

Compensation Report

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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 2017 Compensation Report of Cembra Money Bank AG (hereafter referred as “the Bank”, together with its subsidiaries, “the Group”).

In 2017 the Group achieved another solid performance for the year despite pressure on revenues resulting from regulatory changes. With a net income of CHF 144.5 million and a corresponding return on equity (ROE) of 16.7%, we delivered again solid results on previous year’s level. Net financing receivables increased by 12% to CHF 4,562 million driven by both acquisitions and organic growth. We made further steps in executing on our strategy for growth with the acquisitions of Swissbilling and EFL Autoleasing as well as the refinancing transaction with eny Finance. The Group’s performance was also reflected in the share price performance leading to a total shareholder return (including dividend) of 28% in 2017.

These achievements are reflected in the compensation decisions for 2017. As a result of the strong financial performance, the total compensation for the Group’s Management Board was TCHF 4,035 for 2017, as compared to the budget of TCHF 5,300 comprising the fixed compensation approved by the General Meeting 2016 and the variable compensation approved by the General Meeting 2017. The total compensation in the previous year was TCHF 3,891 compared to an approved total compensation of TCHF 5,300.

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

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

Our Executive Variable Compensation Plan consists of a short-term incentive and a separate long-term incentive programme:

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

Compensation Report

For the further development of our compensation strategy, we consider the opinion of our stakeholders as relevant and highly valuable. 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 General Meeting in April 2018. Furthermore, we will ask you to vote on the maximum aggregate compensation amount for the Board of Directors for the General Meeting 2018 to General Meeting 2019 term of office and on the maximum aggregate compensation for the Management Board to be paid out in the financial year 2019.

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



Urs Baumann
Chairman of the Compensation and Nomination Committee

1 Compensation Policy and Guiding Principles

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

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

Pay for Performance in Alignment with the Bank's Values

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

Market Competitiveness and Fairness

We are committed to reward employees appropriately and competitively. The compensation guidelines ensure that compensation is based on the responsibilities and performance of the employees and is not influenced by gender or by non-performance-related criteria other than professional experience. In line with best practices, the Bank regularly benchmarks the compensation for the Bank's management to ensure that it is competitive and in line with the market developments in order to be able to attract and retain talented executives.

Good Governance Practice

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

2 Compensation Governance

2.1 Compensation and Nomination Committee

According to the Articles of Incorporation, the Organisational Regulations (available under www.cembra.ch/en/investor/ → Corporate Governance → Regulations and Principles) and the CNC Charter, the functions, responsibilities and powers of the CNC essentially comprise the following elements:

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

Compensation Report

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 2017, the CNC held six meetings and performed the following activities:

- Determination of Board of Directors compensation for following term of office;
- Nomination of CNC members for following term of office;
- Determination of maximum aggregate compensation amounts of the Board of Directors and the Management Board for shareholders' vote at General Meeting;
- Succession planning for Management Board and evolution of organisation;
- Approval of the Bank's variable incentive compensation pool for the performance year 2016 and salary budget for 2017;
- Performance evaluation and determination of variable compensation payout for previous year for Management Board;
- Strategic lookback assessment for performance year 2016;
- Review of the Executive Variable Compensation Plan;
- Goal setting 2017 for Management Board;
- Determination of long-term incentive targets;
- Draft and approval of Compensation Report;
- Review of the CNC charter;
- Great Place to Work survey results;
- Review of the goal framework; and
- Determination of the CNC agenda for the following year.

Generally, meetings are attended by the Chairman of the Board of Directors, the CEO and the HR Director in advisory capacity. However, they do not take part in the section of the meetings where their own performance and/or compensation are discussed and have no voting rights. Other members of the Management Board and Board of Directors as well as other persons may be invited if deemed necessary. The Chairman of the CNC reports to the Board of Directors after each meeting on the activities of the CNC. The minutes of the CNC meetings are available to the members of the Board of Directors. The CNC may decide to consult an external advisor from time to time for specific compensation matters. In 2017, 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 Manager Compensation & Benefits. For further governance-related information refer to section Corporate Governance starting on page 37.

Compensation Report

2.2 Method of Determination of Compensation

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

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

2.3 Involvement of Shareholders

The Group's shareholders are involved and have decision authority on various compensation matters. First of all, shareholders annually approve the maximum aggregate compensation amounts of the Board of Directors and the Management Board. In addition, the principles of compensation are governed by the Articles of Incorporation, which 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 → Corporate Governance → Regulations and Principles) and are summarised below:

- Compensation principles (Articles 25c, 25d, 25h, 25i): The compensation of the Board of Directors consists of fixed compensation for services rendered as a member of the Board of Directors and – if applicable – as a committee member or a committee chairperson, which may be paid out partially in cash and partially in blocked, registered shares of the Bank. The compensation for the Management Board consists of a (i) fixed base salary paid in cash; (ii) further compensation elements such as housing allowances, school fees and the like as deemed appropriate by the CNC; and (iii) a variable compensation. Variable compensation may comprise short-term and long-term elements. Compensation may be paid in cash, shares or other benefits (see Article 25h for more details).
- 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 its 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 (Article 25g): Members of the Board of Directors and of the Management Board may be granted loans, credits and pension benefits in an amount which in total shall not exceed 50% of the last aggregate maximum compensation amount approved by the 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.

Compensation Report

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 current pay structure (basic 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.

The fee structure was set in 2015 and has remained unchanged since then. Since the General Meeting 2016, one third of the compensation is delivered in Cembra Money Bank AG shares blocked for a period of five years during which they cannot be sold, transferred or pledged. Should the Board member not 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 2017

The following tables disclose the compensation awarded to the members of the Board of Directors for 2017 and 2016, respectively. For 2017, members of the Board of Directors received a total compensation of TCHF 1,403 (previous year TCHF 1,231). The increase is driven by the following factors:

- Denis Hall is no longer employed by General Electric Group, which did not allow its employees to accept any compensation for a board membership. Therefore he is compensated since 2017 by the Bank as member of the Board of Directors. This means from a compensation perspective, there was one additional member in 2017 compared to 2016;
- In addition, Ben Tellings was appointed as Vice-Chairman and received an additional chair fee.

Compensation Report

For the year ended 31 December 2017 (CHF)

| Name | Function | Basic fee | Committee/ Chair fee | Employer social security contributions | Total | Thereof in shares in CHF ³ | Number of shares |
|--|--------------------------------------|------------------|-------------------------|--|------------------|---|---------------------|
| Dr Felix Weber | Chairman | 450,000 | – | 25,659 | 475,659 | 150,056 | 1,755 |
| Ben Tellings ¹ | Vice-Chairman, Member CNC | 100,000 | 50,357 | 13,747 | 164,103 | 50,193 | 583 |
| Denis Hall ² | Member Audit and Risk Committee | 93,441 | 34,380 | 15,775 | 143,595 | 42,803 | 501 |
| Prof. Dr Peter Athanas | Chairman Audit and Risk Committee | 100,000 | 65,000 | 11,651 | 176,651 | 55,030 | 644 |
| Urs Baumann | Chairman CNC | 100,000 | 50,000 | 10,634 | 160,634 | 50,056 | 586 |
| Dr Monica Mächler | Member Audit and Risk Committee | 100,000 | 35,000 | 9,571 | 144,571 | 45,056 | 527 |
| Katrina Machin | Member CNC | 93,622 | 29,832 | 14,167 | 137,621 | 41,076 | 480 |
| Total compensation of the members of the Board of Directors | | 1,037,062 | 264,569 | 101,203 | 1,402,834 | 434,270 | 5,075 |

¹ Vice-Chairman since 26 April 2017

² Compensated by the Bank AG since 1 January 2017.

³ Number of shares reflects shares granted 1 March 2017 for the period 1 January 2017 until General Meeting 2017 and shares granted 1 February 2018 for the period General Meeting 2017 until 31 December 2017. For the grant 1 March 2017 the share price is CHF 76.45 – volume-weighted average price (VWAP) 60 trading days before and including grant date (source: Bloomberg). For the grant 1 February 2018 the share price is CHF 90.50 – VWAP 60 trading days before and including grant date (source: SIX). Due to the blocking period statutory withholdings are made on discounted share value. The discount is 25.274% according to the table published by the Zurich tax office.

For the year ended 31 December 2016 (CHF)

| Name | Function | Basic fee | Committee/ Chair fee | Employer social security contributions | Total | Thereof in shares in CHF ³ | Number of shares |
|--|---|----------------|-------------------------|--|------------------|---|---------------------|
| Dr Felix Weber | Chairman | 450,000 | – | 25,688 | 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 As an employee of General Electric Group, he was not allowed to receive any compensation for board memberships.

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.

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Total compensation (including pre-estimated social security contributions) for the period from the General Meeting 2017 to the General Meeting 2018 for the Board of Directors will amount to TCHF 1,413 and is within the maximum aggregate compensation amount of TCHF 1,450 approved by the General Meeting on 26 April 2017.

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

| | Compensation earned during financial year as reported (A) | Less compensation earned from Jan to GM of financial year (B) | Plus compensation accrued from Jan to GM of following year (C) | Total compensation earned for the period from GM to GM (A-B+C) | Amount approved by shareholders at respective GM | Ratio of compensation earned for the period from GM to GM versus amount approved by shareholders |
|---|---|---|--|--|--|--|
| General Meeting 2017– General Meeting 2018 | 2017 | 1 Jan 2017 to 2017 GM | 1 Jan 2018 to 2018 GM | 2017 to 2018 GM | 2017 GM | 2017 GM |
| Board of Directors (total) | 1,402,834 | 442,021 | 452,007 | 1,412,820 | 1,450,000 | 97% |
| General Meeting 2016– General Meeting 2017 | 2016 | 1 Jan 2016 to 2016 GM | 1 Jan 2017 to 2017 GM | 2016 to 2017 GM | 2016 GM | 2016 GM |
| Board of Directors (total) | 1,231,165 | 380,159 | 442,021 | 1,293,027 | 1,400,000 | 92% |

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 2017, please refer to sub-chapter 6 “Loans and Credits: Amounts due from Members of Governing Bodies” of this report.

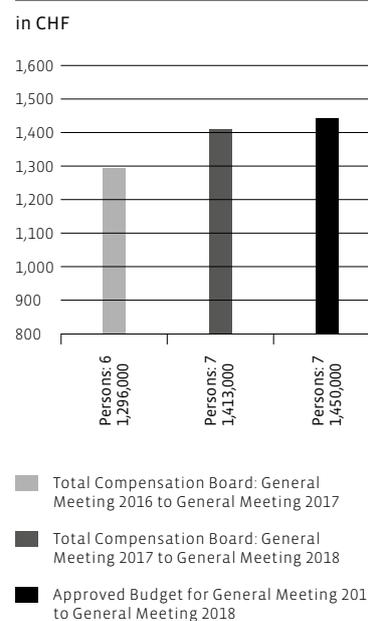
Compensation, Loans or Credits to Related Parties

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

Clauses on Changes of Control

The contracts of the members of the Board of Directors (including the Chairman of the Board of Directors) do not 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 of this report.

Total Compensation Board of Directors



4 Compensation of the Management Board

4.1 Compensation Architecture for the Management Board in 2017

The compensation of the Management Board is governed by the provisions in the Articles of Incorporation (available under: www.cembra.ch/en/investor → Corporate Governance → Regulations and Principles), the individual employment contracts, the Executive Variable Compensation Plan (EVCP) and internal directives such as the Fringe Benefits Policy.

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

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

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

The table below provides an overview of the compensation architecture for the Management Board as of 2017:

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

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

To determine the compensation levels for the members of the Management Board, the benchmark methodology of Hay Group has been used. The following companies were selected as peer group for the benchmark conducted in 2015: 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.

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.

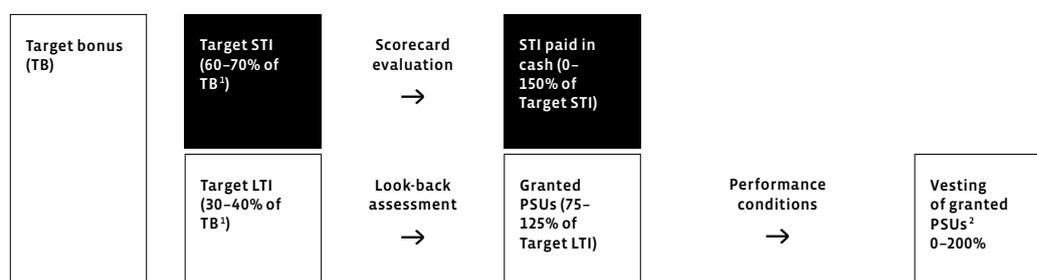
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Executive Variable Compensation Plan

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

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

Executive Variable Compensation Framework



| Performance year 2017 (Maximum amount approved at General Meeting April 2017) | Q1 2018 | Q1 2019 | Q1 2020 | Q1 2021 | Q1 2022 |
|--|---------|---------|---------|---------|---------|
|--|---------|---------|---------|---------|---------|

¹ The target bonus is split into a target STI and a target LTI depending on function (CEO: 60% / 40%, Management Board: 70% / 30%).

² Vesting of PSUs settled in shares.

Short-term Incentive (STI)

The STI is designed to reward the individual performance over a time horizon of one year based on the Bank's results. It allows the Management Board to participate in the Bank's success while being rewarded for individual contributions. The target STI amounts to 60% of the target bonus for the CEO and to 70% for the other Management Board members. The payout may vary between 0% and 150% of target depending on the performance achievement.

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

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

The goals and their weighting are illustrated below:

| | Goal | Weight CEO | Weight Management Board excl. CEO 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 2017, for the Managing Director B2B Retail the Bank's financial goals had 45% weight and the divisional financial goals 25% weight.

² For enabling functions partially qualitative

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The weightings under the current structure have been implemented in line with corporate governance best practice and shareholders' expectations. The STI is fully settled in cash and is usually paid in March of the following year. 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 predefined performance goals over a three-year vesting period.

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

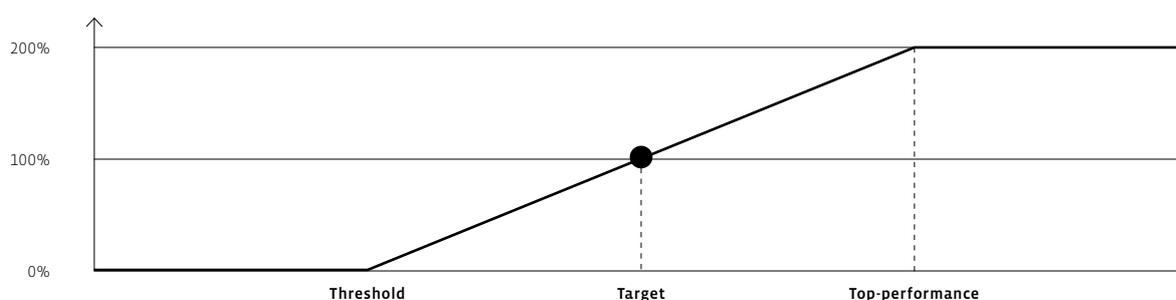
- Overall market positioning of the Bank (e.g., market share development, brand reputation);
- Quality of earnings (e.g., sustainability of income drivers and price levels, financing structure and credit rating, digitisation and unit cost efficiency, quality of compliance and risk framework);
- Future strategy (e.g., strategic roadmap for profitable growth, execution of strategic projects, strategic financial targets, quality of succession planning);
- An assessment of the individual contributions of the participants.

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

- Relative total shareholder return (rTSR) 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 cumulative EPS is calculated by giving 50% weight to the second and 50% weight to the third financial year following the grant date.

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

Payout Factor of Originally Granted PSUs



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:

Pay Out Factor of Originally Granted PSUs

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

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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 Bank without cause or termination following change of control, the unvested PSUs are subject to an accelerated pro-rata vesting based on the number of full months that have expired during the actual vesting period in relation to the full vesting period.

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

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

| | CEO | | Management Board | |
|--|-------|--------------------|------------------|--------------------|
| | STI | LTI | STI | LTI |
| Target Bonus in % of annual base salary | 90% | | 50% | |
| % 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 of this report.

Benefits

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

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

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

Employment contracts of members of the Management Board are subject to a notice period of a maximum of twelve 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 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 37.

Compensation Report

4.2 Compensation Awarded to the Management Board for 2017

The total compensation paid to the active members of the Management Board for the performance year 2017, respectively 2016, is disclosed in the table below.

| For the performance year ended 31 December (CHF) | 2017 | | | 2016 | | |
|---|------------------|------------------|--------------------|------------------|------------------|--------------------|
| | CEO | Management Board | Total compensation | CEO | Management Board | Total compensation |
| Base salary | 630,000 | 1,240,754 | 1,870,754 | 630,000 | 1,106,587 | 1,736,587 |
| Social security | 59,637 | 96,575 | 156,212 | 60,465 | 90,379 | 150,844 |
| Pension plan | 108,324 | 177,859 | 286,183 | 108,324 | 157,256 | 265,580 |
| Other compensation ¹ | 218,189 | 48,650 | 266,839 | 206,737 | 117,141 | 323,878 |
| Replacement award ² | - | - | - | - | 69,965 | 69,965 |
| Total fixed compensation | 1,016,149 | 1,563,839 | 2,579,988 | 1,005,526 | 1,541,327 | 2,546,854 |
| STI/ EVCP paid in cash ³ | 451,537 | 550,186 | 1,001,723 | 464,778 | 437,220 | 901,998 |
| LTI/ EVCP granted in PSUs/RSUs | 204,972 | 168,344 | 373,316 | 219,113 | 150,432 | 369,545 |
| Number of PSUs/RSUs granted ⁴ | 2,507 | 2,059 | 4,566 | 2,967 | 2,037 | 5,004 |
| Value per PSU/RSU ⁵ | 81.76 | 81.76 | 81.76 | 73.85 | 73.85 | 73.85 |
| Social security | 38,156 | 41,417 | 79,573 | 38,902 | 33,354 | 72,255 |
| Total variable compensation for the performance year | 694,665 | 759,947 | 1,454,612 | 722,793 | 621,006 | 1,343,799 |
| Total compensation for the performance year | 1,710,815 | 2,323,786 | 4,034,600 | 1,728,319 | 2,162,333 | 3,890,652 |
| Number of persons receiving compensation ⁶ | | | 5 | | | 6 |
| FTE receiving compensation | | | 5.00 | | | 4.67 |

¹ Includes certain benefits for relocated employees such as school fees as well as other benefits such as company cars.

² 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.

³ Paid out in March 2018, respectively March 2017.

⁴ PSUs granted in 2018 and 2017 for the performance years 2017 and 2016.

⁵ PSUs for 2017: Fair Market Value is based on the risk-adjusted volume-weighted average price (VWAP) 60 trading days before grant date 1 February 2018 (CHF 90.50 – source: SIX). 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). Determination through a Monte Carlo simulation algorithm.

⁶ 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 2017. 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 2017 to former Management Board members who left the Bank in the performance year 2017.

Explanation of Deviations versus the Previous Year:

- The total compensation of the Management Board members for the performance year 2017 amounts to TCHF 4,035 (previous year TCHF 3,891). This change is mainly driven by the increase in FTEs receiving variable compensation for the performance year 2017.
- The total fixed compensation of the members of the Management Board for the business year 2017 amounts to TCHF 2,580 (previous year TCHF 2,547). This amount is within the maximum fixed compensation amount of TCHF 3,100 approved by the General Meeting 2016.

Compensation Report

Vesting Schedule of PSU and RSU Grants

| Plan | Grant year | Vesting year 1 st tranche | Vesting year 2 nd tranche | Vesting year 3 rd tranche | Number of RSUs vested 2017 | Value at vesting 2017 (in CHF) ¹ |
|------------------------|------------|---|---|---|----------------------------------|---|
| EVCP 2013 | 2014 | 2015 | 2016 | 2017 | 1,629 | 132,764 |
| EVCP 2014 | 2015 | 2016 | 2017 | 2018 | 1,817 | 148,086 |
| EVCP 2015 | 2016 | 2018 | 2019 | 2020 | n/a | n/a |
| EVCP 2016 ² | 2017 | n/a | n/a | 2020 | n/a | n/a |
| EVCP 2017 ³ | 2018 | n/a | n/a | 2021 | n/a | n/a |

¹ EVCP vesting on 1 March 2017 valued with share price of CHF 81.50

² 3-year-cliff vesting on 1 March 2020

³ 3-year-cliff vesting on 1 February 2021

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 2017 please refer to sub-chapter 6 “Loans and Credits: Amounts due from Members of Governing Bodies” of this report.

Compensation or Loans to Related Parties

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

5 Compensation Awarded to All Bank Employees in 2017

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 are paid semi-annually or annually in cash.

The following table includes information regarding the aggregated compensation awarded to all employees for the business years 2017 and 2016, including compensation for members of the Management Board. The Bank had 696 and 705 employees (full-time equivalents) as of 31 December 2017 and as of 31 December 2016 respectively.

| For the performance year ended 31 December | 2017 | | 2016 | |
|--|----------------------------------|-----------------------------|---------------------|-----------------------------|
| | Amount (in TCHF) ² | Eligible employees (FTE) | Amount (in TCHF) | Eligible employees (FTE) |
| Base salaries | 71,453 | | 71,475 | |
| Variable compensation ¹ | 5,258 | 230 | 4,964 | 208 |
| Total | 76,711 | 696 | 76,439 | 705 |

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 2017, respectively 2016.

² Covers only employees of Cembra Money Bank AG.

6 Shareholdings and Loans

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

Shareholdings of the Board of Directors

| At 31 December | | 2017 | | 2016 | |
|-------------------------|---------------|------------------|--------------------------|------------------|--------------------------|
| Name | Function | Number of shares | Number of blocked shares | Number of shares | Number of blocked shares |
| Dr Felix Weber | Chairman | 7,250 | 1,963 | 7,250 | - |
| Ben Tellings | Vice-Chairman | - | 567 | - | - |
| Denis Hall ¹ | Member | - | 180 | - | - |
| Prof. Dr Peter Athanas | Member | - | 720 | - | - |
| Urs Baumann | Member | 7,200 | 655 | 7,200 | - |
| Dr Monica Mächler | Member | - | 589 | - | - |
| Katrina Machin | Member | - | 537 | - | - |

¹ Compensated by Cembra Money Bank AG since 1 January 2017.

The members of the Board of Directors do not hold any share options as of 31 December 2017 and as of 31 December 2016, respectively.

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

| At 31 December | | 2017 | | | 2016 | | |
|---------------------|------------------------------|------------------|----------------|----------------|------------------|----------------|----------------|
| Name | Position | Number of shares | Number of RSUs | Number of PSUs | Number of shares | Number of RSUs | Number of PSUs |
| Robert Oudmayer | CEO | 7,734 | 4,194 | 2,967 | 5,807 | 6,121 | - |
| Rémy Schimmel | CFO | - | 1,042 | 288 | - | 1,042 | - |
| Volker Gloe | CRO | 3,266 | 1,136 | 589 | 2,742 | 1,660 | - |
| Dr Emanuel Hofacker | General Counsel | 1,421 | 984 | 540 | 1,026 | 1,379 | - |
| Daniel Frei | Managing Director B2B Retail | 3,455 | 1,182 | 620 | 2,855 | 1,782 | - |

The members of the Management Board do not hold any share options as of 31 December 2017 and as of 31 December 2016, respectively.

Loans and Credits: Amounts due from Members of Governing Bodies

| At 31 December (CHF in thousands) | 2017 | 2016 |
|--|------|------|
| Amounts due from members of governing bodies | 17 | 21 |

Amounts due from members of governing bodies as of 31 December 2017 are in connection with credit card balances. Due to the insignificance of the amounts involved, there was no disclosure by name for members of the Board of Directors and the Management Board.



Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

We have audited the compensation report of Cembra Money Bank AG for the year ended December 31, 2017. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 3.2, 4.2 and 6 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the compensation report for the year ended December 31, 2017 of Cembra Money Bank AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Cataldo Castagna
Licensed Audit Expert
Auditor in Charge

Daniel Merz
Licensed Audit Expert

Zurich
March 15, 2018