensation for the CEO increased slightly due to changes in his employment contract effective 1 October 2015 to align with market practices. The fixed compensation of the other members of the Management Board decreased compared to previous year because special benefits for relocated employees were discontinued for the CFO-function.
- The total variable compensation for the performance year 2016 amounts to TCHF 1,344 (previous year TCHF 1,180), which is below the amount of TCHF 2,200 approved by the General Meeting 2016 as part of the total fixed and variable compensation of the Management Board. For the performance year 2016, the variable compensation amounted to 35% of the total compensation (compared to 29% in 2015). The increase in variable cash compensation amount is due to the fact that the previous CFO did not receive a variable compensation for the performance year 2015 and that the 2016 financial year has been a strong year for the Bank despite challenging market circumstances.
- Please note that due to the implementation of the new LTI programme, the effective amount of variable compensation in 2016 is not directly comparable with the previous years, as the final value of PSUs granted under the new programme is subject to performance conditions.

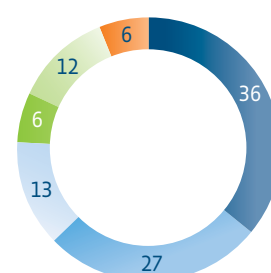
Assessment compared to Plan

The individual overall short-term incentive payout percentage which is based on the achievement of Bank and divisional financial goals as well as qualitative KPIs ranged from 110% to 137% in 2016 for the members of the Management Board including the CEO.

The long-term incentive grant for the performance year 2016 has been approved by the Board of Directors at 100% based on the strategic look-back assessment. The final value of this grant will be determined by the performance conditions outlined in the section "Long-term Incentive (LTI)".

Performance Year 2016 Compensation Structure

in %



Chief Executive Officer

- Base salary
- Bonus in Cash
- Grant Value of PSUs
- Pension
- Other Compensation
- Social Security

Assessment compared to plan				
	Goal	Threshold	Target	Cap
STI	Net Income			x
	Net Revenue			x
	Divisional Goals		x	
	Qualitative Goals		x	
LTI	Strategic look-back assesment		x	

Vesting Schedule of PSU and RSU Grants

Plan	Grant Year	Vesting Year 1st tranche	Vesting Year 2nd tranche	Vesting Year 3rd tranche	Number of RSUs Vested 2016	Value at vesting 2016 (in CHF) ¹
EVCP 2013	2014	2015	2016	2017	1,939	125,841
EVCP 2014	2015	2016	2017	2018	2,112	137,069
EVCP 2015	2016	2018	2019	2020	n/a	n/a
EVCP 2016 ²	2017	n/a	n/a	2020	n/a	n/a

¹ EVCP vesting on 1 March 2016 valued with share price of CHF 64.90

² 3-year-cliff vesting on 1 March 2020

Other Compensation, Fees and Loans to Members or former Members of the Management Board

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

For details related to loans outstanding as of 31 December 2016 please refer to section 6 "Loans and Credits: Amounts due to/from Members of Governing Bodies".

Compensation or Loans to Related Parties

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

5 Compensation Awarded to All Employees in 2016

The structure of compensation of all employees is as follows:

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

The following table includes information regarding the aggregated compensation awarded to all employees for the business years 2016 and 2015, including compensation for members of the Management Board. The Bank had 705 and 715 employees (full-time equivalents) as of 31 December 2016 and as of 31 December 2015 respectively.

<i>For the performance year ended 31 December</i>	2016		2015	
	Amount (in TCHF)	Eligible Employees (FTE)	Amount (in TCHF)	Eligible Employees (FTE)
Base Salaries	71,475		71,340	
Variable Compensation ¹	4,964	208	4,969	209
Total	76,439	705	76,309	715

¹ Includes annual variable incentive payments for Management Board, other senior management team members and middle management as well as sales incentive payments for the performance year 2016, respectively 2015.

6 Shareholdings and Loans and Credits of Members of the Board of Directors and Management Board

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

Shareholdings of the Board of Directors

At 31 December		2016		2015	
Name	Function	Number of shares	Number of blocked shares	Number of shares	Number of RSUs
Dr. Felix Weber	Chairman	7,250	–	7,250	–
Christopher M. Chambers ¹	Vice-Chairman	n/a	n/a	5,000	–
Denis Hall	Member	–	–	–	–
Prof. Dr. Peter Athanas	Member	–	–	–	–
Urs Baumann	Member	7,200	–	7,200	–
Dr. Monica Mächler	Member	–	–	–	–
Katrina Machin ²	Member	–	–	n/a	n/a
Ben Tellings ²	Member	–	–	n/a	n/a

¹ Member until 27 April 2016

² Member since 27 April 2016

The members of the Board of Directors do not hold any share options as of 31 December 2016 and as of 31 December 2015 respectively.

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

At 31 December		2016			2015	
Name	Position	Number of shares	Number of RSUs	Number of PSUs	Number of shares	Number of RSUs
Robert Oudmayer	CEO	5,807	6,121	–	3,880	4,842
Rémy Schimmel ¹	CFO	–	1,042	–	n/a	n/a
Volker Gloe	CRO	2,742	1,660	–	2,218	1,316
Dr. Emanuel C. Hofacker	General Counsel	1,026	1,379	–	631	1,045
Daniel Frei	Managing Director B2B Retail	2,855	1,782	–	2,255	1,507
Antoine Boublil ²	CFO	n/a	n/a	n/a	2,271	1,508

¹ Since 1 August 2016

² Until 31 March 2016

The members of the Management Board do not hold any share options as of 31 December 2016 and as of 31 December 2015 respectively.

Loans and Credits: Amounts due to/from Members of Governing Bodies

<i>At 31 December (CHF in thousands)</i>	2016	2015
Amounts due from members of governing bodies	21	10
Amounts due to members of governing bodies	912	376

Amounts due from members of governing bodies as of 31 December 2016 are in connection with credit card balances. Amounts due to members of governing bodies relate to personal savings accounts.



Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

We have audited the compensation report of Cembra Money Bank AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 3.2, 4.2 and 6 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2016 of Cembra Money Bank AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

A handwritten signature in blue ink, appearing to read 'C. Castagna'.

Cataldo Castagna
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'D. Merz'.

Daniel Merz
Licensed Audit Expert

Zurich, 23 March 2017