

# 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 2019 Compensation Report of Cembra Money Bank AG (hereafter referred to as the “Bank”, together with its subsidiaries, the “Group”).

In 2019 we again achieved a record result for the year with all products and the acquisition of cashgate contributing to the profitable growth. Net income amounted to CHF 159.2 million, which led to a return on equity of 15.7%. Net financing receivables increased by 37% to CHF 6,586 million due to the acquisition of cashgate and organic growth. The Group’s performance was reflected in the share price performance with a total shareholder return of 41% in the reporting period, following a –11% total shareholder return in 2018.

These achievements are reflected in the compensation decisions for 2019. As a result of the strong financial performance and based on the new goal framework with the four pillars Financials, Customer & Market, Operational Excellence and People & Leadership, the total compensation for the Group’s active Management Board was TCHF 5,448 for 2019, as compared to the budget of TCHF 6,400 comprising the fixed compensation approved at the Annual General Meeting 2018 and the variable compensation approved at the Annual General Meeting 2019. The total compensation in the previous year was TCHF 4,544 compared to an approved total compensation of TCHF 5,700. The total compensation for 2019 was higher than for the previous year primarily because the two additional Management Board members who joined during 2018 were compensated in 2019 for the full calendar year.

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

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

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

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

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For this report further efforts were made to increase levels of disclosure. We now provide more details on the targets of our long-term incentive programme under the Executive Variable Compensation Plan by disclosing the EPS target at time of the grant.

Regarding compensation levels, there were no changes of the Board of Directors' compensation and minimal changes in base salary for the Management Board members.

For the further development of our compensation strategy, we consider the opinion of our stakeholders as relevant and highly valuable. Therefore we engage in a regular dialogue with our investors and proxy advisors. As a result of this ongoing dialogue we will link as of 2020 the compensation of our Management Board to sustainability as well. We provide more information on how we will incorporate it in our executive remuneration framework going forward in the outlook section of this report.

You will have the opportunity to express your opinion on the compensation programmes through a non-binding, consultative shareholders' vote on this Compensation Report at the Annual General Meeting in April 2020. Furthermore, we will ask you to vote on the maximum aggregate compensation amount for the Board of Directors for the Annual General Meeting 2020 to Annual General Meeting 2021 term of office and on the maximum aggregate compensation for the Management Board to be paid out in the financial year 2021.

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 interests 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 individual performance. In order to avoid excessive risk taking, risk metrics and behaviours are included in the performance evaluation, and the variable compensation payouts are capped.

## **Market competitiveness and fairness**

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

## **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 FINMA Circular 2010/1 "Remuneration schemes".

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

Should an individual being responsible for a control function also be in charge of certain operational tasks, the compensation structure must not create inappropriate incentives.

# 2 Compensation governance

## **2.1 Compensation and Nomination Committee**

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According to the Articles of Incorporation, the Organisational Regulations (available under [www.cembra.ch/governance](http://www.cembra.ch/governance)) 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 Annual General Meeting regarding the compensation of the members of the Board of Directors and the Management Board.

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

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

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

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

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

The CNC holds meetings as often as required, but at least once every quarter. During 2019, the CNC held six meetings and performed the following activities:

- Determined Board of Directors compensation for following term of office;
- Nominated CNC members for following term of office;
- Determined the maximum aggregate compensation amounts of the Board of Directors and the Management Board for shareholders' vote at Annual General Meeting;
- Conducted a performance evaluation and determined variable compensation payout for previous year for Management Board;
- Conducted a strategic look-back assessment of the previous year;
- Set the 2019 goals for Management Board;
- Determined long-term incentive targets;
- Drafted and discussed the Compensation Report;
- Reviewed succession planning for Management Board and N-2 employees and evolution of organisation;
- Reviewed the Executive Variable Compensation Plan;
- Reviewed the CNC charter;
- Set 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 an advisory capacity. However, they do not take part in the section of the meetings where their own performance and/or compensation are discussed and have no voting rights. Other members of the Management Board and Board of Directors as

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well as other individuals may be invited if deemed necessary. The Chairman of the CNC reports to the Board of Directors after each meeting on the activities of the CNC. The minutes of the CNC meetings are available to the members of the Board of Directors. The CNC may decide to consult an external advisor from time to time for specific compensation matters. However these companies do not have other mandates with the Bank. In addition, support and expertise are provided by internal compensation experts such as the HR Director. For further governance-related information refer to the corporate governance section starting on page 55.

### 2.2 Method of determination of compensation

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

The CNC also considers other factors it deems relevant in its sole judgement including, without limitation, 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

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

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

# 3 Compensation of the Board of Directors

## 3.1 Compensation architecture for the Board of Directors

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

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

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

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

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

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

Structure of the Board of Directors compensation:

In TCHF	Basic fee	Committee/ chair fee
Chairman of the Board of Directors <sup>1</sup>	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

<sup>1</sup> The Chairman of the Board of Directors is not eligible for additional committee fees

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

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### 3.2 Compensation awarded to the Board of Directors for 2019

The following tables disclose the compensation awarded to the members of the Board of Directors for 2019 and 2018. For 2019, members of the Board of Directors received a total compensation of TCHF 1,407 (previous year TCHF 1,409).

For the year ended 31 December 2019 (CHF)

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

<sup>1</sup> Vice Chairman and member of the CNC until 31 December 2019

<sup>2</sup> Number of shares reflects shares granted 1 February 2019 for the period 1 January 2019 until Annual General Meeting 2019 and shares granted 1 February 2020 for the period Annual General Meeting 2019 until 31 December 2019. For the grant 1 February 2019 the share price is CHF 82.79 - volume-weighted average price ("VWAP") 60 trading days before and including grant date (source: Bloomberg). For the grant 1 February 2020 the share price is CHF 108.96 - VWAP 60 trading days before and including grant date (source: SIX). Due to the blocking period statutory withholdings are made on discounted share value. The discount is 25.274 % according to the table published by the circular no 37 of the Federal Tax Administration Office.

For the year ended 31 December 2018 (CHF)

Name	Function	Basic fee	Committee/ chair fee	Employer social security contributions	Total	Thereof in shares in CHF <sup>1</sup>	Number of shares
Dr Felix Weber	Chairman	450,000	–	25,679	475,679	150,049	1,777
Ben Tellings	Vice Chairman, Member CNC	100,000	60,000	11,354	171,354	53,395	632
Prof. Dr Peter Athanas	Chairman Audit and Risk Committee	100,000	65,000	11,688	176,688	55,024	652
Urs Baumann	Chairman CNC	100,000	50,000	10,641	160,641	50,047	592
Denis Hall	Member Audit and Risk Committee	93,441	34,380	14,700	142,520	42,626	505
Katrina Machin	Member CNC	93,622	29,468	14,048	137,138	41,087	486
Dr Monica Mächler	Member Audit and Risk Committee	100,000	35,000	9,579	144,579	45,069	533
<b>Total compensation of the members of the Board of Directors</b>		<b>1,037,062</b>	<b>273,848</b>	<b>97,688</b>	<b>1,408,598</b>	<b>437,296</b>	<b>5,177</b>

<sup>1</sup> Number of shares reflects shares granted on 1 February 2018 for the period 1 January 2018 until Annual General Meeting 2018 and shares granted 1 February 2019 for the period Annual General Meeting 2018 until 31 December 2018. For the grant 1 February 2018 the share price is CHF 90.50 - volume-weighted average price ("VWAP") 60 trading days before and including grant date (source: Bloomberg). For the grant 1 February 2019 the share price is CHF 82.79 - 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 circular no 37 of the Federal Tax Administration Office.

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Total compensation (including pre-estimated social security contributions) for the period from the Annual General Meeting 2019 to the Annual General Meeting 2020 for the Board of Directors will amount to TCHF 1,353 and is within the maximum aggregate compensation amount of TCHF 1,450 approved at the Annual General Meeting on 17 April 2019.

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

	Compensation earned during financial year as reported (A)	Less compensation earned from Jan to AGM of financial year (B)	Plus compensation accrued from Jan to AGM of following year (C)	Total compensation earned for the period from AGM to AGM (A-B+C)	Amount approved by shareholders at respective AGM	Ratio of compensation earned for the period from AGM to AGM versus amount approved by shareholders
AGM 2019-AGM 2020	2019	1 Jan 2019 to 2019 AGM	1 Jan 2020 to 2020 AGM	2019 to 2020 AGM <sup>1</sup>	2019 AGM	2019 AGM
<b>Board of Directors (total)</b>	<b>1,406,751</b>	<b>416,997</b>	<b>362,929</b>	<b>1,352,683</b>	<b>1,450,000</b>	<b>93%</b>
AGM 2018-AGM 2019	2018	1 Jan 2018 to 2018 AGM	1 Jan 2019 to 2019 AGM	2018 to 2019 AGM	2018 AGM	2018 AGM
<b>Board of Directors (total)</b>	<b>1,408,598</b>	<b>410,875</b>	<b>420,834</b>	<b>1,418,557</b>	<b>1,450,000</b>	<b>98%</b>

<sup>1</sup> The difference from the previous year results from the shorter term of office of Ben Tellings until 31 December 2019

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

No such compensation was paid during the reporting period.

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

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

For details related to loans outstanding at 31 December 2019, please refer to sub-chapter 6 “Loans and credits: Amounts due from members of governing bodies” of this report.

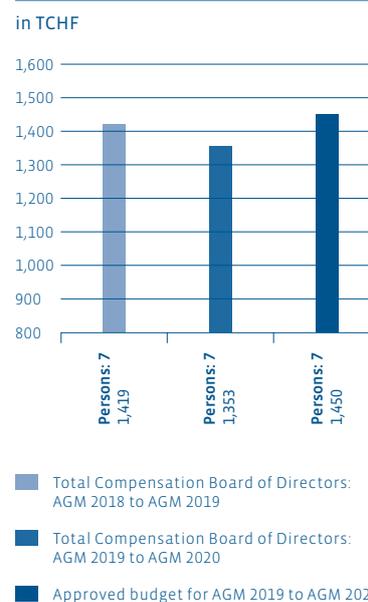
#### Compensation, loans or credits to related parties

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

#### Clauses on changes of control

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

#### Total Compensation Board of Directors



## 4 Compensation of the Management Board

### 4.1 Compensation architecture for the Management Board in 2019

The compensation of the Management Board is governed by the provisions in the Articles of Incorporation (available under: [www.cembra.ch/governance](http://www.cembra.ch/governance)), 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:

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

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

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

To ensure market competitiveness, compensation of the members of the Management Board is reviewed annually taking into consideration the 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, a compensation analysis was conducted by Kienbaum Consultants International in 2018 for its executive functions. The following peer group was selected for this benchmark study: Financial Services, including retail banks, cantonal banks, regional Swiss banks as well as divisions of large banks and insurance companies. Only market data for positions comparable in scope and responsibilities were included. In cases of significantly larger companies, only functions below executive board level but comparable in regard of function-specific responsibilities were considered.

Only minimal changes in base salaries for a few individuals were made in 2019 to align with market benchmark. No changes were made for the CEO base salary.

#### Annual base salary

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

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

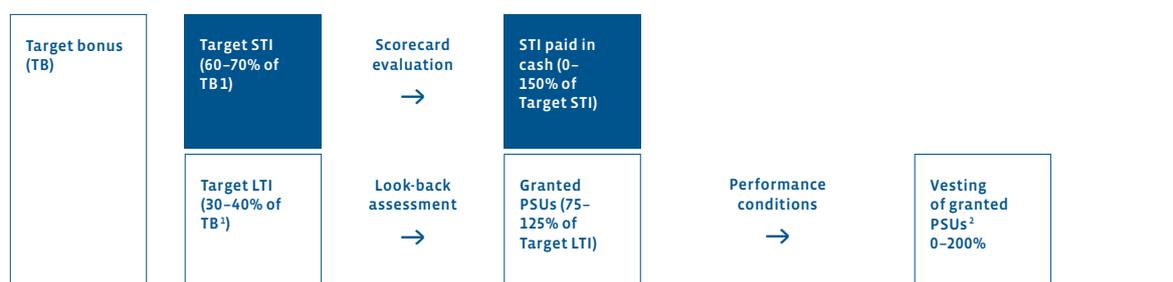
## Compensation Report

### Executive Variable Compensation Plan

The variable compensation of the Management Board is governed by the internal EVCP guideline. The purpose of the EVCP is to reward for 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 2019 (Maximum amount approved at Annual General Meeting April 2019)	Q1 2020	Q1 2021	Q1 2022	Q1 2023	Q1 2024
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<sup>1</sup> The target bonus is split into a target STI and a target LTI depending on function (CEO: 60%/40%, other members of the Management Board: 70%/30%)

<sup>2</sup> 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 STI depending on the performance achievement.

Performance is assessed through a scorecard evaluation. In 2019 a revised scorecard was put in place to better reflect business strategy in the targets of the goal framework and to further strengthen the alignment between shareholders and management.

In 2019 the goal framework for all Management Board members was based on the following four pillars:

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

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

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For 2019 the following weights were applicable:

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

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

Malus:

The STI is subject to a stringent malus condition in case of:

- Financial loss at group or divisional level;
- Breach of regulatory Tier 1 ratio;
- Compliance, risk, regulatory and reputational issues or incidents.

### Long-term incentive (LTI)

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

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

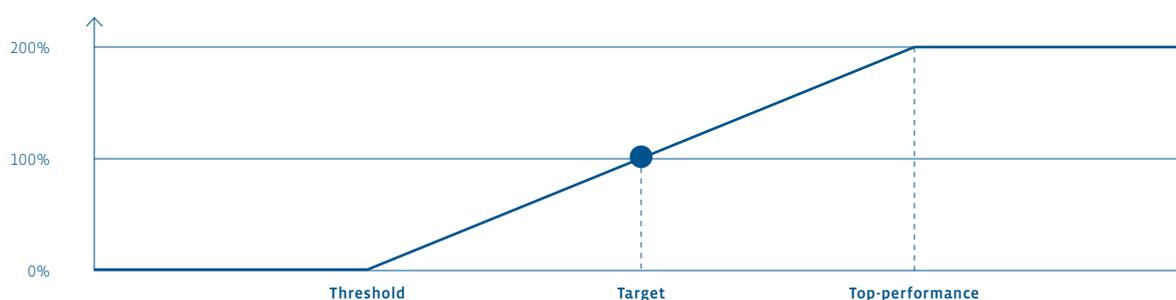
- Overall market positioning of the Bank (e.g., market share development, brand reputation);
- Quality of earnings (e.g., sustainability of income drivers and price levels, financing structure and credit rating, digitisation and unit cost efficiency, quality of compliance and risk framework);
- Future 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 the form of PSUs by dividing the LTI grant value by the average of the daily volume-weighted average share price during the 60 trading days before the grant date. The PSUs are subject to a three-year cliff-vesting conditional upon the achievement of two performance conditions, both equally weighted:

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

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

### Payout factor of originally granted PSUs



## Compensation Report

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

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

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

### Payout factor of originally granted PSUs

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

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

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

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

	CEO		Management Board	
	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 %
Pay out/vesting range in % of annual base salary	0-81 %	0-90 % <sup>1</sup>	0-53 %	0-38 % <sup>1</sup>

<sup>1</sup> Not taking into account any increase in the underlying share price.

### Performance objectives under STI and LTI

Due to the commercial sensitivity of financial and qualitative objectives the internal individual and/or financial targets under the STI are not being disclosed ex ante in the Compensation Report. For the LTI the EPS targets are set in line with the explanations on page 95 and 96 of this report. For the grant 2019 the EPS target was approved at CHF 6.10 for the performance period 2019 until 2021.

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

## Compensation Report

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### **Benefits**

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

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

### **Employment contract termination clauses/ notice periods and severance agreements of the Management Board**

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

### **Clauses on changes of control**

The contracts of the Management Board do not contain change of control clauses other than the accelerated vesting provision in the EVCP as described in section 4.1. For further information refer to the corporate governance starting on page 55.

### **Share ownership guidelines**

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

## Compensation Report

### 4.2 Compensation awarded to the Management Board members for 2019

#### Compensation of active Management Board members

The total compensation paid to the active members of the Management Board for the performance year 2019, respectively 2018, is disclosed in the table below.

For the performance year ended 31 December (CHF)	2019			2018		
	CEO	Management Board	Total compensation	CEO	Management Board <sup>7</sup>	Total compensation
Base salary	630,000	1,985,189	2,615,189	630,000	1,534,504	2,164,504
Social security	66,348	150,922	217,270	60,780	118,629	179,408
Pension plan	108,324	299,714	408,038	108,324	218,397	326,721
Other compensation <sup>1</sup>	308,286	62,878	371,164	200,588	33,873	234,461
Replacement award <sup>2</sup>	-	-	-	-	248,122	248,122
<b>Total fixed compensation</b>	<b>1,112,957</b>	<b>2,498,704</b>	<b>3,611,661</b>	<b>999,692</b>	<b>2,153,525</b>	<b>3,153,216</b>
STI/ EVCP paid in cash <sup>3</sup>	345,305	735,541	1,080,846	475,023	494,630	969,653
LTI/ EVCP granted in PSUs/ RSUs	282,811	374,546	657,357	196,951	147,642	344,593
Number of PSUs/ RSUs granted <sup>4</sup>	2,602	3,446	6,048	2,740	2,054	4,794
Value per PSU/ RSU <sup>5</sup>	108.69	108.69	108.69	71.88	71.88	71.88
Social security	35,370	62,468	97,838	39,478	37,374	76,852
<b>Total variable compensation for the performance year</b>	<b>663,487</b>	<b>1,172,555</b>	<b>1,836,042</b>	<b>711,452</b>	<b>679,646</b>	<b>1,391,098</b>
<b>Total compensation for the performance year</b>	<b>1,776,444</b>	<b>3,671,259</b>	<b>5,447,703</b>	<b>1,711,144</b>	<b>2,833,170</b>	<b>4,544,314</b>
Number of persons receiving compensation <sup>6</sup>			7			8
FTE receiving compensation			7.00			5.83

<sup>1</sup> Includes benefits for relocated employees such as school fees as well as other benefits such as company cars. Due to higher school costs in 2019 and tax settlements from previous years the CEO's other compensation was higher compared to 2018.

<sup>2</sup> Replacement Award for the COO for forfeiture of deferred equity awards with previous employer. Award is granted in RSUs in August 2018 with a vesting period of 3 years after grant date.

<sup>3</sup> Paid out in March 2020, respectively March 2019.

<sup>4</sup> PSUs granted in 2020 and 2019 for the performance years 2019 and 2018.

<sup>5</sup> PSUs for 2019: Fair Market Value is based on the risk-adjusted volume-weighted average price ("VWAP") 60 trading days before grant date 1 February 2020 (CHF 108.96 - source: SIX). PSUs for 2018: Fair Market Value is based on the risk-adjusted volume-weighted average price ("VWAP") 60 trading days before grant date 1 February 2019 (CHF 82.79 - source: SIX). Determination through a Monte Carlo simulation algorithm.

<sup>6</sup> 8 persons end of 2018 because of new Management Board structure with 7 Management Board members in total plus the new hire of the CFO function effective 1 October 2018 and the paid leave of absence of the previous CFO until 31 March 2019.

<sup>7</sup> Includes compensation paid to the former CFO in 2018 after his withdrawal from the Management Board.

## Compensation Report

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### Highest total compensation

Robert Oudmayer, CEO, received the highest total compensation in 2019. For compensation details, please refer to the previous table.

### Compensation of Management Board members who left the Bank during the reporting period

The total compensation for the year 2019 paid to former members of the Management Board is disclosed in the table below.

For the performance year ended 31 December (CHF)	2019
	Former Management Board member <sup>1</sup>
Base salary	87,500
Social security	11,983
Pension plan	12,068
Other compensation	2,518
<b>Total fixed compensation</b>	<b>114,069</b>
<b>Total variable compensation for the performance year</b>	<b>-</b>
<b>Total compensation for the performance year</b>	<b>114,069</b>
Number of persons receiving compensation	1

<sup>1</sup> Leave of absence as of 1 October 2018, exit date 31 March 2019

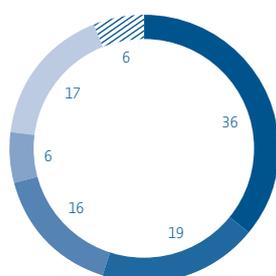
### Explanation of deviations versus the previous year:

- The total compensation of the Management Board members for the performance year 2019 amounts to TCHF 5,448. In addition TCHF 114 were paid to a former Management Board member on leave of absence during 2019. The combined total amount is within the approved maximum aggregate compensation amount of TCHF 6,400 (consisting of the sum of the expected portion of fixed compensation of TCHF 3,800 approved by the Annual General Meeting 2018 and the expected portion of variable compensation of TCHF 2,600 approved by the Annual General Meeting 2019).
- The total fixed compensation of the active members of the Management Board for the business year 2019 amounts to TCHF 3,612 (previous year TCHF 3,153).
- The total variable compensation for the performance year 2019 amounts to TCHF 1,836 (previous year TCHF 1,391). For the performance year 2019, the variable compensation amounted to 34% of the total compensation (previous year also 31%).
- The total fixed and the total variable compensation amount is higher than in the previous year primarily because two additional Management Board members joined during 2018 which increased the total number of Management Board members from five to seven. In 2019 seven Management Board members have been compensated for the full year whereas in 2018 the two additional Management Board members have been compensated pro-rata based on their start date.

# Compensation Report

## Performance year 2019 compensation structure CEO

in %

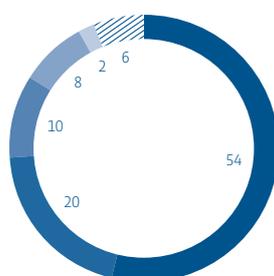


### Chief Executive Officer

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

## Performance year 2019 compensation structure Management Board excl. CEO

in %



### Management Board (excl. CEO)

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

## Assessment compared to plan

The individual overall short-term incentive payout percentage, which is based on the achievement of Bank and divisional financial goals as well as qualitative KPIs, ranges from 88% to 118% for the performance year 2019 for the members of the Management Board including the CEO (previous year 100% to 140%).

The long-term incentive grant for the performance year 2019 has been approved by the Board of Directors at 125% (previous year: 100%) based on the strategic look-back assessment considering the major achievements realised with the cashgate acquisition and the go live of Cembra Business. The final value of this grant will be determined by the performance conditions outlined in the sub-chapter Long-term Incentive (LTI) of this report.

Assessment compared to plan			
Goal	Threshold	Target	Cap
Financials	<div style="width: 80%;"></div>		
Customer & Market	<div style="width: 90%;"></div>		
Operational Excellence	<div style="width: 95%;"></div>		
STI	<div style="width: 90%;"></div>		
LTI	<div style="width: 100%;"></div>		

## Compensation Report

### Vesting of RSU grants

Plan	Grant year	Vesting year 1st tranche	Vesting year 2nd tranche	Vesting year 3rd tranche	Number of RSUs vested 2019	Value at vesting 2019 (in CHF) <sup>1</sup>
EVCP 2013	2014	2015	2016	2017	n/a	n/a
EVCP 2014	2015	2016	2017	2018	n/a	n/a
EVCP 2015	2016	2018	2019	2020	1,893	181,160

<sup>1</sup> EVCP vesting on 1 March 2019 valued with share price of CHF 95.70

### Vesting of PSU grants

Plan	Grant year	Performance period	EPS target	Vesting year	EPS achievement	rTSR achievement	Vesting factor	Number of PSUs vested	Value at vesting (in CHF)
EVCP 2016	2017	2017 - 2019	4.98	2020	n/a <sup>1</sup>	n/a <sup>1</sup>	n/a <sup>1</sup>	n/a <sup>1</sup>	n/a <sup>1</sup>
EVCP 2017	2018	2018 - 2020	5.43	2021	n/a	n/a	n/a	n/a	n/a
EVCP 2018	2019	2019 - 2021	6.10	2022	n/a	n/a	n/a	n/a	n/a
EVCP 2019	2020	2020 - 2022	n/a	2023	n/a	n/a	n/a	n/a	n/a

<sup>1</sup> EVCP vesting on March 1 2020. Due to performance measurement period for total shareholder return ending by the fifth trading day before the grant day 1 March 2020, it is not possible to disclose the final vesting factor in the Compensation Report 2019. The vesting factor is currently estimated to be 177% considering the EPS achievement and the rTSR for the period until 27 January 2020. Information about final vesting factor, number of PSUs vested, and value at vesting (in CHF) will be published in the Compensation Report 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 2019 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 2019

The structure of compensation of all employees is as follows:

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

The following table includes information regarding the aggregated compensation awarded to all employees for the business years 2019 and 2018, including compensation for members of the Management Board. The Bank had 802 (full-time equivalents) as of 31 December 2019 compared to 754 employees (full-time equivalents) as of 31 December 2018 respectively.

For the performance year ended 31 December	2019		2018	
	Amount (in TCHF) <sup>2</sup>	Eligible employees (FTE)	Amount (in TCHF)	Eligible employees (FTE)
Base salaries	82,068		75,025	
Variable compensation <sup>1</sup>	6,402	303	5,998	253
<b>Total</b>	<b>88,470</b>	<b>802</b>	<b>81,023</b>	<b>754</b>

<sup>1</sup> Includes annual variable incentive payments for Management Board, senior and middle management as well as sales incentive payments for the performance year 2019, respectively 2018.

<sup>2</sup> Covers only employees of the Bank

## 6 Shareholdings and loans

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

### Shareholdings of the Board of Directors

At 31 December		2019		2018	
Name	Function	Number of shares	Number of blocked shares	Number of shares	Number of blocked shares
Dr Felix A. Weber	Chairman	7,250	5,433	7,250	3,621
Ben Tellings	Vice Chairman	-	1,802	-	1,157
Prof. Dr Peter Athanas	Member	-	1,993	-	1,328
Urs Baumann	Member	7,200	1,812	7,200	1,208
Denis Hall	Member	-	1,166	-	651
Katrina Machin	Member	-	1,487	-	991
Dr Monica Mächler	Member	-	1,631	-	1,087

The members of the Board of Directors did not hold any share options at 31 December 2019 and at 31 December 2018.

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

At 31 December		2019			2018		
Name	Position	Number of shares	Number of RSUs	Number of PSUs	Number of shares	Number of RSUs	Number of PSUs
Robert Oudmayer	CEO	10,859	1,069	8,214	9,790	2,138	5,474
Jörg Fohringer	Managing Director B2B	-	-	-	-	-	-
Daniel Frei	Managing Director B2C	4,345	292	1,717	4,053	584	1,144
Volker Gloe	CRO	4,112	290	1,631	3,823	579	1,087
Dr Emanuel Hofacker	General Counsel	2,162	243	1,495	1,919	486	996
Niklaus Mannhart	COO	-	3,038	266	-	3,038	-
Pascal Perritaz	CFO	-	-	172	-	-	-
Rémy Schimmel	former CFO	-	-	-	282	927	-

The members of the Management Board do not hold any share options at 31 December 2019 and at 31 December 2018.

### Loans and credits: amounts due from members of governing bodies

At 31 December (CHF in thousands)	2019	2018
Amounts due from members of governing bodies	28	22

Amounts due from members of governing bodies as of 31 December 2019 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.

## 7 Compensation outlook: Inclusion of sustainability

In 2019, the CNC reviewed and further developed the Management Board's remuneration framework consisting of the short-term incentive compensation and the long-term incentive compensation to drive sustainability by including a link to the Management Board's compensation.

Such efforts were mainly triggered by the aim to include a focus on long-term sustainable growth and to respond to the feedback and expectations of various stakeholders such as shareholders and proxy advisors.

As of 2020 the strategic look-back assessment criteria will be expanded. In addition to market positioning, quality of earnings and future strategy, it will also include sustainability, with the following performance indicators:

- Definition of sustainability strategy and framework (incl. priorities, goals and measurements);
- Achievement of sustainability goals, and
- Reputation and market perception of the Bank's sustainability commitment and performance.

We believe that sustainability is an important factor for the Group's long-term financial performance and that it will contribute to the overall success of Cembra.



# 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, 2019. 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, 2019 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

Malea Bourquin  
Licensed Audit Expert

Zurich  
March 18, 2020