Final Offering Circular dated 11 July 2019

Cembra Money Bank AG

Zurich, Switzerland

CHF 150,000,000

Perpetual Additional Tier 1 Subordinated Bonds

(the "Tier 1 Bonds")

Capitalised terms used but not defined below have the meanings assigned to such terms in the terms of the Tier 1 Bonds included in this offering circular (the "Offering Circular" and the "Terms of the Bonds", respectively).

Issuer:	Cembra Money Bank AG, Bändliweg 20, 8048 Zurich, Switzerland (the "**Company**" or the "**Issuer**" and, together with its subsidiaries, the "**Group**").
Size and Denomination:	CHF 150,000,000; CHF 5,000 per Tier 1 Bond (the "**Original Notional Amount**")
Currency:	Swiss francs ("**CHF**")
Issue Date:	15 July 2019 (the "**Issue Date**")
Maturity:	The Tier 1 Bonds are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed or purchased and cancelled as provided in the Terms of the Bonds, each Tier 1 Bond is perpetual and shall only be redeemed or purchased and cancelled as specified in the Terms of the Bonds. The Tier 1 Bonds will not be redeemable at any time at the option of the holders of the Tier 1 Bonds (the "**Holders**" and, individually, a "**Holder**").
Interest:	The Tier 1 Bonds will bear interest from (and including) the Issue Date to (but excluding) the First Call Date (as defined below) at a fixed rate equal to 2.50 per cent *per annum*, payable annually in arrears on 15 November of each year (each an "**Interest Payment Date**") on the Prevailing Notional Amount (as defined below), for the first time on 15 November 2019 (short first coupon) and for the last time on the First Call Date. The interest rate will be reset on the First Call Date and every 5^{th} anniversary thereafter on the basis of

	the aggregate of the prevailing Five-year CHF Mid-Market Swap Rate plus the Margin, payable annually in arrears on each Interest Payment Date on the Prevailing Notional Amount.
Margin:	250 bps *per annum*
First Call Date:	15 November 2024 (the "**First Call Date**")
Discretionary Interest Cancellation:	Subject to the Tier 1 Bonds being recognised as Additional Tier 1 Capital in whole or in part, the Issuer may, at its sole discretion, elect to cancel all or part of any payment of interest which is otherwise to be paid on an Interest Payment Date (as defined below) or the Redemption Date (if any) by giving notice of such election to the Holders in accordance with the Terms of the Bonds, and to the Principal Paying Agent, (i) in the case of interest otherwise due on an Interest Payment Date, not more than thirty (30) nor less than ten (10) Business Days prior to the relevant Interest Payment Date, or (ii) in the case of interest due on the Redemption Date, on the relevant Redemption Notice Date.
Mandatory Interest Cancellation:	The Issuer shall be prohibited from making, in whole or in part, any payment of interest on the Tier 1 Bonds on the relevant Interest Payment Date or the Redemption Date (if any) if and to the extent that on such Interest Payment Date or Redemption Date (if any): (i) the amount of such interest otherwise due, together with (a) any interest payments or distributions to be paid or made during the Relevant Period on Parity Securities, and (b) any Distribution to be paid or made with respect to the financial year ended immediately prior to such Interest Payment Date or Redemption Date (excluding any such interest payments or distributions which (i) are not required to be made out of Distributable Items (as defined below) or (ii) have already been provided for, by way of deduction, in calculating the amount of Distributable Items), in aggregate would exceed the amount of Distributable Items as at such Interest Payment Date or Redemption Date; or (ii) the Issuer is prohibited, by the National Regulations or an order of the Regulator, from declaring or making any distributions or other payments, in whole or in part, on, or relating to, the Tier 1 Bonds or any Parity Securities. "**Distributable Items**" means with respect to any Interest Payment Date, the aggregate of all reserves (including without limitation, annual profit, profit carried forward and reserves generated by profits or by equity contributions), all as appearing in the Relevant Accounts for the financial year ended immediately before the Interest Payment Date, of the Issuer which may, pursuant to Swiss corporate law and the National Regulations as amended from time to time, be distributed to shareholders (with or without prior reclassification).
Non-Cumulative Interest and No Event of Default:	Any interest not paid in accordance with "Discretionary Interest Cancellation" or by reason of "Mandatory Interest Cancellation" above shall not accumulate or be payable at any time thereafter, and such non-payment will not constitute an event of default by the Issuer for any purpose, and the Holders shall have no right thereto whether in a liquidation, dissolution, insolvency or bankruptcy of the Issuer or otherwise.
Restrictions following Non-Payment of Interest:	If, on any Interest Payment Date, payment of interest scheduled to be made on such date is not made in full on the Prevailing Notional Amount in accordance with "Discretionary Interest Cancellation" or by reason of "Mandatory Interest Cancellation" above:

(i) the board of directors of the Issuer (the "**Board of Directors**") shall not directly or indirectly recommend to the shareholders of the Issuer or, if proposed by shareholders, shall recommend to reject, that any Distribution (other than in the form of Shares or other share capital) be paid or made on any Shares or other share capital of the Issuer; and

(ii) the Issuer shall not directly or indirectly redeem, purchase or otherwise acquire any Shares or other share capital of the Issuer other than in relation to (a) transactions in securities effected by or for the account of customers of the Issuer or any of its Subsidiaries or in connection with the distribution or trading of, or market making in respect of such securities; (b) the satisfaction by the Issuer or any of its Subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or any of its Subsidiaries; (c) a reclassification of the share capital of the Issuer or of any of its Subsidiaries or the exchange or conversion of one class or series of such share capital for another class or series of such share capital; or (d) the purchase of shares or fractional rights to shares of the share capital of the Issuer or any of its Subsidiaries pursuant to the provisions of any outstanding securities of the Issuer or any Subsidiary being converted or exchanged for shares of the share capital in order to fulfil its obligations under such outstanding securities;

in each case until the earliest of (x) the interest due and payable on any subsequent Interest Payment Date in respect of the then Prevailing Notional Amount of all outstanding Tier 1 Bonds having been paid in full to the Holders; or (y) all the Tier 1 Bonds having been redeemed or purchased and cancelled in full; or (z) the Prevailing Notional Amount of the Tier 1 Bonds having been reduced to zero.

Issue Price: Subject to certain conditions, Credit Suisse AG and Zürcher Kantonalbank (collectively, the "**Joint Lead Managers**") have agreed to, severally and not jointly, purchase the Tier 1 Bonds at the price of 100.00 per cent of their Original Notional Amount (before commissions).

Placement Price: According to demand.

Optional Redemption: Subject to the conditions described under "Conditions for Redemption" below, the Issuer may elect, in its sole discretion, to redeem the Tier 1 Bonds in whole but not in part, by giving not less than 30 days' notice (which notice shall be irrevocable; the date on which such notice has been given, the "**Redemption Notice Date**") to the Holders in accordance with the Terms of the Bonds and notifying the date fixed for redemption (the "**Redemption Date**"), under the following circumstances:

(i) on the First Call Date or on any Interest Payment Date thereafter; or

(ii) if a Tax Event has occurred and is continuing; or

(iii) if a Regulatory Event has occurred and is continuing;

in each case, at their Prevailing Notional Amount, together with any accrued but unpaid interest to (but excluding) the Redemption Date (if any).

A "**Tax Event**" means the receipt by the Issuer of an opinion of a nationally recognised law firm or other tax advisor (which may be an accounting firm) in Switzerland experienced in such matters stating that there is more than an insubstantial risk that (a) the Issuer is not, or will not be, able to any longer to obtain a tax deduction for Swiss corporate income tax purposes for any payment of interest in respect of the Tier 1 Bonds, as a result of which the Issuer is, or will be, subject to more than a *de minimis* amount of additional taxes, or (b) the Issuer is, or will become, obliged to deduct or withhold taxes (other than a withholding tax caused by FATCA) in respect of any payments of interest in respect of the Tier 1 Bonds, and in each of cases (a) and (b) this cannot be avoided by the Issuer taking such reasonable measures available to it without any material adverse effect on, or material cost to, the Issuer (as determined by the Issuer in its sole discretion).

A "**Regulatory Event**" is deemed to have occurred if (i) the Issuer is notified in writing by the Regulator to the effect that the Tier 1 Bonds are not, or cease to be, eligible to be treated as Additional Tier 1 Capital in whole or in part and/or (ii) the National Regulations are amended with the effect that the Tier 1 Bonds are not eligible to be treated as Additional Tier 1 Capital in whole or in part.

Mandatory Redemption upon the occurrence of a Non-Acquisition Event

Subject to the prior written approval of the Regulator and the conditions described in clauses (ii) and (iii) under "Conditions for Redemption" below, if a Non-Acquisition Event has occurred, the Issuer is required to redeem the Tier 1 Bonds at 101% of their Prevailing Notional Amount together with any accrued, but unpaid interest to (but excluding) the Non-Acquisition Event Redemption Date. At the latest 10 Business Days after the occurrence of a Non-Acquisition Event, the Issuer shall give notice to the Holders and notify the Non-Acquisition Event Redemption Date, such Non-Acquisition Event Redemption Date being not later than 30 Business Days after the Non-Acquisition Event.

A "**Non-Acquisition Event**" is deemed to have occurred in the case that the agreement concluded for the acquisition of cashgate by the Issuer is terminated after a competent merger control or other authority or, if applicable, a court, in a relevant jurisdiction does not approve (or not clear, as applicable, or delays its respective decision beyond 1 November 2019 for) the acquisition, including its settlement, of cashgate by the Issuer, or makes its approval and/or clearance subject to the satisfaction of any condition or undertaking that, individually or together with any other condition or undertaking or other circumstances or events, in the opinion of the Issuer, would reasonably be capable of causing any of the following effects on the Issuer and its Subsidiaries, taken as a whole, or cashgate and its subsidiaries, taken as a whole:

(i) a reduction of annual consolidated earnings before interest and taxes ("**EBIT**") by an amount of CHF 21.65 million (which, according to the US GAAP annual report of the Issuer for the year ended 31 December 2018, corresponds to approximately 10% of the consolidated EBIT of the Issuer for the financial year 2018) or more; or

(ii) a reduction of annual consolidated net revenue by an amount of CHF 21.94 million (which, according to the US GAAP annual report of the Issuer for the year ended 31 December 2018, corresponds to approximately 5% of the Issuer's consolidated revenue for the financial year 2018) or more; or

(iii) a reduction of consolidated shareholders' equity by an amount of CHF 93.3 million (which, according to the US GAAP audited consolidated balance sheet of the Issuer as at 31 December 2018, corresponds to approximately 10% of the Issuer's consolidated equity as of such date) or more.

Conditions for Redemption:	Any redemption or purchase of the Tier 1 Bonds under the Terms of the Bonds, other than a redemption following a Regulatory Event, is subject to: (i) the prior approval in writing of the Regulator, if then required; (ii) as at the Redemption Notice Date and the Redemption Date (or as applicable, the date of purchase), neither a Write-down Trigger Event (as defined below) having occurred and being continuing nor a Viability Event having occurred; and (iii) (a) the Issuer, both at the time of, and immediately following the redemption or purchase of the Tier 1 Bonds, being in compliance with the Capital Requirements or (b) the Issuer issuing sufficient amount of capital that is at least equivalent.
Status:	The Tier 1 Bonds constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves. The rights and claims of the Holders are subordinated as described in Terms of the Bonds. In the event of an order being made, or an effective resolution being passed, for the liquidation, dissolution or any proceeding for the avoidance of insolvency of, or against, the Issuer, the Tier 1 Bonds and any obligations of a Holder against the Issuer under the Tier 1 Bonds (i) are junior to all present and future claims of all holders of unsubordinated obligations of the Issuer and all other subordinated obligations of the Issuer except the claims of all holders of Parity Securities, (ii) rank *pari passu* among themselves and with the claims of all holders of Parity Securities, and (iii) are senior to Equity Capital and any other equivalent positions.
Write-down:	Write-down upon the occurrence of a Write-down Trigger Event: If a Write-down Trigger Event has occurred and is continuing on the relevant Subsequent Trigger Test Date, the claims of the Holders against the Issuer to receive repayment of the Original Notional Amount on the Redemption Date (if any) shall be reduced (*bedingte Aufhebung einer Forderung durch Übereinkunft*) by the relevant Write-down Amount (such reduction, a "**Contingent Write-down**") and the Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the relevant Write-down Amount. If, following a Contingent Write-down a further Write-down Trigger Event has occurred and is continuing on the relevant Subsequent Trigger Test Date, the claims of the Holders against the Issuer to receive repayment of the Prevailing Notional Amount on the Redemption Date (if any) shall be further reduced (*bedingte Aufhebung einer Forderung durch Übereinkunft*) by the relevant Write-down Amount (each such further reduction, a "**Subsequent Write-down**") and the Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the relevant Write-down Amount. In either case, if the Write-down Amount is equal to the Original Notional Amount or the Prevailing Notional Amount (as applicable), the claims of the Holders are reduced to zero and the Tier 1 Bonds shall be cancelled. "**Subsequent Trigger Test Date**" means, in respect of a Write-down Trigger Event, the earlier of:

(i) the date falling ten (10) Business Days after the date of publication of the Relevant Report; and

(ii) the date on which the Regulator, in its written notification, instructs or requests the Issuer to proceed with the write-down.

"**Write-down Amount**" means the amount required to be deducted from the Original Notional Amount or the Prevailing Notional Amount, as the case may be, as determined by the Issuer in consultation with the Regulator after a Write-down Trigger Event has occurred and is continuing on the relevant Subsequent Trigger Test Date, as will (together with any substantially concurrent conversion, write-off or write-down of holders' claims in respect of any other capital instruments of the Issuer that, pursuant to their terms or by operation of law, are capable of being converted into equity, written off or written down at that time (including capital instruments with a write-down, write-off or conversion threshold equal to or higher than the Write-down Threshold Ratio)), restore the CET1 Ratio back to a level equal to or, if required in writing by the Regulator, higher than the Write-down Threshold Ratio, provided that, for the avoidance of doubt, the maximum Write-down Amount shall be equal to the Original Notional Amount or the Prevailing Notional Amount, as the case may be.

"**Prevailing Notional Amount**" means the principal amount of each Tier 1 Bond outstanding at any given time, accounting for any Contingent Write-down, Subsequent Write-down or write-off following a Viability Event that may have occurred.

"**Relevant Report**" means (i) any of the Issuer's annual reports or interim reports (*Zwischenberichte*, such interim reports currently consisting of the semi-annual reports (*Halbjahresberichte*)), excluding any press releases of other communications relating to or in connection with such reports or respective results, or (ii) any other special report prepared by the Issuer for the purpose of calculating the CET1 Ratio, which report may be commissioned by the Regulator at any time.

A "**Write-down Trigger Event**" shall occur if, the CET1 Ratio as per the relevant Cut-off Date is less than the Write-down Threshold Ratio.

"**Cut-off Date**" means the cut-off date for the calculation of the CET1 Ratio in the Relevant Report.

"**Write-down Threshold Ratio**" means 5.125 per cent.

"**Issuer's Group**" means the Issuer together with such of its Subsidiaries as are subject, together with the Issuer, to capital adequacy requirements on a consolidated level under the National Regulations.

Write-off: Write-off upon the occurrence of a Viability Event:

If a Viability Event has occurred, the claims of the Holders against the Issuer to receive repayment of the Prevailing Notional Amount on the Redemption Date (if any) shall be reduced to zero with effect as of the relevant Write-down Date. The Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the Tier 1 Bonds (*bedingte Aufhebung einer Forderung durch Übereinkunft*) and the Tier 1 Bonds shall be cancelled. For the avoidance of doubt, a Viability Event shall not constitute an event of default by the Issuer for any purpose.

	"**Viability Event**" means that either: (i) the Regulator has notified the Issuer in writing that it has determined that the write-down of the Tier 1 Bonds, together with the conversion, write-down or write-off of holders' claims in respect of any other instruments that, pursuant to their terms or by operation of laws are capable of being converted into equity, written down or written off at that time, is an essential requirement to prevent the Issuer from becoming insolvent, bankrupt or unable to pay a material part of its debts as they fall due, or from ceasing to carry on its business; or (ii) customary measures to improve the Issuer's capital adequacy being at the time inadequate or unfeasible, the Issuer or a Subsidiary has received an irrevocable commitment of extraordinary support directly or indirectly from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Issuer's capital adequacy and without which, in the determination of the Regulator, the Issuer would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business. "**Public Sector**" means the federal or central government or central bank in the Issuer's country of incorporation. In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Issue Date, that alone or together with any other law(s) or regulation(s) has the effect that a Viability Event could cease to apply to the Tier 1 Bonds without giving rise to a Regulatory Event, then the Issuer shall give notice to the Holders no later than five (5) Business Days after such joint determination stating that such provisions shall cease to apply from the date of such notice, and from the date of such notice, such provisions shall cease to apply to the Tier 1 Bonds.
No Events of Default:	The Terms of the Bonds do not contain any events of default.
Reopening of the Issue:	The Issuer may from time to time, without the consent of the Holders, issue further bonds and, provided that such bonds have the same terms and conditions as the Tier 1 Bonds in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further bonds will be consolidated and form a single series with the Tier 1 Bonds.
No Set-off	No Holder may set off obligations against the Issuer with claims it has under the Tier 1 Bonds against the Issuer.
Form of Tier 1 Bonds/Delivery:	The Tier 1 Bonds are issued in uncertificated form as uncertificated securities (*Wertrechte*) in accordance with article 973c of the Swiss Code of Obligations and, upon registration in the main register (*Hauptregister*), will constitute intermediated securities (*Bucheffekten*); investors do not have the right to request the delivery of individually certificated bonds.
Governing Law and Jurisdiction:	Swiss law, courts of the City of Zurich.
Sales Restrictions:	In particular U.S.A., U.K., European Economic Area, Italy, Singapore and Hong Kong.

Trading:	The Tier 1 Bonds are provisionally admitted to trading on SIX Swiss Exchange ("**SIX Swiss Exchange**") as from 11 July 2019; the last trading day is expected to be the second business day prior to the Redemption Date, if any.
Listing:	Application for definitive listing of the Tier 1 Bonds on SIX Swiss Exchange will be made as soon as practicable after the Issue Date.
Instrument Rating:	The Tier 1 Bonds are rated BB by S&P.
Issuer Rating:	A- (S&P)

Joint Lead Managers

Credit Suisse AG **Zürcher Kantonalbank**

Swiss Security No.: 48'525'278	ISIN: CH0485252784	Common Code: 202598056

Offering Circular dated 11 July 2019

SALES RESTRICTIONS

United States of America and United States Persons

A) Each of the Joint Lead Managers has represented, warranted and agreed that the Tier 1 Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

Each of the Company and the Joint Lead Managers has also represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Tier 1 Bonds constituting part of their allotment within the United States or to or for the account or benefit of United States persons except in accordance with Rule 903 of Regulation S under the Securities Act ("**Regulation S**").

Each of the Company and the Joint Lead Managers has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any selling efforts directed to the United States with respect to the Tier 1 Bonds.

Terms used in this paragraph A) have the meanings given to them by Regulation S.

B) Each of Joint Lead Managers has represented, warranted and agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Tier 1 Bonds, except with their affiliates or with the prior written consent of the Company.

United Kingdom

Each of the Joint Lead Managers has represented and agreed that: (i) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to the Tier 1 Bonds in, from or otherwise involving the United Kingdom; and (ii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Tier 1 Bonds in circumstances in which section 21(1) of the FSMA would not, if the Company was not an authorised person, apply to the Issuer.

In June 2015, the U.K. Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**"). Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "**PI Rules**"):

(i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Tier 1 Bonds, must not be sold to retail clients in the European Economic Area ("**EEA**"); and

(ii) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

Prohibition of Sales to EEA Retail Investors

The Tier 1 Bonds are not intended, to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of the Markets in Financial Instruments Directive (Directive 2014/65/EU (as amended, the "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded and including any implementing measure in a relevant Member State of the EEA, the "**Prospectus Directive**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Tier 1 Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Tier 1 Bonds or otherwise making them available to any retail investor in the EEA is unlawful under the PRIIPS Regulation.

Italy

The offering of the Tier 1 Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Tier 1 Bonds may be offered, sold or delivered and no copy of this Offering Circular or of any other document relating to the Tier 1 Bonds may be distributed in the Republic of Italy.

Singapore

Each of the Joint Lead Manager has acknowledged that this Offering Circular has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore, and the Tier 1 Bonds will be offered pursuant to exemptions under the Securities and Futures Act (Chapter 289) of Singapore (as amended, the "**SFA**"). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Tier 1 Bonds, may not be circulated or distributed, whether directly or indirectly, nor may the Tier 1 Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Tier 1 Bonds are subscribed or purchased in reliance of an exemption under Section 274 or 275 of the SFA, the Tier 1 Bonds shall not be sold within the period of six (6) months from the date of the initial acquisition of the Tier 1 Bonds, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275(2) of the SFA); or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Where the Tier 1 Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six (6) months after that corporation or that trust has acquired the Tier 1 Bonds pursuant to an offer made under Section 275 of the SFA except:

    (1) to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (2) (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

    (3) where no consideration is or will be given for the transfer;

    (4) where the transfer is by operation of law;

    (5) pursuant to Section 276(7) of the SFA; or

    (6) pursuant to Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Singapore SFA Product Classification – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Tier 1 Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAAN16: Notice on Recommendations on Investment Products).

Hong Kong

Each of the Joint Lead Managers has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Tier 1 Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Tier 1 Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of

Hong Kong) other than with respect to the Tier 1 Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

General

Neither the Company nor any of the Joint Lead Managers has represented that the Tier 1 Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assume any responsibility for facilitating such sale. The distribution or possession of this Offering Circular (in preliminary proof or final form) and the offering, sale, purchase or delivery of the Tier 1 Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions, in all cases at their own expense.

This Offering Circular does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken in any jurisdiction (other than Switzerland) that would permit a public offering of the Tier 1 Bonds or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains various forward-looking statements, including statements of future financial and operational developments and results as well as other projections and statements that are forward-looking or contain subjective assessments, regarding the intent, belief or current expectations of the Company or its management, that are subject to risks and uncertainties that could cause the actual results and financial position of the Company to differ materially from the information presented herein. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events, and/or depend on circumstances that may or may not occur in the future.

The words "believe”, "anticipate", "plan", "expect", "project", "estimate", "predict", "intend", "target", "assume", "may", "could", "will" and similar expressions are intended to identify such forward-looking statements and subjective assessments. Such statements are made on the basis of assumptions, estimates and expectations that the Company believes to be reasonable at this time, but may prove to be erroneous or unfounded in the future. The risks and uncertainties facing the Company that could affect the future accuracy of these forward-looking statements include, but are not limited to, the factors discussed under "Risk Factors" and elsewhere.

Should any of these risks or uncertainties materialise, or should any underlying assumption prove to be incorrect, actual outcomes may vary materially from those indicated in the forward-looking statements. Prospective investors should therefore not rely on any of these forward-looking statements, which speak only as at the date of this Offering Circular. In addition, even if the Group’s results of operations, financial condition and liquidity, the development of the industry in which it operates and the effect of acquisitions on it are consistent with the forward looking statements contained in this Offering Circular, those results or developments may not be indicative of results or developments in subsequent periods. Other than in accordance with the ad-hoc publicity rules of SIX Swiss Exchange, the Company assumes no obligation to update such forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in such forward-looking statements.

NOTICE TO INVESTORS

This Offering Circular has been prepared by the Issuer for the purpose of making offers and sales of Tier 1 Bonds outside the United States in reliance on Regulation S and for the listing of the Tier 1 Bonds on SIX Swiss Exchange. Each investor will be deemed to have represented and agreed that such investor understands that the Tier 1 Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or in a transaction that is exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them in Regulation S.

This Offering Circular shall be read and construed on the basis that the annexes hereto are incorporated in, and form a part of this Offering Circular.

None of the Issuer, the Joint Lead Managers or any of their respective representatives, affiliates or advisors is making any representation to any investor regarding the legality of an investment in the Tier 1 Bonds by such investor under the laws applicable to such investor. Each investor should consult with its own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Tier 1 Bonds. In making an investment decision, investors must rely on their own examination, analysis and investigation of the Issuer and the terms of the Offering, including the merits and risks involved. Any decision to buy the Tier 1 Bonds should be based solely on this Offering Circular and any other supplement hereto, if any,

The Joint Lead Managers and certain of their respective affiliates have provided, and/or may provide in the future, investment banking, commercial banking, advisory and other financial services for the Issuer and its affiliates in the ordinary course of business, for which they have received and will receive customary fees and reimbursement of expenses.

Furthermore, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the account of customers and may, at any time, hold long or short positions in such investments and securities. Such investment and securities activities may involve the Issuer's securities and/or instruments. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold (for their own account and for the account of their customers), or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TABLE OF CONTENTS

RISK FACTORS

Prospective investors should consider carefully, among other things and in light of their financial circumstances and investment objectives, all the information contained in this Offering Circular, including, in particular, the specific risk factors set out below, before making an investment decision with respect to the Tier 1 Bonds. The risks described below may not be the only risks to which the Company, the Group and/or the Holders are exposed. Additional risks not presently known or currently deemed immaterial, may also impair the business, results of operations and financial condition of the Company or the Group and/or the Company's ability to fulfil its obligations under the Tier 1 Bonds. The realisation of one or more of these risks could individually or together with other circumstances adversely affect the business, results of operations and financial condition of the Issuer or the Group. In addition, each of the risks set out below could adversely affect the trading price of the Tier 1 Bonds and Holders may lose part or all of their investment.

Investment decisions should not be made solely on the basis of the risk warnings set out in this Offering Circular since such information cannot serve as a substitute for individual advice and information which is tailored to the requirements, objectives, experience, knowledge and circumstances of each prospective investor individually.

Only prospective investors who are fully aware of the risks associated with the investment in the Tier 1 Bonds and who are financially able to bear any losses that may arise, should consider engaging in transactions of this type.

The order in which the following risk factors are presented is not an indication of the likelihood of their occurrence and their importance.

Risks Related to the Company, to the Group and to the Industry

Competition in the financial services industry is intense and increasing competition may adversely affect the Group's business

The industry in which the Group operates is highly competitive and the competitive conditions are expected to continue. The Group's ability to compete depends on many factors, including its reputation, the quality of its services, product innovation, execution ability, pricing, sales efforts, and the talent of its employees.

In particular, the Group competes with the financial services businesses of a number of large international financial institutions as well as with established local and regional competitors based in Switzerland. Many of its competitors are part of larger financial services groups and may therefore have greater access to capital, financial or other resources than the Group. Furthermore, competition might lead to pressure on financial margins.

In addition, there has been some consolidation in the financial services industry in the past and there may be more in the future. If competitors consolidate, the combined businesses may gain economies of scale and develop new products. As a result, they may be able to compete more effectively on the basis of product offerings and price.

The competition the Group faces in respect of a particular product may depend on the level of sophistication that customers have reached. In respect of many products, customers are becoming more demanding and sophisticated in their needs. To the extent the Group is not in a position to satisfy all customers' needs, it is exposed to the risk that competitors may be more successful in attracting and retaining customers, growing their service offerings and, consequently, improving their business, results of operations, financial condition, and/or prospects.

To the extent that the Group does not successfully compete in terms of the development of its customer base, product offering, pricing, performance, distribution channels or service, its business, results of operations, financial condition and/or prospects may be adversely affected as a result.

In the recent years, several new market entrants or existing competitors launched new credit cards or digital and other technology based payment tools with credit features which may substitute conventional credit cards. Some of these competitors may be able to offer services or credit at significantly lower cost than the Group currently does. This may force the Group to lower its fees and/or adapt its products, services or distribution channels in order to retain its customers. If the Group is unable to adequately address these challenges, this could have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group's business is focused on providing credit products principally to individuals and to small businesses

The Group's revenue is derived almost entirely from the provision of credit products (and insurance sold with those products) to individuals and small businesses in Switzerland. The demand for, and profitability of, the credit products the Group offers may be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences or financial conditions, regulatory restrictions that, among other things affect the pricing of, and/or decrease customer access to, or demand for, particular products or the availability of competing products. A significant reduction in the demand for, or the profitability of, such products could have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group's business is exposed to adverse competitive, economic, political, regulatory or market changes in Switzerland. Such changes could have an influence on the demand for the Group's credit products and their pricing. Moreover, being based almost entirely in Switzerland, the Group's business is subject to greater geographic concentration risks than some of its competitors.

The Group operates in an industry that is highly regulated and may be adversely affected by legal or regulatory risks and reputational implications from the legal and regulatory environment

In recent years, there has been increased regulation of the financial services industry in Switzerland that has imposed substantial new or more stringent regulations in different areas such as internal practices, capital requirements, procedures and controls, know your customer rules, disclosure requirements, financial reporting, corporate governance, auditor independence, equity compensation plans, distribution fees and money laundering.

Changes in legislation affecting the Group's business, such as the lowering of maximum annual interest rates chargeable on consumer credit products, could have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.

In addition, the Group is regulated by FINMA and holds a Swiss banking licence that is essential for its continuing operation. In case of non-compliance with regulatory requirements, FINMA may impose enforcement actions, such as reprimand, disgorgement of profits and injunctive relief. Such non-compliance with regulatory requirements may ultimately result in the revocation of the Company's banking licence or other enforcement or insolvency measures being applied.

In addition, non-compliance with banking regulations, including in particular the new or more stringent regulation described above, such as with regards to operational and other risks, money laundering, know your customer rules, etc. may further result in fines and criminal sanctions and may harm the Group's reputation.

Swiss consumer protection laws may have an adverse effect on the Group's business

The Group's business is affected by Swiss consumer protection laws, including the Consumer Credit Act of 23 March 2001, as amended (the "**CCA**"). The CCA, among other things, sets the maximum effective annual interest rate that may be charged on consumer credit products, specifies information that must be included in a consumer credit agreement and requires the Group to perform a credit capacity check on consumers prior to entering into a credit agreement with them that falls within the scope of CCA.

As of 1 July 2016, the Federal Council lowered the maximum effective annual interest rates that may be charged on consumer credit products from 15% to 10% for cash credits and 12% for credit cards overdrafts. If defined mitigation measures fail to be proven effective and/or if the Federal Council were to further lower these rates, it could have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The CCA requirements are subject to interpretation giving courts a considerable discretion in their interpretation. For example, if any court were to find that the Group violated the applicable credit capacity check requirements with respect to any consumer credit product, the Group would not be entitled to any past due or future payments of interest and fees under the credit agreement and it cannot be excluded that such court could find that the Group must repay to the customer all interest and fees already paid thereunder. However, the consumer would remain obliged to repay the original credit amount extended. If the court were to find that there had been a severe violation of the credit capacity check requirements, the customer would not be required to repay the Group for the original credit amount extended and could require the Group to repay all past payments already made under the credit agreement.

The content and form of the information required to be included in a consumer credit agreement under the CCA varies depending on the type of consumer credit product being offered. Even if a consumer credit agreement of the Group fulfils the information requirements of the CCA as to content, it may not necessarily fulfil the information requirements as to form. If a consumer credit agreement does not fully satisfy the applicable CCA information requirements (whether as to content or form), such credit agreement is void. In such a case, the Group would not be entitled to any past due or future payments of interest and fees under the credit agreement and the customer could demand the Group to repay all interest and fees already paid thereunder. However, the customer would remain obliged to repay to the Group the original credit amount extended following the repayment obligations set forth in the consumer credit agreement or in monthly instalments in accordance with the CCA.

Failure to conduct the required credit capacity check or breach of information requirements with respect to a significant volume of the Group's consumer credit agreements could have an adverse effect on the Group's reputation, business, results of operations, financial condition and/or prospects.

The Group may fail to adequately maintain and protect customer information

The Group collects and processes sensitive personal data (including names, addresses, age and other personal data) from its customers and employees as part of the operation of its business and therefore must comply with relevant data protection and privacy laws, including the Swiss Banking Act, and industry standards. The Group outsources various business activities to third party providers in Switzerland and abroad. The Group must comply with all applicable FINMA circulars and data protection and privacy laws in case it outsources any activities. If the Group or any of its service providers in relation to outsourced activities were to violate any regulation applicable to the Group, the Group may be subject to regulatory sanctions, including the revocation or limitation of the Company's banking licence and/or civil or criminal sanctions for violation of banking secrecy and data protection laws.

The Group relies significantly on information technology systems and is exposed to the failure of such systems, associated back-up facilities or cyber-security risks

The Group's business is highly dependent on its information technology systems and those of key service providers and is exposed to any failure of, or interruption to, such systems. Risks arise, in particular, from errors made in the automated underwriting and credit scoring systems or the confirmation or settlement of transactions or from the improper recording or accounting of transactions. The Group relies heavily on financial, accounting and other data processing systems. If any of these do not function properly, it could suffer financial loss, business disruption, customer liability, regulatory intervention or damage to its reputation. Although the Group has back-up systems and business continuity measures in place, it cannot be certain that these systems will not fail or will be adequate if needed.

The Group's business depends in particular on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate personnel, inadequate or failed internal processes and systems, or from external events that interrupt normal business operations.

The services the Group provides involve the storage and transmission of customers' information. The Group's information technology systems and network infrastructure, or those of third party service providers or its credit card and online affiliate partners, may be exposed to physical damage or cyber-attacks. The Group's customers may be exposed to cyber-attacks resulting in loss of personal data which may in turn result in fraudulent transactions, with the Group generally bearing the risk of loss in such cases. Such attacks could result in material financial loss, regulatory actions, breach of customer contracts, reputational harm or legal liability, which, in turn, could adversely affect the Group's business, results of operations, financial condition, and/or prospects.

Any security breach, such as a hacker attack, a virus or worm, or an internal problem with information protection, such as failure to control access to sensitive systems, could materially interrupt the Group's business operations or cause disclosure or modification of sensitive or confidential information. Such a failure could result in material financial loss, regulatory actions, breach of customer contracts, reputational harm or legal liability, which, in turn, could adversely affect the Group's business, results of operations, financial condition, and/or prospects.

The Group operates in an industry characterised by continued improvements in operational and information technology infrastructure

The financial services industry is characterised by continued improvements in operational and information technology infrastructure, including changes in use and customer requirements and preferences, frequent product and service introductions employing new technologies, and the emergence of new industry standards and practices that could render the Group's existing technology and systems obsolete or less effective.

There can be no assurance that the Group will be able to anticipate and respond to the demand for new services and technologies in a timely and cost-effective manner, and to adapt its infrastructure to technological advancements and changing standards. Failure to do so could adversely affect the Group's business, results of operations, financial condition, and/or prospects.

The Group is exposed to reputational risks related to its operations, third parties and the financial services industry as a whole

The Group is exposed to the risk that threatened or actual legal proceedings, misconduct, operational failures, negative publicity and press speculation, whether or not valid, may harm its reputation and create disproportionate negative media coverage of it or some or all of its employees, directors, credit card or online affiliate partners, auto dealers or independent agents. The Group's reputation could also be adversely affected, for instance, if its products fail to meet customers' expectations. Negative publicity resulting from legal proceedings could also result from failure in the Group's information technology systems, loss or theft of customer data or confidential information, failure in its risk management or internal control procedures, failure or alleged failure in the Group's obligations, failure of its products to comply with regulatory requirements, or fraud or misconduct committed by customers or one of its employees, directors, credit card or online affiliate partners, auto dealers or independent agents.

The Group is also exposed to adverse publicity or speculation relating to the financial services industry as a whole. Financial scandals unrelated to it or questionable ethical conduct by a competitor may taint the reputation of the financial services industry as a whole or specific financial products also offered by the Group, and affect the perception of investors, public opinion and the attitude of regulators.

Any damage to its reputation, or to the reputation of the financial services industry, could cause existing customers to withdraw from doing business with, and lead potential customers to be reluctant to do business with, the Group. Any resulting damage to the Group's reputation could cause disproportionate damage to its business regardless of whether the negative publicity or speculation is factually accurate. Negative publicity may result also in greater regulatory scrutiny or in negative influences on the perception of the Company by rating agencies. In some circumstances, negative publicity may result in a gradual increase in the Group's cost of funding as it refinances its indebtedness.

Any of these negative effects could adversely affect the Group's reputation, business, results of operations, financial condition, and/or prospects.

The Group may be subject to litigation, regulatory and other sanctions and harm to its reputation as a result of employee, independent agent or auto dealer misconduct or errors that are difficult to detect and deter

The Group is exposed to risk of fraud and misconduct by its employees, independent agents and auto dealers. There have been a number of highly publicised cases involving fraud or other misconduct by employees of financial services firms in recent years. The Group's employees could execute transactions that exceed authorised limits or present unacceptable risks to the Group or divert funds from the Group. In addition, the Group's employees, independent agents or auto dealers could use information about the Group, confidential customer information or other confidential information provided by third parties to the Group for personal or other improper purposes, as well as misrepresent or conceal improper activities from the Group. Employee, independent agent and auto dealer errors expose the Group to the risk of material losses, in particular if errors are not detected promptly and/or the related transactions cannot be reversed without adverse consequences. Such errors may be more likely to occur if the Group expands its business to new products and new technological systems.

Misconduct by any of the Group's employees, former employees, independent agents or auto dealers could subject it to financial losses or regulatory sanctions and seriously harm its reputation. It may not be possible to deter or detect such misconduct and the precautions the Group takes to prevent and detect this activity may not be effective in all cases.

The Group's employees, independent agents and auto dealers may also commit errors or take actions that could subject the Group to financial claims for negligence or otherwise, as well as regulatory actions. Such errors or actions could result in unforeseen business risk, losses, and regulatory and other sanctions, could seriously damage the Group's reputation and expose it to litigation, including financial losses resulting from the need to reimburse customers or business partners or as a result of fines or other regulatory sanctions. Any delinquencies or trading errors on the part of any of the Group's employees, independent agents and auto dealers could, therefore, have an adverse effect on its reputation, business, results of operations, financial condition and/or prospects.

The current legal regime in Switzerland does not provide for class actions or similar collective claims in principle. Collective claims facilitate to claim damages and are in particular less expensive for claimants. The Swiss law regime currently in force requires that each individual who suffered a damage raises a claim. However, in 2018, the Federal Council proposed amendments to the Swiss Civil Procedure Code that introduce collective claims. If adopted, the Group may be exposed to novel claims and/or claims with higher amounts. These claims could therefore have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group is exposed to the risk of fraudulent behaviour of customers, depositors, merchants, auto dealers, independent agents, credit card partners, online affiliate partners, suppliers and others

The Group is exposed to the risk that customers, depositors, merchants, auto dealers, independent agents, credit card partners, online affiliate partners, suppliers and others with which it deals will behave fraudulently. The Group diligently seeks to manage this risk and takes steps to detect any such fraud wherever possible. However, the Group may not detect all such fraudulent activity, and, even where it does, may not be able to prevent or recover losses incurred. Significant or regular fraudulent activity may have an adverse effect on the Group's business, results of operations, financial condition, and/or prospects.

The Group's business depends on the accuracy and completeness of information about existing customers and applicants

In deciding whether to approve loans or to enter into other transactions with existing customers or applicants, the Group must rely on information and documentation furnished to it by or on behalf of the existing customer or applicant (for example by auto dealers or independent agents), including financial information. The Group may also rely on representations of existing customers and applicants, auto dealers or independent agents as to the accuracy and completeness of that information and/or documentation. If any of this information and/or documentation is inaccurate (whether intentionally or otherwise) and such inaccuracy is not detected prior to the Group advancing funds or granting auto leases, the value of the personal loan, auto lease and loan or credit card receivable may be significantly lower than expected. Whether an inaccurate statement is made, or inaccurate document is produced, by the existing customer, applicant, auto dealer or independent agent, the Group generally bears the risk of loss associated with the inaccuracy. The Group's controls and processes may not have detected or may not detect all inaccurate information and/or documentation provided by or on behalf of its existing customers and applicants. Any such inaccurate information and/or documentation could adversely affect the Group's business, results of operations, financial condition and/or prospects.

The Group's business is dependent on its relationships with credit card partners, auto dealers, independent agents and online affiliate partners

The Group has a number of key business relationships, such as with Migros, Conforama, Touring Club Schweiz and FNAC for its credit card business. In addition, the Group has arrangements with auto dealers, independent agents, online affiliate partners and suppliers. Failure by these third parties to continue to generate business, or a failure by the Group to maintain these, or establish new relationships, could have an adverse effect on the business, results of operations, financial condition and/or prospects of the Group.

The Group could be exposed to adverse changes in tax laws or practice

Future changes in tax laws, e.g. following international tax developments of the Organisation for Economic Cooperation and Development or changes in the application of tax rules e.g. in the area of transfer pricing, could result in additional taxes. In addition, The Group may become subject to tax audits which could cause the amount of our tax payable to increase materially and may result in penalties or interest.

The Group is exposed to adverse changes in general economic, political and market conditions and natural disasters

In addition to the risks specific to the offering of financial services in which the Group is engaged, its business is also exposed to general downturns in economic, political and market conditions and natural disasters. In recent years, financial markets have been adversely affected, including by the global financial crisis and recession, the European sovereign debt crisis, sovereign credit rating downgrades, wars, acts of terrorism and natural disasters, and there is a significant risk that similar disruptions will recur in the future. Uncertain political or economic prospects may result in a decline in the use of products offered by the Group. Any such change may have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The residual value of a leased vehicle may not be reclaimed in full or at all by the Group upon sale

In connection with its auto lease business, the Group purchases vehicles and resells them in accordance with the lease contract. The risk that the re-sale value of any lease vehicle may be less than the remaining outstanding balance at the time such lease agreement is terminated, at contractual end or during contract term is borne by the Group. This risk is mitigated by the Group's right under the dealer agreements to oblige a dealer to repurchase a lease vehicle at the contractually defined price set out in such dealer agreement upon termination of the lease agreement related to such dealer agreement. However, there is no assurance that the respective values of the leased vehicles to which the purchased lease assets relate have not depreciated or will not depreciate at a rate greater than the rate at which they were expected to do so on the date of origination. Reasons for a lower residual value of purchased lease assets which may have a negative impact on new vehicle sales or used vehicle supply include, among others, developments in the vehicle market, the actual or perceived quality, safety or reliability of certain brands, recalls by manufacturer, the shifting of consumer preferences, including environmental considerations, engine issues or potential bans for certain vehicles, such as diesel ones, a general deterioration of the economic conditions in Switzerland or damages of a vehicle which impair the vehicle's value. In addition, the market for leased vehicles in Switzerland is limited and the Group may not be able to sell a vehicle at expected terms or at all. Any such scenario could have an adverse effect on the amount recovered upon a sale of a leased vehicles, upon default by a lessee or at the end of the term of a lease agreement.

The Group is exposed to credit risk

The Group is exposed to the risk that customers holding its credit products may not make interest, fee, instalments and/or principal payments due in a timely manner, in part or in their entirety, and that if they fail to do so the Group may not be able to enforce any security interest it might have. The obligations owed to the Group under its personal loan and credit card products, as well as a portion of those owed under its auto loan products, are unsecured. Only the obligations owed to the Group under its auto leases and some of its auto loans are secured. Vehicles may be lost, damaged or stolen and as such the Group may not be able to recover the full value of its secured loans and leases even where it successfully enforces its security. The Group may be exposed to the risk that auto dealers with whom it has contracted will not be able to fulfil their repurchase obligations. Furthermore, the Group does not conduct an extensive due diligence on a purchased lease asset but rather relies on representations and warranties of a seller which is obliged to indemnify the Group in case of a breach. However, such indemnifications are not secured. If the seller is not able to indemnify the Group in case of a breach of representations or warranties, this could have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Consumer lending in Switzerland is mature and the Group has policies in place to assess the credit risk of borrowers. However, there can be no guarantee that the Group will accurately evaluate the credit risk of borrowers. If losses due to customer and counterparty defaults significantly exceed the amounts of the Group's provisions, this could have an adverse effect on its business, results of operations, financial condition and/or prospects.

The Group's business is exposed to interest rate risk, liquidity and refinancing risk

Most of the Group's existing interest-earning assets and interest-bearing liabilities bear interest at fixed rates. However, the fact that such assets and liabilities mature at different times may expose the Group to the risk of a pricing mismatch between the two. The Group has policies in place to mitigate this interest rate risk, but these policies may be inadequate or ineffective. In addition, the legal limits on the effective annual interest rate chargeable on consumer credit products may prevent the Group from maintaining profitability across all products in an increasing interest rate environment. These factors could result in the Group's profit margins on credit products being reduced. Increasing interest rates will also make credit products in general less attractive to existing customers and applicants. On the other hand, the Group may not be able to take full advantage of further declining interest rates in the future as it is primarily exposed to fixed rate liabilities.

There is no assurance that the Company's assigned credit rating remains the same in the future. If rating agencies downgrade the Company's rating, the Group may only be able to borrow debt at less favourable conditions or not at all.

Further, a default by a financial market participant (whether or not it is one with whom the Group has direct dealings) could lead to significant liquidity problems, losses or defaults by other financial institutions because the commercial soundness of many financial institutions may be closely related to each other as a result of credit, trading, clearing or other relationships between financial institutions. The risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries and banks with which the Group interacts regularly, including those banks with which the Group deposits its cash reserves, and could, as a result, also indirectly adversely affect the Group. Although the Group has a diverse range of funding sources with a diversified maturity profile and policies in place to deal with liquidity risk and refinancing risk, these policies may be inadequate or ineffective especially during an external crisis.

Any of the above factors may have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group may fail to implement an adequate risk management framework

In doing business, the Group is exposed to numerous risks, including but not limited to credit risks, liquidity and funding risks and risks in connection with information security, cyber security or data privacy. The Group maintains a risk management framework in order to control its risks. Although the Group constantly assesses and further develops its risk management, processes and controls, it may fail to identify or underestimate risks and to implement adequate measures given the complexity of risk management. If the Group's risk management proves to be insufficient, this may result in an adverse effect on its business, results of operations, financial condition and/or prospects.

The Group's failure of retaining key personnel in management and the information technology department could adversely affect the Group's operating performance

The Group's success depends to a great extent on the ability and experience of its key personnel, in particular in its management and information technology department. The loss of the services of certain key personnel particularly to competitors, could have an adverse effect on the Group's results of operations. The failure to retain a sufficient number of qualified employees could significantly impede the Group's financial plans, growth and other objectives and have an adverse effect on the Group's results of operations. The Group may be able to retain key personnel only if it increases retention payments and otherwise increases the compensation the Group pays to its key personnel.

The Basel III standards also contain new rules on calculating capital requirements for market risks. According to the international implementation schedule, these requirements need to be in force on 1 January 2022

On 7 December 2017, the Basel Committee on Banking Supervision published a document finalising the Basel III reforms, also known informally as Basel IV. The document concludes the proposals and consultations ongoing since 2014 in relation to credit risk, credit value adjustment risk, operational risk, output floors and leverage ratio. The key objective of the revisions is to reduce excessive variability of risk-weighted assets (the "**RWA**"). The revisions to the regulatory framework are intended to help restore credibility in the calculation of RWA by (i) enhancing the robustness and risk sensitivity of the standardised approaches for credit risk and operational risk, which will facilitate the comparability of banks' capital ratios, (ii) constraining the use of internally modelled approaches and (iii) complementing the risk-weighted capital ratio with a finalised leverage ratio and a revised and robust capital floor. The implementation date is expected to be 1 January 2022, with the output floor phased from 1 January 2022 to 1 January 2027. In this context, the Basel Committee on Banking Supervision also published the results of the cumulative quantitative impact study (QIS) and concluded that the aggregate capital shortfall as a result of the revisions is €90.7bn. Such changes may adversely impact any number of areas of the Group's operations and activities and could have a material adverse effect on the Group's capital requirements.

In December 2010, the Basel Committee on Banking Supervision introduced certain liquidity requirements when it published the "International framework for liquidity risk measurement, standards and monitoring" (the "**Basel III Liquidity**"). The Group is required to maintain a Liquidity Coverage Ratio ("**LCR**") of high-quality liquid assets to estimated stressed short-term funding outflows and will be required to maintain a Net Stable Funding Ratio (the "**NSFR**"), both of which are intended to ensure that it is not overly reliant on short-term funding and that it has sufficient long-term funding for illiquid assets. Increased capital requirements and higher liquidity requirements make certain lines of business less attractive and may reduce the Company's or Group's overall ability to generate profits. The LCR and NSFR calculations make assumptions about the relative likelihood and amount of outflows of funding and available sources of additional funding in a market or firm-specific stress situation. There can be no assurance that in an actual stress situation the Group's funding outflows would not exceed the assumed amounts.

Future changes in Switzerland's requirements for risk-based capital, leverage ratios or liquidity ratios, whether pertaining to the minimum levels required for Swiss banks generally or the Company and its Group specially or to the calculation thereof, or changes in liquidity requirements could have a material adverse effect on the Group's business and could affect its competitive position.

Risks Related to the Acquisition

The Acquisition is subject to certain conditions and there is no assurance that the Acquisition will close in time or at all

The consummation of the Acquisition (as defined below) is subject to certain conditions precedents, such as the regulatory approvals, which is outside of the Group's control. More specifically, the Group will apply with FINMA for an exemption from specific group supervision requirements during a limited transitional period from closing of the Acquisition. FINMA granting such exemption and confirming in writing to the Group that it has no objection to the Acquisition is a condition precedent to the closing of the Acquisition. The Group cannot assure that all conditions precedent to the Acquisition will be satisfied and as a consequence, there is a risk that the Acquisition does not close in a timely manner or at all.

If the Acquisition fails to close on a timely basis or at all, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may be unable to successfully achieve the Group's targets to realise the anticipated benefits of the Acquisition

The success of the Acquisition will depend, in part, on the Group's ability to realise the anticipated benefits from acquiring cashgate AG ("**cashgate**"). The Group may, in particular, not be able to:

- achieve its targets and the benefits and synergies expected in connection with the Acquisition;
- achieve its key commercial objectives following the Acquisition;

- achieve its earnings accretion targeted in relation to the Acquisition; In particular, the success of the Acquisition will depend in part on the Group's ability to retain and develop its relationships with key customers and distributors, in particular auto dealers. While the Group has taken commercial measures to achieve this goal, certain distributors may terminate their relationship or divert volume to other sources of consumer credit, which would lead to a reduction of earnings;
- avoid writing down the carrying value of its investment in any business acquired by way of the Acquisition;
- fully integrate the information technology infrastructure of cashgate in the Group's existing technology infrastructure;
- ensure that the services that a counterparty in the Acquisition or its affiliates provide pursuant to transitional service agreements will be timely;
- adequately protect itself from contingent or unknown liabilities. In particular, the Group may fail to protect itself adequately from breaches of Swiss consumer protection laws, including the CCA which may taint the business acquired in connection with the Acquisition; and
- recover pre-payments that the Group has made to the extent that a particular business or company is not transferred to the Group or a significant outflows of the business have occurred.

The occurrence of any of these risks, the incorrect assessment of risks by the Group, or any other failure in relation to the Acquisition may have a material adverse effect on the Group's business, results of operations, financial condition and prospects and/or result in reputational damage for the Group.

The Group may not have identified all of the risks related to the Acquisition

The Group may not have identified all of the risks related to the Acquisition in advance or may not have been able to adequately protect itself against such risks through indemnities, representations and warranties, or otherwise. In addition, preparing for the Acquisition and integration of cashgate may result in the diversion of management attention and resources. The occurrence of any of these risks, the incorrect assessment of risks by the Group, or any other failure in relation to the Acquisition may have a material adverse effect on the Group's business, results of operations, financial condition and prospects and/or result in reputational damage for the Group.

Swiss consumer protection laws may have an adverse effect on cashgate's business

cashgate is active in the consumer credit business and is affected by Swiss consumer protection laws, including the CCA. As a result, any of the risks described in "*Swiss consumer protection laws may have an adverse effect on the Group's business*" could have an adverse effect on cashgate's reputation, business, results of operations, financial condition and/or prospects.

Risks Related to the Tier 1 Bonds

The Tier 1 Bonds are complex financial instruments and may not be a suitable investment for all investors

The Tier 1 Bonds are complex financial instruments. Each potential investor in the Tier 1 Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Tier 1 Bonds, the merits and risks of investing in the Tier 1 Bonds and the information contained in this Offering Circular or any supplement hereto;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Tier 1 Bonds and the impact the Tier 1 Bonds will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Tier 1 Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the Terms of the Bonds, such as the provisions governing a Contingent Write-down and a write-off upon the occurrence of a Viability Event (including, in particular, calculation of the CET1 Ratio, as well as under what circumstances a Write-down Trigger Event or a Viability Event will or may be deemed to occur), and be familiar with the behaviour of any relevant financial markets and their potential impact on the likelihood of certain events under the Terms of the Bonds occurring; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment, a Contingent Write-down or a write-off upon the occurrence of a Viability Event and its ability to bear the applicable risks.

The Tier 1 Bonds are perpetual securities

Except as set forth in Condition 3.d) of the Terms of the Bonds, the Issuer is under no obligation to redeem the Tier 1 Bonds at any time before the date on which voluntary or involuntary liquidation proceedings are instituted in respect of the Issuer (should such proceedings ever be instituted) and the Holders have no right to call for their redemption.

The Tier 1 Bonds are subject to loss absorption measures through principal write-down

The Prevailing Notional Amount of the Tier 1 Bonds may be written down under certain circumstances which reflect the potential financial distress of the Issuer. Under the Terms of the Bonds, the Holders irrevocably waive their right to receive repayment of the applicable Write-down Amount upon the occurrence of a Write-down Trigger Event and their right to receive repayment of the Prevailing Notional Amount upon the occurrence of a Viability Event (each as outlined hereinafter).

If and to the extent that the CET1 Ratio has breached the Write-down Threshold on a Trigger Test Date, and provided Condition 8 of the Terms of the Bonds is also satisfied, and there has been no waiver of the Contingent Write-down or Subsequent Write-down, as the case may be, by the Regulator at the Issuer’s request, the Issuer, in consultation with the Regulator, may declare the principal amount of the Tier 1 Bonds to be written down in full or in part to the extent necessary to adequately remedy such breach, all as more particularly described in Condition 8 of the Terms of the Bonds.

Additionally, Holders may lose all or part of their investment if a Viability Event occurs, following which the entire principal amount of the Tier 1 Bonds will be written down to zero.

As a result of any such write down described above pursuant to which only a portion of the Prevailing Notional Amount of the Tier 1 Bonds is written down, Holders will also lose their entitlement to the full interest on the Tier 1 Bonds as any interest shall accrue only on the Prevailing Notional Amount of the Tier 1 Bonds that is not written down.

The circumstances triggering write down are unpredictable

The occurrence of a Write-down Trigger Event or Viability Event is inherently unpredictable and depends on a number of factors, any of which may be outside of the Issuer’s control.

The occurrence of a Write-down Trigger Event depends, in part, on the calculation of the CET1 Ratio, which can be affected, among other things, by the growth of the business of the Issuer's Group and its future earnings, and expected distribution of profits by the Issuer, regulatory changes (including possible changes in regulatory capital definitions and calculations) and the Issuer's ability to manage risk positions across its various businesses.

The occurrence of a Viability Event is dependent upon, *inter alia*, a subjective determination by the Regulator of the viability of the Issuer. Additionally, if customary measures to improve the Issuer's capital adequacy are inadequate or infeasible and, as a result, the Issuer has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course of business), it is up to FINMA to determine whether the Issuer would have become insolvent, bankrupt, unable to pay a material portion of its debts as they fall due or unable to carry on its business without such extraordinary support, and FINMA has considerable discretion in making such determination. As a result, FINMA may require, or the Swiss federal government may take actions contributing to the occurrence of, a write-down of the Tier 1 Bonds in circumstances that are beyond the control of the Issuer and with which the Issuer may not, at the relevant time, agree.

Because of the inherent uncertainty regarding the determination of whether a Write-down Trigger Event or Viability Event has occurred, it will be difficult to predict when, if at all, the Tier 1 Bonds will be written down. Accordingly, trading behaviour in respect of the Tier 1 Bonds is not necessarily expected to follow trading behaviour associated with other types of subordinated securities. Any indication that the Issuer is trending towards a Write-down Trigger Event or a Viability Event can be expected to have an adverse effect on the market price of the Tier 1 Bonds.

FINMA has broad statutory powers to take measures in relation to banks

According to article 25 et seqq. of the Swiss Banking Act, FINMA has broad statutory powers to take measures in relation to banks if they (i) are overindebted, (ii) have serious liquidity problems or (iii) fail to fulfil the applicable capital adequacy provisions after expiry of a deadline set by FINMA. If one of these prerequisites is met with respect to the Issuer, FINMA is authorised (a) to impose protective measures (*Schutzmassnahmen*), (b) to open restructuring proceedings (*Sanierungsverfahren*) or (c) to open liquidation (bankruptcy) proceedings (*Bankenkonkurs*) with respect to the Issuer even if, at that time, a Write-down Trigger Event or a Viability Event has not occurred. The Swiss Banking Act grants significant discretion to FINMA. In particular, protective measures that may be imposed by FINMA include a broad variety of measures such as a bank moratorium (*Stundung*) or a maturity postponement (*Fälligkeitsaufschub*) and may be ordered by FINMA either on a stand-alone basis or in connection with reorganisation or liquidation proceedings. In a restructuring proceeding, the resolution plan may, among other things, provide for (i) the transfer of the property of banks or parts thereof with assets and debt as well as contracts to another entity, or (ii) haircuts on, or the conversion into equity of, obligations owed by the relevant bank.

Other regulatory capital instruments may not be subject to a write-down

The terms and conditions of other regulatory capital instruments to be issued after the date hereof by the Issuer or any of its subsidiaries may vary and accordingly such instruments may not convert into equity or be written down at the same time, or to the same extent, as the Tier 1 Bonds, or at all. In particular, regulatory capital instruments issued by the Issuer with terms that require such instruments to be converted into equity or written down when a capital measure falls below a threshold that is equal to or higher than the Write-down Threshold Ratio, may not be converted or written down in case of the occurrence of a Write-down Trigger Event if the relevant capital measure for triggering a conversion or write-down, as the case may be, under those instruments is calculated differently from the CET1 Ratio. Furthermore, regulatory capital instruments issued by the Issuer with terms that require such instruments to be converted into equity or written down when a capital measure falls below a threshold that is lower than the Write-down Threshold Ratio may be converted or written down only after the Tier 1 Bonds have been fully written down.

Holders will bear the risk of fluctuations in the CET1 Ratio

The market price of the Tier 1 Bonds is expected to be affected by fluctuations in the CET1 Ratio. Fluctuations in the CET1 Ratio may be caused by changes in the amount of CET1 Capital or the amount of Risk Weighted Positions (each of which is calculated for the Issuer's Group on a consolidated basis), as well as changes to their respective definitions under relevant capital adequacy standards and guidelines. Any indication or expectation that the CET1 Ratio is trending towards a Write- down Trigger Event can be expected to have a material adverse effect on the market price of the Tier 1 Bonds.

The Tier 1 Bonds are not deposit liabilities of the Issuer and will not be insured by any depositor protection scheme or any other government compensation or insurance scheme

The Tier 1 Bonds are not deposit liabilities of the Issuer and will not be covered by the Swiss Banks and Securities Dealers' Depositor Protection Association (*Einlagensicherung*) or by any other compensation or insurance scheme of any government agency of Switzerland or any other jurisdiction. Consequently, Holders must solely look to the Issuer for the performance of its obligations under the Tier 1 Bonds and, in the event of the insolvency of the Issuer, the Holders may lose their entire investment in the Tier 1 Bonds.

The Tier 1 Bonds have been assigned credit ratings which may not reflect all of the risks, these are not recommendations to buy, hold or transfer the Tier 1 Bonds and may be subject to revision, suspension or withdrawal at any time

The Tier 1 Bonds are rated BB by S&P. However, potential investors in Tier 1 Bonds should be aware that any such rating may not reflect the potential impact of all risks, including those associated with the Issuer's structure, the market in which it operates and any additional risk factors which may affect the value of the Tier 1 Bonds. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Tier 1 Bonds.

The Terms of the Bonds contain no limitations on the Issuer's debt

The Terms of the Bonds contain no restriction on the amount of liabilities which the Issuer may issue, guarantee or otherwise incur which rank senior to the Tier 1 Bonds or *pari passu* with the Tier 1 Bonds. Such liabilities may reduce the amount recoverable by Holders on a liquidation, dissolution, insolvency or other proceeding for the avoidance of insolvency of, or against, the Issuer. In addition, such increased liabilities may increase the risk of voluntary or mandatory cancellation of interest payments on the Tier 1 Bonds.

The Issuer may at its option redeem the Tier 1 Bonds under certain circumstances

Subject to the Condition 3.c) of the Terms of the Bonds, the Issuer may elect, in its sole discretion, to redeem the Tier 1 Bonds in whole but not in part, on the First Call Date or any Interest Payment Date thereafter, or at any time upon the occurrence of a Regulatory Event or Tax Event. When permitted under the Terms of the Bonds, the Issuer may be expected to elect to redeem the Tier 1 Bonds when its cost of borrowing is lower than the interest rate on the Tier 1 Bonds. The risk faced by the Holders is that, following any such redemption of the Tier 1 Bonds, they may not be able to reinvest the redemption proceeds in securities offering a comparable yield.

In addition, in accordance with Condition 3.c) the optional redemption feature of the Tier 1 Bonds is likely to limit their market value. During any period when the Issuer has the right to elect to redeem the Tier 1 Bonds, the market value of the Tier 1 Bonds generally will not rise substantially above the price at which they can be redeemed.

The Issuer will be required to redeem the Tier 1 Bonds upon the occurrence of a Non-Acquisition Event and FINMA may not permit the redemption of the Tier 1 Bonds upon the occurrence of a Non-Acquisition Event

Subject to certain conditions, the Issuer will be obligated to redeem the Tier 1 Bonds at 101% of their Prevailing Notional Amount upon the occurrence of a Non-Acquisition Event in accordance with Condition 3.d). The obligation to redeem the Tier 1 Bonds upon the occurrence of a Non-Acquisition Event, however, is subject to FINMA approval. FINMA has broad discretion in deciding whether or not to grant such approval. Hence, even if a Non-Acquisition Event has occurred, FINMA may not permit the redemption of the Tier 1 Bonds. See also "*The Acquisition is subject to certain conditions and there is no assurance that the Acquisition will close in time or at all*".

In case of redemption of the Tier 1 Bonds, Holders may lose the difference between the market price of the Tier 1 Bonds and the price at which they are redeemed

The Tier 1 Bonds may be redeemed, either at the option of the Issuer or mandatorily, in accordance with Condition 3. At the time of any such redemption, the market price of the Tier 1 Bonds may be higher than the price at which the Tier 1 Bonds are redeemed in accordance with the Terms of the Bonds. If that were to be the case, Holders would lose the difference between such market price and the price fixed for such redemption. See also "*The Issuer may at its option redeem the Tier 1 Bonds under certain circumstances*" and "*The Issuer will be required to redeem the Tier 1 Bonds upon the occurrence of a Non-Acquisition Event and FINMA may refuse to permit the redemption of the Tier 1 Bonds upon the occurrence of a Non-Acquisition Event*".

Interest payments on the Tier 1 Bonds may be cancelled

Payment of interest on any Interest Payment Date is at the sole discretion of the Issuer. The Issuer may elect not to pay interest, in whole or in part, on any Interest Payment Date or Redemption Date (if any). The Issuer may make such election for any reason and may be obliged to do so if it fails to maintain adequate levels of minimum and buffer capital. In addition, under certain circumstances described below, payment of interest will be prohibited, either fully or partially.

Payments of interest on any Interest Payment Date or Redemption Date (if any) will not be paid, or not paid fully to the extent:

(i) that the amount of such interest otherwise due, together with (x) any interest payments or distributions scheduled to be paid or made during the Relevant Period on Parity Securities and (y) any Distribution scheduled to be paid or made with respect to the financial year ended immediately prior to such Interest Payment Date or Redemption Date, shall exceed the amount of Distributable Items as at such Interest Payment Date; or

(ii) that the Issuer is prohibited, by the National Regulations or the Regulator, from declaring or making any distributions or other payments, in whole or in part, on, or relating to, the Tier 1 Bonds or any Parity Securities or Equity Capital.

In the event where (x) mandatory cancellation of interest only applies in part, and (y) the Issuer elects to make such interest payment that is not prohibited to be made, the interest payable on the Tier 1 Bonds shall be made *pro rata* with the interest payments or distributions on Parity Securities scheduled to be paid or made during the Relevant Period.

Any interest payment which is cancelled as described above and not paid on the applicable Interest Payment Date or Redemption Date (if any) shall not accumulate or be payable at any time thereafter. Holders shall have no right thereto whether in a liquidation or dissolution of the Issuer or otherwise.

The interest rate on the Tier 1 Bonds will be reset on the First Call Date, which can be expected to affect the interest payment on an investment in the Tier 1 Bonds and the market value of the Tier 1 Bonds

The Tier 1 Bonds will initially bear interest at a fixed rate of 2.50 per cent *per annum* until the First Call Date. Commencing on the First Call Date, however, the fixed interest rate in respect of the Tier 1 Bonds will be reset every five years with the reset rate of interest being determined on each Interest Determination Date on the basis of the aggregate of the prevailing Five-year CHF Mid-Market Swap Rate plus the Margin. Such reset rate of interest could be less than the rate of interest that was applicable until the First Call Date and could affect the market value of an investment in the Tier 1 Bonds. A Holder of the Tier 1 Bonds is thus exposed to the risk that the market price of such Tier 1 Bond falls as a result of changes in the current interest rate on the capital markets.

The Tier 1 Bonds have a reset rate based on a "benchmark", and any discontinuation or reform of such benchmark may adversely affect the value of and return on the Tier 1 Bonds.

The rate of interest applicable to each Relevant Five-Year Period will be the aggregate of the Margin and the Five-year CHF Mid-Market Swap Rate as at the relevant Interest Determination Date. The Five-year CHF Mid-Market Swap Rate (which is currently the rate displayed on GOTTEX page "CHF Interest Rate Swaps vs LIBOR") is calculated by reference to the London interbank offered rate ("**LIBOR**"), a "benchmark" that is the subject of ongoing national and international regulatory scrutiny and reform. Some of these reforms are already effective, while others are still to be implemented or formulated. In particular, in July 2017, the FCA, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. As such, it appears highly likely that LIBOR will be discontinued after 2021. These reforms may cause LIBOR (and, as a consequence, the Five-year CHF Mid-Market Swap Rate) to perform differently to how it has performed in the past or to be discontinued entirely and may have other consequences that cannot be predicted. Any such consequences could adversely affect the value of and return on the Tier 1 Bonds.

If the Principal Paying Agent determines at any time that the rate displayed on GOTTEX page “CHF Interest Rate Swaps vs LIBOR” (the "**Existing Rate**") has been discontinued, the Principal Paying Agent will have the discretion to determine a successor or substitute rate (a "**Replacement Rate**") for purposes of calculating the Five-year CHF Mid-Market Swap Rate on each Interest Determination Date falling on or thereafter, which determination must be made in accordance with the second paragraph of the definition thereof in Condition 19.22. The use of a Replacement Rate, including the determination to use (or not use) an adjustment factor, may result in interest payments that are lower than or that do not otherwise correlate over time with the payments that could have been made on the Tier 1 Bonds if the Existing Rate was still available in the form it was available as of the Issue Date. Furthermore, any exercise by the Principal Paying Agent of such discretion could adversely affect the market price of the Tier 1 Bonds. If the Existing Rate has been discontinued and the Principal Paying Agent does not determine a Replacement Rate, then the Five-year CHF Mid-Market Swap Rate will be determined using the alternative methods described in the first paragraph of the definition thereof in Condition 19.22, which are applicable to all cases in which the Existing Rate does not appear on GOTTEX page "CHF Interest Rate Swaps vs LIBOR". In such case, such alternative methods may result in interest payments that are lower than those that would have been made on the Tier 1 Bonds if a Replacement Rate had been determined.

The Tier 1 Bonds are deeply subordinated obligations and will be subordinated to all the Issuer’s present and future unsubordinated indebtedness

The Tier 1 Bonds will constitute direct, unsecured, deeply subordinated obligations of the Issuer. If any order is rendered by the Regulator declaring the liquidation of the Issuer or if the Issuer is liquidated for any other reason, the rights and claims of Holders of the Tier 1 Bonds will be subordinated to the prior payment in full of all other liabilities of the Issuer (including any dated subordinated obligations that may be outstanding), except those liabilities which rank *pari passu* with, or junior to, the Tier 1 Bonds. In liquidation, dissolution, insolvency or other proceedings aimed at avoiding the insolvency of the Issuer, the Holders may recover proportionally less than the holders of unsubordinated and subordinated obligations of the Issuer that rank senior in liquidation to the Tier 1 Bonds.

Changes in law

The Terms of the Bonds are based on Swiss law (including tax law) in effect as at the date of this Offering Circular. Such laws and the interpretation thereof have been and are subject to change. No assurance can be given as to the impact of any possible judicial decision or change to Swiss law (including tax law) or administrative practice in Switzerland after the date of this Offering Circular or as to whether any such decision or change would adversely affect the ability of the Issuer to make payments under the Tier 1 Bonds or have any other adverse effect on an investment in Tier 1 Bonds.

There are limited remedies available under the Tier 1 Bonds. The Terms of the Bonds contain no events of default or acceleration rights.

The Terms of the Bonds contain no events of default and Holders have no acceleration rights in respect of the Tier 1 Bonds thereunder. Holders are only entitled to claim redemption of the Prevailing Notional Amount, if any, of the Tier 1 Bonds in case of the Issuer's bankruptcy, dissolution or liquidation. Even if, at that time, a Write-down Trigger Event or a Viability Event with respect to the Issuer has not occurred, rights of the Holders in bankruptcy proceedings (*Konkursverfahren*) or any form of restructuring proceedings (*Sanierungsverfahren*) in relation to the Issuer are also limited.

In certain instances, the Terms of the Bonds may be amended without the consent of a Holder

Certain statutory provisions of Swiss law apply to the Tier 1 Bonds, which allow for the calling of meetings of the Holders to consider matters affecting their interests. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. Furthermore, the Issuer may without the consent or approval of the Holders make such amendments to the Terms of the Bonds, in relation to the substitution of the Issuer in accordance with Condition 10 (Substitution of the Issuer) as are necessary to reflect the substitution. In addition, the Issuer and the Holders' Representative may agree to any amendment to the Terms of the Bonds that is (i) formal, minor or technical in nature and, in the reasonable opinion of such parties, not materially prejudicial to the interests of the Holders or (ii) necessary to correct a manifest error.

No assurance that a trading market will develop for the Tier 1 Bonds

The Tier 1 Bonds are a new issue of securities and have no established trading market and, notwithstanding the fact that the Tier 1 Bonds are expected to be listed on SIX Swiss Exchange, one may never develop. Even if an active trading market does develop, no one, including the Joint Lead Managers, is required to maintain its liquidity. The liquidity and the market prices for the Tier 1 Bonds can be expected to vary with changes in market and economic conditions, the Issuer's financial condition and prospects and other factors that generally influence the market prices of Tier 1 Bonds. Therefore, Holders may not be able to sell their Tier 1 Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market or at all.

Risk-hedging transactions

The ability to eliminate or to restrict the risks of the Tier 1 Bonds arising from their purchase by concluding any hedging transactions during their lifetime depends mainly on the market conditions and the terms and conditions of the specific security. As a consequence, such transactions – if at all possible – may be concluded at unfavourable market prices to the effect that corresponding losses may arise.

Prospective investors should therefore not rely on the ability to conclude transactions at any time during the term of the Tier 1 Bonds that will allow them to offset or limit relevant risks.

Inflation risk

The inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on a Tier 1 Bond. If the inflation rate is equal to or higher than the nominal yield, the real yield is zero or even negative.

Further factors influencing the value of the Tier 1 Bonds

The value of a Tier 1 Bond is determined not only by changes in market prices but also by several other factors. More than one risk factor can influence the value of the Tier 1 Bonds at any one time, so that the effect of an individual risk factor cannot be predicted. Moreover, more than one risk factor may have a compounding effect that is also unpredictable. No definitive statement can be made with respect to the effects of combined risk factors on the value of the Tier 1 Bonds.

The market value of the Tier 1 Bonds will be affected by the creditworthiness (as may be expressed by a rating assigned by a rating agency) of the Issuer and a number of additional factors including market interest and yield rates. The Holders may not be able to sell the Tier 1 Bonds or may only be able to sell the Tier 1 Bonds at a discount, which could be substantial, from the Issue Price or the purchase price paid by such purchaser or not be able to sell the Tier 1 Bonds at all.

THE ACQUISITION

Overview

On 1 July 2019, the Issuer announced that it entered into a share purchase agreement (the "**Share Purchase Agreement**") with Aduno Holding AG ("**Aduno**" or, the "**Seller**") regarding the sale and purchase of all shares in cashgate. The Issuer and Aduno (together, the "**Parties**") agreed on a purchase price of CHF 277 million, resulting in an estimated intangible (including goodwill) component of around CHF 165 million under applicable statutory reporting standards for the Issuer.

cashgate is a specialised consumer finance player active in the Swiss personal loan and car leasing markets, and as of 2018 also active in the rental guarantee business. cashgate employs approximately 160 employees across Switzerland in Zurich, St. Gallen and Lausanne with a branch network comprising additional locations in Langenthal, Winterthur, Neuchâtel und Geneva. As of 31 December 2018, cashgate's customer portfolio consisted of 50,000 personal loan, 31,000 leasing and 12,000 rental guarantee customers. The outstanding financing receivables as of 30 December 2018 amounted to CHF 1.436 million, which will be fully re-financed as part of the transaction. Besides distributing its products online, cashgate sells its products through a broad network of business partners: domestic banks with c. 1,600 branches, c. 2,200 car dealers and c. 100 personal loan agents. The Issuer and Aduno aim to complete the transaction in the third quarter of 2019.

Rationale for the Acquisition

The acquisition of cashgate (the "**Acquisition**") aligns with the strategic growth objectives of the Issuer in the Swiss consumer finance market. The acquisition allows the Issuer to not only strengthen its market position in its core markets with an overall increase of 30% in receivables due from customers, but also to generate value primarily through increasing operating leverage and capturing scale effects. The Acquisition underscores the Issuer’s position as one of the leading consumer finance providers in Switzerland.

More specifically, the Issuer believes that cashgate gives the Issuer the opportunity to (i) operate a combined consumer finance platform leading to increased cost efficiency, (ii) take advantage of an established brand in the market to capture an area of the personal loan market currently underserved by the Issuer and (iii) accelerate its digital transformation through utilisation of the digital infrastructure of cashgate.

Once the transaction is completed, it is envisaged that the car leasing business will be served under the Issuer's brand, whereas the cashgate brand will be primarily continued to be used in the online personal loan distribution channel. The Issuer expects a substantial earnings contribution by cashgate going forward, particularly through the use of synergies.

Financing of the Acquisition

The Acquisition price for cashgate by the Issuer will be financed by a portion of the CHF 1,600,000,000 term facility agreement, through funds raised via an accelerated placement of 1,200,000 treasury shares and by the issuance of the Tier 1 Bonds. The existing liabilities of cashgate will be refinanced primarily through the CHF 1,600,000,000 term facility agreement, which in turn shall be refinanced over time through proceeds from the CHF 250,000,000 senior unsecured convertible bonds launched on 1 July 2019 and various other capital market instruments expected to be issued over the term of the facility agreement.

Closing Conditions

The completion of the Acquisition is subject to conditions precedent customary for this type of transaction including regulatory approvals, no adverse action or judgment, no material adverse change, no breach of obligations, no misrepresentation or breach of warranties and the execution of certain marketing related agreements between cashgate and designated affiliates of the Seller.

Representations, Warranties, Covenants and Indemnities

Each of the Issuer and the Seller have made representations and warranties in the Share Purchase Agreement which are customary for this type of transaction in the context of a competitive auction process and for the type of business conducted by the Seller.

The Seller has also agreed to various covenants customary for this type of transaction in the context of a competitive auction process and for the business conducted by the Seller. In particular, the Seller has agreed to a covenant with respect to transitional services (see also "*Transitional Services*" below). In connection with the Acquisition and the representations and warranties provided by the Seller, the Seller has further agreed to indemnities subject to an indemnity threshold and an indemnity cap, such indemnities, threshold and cap being customary for this type of transaction in the context of a competitive auction process and for the business conducted by the Seller.

Transitional Services

After closing of the Acquisition, cashgate will, for a transitional period of time, continue to be dependent on certain transitional services to be provided by the Seller's affiliates for it to be fully operable and continue its business as currently conducted. For this purpose, the Seller has agreed that it will procure that two Aduno affiliates shall continue to provide certain transitional services pursuant to the terms and conditions of the transitional services agreement between cashgate (as service recipient) and two Aduno affiliates (as service providers).

Regulatory Considerations

As from closing of the Acquisition, cashgate will become part of the financial group of the Issuer and, as a consequence, be subject to regulatory group supervision requirements and consolidated supervision by FINMA. The Issuer and cashgate will require a transitional period of up to 12 months after the Acquisition in order to establish compliance with applicable group supervision requirements. The Issuer will apply with FINMA for an exemption from specific group supervision requirements during a limited transitional period from closing of the Acquisition. If FINMA does not grant the exemptions sought by the Issuer, the Issuer may be subject to regulatory sanctions by FINMA due to non-compliance with group supervision requirements. Further, FINMA granting the exemptions sought by the Issuer is a condition precedent to closing of the Acquisition. See also "*The Acquisition is subject to certain conditions and there is no assurance that the Acquisition will close in time or at all*" above.

GENERAL INFORMATION ABOUT THE BONDS

Authorisation

Pursuant to the resolutions of the Board of Directors dated 26 June 2019, the Issuer has decided to issue the Tier 1 Bonds of CHF 150,000,000. In addition, the Issuer will enter into a bond purchase agreement with Credit Suisse AG and Zürcher Kantonalbank in their function as Joint Lead Managers on or around the date of this Offering Circular.

Use of net proceeds

The net proceeds of the Tier 1 Bonds, being the amount of CHF 148,689,500 (the "**Net Proceeds**"), will be used by the Issuer for the refinancing of the acquisition of cashgate as well as for its general corporate purposes. None of the Joint Lead Managers shall have any responsibility for, or be obliged to concern itself with, the application of the Net Proceeds by the Issuer.

Listing agent

Credit Suisse AG has been appointed by the Issuer as its representative to lodge the listing application for the Tier 1 Bonds with SIX Exchange Regulation Ltd in accordance with article 43 of the listing rules of SIX Swiss Exchange.

Offering Circular

This Offering Circular constitutes the listing prospectus for the listing of the Tier 1 Bonds on SIX Swiss Exchange. The information set out in this Offering Circular amends and completes the information in the preliminary offering circular regarding the Tier 1 Bonds dated 3 July 2019. Accordingly, the rights of Holders will be determined exclusively by the Terms of the Bonds set out in this Offering Circular. Prospective investors are advised to read this Offering Circular.

This Offering Circular is available in English language only and provides information about the Issuer and the Tier 1 Bonds. This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Tier 1 Bonds.

No person has been authorised to give any information or make any representation in connection with the offering of the Tier 1 Bonds other than as stated herein and any other information or representation if given or made should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers. Neither the delivery of this Offering Circular, nor the issue of the Tier 1 Bonds nor any sale thereof shall, in any circumstances, create any implication that there has been no material adverse change in the affairs of the Issuer since the date hereof.

Documents available

Copies of this Offering Circular are available free of charge from Credit Suisse AG, Zurich, Switzerland (e-mail: newissues.fixedincome@credit-suisse.com), Zürcher Kantonalbank, Zurich, Switzerland (e-mail: prospectus@zkb.ch) and Cembra Money Bank AG, Zurich, Switzerland (e-mail: treasury@cembra.ch).

INFORMATION ABOUT THE ISSUER AND THE GROUP

Name, registered office and principal place of business

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

Incorporation, registration, duration

The Issuer was founded on 17 December 2009 under Swiss law and is registered in the Commercial Register of the Canton of Zurich. Its current registration number (UID) is CHE-115.295.655.

The Issuer's duration is unlimited as per its articles of incorporation dated 17 April 2019 (the "**Articles of Incorporation**").

Legal basis, legal form

The Issuer is established as a company limited by shares under the Swiss Code of Obligations.

Purpose

According to article 2 of the Articles of Incorporation, the purpose of the Company is to operate a bank. The Issuer's scope of business comprises all types of banking activities in Switzerland and in the Principality of Liechtenstein as well as in the border areas between Switzerland and its neighbouring countries, in particular: (a) the grant of secured and unsecured loans and credits of all kinds, in particular consumer and mortgage loans, the credit card business, the leasing business, the refinancing of leasing businesses and the brokering of services related to these activities, such as residual debt insurances; (b) acceptance of monies as is customary for a bank, in particular in the form of deposit accounts, medium term bonds and fixed deposits.

The Issuer may acquire, hold and dispose of real estate, incorporate branches and subsidiaries in Switzerland and abroad, invest in other enterprises, process data for third parties and effect all financial, commercial and other transactions that are related to the performance of the purpose of the Issuer.

Group

The consolidated accounts of the Group comply with the Swiss Code of Obligations, the Swiss Banking Act and its implementing ordinance and FINMA accounting guidelines and have been prepared according to the true and fair view principle.

The Group comprises the Issuer as the parent company and its wholly owned subsidiaries:

- SWISSBILLING SA;
- eny Credit GmbH;
- Swiss SME Loans 2018-1 GmbH;
- Swiss Auto Lease 2019-1 GmbH;
- Swiss Auto Lease 2016-1 GmbH;
- Swiss Auto Lease 2015-1 GmbH; and
- Swiss Auto Lease 2013-1 GmbH in Liquidation.

Information about the Board of Directors, management and auditors

Board of Directors

The Board of Directors is the body responsible for high level management of the Issuer. It decides the general policy of the Issuer and the nature of its activities in line with the objectives defined by law and the Articles of Incorporation.

The Board of Directors is constituted by the following members:

Dr. Felix Weber	Chairman of the Board of Directors
Prof. Dr. Peter Athanassoglou	Chairman Audit and Risk Committee
Urs Baumann	Chairman Compensation and Nomination Committee
Denis Hall	Member Audit and Risk Committee
Katrina Machin	Member Compensation and Nomination Committee
Dr. Monica Mächler	Member Audit and Risk Committee
Simonis Maria Hubertus Tellings	Member Compensation and Nomination Committee

The business address of the members of the Board of Directors is Bändliweg 20, 8048 Zurich, Switzerland.

Group management

Group management is the Group's executive body which reports to the Board of Directors.

The Group management comprises the following members:

Robert Oudmayer	Chief Executive Officer
Jörg Fohringer	Managing Director B2B
Daniel Frei	Managing Director B2C
Volker Gloe	Chief Risk Officer
Dr. Emanuel Hofacker	General Counsel
Niklaus Mannhart	Chief Operating Officer
Pascal Perritaz	Chief Financial Officer

The business address of the members of the group management is Bändliweg 20, 8048 Zurich, Switzerland.

Independent Auditors

The auditors are elected by the shareholders' meeting on an annual basis. The current auditors are KPMG AG (CHE-106.084.881), Räffelstrasse 28, 8045 Zurich, Switzerland.

Capital

The registered share capital of the Issuer amounts as of the date of this Offering Circular to CHF 30,000,000. It is divided into 30,000,000 registered shares with a nominal value of CHF 1.00 each.

Authorised Capital

Pursuant to article 4 of the Articles of Incorporation, the Issuer has the following authorised share capital:

"[1] *The Board of Directors is authorised to increase the share capital, at any time until 17 April 2021, up to a maximum amount of CHF 3,000,000 by issuing up to 3,000,000 fully paid in registered shares with a par value of CHF 1.00 each. An increase of the share capital (i) by means of an offering underwritten by a financial institution, a syndicate of financial institutions or another third party or third parties, followed by an offer to the then-existing shareholders of the Company, and (ii) in partial amounts shall be permissible.*

[2] *The subscription and acquisition of the new shares and any subsequent assignment of the shares shall be subject to the restrictions of Article 8 of these Articles of Incorporation.*

[3] *The Board of Directors shall determine the time of the issuance, the issue price, the manner in which the new shares are to be paid in, the conditions for the exercise of the pre-emptive rights and the allotment of pre-emptive rights that have not been exercised, and the date from which the shares carry dividend rights. The Board of Directors shall have the right to restrict or deny any trade with pre-emptive rights. It may allow pre-emptive rights that have not been exercised to expire, and it may place such rights or shares with respect to which the pre-emptive rights have not been exercised at market conditions or may use them in another way in the interest of the Company.*

[4] *The Board of Directors is further authorised to withdraw or limit the pre-emptive rights of the shareholders and allot them to individual shareholders or third parties if:*

(a) the new shares are to be used for the acquisition of an enterprise, part(s) of an enterprise or participations, or for the financing or refinancing of such transactions, or for the financing of new investment plans of the Company; or
(b) the new shares are to be used for the purpose of broadening the shareholder constituency of the Company in connection with the listing of new shares on foreign stock exchanges or, for purposes of the participation of strategic partners of the Company; or
(c) if, in the determination of the issue price of the new shares, the market price is taken into account.

If, in connection with acquisitions of enterprises or investments, the Company enters into commitments under convertible bonds or warrant bonds, the Board of Directors shall be entitled to issue shares under the exclusion of the pre-emptive rights of current shareholders in order to honour the commitments under such bonds."

Conditional Share Capital

Pursuant to article 5 of the Articles of Incorporation, the Issuer has the following conditional share capital for conversion rights and/or warrants:

"[1] *The share capital may be increased by an amount not to exceed CHF 3,000,000 by the issuance of up to 3,000,000 fully paid registered shares with a nominal value of CHF 1.00 each, (a) through the voluntary or mandatory exercise of conversion rights and/or warrants granted in connection with the issuance on national or international capital markets of newly or already issued bonds or other financial market instruments by the Company or one of its group companies and (b) through the exercise of warrant rights granted to the shareholders by the Company or one of its group companies. The Board of Directors may use warrant rights not* *taken up by shareholders for other purposes in the interest of the Company. The pre-emptive rights of the shareholders are excluded in connection with the issuance by the Company or any of its group companies of bonds or other financial market instruments which are linked to conversion rights and/or the issuance of warrants. The then current owners of conversion rights and/or warrants shall be entitled to subscribe for the new shares. The conditions of the conversion rights and/or warrants shall be determined by the Board of Directors.*

[2] The acquisition of shares through the voluntary or mandatory exercise of conversion rights and/or warrants and each subsequent transfer of the shares shall be subject to the restrictions of Article 8 of these Articles of Incorporation.

[3] In connection with the issuance by the Company or one of its group companies of bonds or other financial market instruments which are linked to conversion rights and/or warrants, the Board of Directors is authorised to restrict or deny the advance subscription rights of shareholders if such issuance is made for the purpose of financing or refinancing the acquisition of an enterprise, parts of an enterprise, or participations or for new investments or for the issuance on national or international capital markets. If advance subscription rights are denied by the Board of Directors, the following shall apply: the bonds or other financial market instruments which are linked to conversion rights and/or warrants shall be issued at the relevant market conditions and new shares shall be issued at market conditions, under consideration of the current price on the stock exchange of the shares of the Company and/or comparable financial instruments having a market price. Conversion rights may be exercised during a maximum 20-year period, and warrants may be exercised during a maximum 10-year period, in each case from the date of the respective issuance. The advance subscription rights of the shareholders may be granted indirectly."

Pursuant to article 6 of the Articles of Incorporation, the Issuer has the following conditional share capital for employee options:

"*[1] The share capital may be increased by an amount not to exceed CHF 900,000 through the issuance of up to 900,000 fully paid registered shares with a nominal value of CHF 1.00 each by the issuance of new shares to members of the Board of Directors, members of the Management Board and employees of the Company and group companies. The pre-emptive rights of the shareholders of the Company shall be excluded. The shares or rights to subscribe for shares shall be issued to members of the Board of Directors, members of the Management Board and employees of the Company or group companies pursuant to one or more regulations to be issued by the Board of Directors. Shares or subscription rights may be issued at a price lower than that quoted on the stock exchange.*

[2] The acquisition of shares within the context of employee share ownership and each subsequent transfer of the shares shall be subject to the restrictions of Article 8 of these Articles of Incorporation."

Listing of the Shares

The shares of the Company are listed in accordance with the International Reporting Standard on SIX Swiss Exchange under the symbol "CMBN".

Capital adequacy requirements

The FINMA Circular 2011/2 "Capital buffer and capital planning – banks" determines overall capital adequacy requirements under Pillar 2 to allow for any risks not covered by the minimum requirements of Pillar 1 and to ensure that such minimum requirements are met even in adverse circumstances. For that purpose, the Regulator divides banks into five categories with varying capital adequacy target levels. The allocation of financial institutions to these five categories is reviewed periodically by the Regulator.

The Group belongs to "category 4" as created by FINMA Circular 2011/2. As of 31 December 2018, the applicable regulatory requirements for a category 4 bank are set by FINMA at 11.2%. The Group aims to consistently operate at a capital base that is well above this mark, defining an internal trigger of a minimum tier 1 capital ratio of 17% on a Group basis. Compliance with this trigger is monitored at the monthly ALCO meeting. As of 31 December 2018, the Group's tier 1 capital ratio was 19.2%.

For further information about the capital adequacy requirements please refer to Index to Financial Information.

Outstanding conversion and option rights and bonds

As of the date of this Offering Circular, the Issuer does not have any option rights outstanding. One convertible bond is outstanding as per the below.

At the date of this Offering Circular, the Issuer has the following bonds outstanding:

ISIN	Type	Currency	Nominal	Coupon	Term
CH0255287010	Senior unsecured	CHF	100mn	0.75%	2014/2019
CH0255287028	Senior unsecured	CHF	100mn	1.25%	2014/2022
CH0295050915	Senior unsecured	CHF	175mn	0.50%	2015/2021
CH0336587735	Senior unsecured	CHF	200mn	0.18%	2016/2023
CH0385997090	Senior unsecured	CHF	200mn	0.25%	2017/2024
CH0367206718	Senior unsecured	CHF	150mn	0.375%	2017/2025
CH0406959210	Floating Rate Note	CHF	50mn	0%	2018/2020
CH0419042475	Senior unsecured	CHF	125mn	0.875%	2018/2026
CH0486598227	Convertible Bonds	CHF	250mn	0%	2019/2026
CH0419041345	Senior unsecured	CHF	250mn	0%	2019/2023
CH0419041352	Senior unsecured	CHF	175mn	0.285%	2019/2027

The convertible bonds (ISIN CH0486598227) confer a conversion right with reference to registered shares with the then applicable nominal value of the Issuer.

In addition, subsidiaries of the Issuer have issued the following asset-backed securities:

Subsidiary	ISIN	Type	Currency	Nominal	Coupon	Term
Swiss Auto Lease 2016-1	CH0328298028	ABS (auto lease)	CHF	200mn	0.22%	2016/2020
Swiss Auto Lease 2019-1	CH0465044656	ABS (auto lease)	CHF	250mn	0.15%	2019/2022

Own shares

As of 10 July 2019, the Issuer held 622,342 own shares.

Major Shareholders

The table below sets out the shareholders of the Company holding more than 3% of the voting rights of the Company based on the share capital recorded in the Commercial Register of the Canton of Zurich according to the notifications that the Company received as of 10 July 2019. The information is based on the information provided by the respective shareholders to SIX Swiss Exchange and the Company.

Shareholder	*% of voting rights (purchase position)*	*% of voting rights (sale position)*
BlackRock Inc.	5.8%	0.05%
UBS Fund Management (Switzerland) AG	5.41%	0%
Pictet Asset Management SA	4.99%	0%
Credit Suisse Funds AG	3.00%	0%

As of 10 July 2019, the Company held 622,342 own shares corresponding to 2.07% of the voting rights in the Company based on the share capital recorded in the Commercial Register of the Canton of Zurich. These shares constitute a purchase position pursuant to article 14 para. (1)(a)(1) of the Ordinance of the FINMA on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 3 December 2015, as amended (the "**FMIO-FINMA**"). The Company held in addition a sale position, corresponding to a total of 6.97% of the voting rights based on the share capital registered in the Commercial Register of the Canton of Zurich pursuant to article 14 para. (1)(b)(1) and (2) FMIO-FINMA , consisting of (i) conversion rights embedded in the convertible bonds of the Company in the aggregate principal amount of CHF 250 million (ISIN: CH0486598227), corresponding to 6.82%, (ii) rights under management participation plans of the Company, corresponding to 0.139%, and (iii) Shares to be delivered to members of the Board of Directors, corresponding to 0.016%, in each case of the voting rights based on the share capital registered in the Commercial Register of the Canton of Zurich.

Further information on major shareholders of the Company may be found under https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Dividends

The Issuer has paid the following dividends in CHF for the past five fiscal years to holders of registered shares:

Business Year	2018	2017	2016	2015	2014
Dividend per share in CHF	3.75	3.55	4.45	3.35	3.10

Rating

The Issuer is rated A- by S&P.

The Tier 1 Bonds are rated BB by S&P.

Notices

Notices in relation to the Issuer will be published in the Swiss Official Gazette of Commerce.

All notices in relation to the Tier 1 Bonds will be published in electronic form on the internet site of SIX Swiss Exchange under the section headed "Official Notices" (currently: https://www.six-group.com/exchanges/news/official_notices/search_en.html).

Business activities

The Group is a leading Swiss provider of consumer finance products and services. The Group is subject to prudential supervision by FINMA, holds a banking licence and provides a range of financial products and services. Headquartered in Zurich, the Issuer operates almost entirely in Switzerland through a nationwide network of 16 branches as well as through alternative distribution channels, such as internet, credit card partners (including Migros, Conforama, Fnac and Touring Club Schweiz), independent intermediaries and auto dealers. As of 31 December 2018, the Group employed approximately 855 employees and served approximately 870,000 customers. It includes all of the Group's consumer finance products, including unsecured personal loans, auto leases and loans, credit cards and insurance products sold with these products as well as invoice financing.

Personal loans

The Group offers general purpose unsecured loans to retail customers and occasionally to small businesses. Personal loan financing receivables amounted to approximately CHF 1,885 million as at 31 December 2018.

Auto Leases and loans

The Group offers leases of, and loans to, finance the purchase of, both new and used vehicles (primarily cars but also other auto vehicles including light commercial vehicles, motorcycles and caravans) to private and self-employed individuals and small businesses. The Group also offers an inventory finance product on a limited scale. The Group's auto lease and auto loan portfolio is diversified by geography within Switzerland, brand and auto dealer.

The Group's auto lease and auto loan products are distributed throughout Switzerland and, to a very limited extent, Liechtenstein. The Issuer works with approximately 3,900 auto dealers in Switzerland. It does not have an exclusive arrangement with its auto dealers and relies on service excellence delivered through a sales team of 28 people located throughout Switzerland and by it 3 service centres (Zurich, Renens, Camorino) split by language region.

Credit cards

The Group began offering credit cards in November 2006 through its cooperation with Migros, the largest retailer in Switzerland. Since then, the Group has added to its range of credit cards and now also runs partner programmes with Conforama and Touring Club Schweiz and FNAC. It also has its own brand credit card which is primarily offered as an additional product through its branches. All credit cards issued by the Group are Mastercard credit cards and the Issuer holds a Mastercard licence. To differentiate itself from its competitors, the Group has developed its own in-house transaction processing network which allows partner retailers to benefit from reduced processing fees when compared to other Mastercard-processed transactions. The Group also offers an e-service platform for its customers to check their account details and activity online.

The Group earns income on its credit card products from interest charges and various fees such as annual fees, foreign exchange fees, cash withdrawal fees, reminder fees, card replacement fees, processing fees from credit card partners using the Issuer's network and interchange fees through the Mastercard programme.

As at 31 December 2018, the Group offered five different credit cards and had a total of approximately 892,000 credit cards in issue.

Insurance

The Group sells "payment protection" insurance products to its customers with personal loan or auto loan or lease products. It also sells "travel and flight accident" insurance and "card protection" insurance to its credit card customers, with the "travel and flight accident" insurance also being provided as part of a packaged product. In addition, the Group has a relationship with a leading Swiss health insurance provider through which its customers and their families can benefit from a discounted rate on health insurance (the Group acts only as an arranger).

Deposits and savings

In order to finance its business activities as described above, the Group historically offered saving products, such as savings accounts and term deposits to retail customers. Since 2010, the Group has extended its offering of term deposit products to institutional customers. As at 31 December 2018, the Issuer held a total of CHF 959 million in retail deposits (direct and custody) and savings accounts and CHF 1,868 million in institutional deposits. Almost all the Issuer's deposit and savings account customers are Swiss or otherwise resident in Switzerland and only Swiss residents are accepted as new customers. Direct retail deposits and retail savings are both covered by the Swiss deposit protection scheme up to CHF 100,000 per customer.

Swissbilling

The Group provides, via its subsidiary Swissbilling, invoicing and factoring services to Swiss merchants. Swissbilling founded in 2011 and bought by the Issuer in 2017, offers an invoice service for online shops as well as an offline tool to transmit invoices to Swissbilling, which is used by merchants to offer an additional payment method including instalments or as a mean to outsource the invoice handling or secure liquidity.

The online business continues to grow faster than the market with an YTD growth rate of above 20%. The offline solution was launched mid-2018 and since then ca. 190 merchants have been on boarded.

Court, arbitration and administrative proceedings

The Group is, from time to time, involved in various claims and lawsuits incidental to the ordinary operations of its business. Other than as disclosed in this Offering Circular, the Group is currently not involved in any court, arbitral or administrative proceedings that are of material importance to its assets and liabilities or profits and losses nor, as far as the Group is aware, are any such proceedings threatened.

Recent developments

Other than the Acquisition (see "*The Acquisition*") and as otherwise disclosed in this Offering Circular, no significant developments occurred in the operations and net financial liabilities of the Issuer since 31 December 2018 to and including 10 July 2019.

No material changes

Except as disclosed in this Offering Circular, there has been no material change in the assets and liabilities, financial positions or profits and losses of the Issuer since 31 December 2018.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for all information contained in this Offering Circular and confirms that the information contained herein is correct to the best of its knowledge and that no material facts have been omitted.

11 July 2019

Dr. Emanuel C. Hofacker

Pascal Perritaz

Cembra Money Bank AG

TERMS OF THE BONDS

The terms and conditions of the Perpetual Additional Tier 1 Subordinated Bonds (each a "**Condition**", and together the "**Terms of the Bonds**"), issued by Cembra Money Bank AG, Bändliweg 20, 8048 Zurich, Switzerland (the "**Issuer**"), are as follows:

1 Amount, Denomination, Reopening, Form, Custodianship and Transfer

a) The initial aggregate nominal amount of the Tier 1 Bonds of CHF 150,000,000 (one hundred fifty million Swiss francs) is divided into bonds (each a "**Tier 1 Bond**" and, collectively, the "**Tier 1 Bonds**") with a denomination of CHF 5,000 (five thousand Swiss francs) per Tier 1 Bond.

The Issuer may from time to time, without the consent of the holders of the Tier 1 Bonds (the "**Holders**" and, individually, a "**Holder**"), issue further bonds and, provided that such bonds have the same terms and conditions as the Tier 1 Bonds in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further bonds will be consolidated and form a single series with the Tier 1 Bonds.

b) The Tier 1 Bonds are issued in uncertificated form as uncertificated securities (*Wertrechte*) in accordance with article 973c of the Swiss Code of Obligations of 30 March 1911, as amended (*Schweizerisches Obligationenrecht*; "**CO**").

c) Such uncertificated securities will be entered into the main register (*Hauptregister*) of SIS or any other intermediary (SIS or any such other intermediary, the "**Intermediary**") in Switzerland recognised for such purposes by SIX Swiss Exchange. Once the uncertificated securities are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Tier 1 Bonds will constitute intermediated securities (*Bucheffekten*; the "**Intermediated Securities**") in accordance with the provisions of the Swiss Federal Intermediated Securities Act of 3 October 2008, as amended (*Bucheffektengesetz*).

d) So long as the Tier 1 Bonds are Intermediated Securities, the Tier 1 Bonds may only be transferred by the entry of the Tier 1 Bonds in a securities account of the transferee.

e) The records of the Intermediary will determine the number of Tier 1 Bonds held through each participant of that Intermediary. In respect of Tier 1 Bonds held in the form of Intermediated Securities, the Holders will be the persons holding the Tier 1 Bonds in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Tier 1 Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.

f) The conversion of the uncertificated securities (*Wertrechte*) into a permanent global certificate (*Globalurkunde*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Holders nor the Principal Paying Agent nor any other party shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of, a permanent global certificate (*Globalurkunde*) or individually certificated bonds (*Wertpapiere*). No physical delivery of the Tier 1 Bonds shall be made.

2 Interest

a) Interest Rate

(i) Initial Fixed Interest Rate

The Tier 1 Bonds will bear interest from (and including) 15 July 2019 (the "**Issue Date**") to (but excluding) 15 November 2024 (the "**First Call Date**") at a fixed rate equal to 2.50 per cent *per annum*, payable annually in arrears on 15 November of each year (each an "**Interest Payment Date**") on the Prevailing Notional Amount, for the first time on 15 November 2019 (short first coupon) and for the last time on the First Call Date.

(ii) Subsequent Fixed Interest Rate

As from (and including) the First Call Date, in respect of each successive five-year period (the "**Relevant Five-Year Period**"), the first such period commencing on (and including) the First Call Date and ending on (but excluding) the fifth (5^{th}) anniversary of that date, unless previously redeemed, the Tier 1 Bonds will bear interest on the Prevailing Notional Amount payable annually in arrears on each Interest Payment Date with the rate of interest being determined on each Interest Determination Date on the basis of the aggregate of the prevailing Benchmark Rate plus the Margin.

Subject to Conditions 2(b), 2(c), 8 and 9 below, if interest is required to be paid on any date, it shall be calculated on a 30E/360 basis, i.e., on the basis of a year consisting of (12) months of thirty (30) days each.

b) Discretionary Interest Cancellation

Subject to the Tier 1 Bonds being recognised as Additional Tier 1 Capital in whole or in part, the Issuer may, at its sole discretion, elect to cancel all or part of any payment of interest which is otherwise to be paid on an Interest Payment Date or the Redemption Date (if any) by giving notice of such election to the Holders in accordance with Condition 13, and to the Principal Paying Agent, (i) in the case of interest otherwise due on an Interest Payment Date, not more than thirty (30) nor less than ten (10) Business Days prior to the relevant Interest Payment Date, or (ii) in the case of interest due on the Redemption Date, on the relevant Redemption Notice Date.

Any interest which is not paid, in accordance with this Condition 2(b), shall not accumulate or be payable at any time thereafter, and such non-payment will not constitute an event of default by the Issuer for the purpose of these Terms of the Bonds or any other purpose, and the Holders shall have no right thereto whether in a liquidation, dissolution, insolvency or bankruptcy of the Issuer or otherwise.

If the Issuer determines, after consultation with the Regulator, that the full Prevailing Notional Amount of the Tier 1 Bonds does not, or no longer, qualify as Additional Tier 1 Capital, (A), the Issuer shall not, to the extent permitted under National Regulations and subject to Mandatory Interest Cancellation events below, exercise its discretion pursuant to this Condition 2(b) to cancel any interest payments due on the Tier 1 Bonds on any Interest Payment Date following the occurrence of such determination, and (B) the Issuer shall give notice to the Holders in accordance with Condition 13 as soon as practicable after such determination stating that the Issuer may no longer exercise its discretion pursuant to this Condition 2(b) to cancel any interest payments as from the date of such notice.

c) Mandatory Interest Cancellation

The Issuer shall be prohibited from making, in whole or in part, any payment of interest on the Tier 1 Bonds on the relevant Interest Payment Date or the Redemption Date (if any) if and to the extent that on such Interest Payment Date or Redemption Date (if any) (the "**Mandatory Interest Cancellation**"):

(i) the amount of such interest otherwise due, together with (x) any interest payments or distributions to be paid or made during the Relevant Period on Parity Securities, and (y) any Distribution to be paid or made with respect to the financial year ended immediately prior to such Interest Payment Date or Redemption Date (excluding any such interest payments or distributions which (i) are not required to be made out of Distributable Items or (ii) have already been provided for, by way of deduction, in calculating the amount of Distributable Items), in aggregate would exceed the amount of Distributable Items as at such Interest Payment Date or Redemption Date; or

(ii) the Issuer is prohibited, by the National Regulations or an order of the Regulator, from declaring or making any distributions or other payments, in whole or in part, on, or relating to, the Tier 1 Bonds or any Parity Securities.

In the event where (x) Mandatory Interest Cancellation only applies in part, and (y) the Issuer elects to make such interest payment that is not prohibited to be made, the interest payable on the Tier 1 Bonds shall be made *pro rata* with the interest payments or distributions on Parity Securities to be paid or made during the Relevant Period.

Any interest which is not paid, in accordance with this Condition 2(c), shall not accumulate or be payable at any time thereafter, and such non-payment will not constitute an event of default by the Issuer for the purpose of these Terms of the Bonds or any other purpose, and the Holders shall have no right thereto whether in a liquidation, dissolution, insolvency or bankruptcy of the Issuer or otherwise.

d) Restrictions following non-payment of Interest

If, on any Interest Payment Date, payment of interest to be made on such date is not made in full on the Prevailing Notional Amount by reason of Condition 2(b) or 2(c):

(i) the board of directors of the Issuer shall not directly or indirectly recommend to the shareholders of the Issuer or, if proposed by shareholders, shall recommend to reject, that any Distribution (other than in the form of Shares or other share capital) be paid or made on any Shares or other share capital of the Issuer; and

(ii) the Issuer shall not directly or indirectly redeem, purchase or otherwise acquire any Shares or other share capital of the Issuer other than in relation to (a) transactions in securities effected by or for the account of customers of the Issuer or any of its Subsidiaries or in connection with the distribution or trading of, or market making in respect of, such securities; (b) the satisfaction by the Issuer or any of its Subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or any of its Subsidiaries; (c) a reclassification of the share capital of the Issuer or of any of its Subsidiaries or the exchange or conversion of one class or series of such share capital for another class or series of such share capital; or (d) the purchase of shares or fractional rights to shares of the share capital of the Issuer or any of its Subsidiaries pursuant to the provisions of any outstanding securities of the Issuer or any Subsidiary being converted or exchanged for shares of the share capital in order to fulfil its obligations under such outstanding securities;

in each case until the earliest of (x) the interest due and payable on any Interest Payment Date in respect of the then Prevailing Notional Amount of all outstanding Tier 1 Bonds having been paid in full to the Holders; or (y) all the Tier 1 Bonds having been redeemed or purchased and cancelled in full in accordance with Condition 3; or (z) the Prevailing Notional Amount of the Tier 1 Bonds having been reduced to zero in accordance with Condition 8 or Condition 9.

3 Redemption, Purchase and Cancellation

a) No Fixed Redemption Date

The Tier 1 Bonds are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed or purchased and cancelled as provided in these Terms of the Bonds, each Tier 1 Bond is perpetual and shall only be redeemed or purchased as specified in this Condition 3.

The Tier 1 Bonds will not be redeemable at any time at the option of the Holders.

b) Conditions to Redemption and Purchase

Any redemption or purchase of the Tier 1 Bonds under these Conditions, other than a redemption following a Regulatory Event, is subject to:

(i) the prior approval in writing of the Regulator, if then required;

(ii) as at the Redemption Notice Date and the Redemption Date (or as applicable, the date of purchase), neither a Write-down Trigger Event having occurred and being continuing nor a Viability Event having occurred; and

(iii) (a) the Issuer, both at the time of, and immediately following the redemption or purchase of the Tier 1 Bonds, being in compliance with the Capital Requirements or (b) the Issuer issuing a sufficient amount of capital that is at least equivalent.

c) Redemption at the Option of the Issuer on or after the First Call Date

Subject to Condition 3(b), the Issuer may elect, in its sole discretion, to redeem the Tier 1 Bonds, in whole but not in part, on the First Call Date or on any Interest Payment Date thereafter, by giving not less than thirty (30) days' notice (which notice shall be irrevocable) (the date on which such notice has been given, the "**Optional Redemption Notice Date**") to the Holders in accordance with Condition 13 and notifying the date fixed for redemption (the "**Optional Redemption Date**"), at their Prevailing Notional Amount together with any accrued, but unpaid interest to (but excluding) the Optional Redemption Date.

d) Redemption upon the non-occurrence of the closing of the Acquisition of cashgate

Subject to the prior written approval of the Regulator and Condition 3(b)(ii) and (iii), if a Non-Acquisition Event has occurred, the Issuer is required to redeem the Tier 1 Bonds at 101% of their Prevailing Notional Amount together with any accrued, but unpaid interest to (but excluding) the Non-Acquisition Event Redemption Date. At the latest 10 Business Days after the occurrence of a Non-Acquisition Event, the Issuer shall give notice (the date on which such notice has been given, the "**Non-Acquisition Event Redemption Notice Date**") to the Holders in accordance with Condition 13 and notify the date fixed for redemption (the "**Non-Acquisition Event Redemption Date**"), such Non-Acquisition Event Redemption Date being not later than 30 Business Days after the Non-Acquisition Event.

A "**Non-Acquisition Event**" is deemed to have occurred in the case that the agreement concluded for the acquisition of cashgate AG ("**cashgate**") by the Issuer is terminated after a competent merger control or other authority or, if applicable, a court, in a relevant jurisdiction does not approve (or not clear, as applicable, or delays its respective decision beyond 1 November 2019 for) the acquisition, including its settlement, of cashgate by the Issuer, or makes its approval and/or clearance subject to the satisfaction of any condition or undertaking that, individually or together with any other condition or undertaking or other circumstances or events, in the opinion of the Issuer, would reasonably be capable of causing any of the following effects on the Issuer and its Subsidiaries, taken as a whole, or cashgate and its subsidiaries, taken as a whole:

(i) a reduction of annual consolidated earnings before interest and taxes ("**EBIT**") by an amount of CHF 21.65 million (which, according to the US GAAP annual report of the Issuer for the year ended 31 December 2018, corresponds to approximately 10% of the consolidated EBIT of the Issuer for the financial year 2018) or more; or

(ii) a reduction of annual consolidated net revenue by an amount of CHF 21.94 million (which, according to the US GAAP annual report of the Issuer for the year ended 31 December 2018, corresponds to approximately 5% of the Issuer's consolidated revenue for the financial year 2018) or more; or

(iii) a reduction of consolidated shareholders' equity by an amount of CHF 93.3 million (which, according to the US GAAP audited consolidated balance sheet of the Issuer as at 31 December 2018, corresponds to approximately 10% of the Issuer's consolidated equity as of such date) or more.

e) Redemption upon a Tax Event

If a Tax Event has occurred and is continuing, but subject to Condition 3(b) the Issuer may, at any time, redeem the Tier 1 Bonds, in whole but not in part, by giving not less than thirty (30) days' notice (which notice shall be irrevocable) (the date on which such notice has been given, the "**Tax Event Redemption Notice Date**") to the Holders in accordance with Condition 13 and notifying the date fixed for redemption (the "**Tax Event Redemption Date**"), at their Prevailing Notional Amount together with any accrued, but unpaid interest to (but excluding) the Tax Event Redemption Date.

Notwithstanding the foregoing, the Issuer shall deliver to the Holders' Representative a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem in accordance with this Condition 3(e) is satisfied and the reasons therefor, and such certificate shall be conclusive and binding on the Holders. Prior to the publication of any notice of redemption pursuant to this Condition 3(e), the Issuer shall deliver an opinion of a nationally recognised law firm or independent tax adviser (which may be an accounting firm) in Switzerland experienced in such matters, of recognised standing to the Holders' Representative to the effect that the circumstances entitling the Issuer to exercise its rights of redemption under this Condition 3(e) have arisen.

A "**Tax Event**" means the receipt by the Issuer of an opinion of a nationally recognised law firm or other tax advisor (which may be an accounting firm) in Switzerland experienced in such matters stating that there is more than an insubstantial risk that (a) the Issuer is not, or will not be, able any longer to obtain a tax deduction for Swiss corporate income tax purposes for any payment of interest in respect of the Tier 1 Bonds, as a result of which the Issuer is, or will be, subject to more than a *de minimis* amount of additional taxes, or (b) the Issuer is, or will become, obliged to deduct or withhold taxes (other than a withholding tax caused by the Foreign Account Tax Compliance Act (FATCA)) in respect of any payments of interest in respect of the Tier 1 Bonds, and in each of cases (a) and (b) this cannot be avoided by the Issuer taking such reasonable measures available to it without any material adverse effect on, or material cost to, the Issuer (as determined by the Issuer in its sole discretion).

f) Redemption upon a Regulatory Event

If a Regulatory Event has occurred and is continuing, the Issuer may, at any time, redeem the Tier 1 Bonds, in whole but not in part, by giving not less than thirty (30) days' notice (which notice shall be irrevocable; the date on which such notice has been given, the "**Regulatory Event Redemption Notice Date**") to the Holders in accordance with Condition 13 and notifying the date fixed for redemption (the "**Regulatory Event Redemption Date**"), at their Prevailing Notional Amount together with any accrued, but unpaid interest to (but excluding) the Regulatory Event Redemption Date.

Notwithstanding the foregoing, the Issuer shall deliver to the Holders' Representative a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem in accordance with this Condition 3(f) is satisfied and the reasons therefor, and such certificate shall be conclusive and binding on the Holders.

A "**Regulatory Event**" is deemed to have occurred if:

(i) the Issuer is notified in writing by the Regulator to the effect that the Tier 1 Bonds are not, or cease to be, eligible to be treated as Additional Tier 1 Capital in whole or in part; and/or

(ii) the National Regulations are amended with the effect that the Tier 1 Bonds are not eligible to be treated as Additional Tier 1 Capital in whole or in part.

g) Purchases

Subject to Condition 3(b), the Issuer or any of its Subsidiaries may, either directly or indirectly, at any time purchase Tier 1 Bonds at any price, in the open market or otherwise subject to any prevailing limits or conditions under the National Regulations. The Regulator's approval is not required for purchases in accordance with market making in the Tier 1 Bonds. Any purchase shall be made in accordance with applicable laws and regulations, including applicable stock exchange regulations. Such Tier 1 Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out in Condition 3(h) below.

h) Cancellation

All Tier 1 Bonds which are redeemed or surrendered shall forthwith be cancelled. All Tier 1 Bonds so cancelled cannot be reissued or resold.

4 Payments

The amounts required for payments with respect to the Tier 1 Bonds will be made available in good time in freely disposable CHF which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and the Holders will not be entitled to any additional sum in relation thereto.

Upon receipt of the funds in Switzerland and under the same conditions as received, the Principal Paying Agent will arrange for payment to the Holders.

The Issuer undertakes that payments shall be made in freely disposable CHF without collection cost to the Holders, and, unless otherwise provided for by applicable law, without any restrictions and whatever the circumstances may be, irrespective of nationality, residence or domicile of the Holders and without requiring any affidavit or the fulfilment of any other formality.

The receipt by the Principal Paying Agent of the due and punctual payment of the funds in CHF as above provided shall release the Issuer of its payment obligations under the Tier 1 Bonds to the extent of such payments.

If, at any time during the life of the Tier 1 Bonds, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent or as Holders' Representative as contemplated by these Terms of the Bonds or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed major Swiss bank or the duly licensed Swiss branch or subsidiary of a major foreign bank chosen by the Issuer. In the event of such a replacement of the Principal Paying Agent, all references to the Principal Paying Agent and to the Holders' Representative shall be deemed to refer to such replacement. Notice of such a replacement shall be published in accordance with Condition 13.

5 Statute of Limitations

In accordance with Swiss law, claims for interest payments cease to be enforceable by legal action presently after a period of five (5) years and claims for the repayment or redemption of Tier 1 Bonds after a period of ten (10) years, calculated from their respective due dates.

6 Taxation

The Issuer and its agents may deduct any taxes or duties of whatever nature imposed or levied pursuant to fiscal or other laws, regulations, directives or agreements from payments with respect to the Tier 1 Bonds.

7 Status and Subordination of the Tier 1 Bonds

a) Status

The Tier 1 Bonds constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves. The rights and claims of the Holders are subordinated as described in Condition 7(b).

b) Subordination

In the event of an order being made, or an effective resolution being passed, for the liquidation, dissolution or any proceeding for the avoidance of insolvency of, or against, the Issuer, the Tier 1 Bonds and any obligations of a Holder against the Issuer under the Tier 1 Bonds (i) are junior to all present and future claims of all holders of unsubordinated obligations of the Issuer and all other subordinated obligations of the Issuer except the claims of all holders of Parity Securities, (ii) rank *pari passu* among themselves and with the claims of all holders of Parity Securities, and (iii) are senior to Equity Capital and any other equivalent positions.

8 Contingent and Subsequent Write-down upon the occurrence of a Write-down Trigger Event

a) Contingent Write-down

If a Contingent Write-down has not previously occurred and a Write-down Trigger Event has occurred and is continuing on the relevant Subsequent Trigger Test Date, the claims of the Holders against the Issuer to receive repayment of the Original Notional Amount on the Redemption Date (if any) shall be reduced (*bedingte Aufhebung einer Forderung durch Übereinkunft*) by the relevant Write-down Amount (as set out in Condition 8(c)) with effect as of the relevant Write-down Date (such reduction, a "**Contingent Write-down**") and the Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the relevant Write-down Amount. If the Write-down Amount is equal to the Original Notional Amount, the claims of the Holders are reduced to zero and the Tier 1 Bonds shall be cancelled.

"**Subsequent Trigger Test Date**" means, in respect of a Write-Down Trigger Event, the earlier of:

(i) the date falling ten (10) Business Days after the date of publication of the Relevant Report; and

(ii) the date on which the Regulator, in its written notification, instructs or requests the Issuer to proceed with the write-down.

b) Subsequent Write-down

If, following a Contingent Write-down, a further Write-down Trigger Event has occurred and is continuing on the relevant Subsequent Trigger Test Date, the claims of the Holders against the Issuer to receive repayment of the Prevailing Notional Amount on the Redemption Date (if any) shall be further reduced (*bedingte Aufhebung einer Forderung durch Übereinkunft*) by the relevant Write-down Amount (as set out in Condition 8(c)) (such further reduction, a "**Subsequent Write-down**") with effect as of the relevant Write-down Date, and the Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the relevant Write-down Amount. If the Write-down Amount is equal to the Prevailing Notional Amount, the claims of the Holders are reduced to zero and the Tier 1 Bonds shall be cancelled.

c) Write-down Amount

"**Write-down Amount**" means the amount required to be deducted from the Original Notional Amount or the Prevailing Notional Amount, as the case may be, as determined by the Issuer in consultation with the Regulator after a Write-down Trigger Event has occurred and is continuing on the relevant Subsequent Trigger Test Date, as will (together with any substantially concurrent conversion, write-off or write-down of holders' claims in respect of any other capital instruments of the Issuer that, pursuant to their terms or by operation of law, are capable of being converted into equity, written off or written down at that time (including capital instruments with a write-down, write-off or conversion threshold equal to or higher than the Write-down Threshold Ratio)) restore the CET1 Ratio back to a level equal to or, if required in writing by the Regulator, higher than the Write-down Threshold Ratio, provided that, for the avoidance of doubt, the maximum Write-down Amount shall be equal to the Original Notional Amount or the Prevailing Notional Amount, as the case may be.

d) Write-down Trigger Event

A "**Write-down Trigger Event**" shall occur on the Business Day following the publication of a Relevant Report (an "**Initial Trigger Test Date**") during the period from (and including) the Issue Date to (but excluding) the Redemption Notice Date (if any) if the CET1 Ratio as per the relevant Cut-off Date is less than the Write-down Threshold Ratio and the Issuer delivers to the Holders' Representative within five (5) Business Days from the Initial Trigger Test Date a certificate signed by two Authorised Signatories certifying that the CET1 Ratio as per the immediately preceding Cut-off Date is less than the Write-down Threshold Ratio.

Such Write-down Trigger Event shall be continuing on the Subsequent Trigger Test Date unless the Regulator, at the request of the Issuer, has agreed on or prior to the Subsequent Trigger Test Date but after the Initial Trigger Test Date, that a write-down of the Original Notional Amount or Prevailing

Notional Amount, as the case may be, is not required as a result of actions taken by the Issuer, circumstances or events which have had, or imminently will have, the effect of restoring the CET1 Ratio as per the Subsequent Trigger Test Date to a level above the Write-down Threshold Ratio.

If the Write-down Trigger Event is continuing on the Subsequent Trigger Test Date, the Issuer shall deliver to the Holders' Representative, on the Business Day following the Subsequent Trigger Test Date (the "**Write-down Trigger Event Notice Date**"), a certificate signed by two Authorised Signatories designating the Write-down Amount and the Write-down Date (the "**Write-down Trigger Event Notice**"), provided, however, that the Write-down Date shall be no later than twenty (20) Business Days after the Write-down Trigger Event Notice Date.

If the Write-down Trigger Event is not continuing on the Subsequent Trigger Test Date, the Issuer shall deliver to the Holders' Representative, on the Business Day following the Subsequent Trigger Test Date, a certificate signed by two Authorised Signatories confirming that the Write-down Trigger Event is not continuing on the Subsequent Trigger Test Date and therefore a write-down of the Tier 1 Bonds shall not occur at that time.

"**Write-down Threshold Ratio**" means 5.125 per cent.

e) No interest on Write-down Amount, no event of default

Following a Contingent Write-down or a Subsequent Write-down, the Tier 1 Bonds shall not carry any interest on any Write-down Amount and interest will only accrue on the resulting Prevailing Notional Amount. For the avoidance of doubt, neither a Contingent Write-down nor any Subsequent Write-down shall constitute an event of default by the Issuer for any purpose.

f) No Contingent Write-down or Subsequent Write-down

In accordance with Condition 8(d), no Contingent Write-down or Subsequent Write-down shall occur if, notwithstanding the CET1 Ratio being below the Write-down Threshold Ratio, the Regulator, at the request of the Issuer, has agreed, on or prior to the publication of the Relevant Report, that a Contingent Write-down or Subsequent Write-down, as the case may be, shall not occur because it is satisfied that actions, circumstances or events have had, or imminently will have, the effect of restoring the CET1 Ratio to a level above the Write-down Threshold Ratio.

9 Write-off upon the occurrence of a Viability Event

If a Viability Event has occurred, the claims of the Holders against the Issuer to receive repayment of the Prevailing Notional Amount on the Redemption Date (if any) shall be reduced to zero with effect as of the relevant Write-down Date. The Holders shall no longer have any rights whatsoever (including, but not limited to, any right to receive interest payments) against the Issuer with respect to the Tier 1 Bonds (*bedingte Aufhebung einer Forderung durch Übereinkunft*) and the Tier 1 Bonds shall be cancelled. For the avoidance of doubt, a Viability Event shall not constitute an event of default by the Issuer for any purpose.

A "**Viability Event**" means that either:

(i) the Regulator has notified the Issuer in writing that it has determined that the write-down of the Tier 1 Bonds, together with the conversion, write-down or write-off of holders' claims in respect of any other instruments that, pursuant to their terms or by operation of laws are capable of being converted into equity, written down or written off at that time, is an essential requirement to prevent the Issuer from becoming insolvent, bankrupt or unable to pay a material part of its debts as they fall due, or from ceasing to carry on its business; or

(ii) customary measures to improve the Issuer's capital adequacy being at the time inadequate or unfeasible, the Issuer or a Subsidiary has received an irrevocable commitment of extraordinary support directly or indirectly from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Issuer's capital adequacy and without which, in the determination of the Regulator, the Issuer would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

"**Public Sector**" means the federal or central government or central bank in the Issuer's country of incorporation.

No later than three (3) Business Days after the occurrence of a Viability Event, the Issuer shall deliver to the Holders' Representative a notice signed by two Authorised Signatories, stating that a Viability Event has occurred and designating the Write-down Date (the "**Viability Event Notice**", and the date on which such notice is given the "**Viability Event Notice Date**"), provided, however, that the Write-down Date shall be no later than ten (10) Business Days after the Viability Event Notice Date.

In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Issue Date, that alone or together with any other law(s) or regulation(s) has the effect that a Viability Event could cease to apply to the Tier 1 Bonds without giving rise to a Regulatory Event, then the Issuer shall give notice to the Holders no later than five (5) Business Days stating that such provisions shall cease to apply from the date of such notice, and from the date of such notice, such provisions shall cease to apply to the Tier 1 Bonds.

10 Substitution of the Issuer

The Issuer may without the consent of the Holders at any time substitute for itself in respect of all rights and obligations arising under or in connection with the Tier 1 Bonds any Swiss entity of which all shares carrying voting rights are directly or indirectly held by Cembra Money Bank AG (the "**New Issuer**"), provided that:

a) the Regulator has approved such substitution of the Issuer;

b) such substitution does not give rise to a Tax Event, Regulatory Event or Write-down Trigger Event;

c) at the time of such substitution, the New Issuer would not on the next Interest Payment Date be required to deduct or withhold any taxes on the payment of interest on the Tier 1 Bonds scheduled to made on such date that the Issuer would not have been required to deduct or withhold if such substitution were not to occur;

d) if the Tier 1 Bonds are listed on SIX Swiss Exchange, SIX Swiss Exchange has confirmed that, following the proposed substitution of the Issuer, the Tier 1 Bonds will continue to be admitted to trading and listing on SIX Swiss Exchange;

e) the New Issuer has obtained all necessary governmental authorisations of the country of its domicile or its deemed residence for tax purposes; and

f) Cembra Money Bank AG has issued an irrevocable, subordinated guarantee as per article 111 CO, subordinated to the same level as the Issuer's payment obligations under the Tier 1 Bonds, in respect of the obligations of the New Issuer under the Tier 1 Bonds in form and content satisfactory to the Holders' Representative.

Notice of any such substitution shall be published in accordance with Condition 13.

In the event of such substitution, any reference to the Issuer shall be deemed to refer to the New Issuer or Cembra Money Bank AG acting as guarantor, as the case may be, and the Issuer shall have power to make such consequential amendments to the Terms of the Bonds as are necessary to reflect the substitution and the granting of the guarantee.

11 Amendments to these Terms of the Bonds

a) The Issuer and the Holders' Representative may agree to any amendment to the Terms of the Bonds that is (i) formal, minor or technical in nature and, in the reasonable opinion of such parties, not materially prejudicial to the interests of the Holders or (ii) necessary to correct a manifest error.

b) The Issuer may, without the consent or approval of the Holders or of the Holders' Representative make such amendments to the Terms of the Bonds as it considers necessary or desirable to give effect to the provisions of Condition 10 or to any Replacement Rate determined by the Principal Paying Agent in accordance with the definition of Five-year CHF Mid-Market Swap Rate.

c) The Issuer shall notify the Holders of any amendments made pursuant to Conditions 11(a) and 11(b) in accordance with Condition 13.

d) Any amendment made pursuant to this Condition 11 shall be binding on the Holders in accordance with its terms.

12 No set-off

No Holder may set off obligations against the Issuer with claims he has under the Tier 1 Bonds against the Issuer.

13 Notices

All notices regarding the Tier 1 Bonds shall be published by the Issuer (i) on the Internet site of SIX Swiss Exchange (where notices are currently published under the address https://www.six-exchange-regulation.com/en/home/publications/official-notices.html), (ii) otherwise in accordance with the regulations of SIX Swiss Exchange or (iii) on any other appropriate communication platform in case that the Tier 1 Bonds are delisted.

14 Reopening of the Issue

The Issuer may from time to time, without the consent of the Holders, issue further bonds and, provided that such bonds have the same terms and conditions as the Tier 1 Bonds in all respects (or in all respects except for the issue date and/or first date on which interest is paid), such further bonds will be consolidated and form a single series with the Tier 1 Bonds.

15 Listing

Application will be made for the admission to trading and listing of the Tier 1 Bonds on SIX Swiss Exchange.

The Issuer will use reasonable endeavours to have the Tier 1 Bonds listed on SIX Swiss Exchange and to maintain such listing until (and including) the second (2nd) Business Day prior to the Redemption Date, if any, pursuant to Condition 3, or to a Write-down Date on which the Prevailing Notional Amount of the Tier 1 Bonds is reduced to zero, pursuant to Condition 8 or 9, as the case may be, as communicated in accordance with Condition 13.

16 Governing Law and Jurisdiction

The Terms of the Bonds and the Tier 1 Bonds shall be governed by and construed in accordance with the substantive laws of Switzerland, excluding its rules on conflict of laws.

Any dispute arising out of or in connection with the Terms of the Bonds and the Tier 1 Bonds shall be submitted to the exclusive jurisdiction of the courts of the City of Zurich (Zurich 1), Switzerland.

17 Role of Credit Suisse AG

Credit Suisse AG has been appointed by the Issuer as the Principal Paying Agent and as the Listing Agent with respect to the Tier 1 Bonds and it will or may also act on behalf of or for the benefit of the Holders as Holders' Representative, but only in such cases stated explicitly in these Terms of the Bonds. In any other cases, the Holders' Representative is not obliged to take or to consider any actions on behalf of or for the benefit of the Holders.

18 Severability

If at any time one or more of the provisions of the Terms of Bonds is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

19 Definitions

1. "**Additional Tier 1 Capital**" has the meaning ascribed to it under the National Regulations.

2. "**Authorised Signatories**" means any two signatories of the Issuer with joint signatory power according to the entry of the Issuer in the commercial register.

3. "**Benchmark Rate**" means the higher of (i) the Five-year CHF Mid Market Swap Rate and (ii) zero.

4. "**Business Day**" means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich, Switzerland.

5. "**CAO**" means the Swiss Capital Adequacy Ordinance of 1 July 2012, as amended (*Verordnung über die Eigenmittel und Risikoverteilung für Banken und Effektenhändler* (*Eigenmittelverordnung, ERV*)).

6. "**Capital Requirements**" means the capital requirements applicable to the Issuer pursuant to articles 41 et seqq. CAO as applicable, as amended or replaced from time to time.

7. "**cashgate**" has the meaning set out in Condition 3(d).

8. "**CET1 Capital**" means the aggregate reported amount in CHF of all items constituting common equity tier 1 capital of the Issuer's Group on a consolidated basis, less any deductions from such common equity tier 1 capital, in each case within the meaning ascribed to these terms under the National Regulations.

9. "**CET1 Ratio**" means, as of the relevant Cut-off Date and expressed as a percentage, the CET1 Capital of the Issuer's Group divided by the Risk Weighted Positions, each (or their constituents) as disclosed in the Issuer's Relevant Reports.

10. "**CHF**" means Swiss francs, the lawful currency of Switzerland.

11. "**CO**" has the meaning set out in Condition 1(b).

12. "**Condition**" has the meaning set out in the Preamble.

13. "**Contingent Write-down**" has the meaning set out in Condition 8(a).

14. "**Credit Suisse AG**" means Credit Suisse AG, having its registered office currently at Paradeplatz 8, 8001 Zurich, Switzerland.

15. "**Cut-off Date**" means the cut-off date for the calculation of the CET1 Ratio in the Relevant Report.

16. "**Distributable Items**" means with respect to any Interest Payment Date, the aggregate of all reserves (including without limitation, annual profit, profit carried forward and reserves generated by profits or

by equity contributions), all as appearing in the Relevant Accounts for the financial year ended immediately before the Interest Payment Date, of the Issuer which may, pursuant to Swiss corporate law and the National Regulations as amended from time to time, be distributed to shareholders (with or without prior reclassification).

17. "**Distribution**" means any dividend or distribution to shareholders in respect of the Shares or share capital, whether of cash, assets or other property (including a spin-off), and howsoever, described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account and including any distribution or payment to shareholders in respect of the Shares or share capital upon or in connection with a reduction of capital.

18. "**EBIT**" has the meaning set out in Condition 3(d)(i).

19. "**Equity Capital**" means the share capital (*Aktienkapital*) and participation capital (*Partizipationskapital*) (if any) of the Issuer.

20. "**FINMA**" means the Swiss Financial Market Supervisory Authority FINMA (*Eidgenössische Finanzmarktaufsicht FINMA*).

21. "**First Call Date**" has the meaning set out in Condition 2(a)(i).

22. "**Five-year CHF Mid-Market Swap Rate**" means the five-year CHF mid-market swap rate calculated on the basis of the rates displayed on GOTTEX page "CHF Interest Rate Swaps vs LIBOR" (or on any other GOTTEX page replacing this page or on the relevant page of another service provider designated by the Principal Paying Agent) at 11.00 a.m. (London) on the Interest Determination Date. If such Five-year CHF Mid-Market Swap Rate does not appear on that page, it shall be determined by the Principal Paying Agent on the basis of (i) quotations provided by the principal office of each of four major banks in the CHF swap market of the rates at which swaps in CHF are offered by it at approximately 11.00 a.m. (London) on the Interest Determination Date to participants in the CHF swap market for the period equal to the Relevant Five-Year Period; and (ii) the arithmetic mean rounded, if necessary, to the nearest 0.00001 (0.000005 being rounded upwards) of such quotations on the Interest Determination Date.

    Notwithstanding the foregoing, if the Principal Paying Agent determines at any time that the rate appearing on GOTTEX page "CHF Interest Rate Swaps vs LIBOR" (or on any other GOTTEX page replacing this page or on the relevant page of another service provider designated by the Principal Paying Agent) at 11.00 a.m. (London) for purposes of determining the Five-year CHF Mid-Market Swap Rate (the "**Existing Rate**") has been discontinued, then it will determine whether to use a substitute or successor rate for purposes of determining the Five-year CHF Mid-Market Swap Rate on each Interest Determination Date falling on or thereafter that it has determined in its sole discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the Existing Rate had it not been discontinued. If the Principal Paying Agent determines to use a substitute or successor rate pursuant to the immediately preceding sentence, it shall select such rate in its sole discretion (acting in good faith and in a commercially reasonable manner), provided that if it determines that there is an appropriate industry-accepted successor rate to the Existing Rate, it shall use such industry-accepted successor rate. If the Principal Paying Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the "**Replacement Rate**"), for purposes of determining the Five-year CHF Mid-Market Swap Rate, (i) the Principal Paying Agent shall in its sole discretion (acting in good faith and in a commercially reasonable manner) determine (A) the method for obtaining the Replacement Rate (including any alternative method for determining the Replacement Rate if such substitute or successor rate is unavailable on the relevant Interest Determination Date), which method shall be consistent with industry-accepted practices for the Replacement Rate, and (B) any adjustment factor as may be necessary to make the Replacement Rate comparable to the Existing Rate had it not been discontinued, consistent with industry-accepted practices for the Replacement Rate; (ii) references to the Five-year CHF Mid-Market Swap Rate in these Conditions shall be deemed to be references to the Replacement Rate, including any alternative method for determining such rate and any adjustment factor as described in sub-clause (i) above; (iii) if the Principal Paying Agent in its sole discretion (acting in good faith and in a commercially reasonable manner) determines that changes to the definitions of Business Day, Interest Determination Date or such other definitions as are necessary in order to implement the Replacement Rate as the Five-year CHF Mid-Market Swap Rate, such definitions shall be amended as contemplated in Condition 11(b) to reflect such changes; and (iv) the Issuer shall give notice as soon as practicable to the Holders in accordance with Condition 13 specifying the Replacement Rate, as well as the details described in sub-clause (i) above and the amendments implemented pursuant to Condition 11(b).

23. "**Holder**" and "**Holders**" have the meaning set out in Condition 1(a).

24. "**Holders' Representative**" means Credit Suisse AG in its function as Holders' representative or any person appointed as replacement in accordance with Condition 4.

25. "**Initial Trigger Test Date**" has the meaning set out in Condition 8(d).

26. "**Interest Determination Date**" means, in respect of a Relevant Five-Year Period, the fifth (5^{th}) Business Day prior to the first (1^{st}) day of such Relevant Five-Year Period.

27. "**Interest Payment Date**" has the meaning set out in Condition 2(a)(i).

28. "**Intermediary**" has the meaning set out in Condition 1(c).

29. "**Intermediated Securities**" has the meaning set out in Condition 1(c).

30. "**Issue Date**" has the meaning set out in Condition 2(a)(i).

31. "**Issuer**" has the meaning set out in the Preamble.

32. "**Issuer's Group**" means the Issuer together with such of its Subsidiaries as are subject, together with the Issuer, to capital adequacy requirements on a consolidated level under the National Regulations.

33. "**Listing Agent**" means Credit Suisse AG, appointed as recognised representative pursuant to article 43 par. 1 of the listing rules of SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Tier 1 Bonds with SIX Swiss Exchange.

34. "**Mandatory Interest Cancellation**" has the meaning set out in Condition 2(c).

35. "**Margin**" means 250 bps *per annum*.

36. "**National Regulations**" means, as in effect from time to time, the prevailing national banking and capital adequacy laws and regulations in Switzerland that are applicable to the Issuer's Group (including, without limitation, the CAO and Circulars of the FINMA based thereon).

37. "**New Issuer**" has the meaning set out in Condition 10.

38. "**Non-Acquisition Event**" has the meaning set out in Condition 3(d).

39. "**Non-Acquisition Event Redemption Date**" has the meaning set out in Condition 3(d).

40. "**Non-Acquisition Event Redemption Notice Date**" has the meaning set out in Condition 3(d).

41. "**Optional Redemption Date**" has the meaning set out in Condition 3(c).

42. "**Optional Redemption Notice Date**" has the meaning set out in Condition 3(c).

43. "**Original Notional Amount**" means the initial principal amount of a Tier 1 Bond as of the Issue Date, being CHF 5,000 (five thousand Swiss francs).

44. "**Parity Securities**" means (i) all obligations of the Issuer in respect of Tier 1 Instruments and (ii) any other securities or obligations of the Issuer that rank, or are expressed to rank, *pari passu* with the Tier 1 Bonds.

45. "**Prevailing Notional Amount**" means the principal amount of each Tier 1 Bond outstanding at any given time, accounting for any Contingent Write-down, Subsequent Write-down or write-off following a Viability Event that may have occurred.

46. "**Principal Paying Agent**" means Credit Suisse AG in its function as principal paying agent or any person appointed as replacement in accordance with Condition 4.

47. "**Public Sector**" has the meaning set out in Condition 9.

48. "**Redemption Date**" means the Non-Acquisition Event Redemption Date, the Optional Redemption Date, the Tax Event Redemption Date or the Regulatory Event Redemption Date.

49. "**Redemption Notice Date**" means the Non-Acquisition Event Redemption Notice Date, the Optional Redemption Notice Date, the Tax Event Redemption Notice Date or the Regulatory Event Redemption Notice Date.

50. "**Regulator**" means the national regulator having the leading authority to supervise and regulate the Issuer's Group at the relevant time, being at the Issue Date FINMA.

51. "**Regulatory Event**" has the meaning set out in Condition 3(f).

52. "**Regulatory Event Redemption Date**" has the meaning set out in Condition 3(f).

53. "**Regulatory Event Redemption Notice Date**" has the meaning set out in Condition 3(f).

54. "**Relevant Accounts**" means the audited annual statutory stand-alone financial statements of the Issuer for any financial year for which a set of such financial statements has been published.

55. "**Relevant Five-Year Period**" has the meaning set out in Condition 2(a)(ii).

56. "**Relevant Period**" means the Issuer's current financial year.

57. "**Relevant Report**" means (i) any of the Issuer's annual reports or interim reports ((*Zwischenberichte*), such interim reports currently consisting of the semi-annual reports (*Halbjahresberichte*)), excluding any press releases or other communications relating to or in connection with such reports or respective results, or (ii) any other special report prepared by the Issuer for the purpose of calculating the CET1 Ratio, which report may be commissioned by the Regulator at any time.

58. "**Risk Weighted Positions**" means the aggregate reported amount, in CHF, of all risk weighted positions of the Issuer's Group on a consolidated basis as calculated pursuant to the National Regulations.

59. "**Shares**" means the registered shares of currently CHF 1.00 (one Swiss franc) nominal value each of the Issuer.

60. "**SIS**" means SIX SIS Ltd, the Swiss clearing and settlement organisation, having its registered office currently at Baslerstrasse 100, 4600 Olten, Switzerland, or any successor organisation accepted by SIX Swiss Exchange.

61. "**SIX Swiss Exchange**" means SIX Swiss Exchange Ltd, having its registered office currently at Pfingstweidstrasse 110, 8005 Zürich, Switzerland, or any successor organisation.

62. "**Subsequent Trigger Test Date**" has the meaning set out in Condition 8(a).

63. "**Subsequent Write-down**" has the meaning set out in Condition 8(b).

64. "**Subsidiary**" means a direct or indirect subsidiary within the meaning of applicable Swiss law, the financial statements of which are consolidated with those of the Issuer in accordance with applicable law or generally accepted accounting principles.

65. "**Tax Event**" has the meaning set out in Condition 3(e).

66. "**Tax Event Redemption Date**" has the meaning set out in Condition 3(e).

67. "**Tax Event Redemption Notice Date**" has the meaning set out in Condition 3(e).

68. "**Terms of the Bonds**" has the meaning set out in the Preamble.

69. "**Tier 1 Bond**" and "**Tier 1 Bonds**" have the meaning set out in Condition 1(a).

70. "**Tier 1 Capital**" has the meaning ascribed to it under the National Regulations.

71. "**Tier 1 Instruments**" means any and all securities or other obligations issued by the Issuer that qualify, or are issued in respect of securities that qualify, in whole or in part as Tier 1 Capital, but excluding Equity Capital.

72. "**Viability Event**" has the meaning set out in Condition 9.

73. "**Viability Event Notice**" has the meaning set out in Condition 9.

74. "**Viability Event Notice Date**" has the meaning set out in Condition 9.

75. "**Write-down Amount**" has the meaning set out in Condition 8(c).

76. "**Write-down Date**" means the date on which the relevant Contingent Write-down or Subsequent Write-down shall become effective as specified in the relevant Write-down Trigger Event Notice, or the date on which the Prevailing Notional Amount shall be written down to zero as specified in the Viability Event Notice.

77. "**Write-down Threshold Ratio**" has the meaning set out in Condition 8(d).

78. "**Write-down Trigger Event**" has the meaning set out in Condition 8(d).

79. "**Write-down Trigger Event Notice**" has the meaning set out in Condition 8(d).

80. "**Write-down Trigger Event Notice Date**" has the meaning set out in Condition 8(d).

TAXATION

Taxation in Switzerland

The following is a general description of certain Swiss tax considerations relating to the Tier 1 Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Tier 1 Bonds, whether in Switzerland or elsewhere (and does not consider any other taxes than those of Switzerland) and does not constitute tax advice.

Prospective purchasers of Tier 1 Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Tier 1 Bonds and receiving payments of interest, principal and/or other amounts under the Tier 1 Bonds and the consequences of such actions under the tax laws of those countries. This summary is based upon the Swiss tax laws as in effect on the date of this Offering Circular and is subject to any change in law or practice that may take effect after such date or with retroactive effect.

Swiss Federal Withholding Tax

The Tier 1 Bonds qualify for the statutory exemption under Article 5(1)(g) of the Swiss Withholding Tax Act (*Bundesgesetz über die Verrechnungssteuer),* pursuant to which interest payments by the Issuer in respect of such Tier 1 Bonds are exempt from Swiss withholding tax (*Verrechnungssteuer*).

Swiss Securities Turnover Tax

The issue, the sale and the delivery of the Tier 1 Bonds, on the Issue Date to the initial Holders of the Tier 1 Bonds is not subject to Swiss turnover tax (*Umsatzabgabe*) (primary market).

Secondary market transactions in the Tier 1 Bonds are subject to Swiss turnover tax at a rate of 0.15 per cent of the consideration paid for the Tier 1 Bonds traded, however, only if a Swiss securities dealer, as defined in the Swiss Stamp Tax Act (*Bundesgesetz über die Stempelabgaben*), is a party or an intermediary to the transaction and no exemption applies. No Swiss turnover tax will apply to a transaction where both the seller and the purchaser of the Tier 1 Bonds are not residents of Switzerland or the Principality of Liechtenstein and no Swiss or Liechtenstein securities dealer is involved as intermediary.

Swiss Income Taxation

Classification and Coupon Split

The Tier 1 Bonds classify for Swiss individual income tax purposes as transparent structured financial products composed of a bond and one or more options or similar rights. The yield-to-maturity predominantly derives from periodic interest payments and not from a one-time interest payment such as an original issue discount or a repayment premium (*Obligationen ohne überwiegende Einmalverzinsung, Obligations sans intérêt unique prédominant; non-IUP*).

In accordance with such classification, each annual interest payment in respect of each Tier 1 Bond of CHF 5,000 is split into two components for Swiss tax purposes, as determined by the Swiss Federal Tax Administration:

(i) a non-taxable option premium amount (hereinafter for purposes of this section, the "**Embedded Premium Amount**") equivalent to CHF 58.125 (46.5 per cent, per annum, as determined by the Swiss Federal Administration, the "**Embedded Premium Rate**"); and

(ii) a taxable interest amount (hereinafter for purposes of this section, the "**Embedded Interest Amount**") equivalent to:

(1) CHF 66.875 (53.5 per cent, per annum) from (and including) the Issue Date to (but excluding) the First Call Date; and

(2) CHF 5,000 multiplied by the embedded rate of interest being calculated on the basis of the aggregate of (a) the prevailing Benchmark Rate (as defined in the Terms of the Bonds) plus the Margin, minus (b) the Embedded Premium Rate, (where (a) minus (b) is at least equal to CHF 66.875 (134 bps. per annum) for reason of the Benchmark Rate being at least zero), in respect of each Relevant Five-Year Period thereafter.

Redemption in case of the occurrence of a Non-Acquisition Event

In case of redemption upon the occurrence of a Non-Acquisition Event, the Issuer is required to redeem the Tier 1 Bonds at 101% of their Prevailing Notional Amount together with any accrued, but unpaid interest. The redemption premium of 1% is qualified as taxable income for Swiss resident individuals as Holders and no coupon split is applicable. The coupon split is only applicable for the accrued, but unpaid interest which is paid together with the redemption premium in case of an early redemption.

Based on a tax ruling with the Swiss Federal Tax Administration, the Tier 1 Bonds qualify for the statutory exemption under Article 5(1)(g) of the Swiss Withholding Tax Act (*Bundesgesetz über die Verrechnungssteuer),* pursuant to which the premium of 1% as well as the interest payments by the Issuer in respect of such Tier 1 Bonds are exempt from Swiss withholding tax (*Verrechnungssteuer*).

Tier 1 Bonds held by Non-Swiss Holders

Holders who are not residents of Switzerland for tax purposes and who during the relevant taxable year have not held Tier 1 Bonds through a permanent establishment within Switzerland are not subject to any Swiss income tax in respect of their Tier 1 Bonds. See above "—Swiss Federal Withholding Tax" for a summary of the taxation treatment of the Tier 1 Bonds in respect of Swiss withholding tax. See "*—Automatic Exchange of Information in Tax Matters*" below for information on the exchange of information in respect of the Tier 1 Bonds held in accounts or deposits with financial institutions in Switzerland. See "*—FATCA*" below for a summary of the taxation treatment of the Tier 1 Bonds in respect of FATCA.

Tier 1 Bonds held as Private Assets by Swiss Resident Holders

An individual who resides in Switzerland and holds Tier 1 Bonds as private assets is required to include all payments of Embedded Interest Amounts on the Tier 1 Bonds in his or her personal income tax return for the relevant tax period and is taxable on any net taxable income (including the Embedded Interest Amounts) for such tax period at the then prevailing tax rates. The payment of Embedded Premium Amounts on the Tier 1 Bonds and gain realised on the sale or other disposal of Tier 1 Bonds, *inter alia*, in respect of the option(s) or similar right(s) embedded in the Tier 1 Bonds, interest accrued or interest rate fluctuation, is a tax-free private capital gain. The same applies for gain realised upon the redemption of Tier 1 Bonds, except when Tier 1 Bonds are redeemed early, in which case compensation for interest accrued paid by the Issuer to a Holder constitutes a taxable interest amount. Conversely, a loss, including in respect of interest rate fluctuation realised on the sale or other disposal or redemption of Tier 1 Bonds or a loss resulting from a Write-down is a private capital loss which is not tax deductible. See "*—Tier 1 Bonds held as Assets of a Trade or Business in Switzerland*" below for a summary of the taxation treatment of Swiss resident individuals who, for income tax purposes, are classified as "professional securities dealers".

Tier 1 Bonds held as Assets of a Trade or Business in Switzerland

Individuals who hold Tier 1 Bonds through a business in Switzerland, and Swiss-resident corporate taxpayers, and corporate taxpayers residing abroad holding Tier 1 Bonds through a permanent establishment situated in Switzerland, are required to recognise payments of Embedded Interest Amounts and Embedded Premium Amounts and gains or losses realised on the disposal or redemption of Tier 1 Bonds, and, as the case may be, losses realised from a Write-down of Tier 1 Bonds, in their income statement for the relevant tax period, and will be taxable on any net taxable earnings for such tax period at the then prevailing tax rates. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, classify as “professional securities dealers” for reasons of, *inter alia*, frequent dealings, or leveraged transactions, in securities.

Automatic Exchange of Information in Tax Matters

Switzerland has concluded a multilateral agreement with the EU on the international automatic exchange of information ("**AEOI**") in tax matters (the "**AEOI Agreement**"), which applies to all 28 member states and some other jurisdictions. Further, Switzerland signed the multilateral competent authority agreement on the automatic exchange of financial account information ("**MCAA**"), and based on the MCAA, a number of bilateral AEOI agreements with other countries. Based on the AEOI agreement and the bilateral AEOI agreements and the implementing laws of Switzerland, Switzerland began to collect data in respect of financial assets, including, as the case may be, Tier 1 Bonds, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of residents in a treaty state from 2017, and began to exchange it from 2018. Switzerland has signed and intends to sign further AEOI agreements with further countries. An up-to-date list of the AEOI agreements of Switzerland in effect or signed and becoming effective and the dates of information exchange can be found on the website of the State Secretariat for International Financial Matters.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Switzerland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Tier 1 Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Tier 1 Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Tier 1 Bonds, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Tier 1 Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Tier 1 Bonds, no person will be required to pay additional amounts as a result of the withholding.

INDEX TO FINANCIAL INFORMATION

Audited Consolidated Financial Statements of the Group for the financial year ended 31 December 2018 including (i) comparative figures for the financial year ended 31 December 2017 and the auditors' report for the financial year ended 31 December 2018 as well as (ii) Audited Statutory Financial Statements of the Issuer together with the report of the statutory auditor for the financial year ended 31 December 2018, including comparative figures for the financial year ended 31 December 2017.

Financial Report 2018

Consolidated Financial Statements

Consolidated Statements of Income

For the years ended 31 December (CHF in thousands)	Notes	2018	2017
Interest income	22	**329,955**	308,305
Interest expense	23	**–20,771**	–24,706
Net interest income		**309,184**	**283,599**
Commission and fee income	24	**129,646**	112,744
Net revenues		**438,830**	**396,344**
Provision for losses on financing receivables	**4**	**–50,056**	**–45,089**
Compensation and benefits		**–105,850**	–97,662
General and administrative expenses	25	**–87,177**	–70,285
Total operating expenses		**–193,026**	**–167,947**
Income before income taxes		**195,748**	**183,308**
Income tax expense	17	**–41,622**	–38,816
Net income		**154,126**	**144,492**
Earnings per share			
Basic	15	**5.47**	5.13
Diluted	15	**5.46**	5.12

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the years ended 31 December (CHF in thousands)	**2018**	2017
Net income	**154,126**	144,492
Net prior service cost, net of tax	**– 1,182**	– 778
Actuarial gain / (loss), net of tax	**– 5,130**	18,732
Unrealised gains / (losses) on investment securities, net of tax	**6**	16
Total other comprehensive gain / (loss), net of tax	**– 6,306**	17,971
Comprehensive income	**147,820**	**162,463**

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Financial Position

At 31 December (CHF in thousands)	Notes	**2018**	2017
Assets			
Cash and cash equivalents		**499,323**	418,422
Financing receivables, net	4	**4,806,759**	4,561,500
Investment securities	5	**10,558**	11,754
Property, plant and equipment, net	6	**7,413**	5,819
Intangible assets, net	7	**33,152**	26,403
Goodwill	8	**15,877**	14,508
Other assets	9	**62,586**	57,788
Deferred income taxes	17	**4,564**	3,175
Total assets [1]		**5,440,231**	**5,099,369**
Liabilities and equity			
Deposits	10	**2,827,254**	2,626,786
Accrued expenses and other payables		**156,566**	144,473
Short-term debt	11	**300,015**	100,000
Long-term debt	11	**1,197,749**	1,321,370
Other liabilities	13	**25,197**	21,278
Total liabilities [1]		**4,506,780**	**4,213,908**
Common shares		**30,000**	30,000
Additional paid in capital (APIC)		**209,590**	294,544
Treasury shares		**– 100,972**	– 101,004
Retained earnings		**816,069**	677,451
Accumulated other comprehensive loss (AOCI)		**– 21,235**	– 15,530
Total shareholders' equity		**933,451**	**885,460**
Total liabilities and shareholders' equity		**5,440,231**	**5,099,369**

[1] The Group's consolidated assets as at 31 December 2018 and 31 December 2017 include total assets of TCHF 609,644 and TCHF 535,446, respectively, of consolidated variable interest entities (VIEs) that can only be used to settle the liabilities of the VIEs. The Group's consolidated liabilities as at 31 December 2018 and 31 December 2017 include liabilities of the VIEs of TCHF 399,494 and TCHF 398,866, respectively, for which the VIE creditors do not have recourse to Cembra Money Bank AG

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Shareholders' Equity

CHF in thousands	Common shares	Treasury Shares	APIC	Retained earnings	AOCI	Total equity
Balance at 31 December 2016	**30,000**	**– 100,385**	**390,931**	**561,154**	**– 33,501**	**848,198**
Net income	–	–	–	144,492	–	144,492
Dividends paid	–	–	– 97,276	– 28,196	–	– 125,471
Change in APIC due to share based compensation	–	824	23	–	–	847
Treasury shares	–	– 1,443	–	–	–	– 1,443
Movements related to the Group's benefit plan obligation, net of deferred tax of 3,833	–	–	–	–	13,045	13,045
Reclassifications from accumulated other comprehensive loss net of deferred tax of –1,433 [1]	–	–	–	–	4,909	4,909
Unrealised gains / losses on available-for-sale debt securities, net of deferred tax of 4	–	–	–	–	16	16
Other [2]	–	–	866	–	–	866
Balance at 31 December 2017	**30,000**	**– 101,004**	**294,544**	**677,451**	**– 15,530**	**885,460**
Net income	–	–	–	154,126	–	154,126
Dividends paid	–	–	– 84,589	– 15,508	–	– 100,097
Change in APIC due to share based compensation	–	879	237	–	–	1,115
Treasury shares	–	– 847	–	–	–	– 847
Movements related to the Group's benefit plan obligation, net of deferred tax of 2,226	–	–	–	–	– 7,954	– 7,954
Reclassifications from accumulated other comprehensive loss net of deferred tax of –593 [1]	–	–	– 601	–	2,243	1,642
Unrealised gains / losses on available-for-sale debt securities, net of deferred tax of 2	–	–	–	–	6	6
Balance at 31 December 2018	**30,000**	**– 100,972**	**209,590**	**816,069**	**– 21,235**	**933,451**

[1] Reclassifications from accumulated other comprehensive loss related to the Group's benefit plan obligation are classified in the income statement under "Compensation and benefits"
[2] Related to the acquisitions of Swissbilling SA and EFL Autoleasing AG

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended 31 December (CHF in thousands)	Notes	2018	2017
Cash flows from operating activities			
Net income		**154,126**	144,492
Adjustments to reconcile net income to cash provided from operating activities:			
Provision for losses on financing receivables		**50,056**	45,089
Deferred income taxes		**776**	– 602
Depreciation		**2,910**	1,332
Amortisation of intangible assets		**10,093**	7,400
Decrease (–) / Increase in accrued expenses		**14,093**	52,506
Decrease / Increase (–) in tax receivables		**1,032**	– 4,758
Decrease / Increase (–) in other receivables		**– 4,107**	15,166
All other operating activities		**– 5,096**	2,662
Net cash provided by operating activities		**223,884**	**263,287**
Cash flows from investing activities			
Net change in financing receivables	27	**– 297,332**	– 533,972
Proceeds from sale of loss certificates		**2,017**	–
Additions to property, plant and equipment		**– 4,505**	– 1,618
Additions to intangible assets		**– 16,711**	– 7,240
Investments in subsidiaries and other investments		**– 1,369**	– 18,502
All other investing activities		**1,064**	397
Net cash used in investing activities		**– 316,835**	**– 560,935**
Cash flows from financing activities			
Net change in deposits		**200,467**	272,217
Issuance of long-term debt		**175,561**	351,143
Repayments of short-term and long-term debt		**– 100,000**	– 449,894
Dividends paid		**– 100,097**	– 125,471
Purchase of treasury shares		**– 847**	– 1,443
All other financing activities		**– 654**	2,072
Net cash used in financing activities		**174,429**	**48,624**
Net increase / decrease (–) in cash and cash equivalents		**81,478**	**– 249,024**
Cash and cash equivalents, including restricted cash classified in “Other assets”			
Beginning of the period		**446,634**	695,658
thereof restricted cash		**28,213**	26,710
End of period		**528,113**	**446,634**
thereof restricted cash		**28,790**	28,213
Supplemental disclosure			
Interest paid		**– 18,683**	– 23,561
Income taxes paid		**– 40,215**	– 33,467

See accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

Cembra Money Bank, which is headquartered in Zurich, Switzerland, comprises of Cembra Money Bank AG ("the Bank" or the parent company) and its subsidiaries Swiss Auto Lease 2012-1 GmbH (liquidated as of 3 January 2019), Swiss Auto Lease 2013-1 GmbH in Liquidation, Swiss Auto Lease 2015-1 GmbH, Swiss Auto Lease 2016-1 GmbH, Swissbilling SA, eny Credit GmbH and Swiss SME Loans 2018-1 GmbH (collectively "the Group"). The Group is a leading Swiss provider of consumer finance products and services in Switzerland. The main products comprise loans, leasing, credit cards and saving products.

The Consolidated Financial Statements reflect the Group's financial position, results of operations, shareholders' equity and cash flows and have been prepared in accordance with accounting principles generally accepted in the US (US GAAP) and in compliance with the Swiss law. The Group's financial year ends on 31 December. The Consolidated Financial Statements are stated in Swiss francs (CHF) and have been derived from the historical accounting records. The abbreviation TCHF within these financial statements refers to thousands of Swiss francs. The numbers published in the notes in thousands of Swiss francs are rounded, therefore rounding differences can occur.

Consolidation

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

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

In accordance with ASC 810, the Group consolidates a VIE when it has both the power to direct the activities that most significantly impact the VIE's economic performance and an obligation to absorb losses, or a right to receive benefits from the entity that could be potentially significant to the VIE, i.e. when the Group is determined to be the primary beneficiary of the VIE.

VIEs are continually monitored by the Group to determine if any events have occurred that could cause its primary beneficiary status to change. These events include:
- Additional purchases or sales of variable interests by the Bank or an unrelated third party, which cause the Bank's overall variable interest ownership to change;
- Changes in contractual arrangements in a manner that reallocates expected losses and residual returns among the variable interest holders;
- Changes in the party that has the power to direct the activities of a VIE that most significantly impact the entity's economic performance; and
- Providing support to an entity that results in an implicit variable interest.

Use of Estimates

Preparing financial statements in conformity with US GAAP requires the management to make estimates based on assumptions about future economic and market conditions that affect the reported amounts and the related disclosures in the financial statements. Although the Group's current estimates take into account current conditions and how management expects them to change in the future, as appropriate, it is reasonably possible that in 2019 and beyond actual conditions could be worse than anticipated in those estimates, which could materially affect the Group's results of operations and financial position. Among other effects, such changes could result in future impairments of goodwill, intangible and long-lived assets, incremental losses on financing receivables, and establishment of additional valuation allowances on deferred tax assets. Such changes may also have an impact on the residual values of leased objects and on the actuarial valuation of the projected benefit obligations (PBO) of the pension fund.

Revenues (Earned Income)

Interest Income on Loans and Credit Cards

The Group uses the interest method to recognise income on loans and credit cards. Interest income includes amortisation of direct loan origination costs, as well as nonrefundable origination and annual fees.

The Group stops interest recognition at the earlier of the time at which collection on an account becomes doubtful or at the time at which the account becomes 90 days past due. The Group resumes interest recognition on nonaccrual, nonrestructured commercial loans only when (a) payments are received that bring the account to earning status according to the loan's original terms; and (b) future payments are reasonably assured. The Group resumes interest recognition on nonaccrual consumer loans when the customer's account cures to less than 90 days past due as a result of payments received.

Interest Income on Leases

Financing lease income is recognised using the interest method to produce a level yield on the outstanding principal. Interest on leases also includes amortisation of initial direct costs. Estimated residual values at the date of lease inception are based upon the Group's initial best estimates of the value of the leased asset at the end of the lease term. The Group uses various data sources in determining this estimate, including information obtained from third parties which is adjusted for the attributes of the specific asset being evaluated. In accordance with ASC 840-1-25-1, residual values that are guaranteed by third-party dealers are considered to be part of minimum lease payments.

Other Revenues

In accordance with ASC 606, revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. The Group recognises revenue when it satisfies a contractual performance obligation. These performance obligations are typically satisfied as the services in the contract are rendered. The contract terms are generally such that they do not result in any contract assets. The contracts generally do not include a significant financing component or obligations for refunds or other similar obligations. The contracts generally do not include variable consideration, therefore there is no significant judgement required in this respect.

The Group offers insurance products to its customers. Those products are complementary to the Group's lending products and the Group acts as an agent to insurance companies. For arranging between the customer and the insurer, the Group is entitled to keep a part of the insurance premium as its commission, which is recognised on a net basis as the services are rendered. The premiums are charged monthly, the Group recognises the commission income as earned; revenue from cards insurance products due annually is amortised over 12 months. Fee revenues primarily comprise credit card fees, such as interchange and other fees, including reminder fees. Interchange and other card fees are recognised when earned, except for the origination and annual fees described under the sub-chapter "Interest Income on Loans and Credit Cards" above. Fee revenue is reduced by the costs of any applicable reward programme.

Depreciation and Amortisation

Depreciation of property, plant and equipment is recorded on a straight-line basis over the estimated useful lives of the assets by type of fixed assets.

The cost of intangible assets is generally amortised on a straight-line basis over the asset's estimated useful life. The Group reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

Allowance for Losses

The allowance for losses on financing receivables represents the Group's estimate of future probable losses inherent in the portfolio. Losses on financing receivables are recognised when they are incurred. The method of calculating estimated losses depends on the size, type and risk characteristics of the related financing receivables. The Group's loan portfolio consists of smaller-balance, homogenous loans, including mainly credit card receivables, personal loans, auto leases and loans. Each portfolio is evaluated for impairment on a quarterly basis. The allowance for losses on these financing receivables is established through a process that estimates the probable losses inherent in the portfolio based upon statistical analyses of portfolio data. These analyses include migration analysis, in which historical delinquency and credit loss experience is applied to the current ageing of the portfolio, together with other analyses that reflect current trends and conditions. Management also considers the Group's historical loss experience to date based on actual defaulted loans and overall portfolio indicators including nonaccrual loans, trends in loan volume and lending terms, credit policies and other observable environmental factors such as the unemployment rate or interest rate movements as well as future client payment behaviour which is subject to management judgement.

Nonaccrual financing receivables are those on which the Group has stopped accruing interest.

Delinquent receivables are those that are 30 days or more past due based on their contractual terms.

Troubled debt restructurings (TDRs) are loans or leases where the customer has experienced financial difficulties and is unable to meet the contractual obligations, and as a result the Group has granted concessions to the customer that it would not otherwise consider. The Group has minimal exposure to TDRs as this type of restructuring only would be granted in exceptional individual cases.

Write-Offs and Recoveries

For personal loans and auto leases and loans, the Group maintains a single write-off date within each month, which ensures that at each reporting date all accounts meeting the relevant criteria have been written off. Unsecured closed-end instalment loans originated by the Bank and consumer auto finance leases are written off on the monthly write-off date after the contract reaches 120 days contractually past due. Unsecured open-end revolving loans and commercial auto finance leases are written off on the monthly write-off date after the contract reaches 180 days contractually past due. For credit cards, the Group writes off the account on the date the account becomes 180 days contractually past due. Unsecured consumer loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within the defined write-off periods, whichever occurs earlier.

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

Write-offs are deducted from the allowance for losses when the Group judges the principal to be uncollectable and subsequent recoveries are added to the allowance for losses at the time cash is received on a written-off account.

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

Provision for Losses

Provision for losses on financing receivables is the expense related to maintaining the allowance for losses at an appropriate level to absorb the estimated probable future losses on financing receivables as at each period end date. Factors that could influence the provision for losses on financing receivables include:
- The impact of general economic conditions on consumers, including unemployment levels, bankruptcy trends and interest rate movements;
- Changes in consumer spending and payment behaviours;
- Changes in the Group's financing receivables portfolio, including the overall mix of accounts, products and loan balances within the portfolio;
- The level and direction of historical and anticipated loan / lease delinquencies and write-offs;
- The credit quality of the financing receivables portfolio, which reflects, among other factors, the Group's underwriting practices and effectiveness of collection efforts; and
- Regulatory changes or new regulatory guidance.

Cash and Cash Equivalents

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

Leases

The Group offers leases for both new and used vehicles (primarily cars but also other auto vehicles including light commercial vehicles, motorcycles and caravans) to private and self-employed individuals and small businesses. These lease transactions are considered and accounted for as direct financing leases as they fulfil the relevant criteria set out in ASC 840. Direct financing leases are carried at the aggregate of lease payments receivable plus the guaranteed residual value of the leased object less unearned income.

Investment Securities

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

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

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

Goodwill

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

Intangible Assets

The cost of intangible assets is amortised on a straight-line basis over their estimated useful lives. The remaining useful life of an intangible asset that is being amortised is evaluated each reporting period to determine whether the events and circumstances warrant a revision to the remaining period of amortisation. If the estimate of an intangible asset's remaining useful life is changed, the remaining carrying amount of the intangible asset shall be amortised prospectively over that revised remaining useful life. Amortisable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets include internally developed and capitalised software. Please refer to note 7 for further details.

Income Taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the date of the balance sheets and their respective tax bases. Deferred tax assets and liabilities are computed using currently enacted tax rates and are shown on the face of the balance sheet. Income tax expense or benefit is recorded in income tax expense/benefit, except to the extent that the change relates to transactions recorded directly in total shareholders' equity. Deferred tax assets are reduced by a valuation allowance, if necessary, to the amount that management believes will more likely than not be realised. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates in the period in which changes are enacted by the relevant authority. Deferred tax assets and liabilities are presented on a net basis for the same tax-paying component within the same tax jurisdiction. The Group determines whether it is more likely than not that an income tax position will be sustained upon examination based on the technical merits of the position. Sustainable income tax positions are then measured to determine the amount of benefit eligible for recognition in the financial statements. Each such sustainable income tax position is measured at the largest amount of benefit that is more likely than not to be realised upon ultimate settlement.

Share-Based Compensation

The Group has share-based compensation programmes in place. It accounts for the compensation cost from share-based payment transactions according to the fair-value-based method. The compensation cost is measured based on the grant-date fair value of the shares and is recognised over the requisite service period with a corresponding credit to equity. The compensation cost for an award with only service conditions that has a graded vesting schedule is recognised on a straight-line basis over the requisite service period for each separately vesting portion of the award. The programmes are described in detail in note 26.

Treasury Shares

The Group holds own shares which are recorded at cost and reported as treasury shares, resulting in a reduction to total shareholders' equity. Dividends received on own shares are excluded from the consolidated statements of income and are recorded in shareholders' equity.

Pension Obligation

Pension assumptions are significant inputs to the actuarial models that measure the Group's pension benefit obligation and related effects on operations. The two assumptions regarding the discount rate and expected return on assets are important elements of pension plan expense and asset/liability measurement. The Group evaluates these critical assumptions at least once a year. The measurement date used to perform the actuarial valuation is 31 December. The Group periodically evaluates other assumptions involving demographic factors, such as retirement age, mortality, employee turnover, and updates them to reflect its experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors. Accumulated and projected benefit obligations are measured using the present value of expected payments. The Group discounts the cash payments using the weighted average of market-observed yields for high-quality corporate bonds with maturities that correspond to the expected payment of benefits. To determine the expected long-term rate of return on pension plan assets, the Group considers current asset allocations, as well as historical and expected returns on various categories of plan assets. In developing future long-term return expectations for its benefit plan assets, the Group formulates views on the future economic environment. The Group evaluates general market trends and historical relationships among a number of key variables that impact asset class returns, such as expected earnings growth, inflation, valuations, yields and spreads, using both internal and external sources. The Group also takes into account expected volatility by asset class and diversification across classes to determine expected overall portfolio results given current allocations.

Fair Value Measurements

For financial assets and liabilities measured at fair value, fair value is the price the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on observable market data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that would occur at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.
Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
Level 3 Significant inputs to the valuation model are unobservable.

The Group maintains policies and procedures to value instruments using the best and most relevant data available. Shares in investment companies and units in mutual funds which are not directly quoted on a public stock exchange and/or for which fair value is not readily determinable are measured at fair value using net asset value. With regard to Level 3 valuations, the Group performs a variety of procedures to assess the reasonableness of the valuations. Such reviews take into account any changes in the current interest rate and credit environment, as well as any other available published market data.

Off-Balance Sheet Arrangements

The Group is party to certain financial instruments that present the Group with off-balance sheet risk, primarily relating to credit, in the normal course of business. These financial instruments are commitments to extend credit and involve, to varying degrees, elements of both credit and interest rate risk in excess of the balances recognised in the Group's consolidated statements of financial position.

The Group's consolidated maximum exposure to credit losses under these commitments is represented by their total contractual amount. The Group follows the same credit and underwriting policies in making such commitments as it does for on-balance sheet instruments.

2. Accounting Changes

On 28 May 2014, the FASB issued the final standard on revenue from contracts with customers. The standard, issued as ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new revenue standard defers to other guidance within US GAAP, but supersedes certain existing revenue recognition guidance, including certain industry-specific guidance. The standard is effective for public business entities for the first interim period within annual reporting periods beginning after December 15, 2017. The Group adopted the standard as of 1 January 2018 using the modified retrospective approach without restating comparative information. There was no transition adjustment recognised in retained earnings. The implementation of the new standard did not have a material impact on the Group's financial statements. The guidance did not apply to revenue associated with loans and leases that are accounted for under other US GAAP guidance. The new revenue recognition criteria required the Group to present certain credit card related fee income gross of offsetting expenses in contrast to prior periods in which the financial statements presented these amounts net of offsetting expenses. For details please refer to note 16.

On 17 November 2016, the FASB issued ASU 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash", which clarifies guidance on the classification and presentation of restricted cash in the statement of cash flows. Under the new guidance, an entity should include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. Changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows. The guidance is effective for fiscal years beginning after 15 December 2017, including interim periods therein. The Group adopted the new standard as of 1 January 2018. There is no material impact from the adoption of the new standard on the Group's financial statements.

On 5 January 2017, the FASB issued ASU 2017-1 "Business Combinations (Topic 805): Clarifying the Definition of a Business", which amends the definition of a business with the objective of adding guidance to evaluation whether transactions should be accounted for as acquisitions (or disposals) of businesses. The amendments in this update provide a screen to determine when a set is not a business. The guidance is effective for fiscal years beginning after 15 December 2017, including interim periods therein. The Group adopted the new standard as of 1 January 2018. There is no impact from the adoption of the new standard on the Group's financial statements.

On 10 March 2017, the FASB issued ASU 2017-7 "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost", which amends the presentation of net periodic pension cost and net periodic postretirement benefit cost. The amendments in this update require that an employer reports the service cost component in the same line item as other compensation costs arising from services rendered by the employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component. The guidance is effective for fiscal years beginning after 15 December 2017, including interim periods therein. ASU 2017-07 is required to be applied retrospectively to all periods presented beginning in the year of adoption. The Group adopted the new standard as of 1 January 2018. Please refer to note 12 for details regarding impact from the adoption of the new standard.

Recently Issued Accounting Standards to be Effective in Future Periods

On 25 February 2016, the FASB issued ASU 2016-02 "Leases (Topic 842)", which introduces material changes to lease accounting. The guidance requires lessees to recognise most leases in their statement of financial position. The guidance also eliminates today's real estate-specific provisions and changes the guidance on sale-leaseback transactions, initial direct costs and lease executory costs for all entities. For lessors, the standard modifies the classification criteria and the accounting for sales-type and direct financing leases. All entities will classify leases to determine how to recognise lease-related revenue and expense. Classification will continue to affect amounts that lessors record in the statement of financial position. The standard is effective for annual periods beginning after 15 December 2018, and interim periods within those years. Please refer to note 18 for details regarding impact from the adoption of the new standard.

On 16 June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which amends the guidance on the impairment of financial instruments. The ASU adds to US GAAP an impairment model, known as the current expected credit loss (CECL) model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognises as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The ASU is also intended to reduce the complexity of US GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments. The standard is effective for annual periods beginning after 15 December 2020, and interim periods therein. The Group is evaluating the effect of adoption of the new standard on its financial statements.

On 26 January 2017, the FASB issued ASU 2017-4 "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment", which amends goodwill impairment test by eliminating step two that measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Instead, under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The guidance is effective for fiscal years beginning after 15 December 2020, including interim periods therein. The Group is evaluating the effect of adoption of the new standard on its financial statements.

On 18 July 2018, the FASB issued ASU 2018-10 "Codification Improvements to Topic 842, Leases", which affects certain aspects of the guidance issued in the amendments in the ASU 2016-02 related to transition. The effective date and transition requirements issued in this update will be the same as the effective date and transition requirements in Topic 842 (ASU 2016-02). The Group will consider those amendments in the implementation of "Topic 842, Leases" at 1 January 2019.

On 30 July 2018, the FASB issued ASU 2018-11 "Leases (Topic 842): Targeted Improvements", where the FASB provided another transition method in addition to the existing transition method by allowing entities to initially apply the new leases standard at the adoption date (such as 1 January 2019, for calendar year-end public business entities) and recognise a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 842, Leases). An entity that elects this additional transition method must provide the required Topic 842 disclosures for all periods that continue to be in accordance with Topic 840. The amendments do not change the existing disclosure requirements in Topic 842. The Group is going to apply this transition method in applying Topic 842 Leases at 1 January 2019.

In addition, this ASU provides the lessor with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component, similar to the expedient provided for lessees and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (Topic 606). This practical expedient is not relevant for the Group in applying Topic 842 Leases.

On 28 August 2018, the FASB issued ASU 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement", which simplifies required fair value disclosures. Under the new guidance, the disclosure requirements on fair value measurements are modified. Certain disclosure requirements regarding transfers between Level 1 and 2, as well as the valuation processes for Level 3 measurements, are removed. Other modifications relate to the Level 3 disclosures or specific disclosures on investments in assets using net asset values. New disclosures will also be required for unrealised gains or losses and unobservable inputs related to Level 3 assets. The guidance is effective for fiscal years beginning after 15 December 2019, including interim periods therein. The Group does not expect there to be a material impact from the adoption of the new standard on its financial statements.

On 29 August 2018, the FASB issued ASU 2018-15 "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract", that aligns the requirements for capitalising implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalising implementation costs incurred to develop or obtain internal-use software. Accordingly, the amendments in this update require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalise as an asset related to the service contract and which costs to expense. The amendments in this update are effective for public business entities for fiscal years beginning after 15 December 2019, and interim periods within those fiscal years. Early adoption of the amendments in this update is permitted, including adoption in any interim period, for all entities. The amendments in this update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Group is evaluating the impact of this ASU on its financial statements.

3. Business Developments

On 30 November 2017, the Group acquired 100% of shares of EFL Autoleasing AG (EFL). EFL is an established auto lease and auto loan financing company based in Winterthur (Switzerland). As of 31 December 2017, EFL had auto lease and auto loan receivables (net) of circa CHF 278 million. In June 2018, EFL Autoleasing AG was successfully merged with and integrated in the Bank.

On 28 March 2018, the Bank signed an agreement with Lendico Schweiz AG (Lendico), a fully owned subsidiary of Postfinance AG, to refinance loans to Swiss small and medium-sized enterprises (SME) originated through Lendico online platform. Lendico is a company domiciled in Zurich and operates a SME loans online platform since the end of 2016. The transaction was structured through a special purpose vehicle, Swiss SME Loans 2018-1 GmbH, which is fully owned, controlled and consolidated by the Bank. See note 20 for further details.

On 3 January 2019, the liquidation process for Swiss Auto Lease 2012-1 GmbH in Liquidation was completed with the cancellation of the company from the register of commerce of Zurich.

4. Financing Receivables and Allowance for Losses

As at 31 December 2018 and 2017, respectively, the Group's financing receivables included lending to private customers, vehicle lease financing and credit card financing as follows:

At 31 December (CHF in thousands)	**2018**	2017
Loans	**3,130,931**	2,915,033
Deferred costs, net	**33,424**	29,120
Total loans, including deferred costs, net	**3,164,354**	**2,944,153**
Investment in financing leases, net of deferred income	**1,686,124**	1,662,214
Other [1]	**8,294**	4,810
Financing receivables before allowance for losses	**4,858,772**	**4,611,177**
Less allowance for losses	**– 52,013**	– 49,676
Financing receivables, net	**4,806,759**	**4,561,500**

[1] Other include Swissbilling SA

The majority of the investment in financing leases is related to auto leases. Components of the Group's net investment in financing leases, which are included in financing receivables above, are shown below:

At 31 December (CHF in thousands)	**2018**	2017
Total minimum lease payments receivable	**1,826,088**	1,798,191
Deferred income [1]	**– 139,964**	– 135,978
Investment in direct financing leases	**1,686,124**	**1,662,214**
Less allowance for losses	**– 7,365**	– 7,117
Net investment in direct financing leases	**1,678,759**	**1,655,097**

1 Included TCHF 16,881 and TCHF 14,613 of initial direct costs on direct financing leases as at 31 December 2018 and 31 December 2017, respectively

The subsidiaries held TCHF 580,854 and TCHF 503,018 of net financing receivables as at 31 December 2018 and 2017, respectively, as collateral to secure third-party debt in securitisations. See note 20 to the Consolidated Financial Statements for further details of securitisations.

As at 31 December 2018, the Group's contractual maturities for loans and financing leases were:

Due in (CHF in thousands)	**Loans**	**Minimum lease payments receivable**
2019	**54,121**	**171,290**
2020	**155,300**	**300,124**
2021	**269,859**	**430,625**
2022	**400,260**	**544,792**
2023	**555,367**	**348,680**
2024 and later	**723,690**	**30,576**
Consumer revolving loans	**972,334**	**–**
Total	**3,130,931**	**1,826,088**

Actual maturities may differ from contractual maturities.

The following table provides further information about financing receivables:

At 31 December (CHF in thousands)	**2018**	2017
Personal loans	**1,918,898**	1,814,810
Auto leases and loans	**1,984,277**	1,952,211
Credit cards	**947,303**	839,346
Other [1]	**8,294**	4,810
Financing receivables, before allowance for losses	**4,858,772**	**4,611,177**
Allowance for losses	**– 52,013**	– 49,676
Financing receivables, net	**4,806,759**	**4,561,500**

1 Other include Swissbilling SA

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

CHF in thousands	Balance at 1 January 2018	Provision for losses	Amounts written off	Recoveries	Other	Balance at 31 December 2018
Personal loans	**32,822**	**29,550**	**– 70,713**	**42,120**	**–**	**33,779**
Auto leases and loans	**9,888**	**11,181**	**– 24,442**	**13,364**	**273**	**10,262**
Credit cards	**6,665**	**8,366**	**– 17,800**	**10,111**	**–**	**7,342**
Other [1]	**302**	**959**	**– 698**	**66**	**–**	**629**
Total	**49,676**	**50,056**	**– 113,653**	**65,661**	**273**	**52,013**
As a % of total financing receivables, net						**1.1 %**

1 Other include Swissbilling SA

CHF in thousands	Balance at 1 January 2017	Provision for losses	Amounts written off	Recoveries	Other	Balance at 31 December 2017
Personal loans	31,427	26,663	– 71,714	43,975	2,471	32,822
Auto leases and loans	6,866	8,816	– 20,509	12,259	2,455	9,888
Credit cards	6,264	8,991	– 15,742	7,152	–	6,665
Other [1]	–	619	– 339	166	– 143	302
Total	**44,557**	**45,089**	**– 108,305**	**63,551**	**4,784**	**49,676**
As a % of total financing receivables, net						1.1 %

1 Other include Swissbilling SA

Credit Quality of Financing Receivables

The Group describes the characteristics of the financing receivables and provides information about payment performance, credit quality indicators and impairment. The Group manages these portfolios using delinquency and nonaccrual data as key performance indicators. The categories used within this section such as nonaccrual financing receivables are defined by the authoritative guidance, and the Group bases the categorisation on the related scope and definitions contained in the related standards. The category of delinquent customer accounts is defined by the Group and is used in the process of managing the financing receivables. Definitions of these categories are provided in note 1.

Past Due Financing Receivables

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

	2018		2017	
At 31 December	**Over 30 days past due**	**Over 90 days past due**	Over 30 days past due	Over 90 days past due
Personal loans	**2.8%**	**0.7%**	2.9%	0.7%
Auto leases and loans	**1.2%**	**0.2%**	1.1%	0.2%
Credit cards	**1.2%**	**0.5%**	1.1%	0.5%
Total [1]	**1.8%**	**0.4%**	**1.8%**	**0.4%**

1 Does not include Swissbilling SA. There is no material impact on the Group’s past due financing receivables

Non-accrual Financing Receivables

The following table provides further information about financing receivables that are classified as non-accrual:

At 31 December (CHF in thousands)	2018	2017
Personal loans	**12,971**	12,291
Auto leases and loans	**3,354**	3,143
Credit cards	**4,447**	3,969
Total [1]	**20,772**	**19,403**
Non-performing loan coverage [2]	**250.4%**	256.0%

[1] Does not include Swissbilling SA. There is no material impact on the Group's non-accrual financing receivables
[2] Calculated as allowance for losses divided by non-accrual financing receivables

Credit Quality Indicators

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

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

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

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

	2018				
At 31 December (CHF in thousands)	**CR1**	**CR2**	**CR3**	**CR4**	**CR5**
Personal loans	**916,726**	**529,832**	**292,926**	**47,424**	**5,520**
Auto leases and loans	**1,024,359**	**649,064**	**254,591**	**42,530**	**13,733**
Credit cards	**703,049**	**178,358**	**59,999**	**5,857**	**40**
Total [1]	**2,644,134**	**1,357,254**	**607,516**	**95,812**	**19,293**
As a % of total financing receivables before allowance for losses [1]	**56.0%**	**28.7%**	**12.9%**	**2.0%**	**0.4%**

[1] Does not include eny Credit GmbH, Swissbilling SA and Swiss SME Loans 2018-1 GmbH. There is no material impact on the Group's consumer ratings

At 31 December (CHF in thousands)	2017 CR1	CR2	CR3	CR4	CR5
Personal loans	**842,674**	**528,318**	**314,332**	**71,904**	**11,415**
Auto leases and loans	**1,017,965**	**635,868**	**245,310**	**42,079**	**10,989**
Credit cards	**636,384**	**152,895**	**46,308**	**3,735**	**24**
Total [1]	**2,497,022**	**1,317,082**	**605,950**	**117,718**	**22,428**
As a % of total financing receivables before allowance for losses [1]	**54.8%**	**28.9%**	**13.3%**	**2.6%**	**0.5%**

[1] Does not include eny Credit GmbH and Swissbilling SA. There is no material impact on the Group's consumer ratings

5. Investment Securities

Investment securities are comprised of debt securities available for sale.

At 31 December (CHF in thousands)	2018	2017
Debt securities available for sale	**10,558**	11,754
Total investment securities	**10,558**	**11,754**

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

	2018				2017			
At 31 December (CHF in thousands)	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value
Debt securities issued by Swiss cantons	**2,016**	**24**	**– 21**	**2,018**	2,033	18	– 14	2,037
Debt securities issued by Swiss municipal authorities	**–**	**4**	**– 4**	**–**	1,004	4	– 4	1,004
Debt securities issued by Swiss mortgage institutions	**8,533**	**145**	**– 138**	**8,540**	8,715	92	– 94	8,713
Debt securities available for sale	**10,549**	**173**	**– 164**	**10,558**	**11,752**	**114**	**– 112**	**11,754**

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

	Amortised cost	Fair value
At 31 December (CHF in thousands)	2018	2018
within 1 year	**4,788**	**4,795**
from 1 to 5 years	**5,760**	**5,763**
from 5 to 10 years	**–**	**–**
after 10 years	**–**	**–**
Total debt securities	**10,549**	**10,558**

6. Property, Plant and Equipment

At 31 December (CHF in thousands)	Estimated useful lives (years)	2018	2017
Original cost			
Buildings and improvements	(5–40)	**7,878**	5,976
Office equipment	(3–10)	**11,097**	11,811
Total		**18,975**	**17,787**
Accumulated depreciation			
Buildings and improvements		**– 4,044**	– 3,430
Office equipment		**– 7,518**	– 8,538
Total		**– 11,562**	**– 11,968**
Net carrying value			
Buildings and improvements		**3,834**	2,546
Office equipment		**3,579**	3,273
Total		**7,413**	**5,819**

Depreciation expense was TCHF 2,910 in 2018 and TCHF 1,332 in 2017, respectively. The Group did not recognise any impairment losses in both 2018 and 2017.

7. Intangible Assets

At 31 December (CHF in thousands)	2018	2017
Original cost	**62,425**	45,714
Accumulated amortisation	**– 29,273**	– 19,311
Net carrying value	**33,152**	**26,403**

Capitalised software is amortised over a useful life from one to five years. Amortisation expense related to intangible assets was TCHF 10,093 in 2018 and TCHF 7,400 in 2017. The weighted average amortisation period of intangible assets was five years as of 31 December 2018. The intangible assets comprise mainly of internally developed and capitalised software. As at 31 December 2018, the Group estimates the annual pre-tax amortisation for intangible assets over the next five years to be as follows:

CHF in thousands	2019	2020	2021	2022	2023
Estimated pre-tax amortisation	10,519	9,173	5,854	4,901	2,705

8. Goodwill

On 16 February 2017, the Group acquired 100% of shares of Swissbilling SA, a Swiss invoice financing company with operations mainly in the French speaking region of Switzerland. On 30 November 2017, the Group acquired 100% of outstanding shares of EFL Autoleasing AG, a Swiss auto leasing company domiciled in Winterthur. Goodwill related to these acquisitions is presented below:

CHF in thousands	Balance at 1 January 2018	Goodwill acquired during the period	Other [1]	Balance at 31 December 2018
Gross amount of goodwill	**14,508**	–	**1,369**	**15,877**
Accumulated impairment	–	–	–	–
Net book value	**14,508**	–	**1,369**	**15,877**

[1] Adjustments in the purchase price allocation related to the EFL transaction were made as new information became available during the measurement period in accordance with ASC 850-10-25-15. The adjustment resulted in an increase of goodwill by TCHF 1,369, with a corresponding reduction of financing receivables by TCHF 1,732 (net of deferred taxes of TCHF 363). Accordingly, the Group recorded an additional allowance for losses of TCHF 980 in the current period net earnings to align this portfolio with the Group Risk Policy

The Group continually assesses whether or not there has been a triggering event requiring a review of goodwill. In estimating the fair value of the reporting units, the Group applied the income approach. This approach is based on a discount rate which reflects the relevant risks and projected cash flows determined from the Group's updated five-year strategic business plan that included significant management assumptions and estimates based on its view of current and future economic conditions.

Based on its goodwill impairment analysis performed as of 31 December 2018, the Group concluded that the estimated fair value for all of the reporting units with goodwill substantially exceeded their related carrying values and no impairment was necessary as of 31 December 2018. There are no deferred taxes booked related to goodwill.

9. Other Assets

At 31 December (CHF in thousands)	2018	2017
Restricted cash	**28,790**	28,213
Tax receivables	**19,195**	20,227
Other receivables	**11,190**	7,083
Deferred expenses	**1,471**	1,386
Other	**1,940**	879
Total other assets	**62,586**	**57,788**

Restricted cash is not available for use in the ordinary course of operations and is restricted in terms of withdrawal or usage. The Group had TCHF 28,790 and TCHF 28,213 of restricted cash related to the consolidated VIEs (see note 20) as at 31 December 2018 and 2017, respectively.

The tax receivables as per 31 December 2018 consisted of VAT input tax.

10. Deposits

The following table shows the maturities of the Group's customers' saving deposits, term deposits and prepaid cards as at 31 December 2018 and 2017, respectively:

At 31 December (CHF in thousands)	**2018**	2017
On demand	**194,503**	195,399
Less than 3 months	**225,085**	284,600
3 to less than 6 months	**316,471**	246,923
6 to less than 12 months	**570,452**	523,535
12 months plus, thereof	**1,520,743**	1,376,329
due in 2019	**–**	377,878
due in 2020	**508,403**	340,415
due in 2021	**282,357**	169,939
due in 2022	**220,247**	167,603
due in 2023	**224,456**	163,128
due in 2024 and later	**285,280**	157,366
Total	**2,827,254**	**2,626,786**

There is no term maturity for on-demand saving deposits. All deposits are denominated in CHF. The weighted average interest rate on all deposits was approximately 0.45% and 0.48% as at 31 December 2018 and 2017, respectively.

11. Short-Term and Long-Term Debt

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

At 31 December (CHF in thousands)	Maturity	2018 Amount	2018 Contractual interest rate	2017 Amount	2017 Contractual interest rate
Short-term portion					
External debt (bank loan)	2018	–	–	100,000	0.20%
Non-recourse borrowings (Auto ABS) [1]	2019	**200,000**	**0.23%**	–	–
External debt (unsecured bond)	2019	**100,015**	**0.75%**	–	–
Long-term portion					
Non-recourse borrowings (Auto ABS)	2019	–	–	200,000	0.23%
External debt (unsecured bond)	2019	–	–	100,034	0.75%
Non-recourse borrowings (Auto ABS) [1]	2020	**200,000**	**0.22%**	200,000	0.22%
External debt (Floating Rate Note)	2020	**50,316**	**0.00%**	–	–
External debt (unsecured bond)	2021	**175,000**	**0.50%**	175,000	0.50%
External debt (unsecured bond)	2022	**99,973**	**1.25%**	99,966	1.25%
External debt (unsecured bond)	2023	**200,000**	**0.18%**	200,000	0.18%
External debt (unsecured bond)	2024	**200,215**	**0.25%**	200,255	0.25%
External debt (unsecured bond)	2025	**150,770**	**0.38%**	150,889	0.38%
External debt (unsecured bond)	2026	**125,246**	**0.88%**	–	–
Debt issuance costs		**– 3,771**	–	– 4,774	–
Total short-term and long-term debt		**1,497,764**		**1,421,370**	

[1] Related to consolidated VIEs, refer to note 20 for further details

The contractual rate represents the interest due on the relevant debt at the reporting date, whereas the effective interest (all-in) rate reflects, in addition to the contractual interest rate, fees and debt issuance costs that are amortised over the expected life of the instrument. As per 31 December 2018, the Group had mostly fixed rate funding, except of one Floating Rate Note over TCHF 50,000 which was issued in February 2018.

The Group defers the debt issuance costs and amortises them over the expected life-time of the relevant debt instrument. Debt issuance costs are presented within debt instead of other assets. As per 31 December 2018 and 2017, unamortised debt issuance costs amounted to TCHF 3,771 and TCHF 4,774, respectively. Commitment fees are recognised as incurred over the commitment period.

In 2014, the Group signed a TCHF 150,000 bilateral term loan with an international bank which was fully repaid in 2018.

In July 2018, the Group signed a revolving credit facility with a Swiss bank for a three-year term. The facility matures in 2021 and consists of a TCHF 100,000 unsecured commitment. As at 31 December 2018, the facility was undrawn and has an applicable commitment fee of 0.25%.

On 22 November 2018, the Group signed a revolving credit facility with a Swiss bank with a committed term until 2022. The facility consists of a TCHF 50,000 unsecured commitment and has an applicable contractual commitment fee of 0.20% per annum.

On 3 February 2016, the Group signed a revolving credit facility with an international bank with a committed term until 2019. The facility consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

On 4 December 2017, the Group signed a rollover of a revolving credit facility with a Swiss bank with a committed term until 2020. The facility consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

On 31 December 2018, the Group maintained TCHF 350,000 of undrawn committed facilities. The weighted average contractual commitment fee for all facilities was 0.24%.

On 28 February 2018, the Group issued a TCHF 50,000 Floating Rate Note at 101.01% with a maturity of two years and a quarterly coupon of 0.0% floored, respectively 0.05% capped for the entire period depending on the Libor Fixings.

On 22 May 2018, the Group issued a TCHF 125,000 senior unsecured bond at 100.212% with a maturity of eight years and a coupon of 0.875%.

The Group has a total outstanding of TCHF 1,100,000 of senior unsecured bonds issued as at 31 December 2018. These bonds have been issued in 2014 (maturing in 2019 and 2022), 2015 (maturing in 2021), 2016 (maturing 2023), 2017 (maturing in 2024 and 2025) and 2018 (maturing in 2020 and 2026). All debt instruments are repayable at full at maturity or at the earliest possible redemption date.

12. Pension Plans

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

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

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

As described in note 2, the Group adopted ASU 2017-7 on 1 January 2018. In accordance with the new ASU, only the current service cost is presented within the "Compensation and benefits" line item in the statement of income. The other elements of net periodic pension cost are presented within the line item "General and administrative expenses". The adoption of ASU 2017-07 on 1 January 2018 resulted in a restatement that, upon adoption, increased compensation and benefits and decreased general and administrative expenses by TCHF 1,722 as of 31 December 2018 as well as decreased compensation and benefits and increased general and administrative expenses by TCHF 2,268 as of 31 December 2017, respectively.

The Group's pension plan participants as at 31 December 2018 and 2017, respectively, were as follows:

At 31 December	2018	2017
Active employees	**822**	771
Beneficiaries and pensioners	**126**	121
Total	**948**	**892**

The cost of the pension plans is presented below:

For the years ended 31 December (CHF in thousands)	Consolidated Statements of Income line item	2018	2017
Service cost for benefits earned	Compensation and benefits	**6,286**	6,537
Prior service credit amortisation	General and administrative expenses	**– 1,500**	– 984
Expected return on plan assets	General and administrative expenses	**– 5,789**	– 5,162
Interest cost on benefit obligations	General and administrative expenses	**1,231**	1,215
Net actuarial loss amortisation	General and administrative expenses	**4,336**	7,199
Pension plan cost		**4,564**	**8,805**

The actuarial assumptions as at 31 December are used to measure the year-end benefit obligations and the pension costs for the subsequent year. Actuarial assumptions are presented below:

At 31 December	2018	2017
Discount rate	**0.75%**	0.50%
Compensation increases	**2.15%**	2.17%
Expected return on assets	**2.50%**	2.50%

To determine the expected long-term rate of return on pension plan assets the Group considers current asset allocations and historical and expected returns on various categories of plan assets. In developing future return expectations for the pension plan's assets, the Group formulates a view on the future economic environment. Furthermore, the Group evaluates general market trends and historical relationships among a number of key variables that impact asset class returns such as expected earnings growth, inflation, valuations, yields and spreads, using both internal and external sources. The Group also takes into account expected volatility by asset class and diversification across classes to determine expected overall portfolio returns given current allocations. Based on the analysis of future expectations of asset performance, past return results and the current asset allocations, the Group assumed a 2.5% long-term-expected return on the assets. For the pension plan, the Group applies the expected rate of return to the market value of assets. The Group amortises experience gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over the average expected years of service of the employees.

The funding policy of the pension plan is aimed to contribute an amount sufficient to meet minimum funding requirements, as set forth in employee benefit and tax laws, plus any additional amounts which may be determined appropriate by the management. The management expects to contribute approximately TCHF 8,148 to the pension plan in 2019.

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

The accumulated benefit obligation was TCHF 251,044 and TCHF 243,815 for 31 December 2018 and 2017, respectively. The changes in the projected benefit obligation are presented below:

CHF in thousands	**2018**	2017
Balance at 1 January	**251,696**	**242,226**
Service cost for benefits earned	**6,286**	6,537
Interest cost on benefit obligations	**1,231**	1,215
Participant contributions	**5,273**	4,923
Actuarial loss/gain (–), net	**–7,742**	3,815
Benefits paid (–)/received, net	**1,958**	–4,244
Business combinations	**–**	4,731
Plan change [1]	**–**	–7,507
Balance at 31 December	**258,702**	**251,696**

[1] In 2017, the board of the pension fund decided to reduce the conversion rate from 6.0% (at age 65) to 5.0%. The plan amendment gain of TCHF 7,507 corresponds to the PBO reduction due to these plan changes

Plan assets are reported at fair value. The inputs and valuation techniques used to measure the fair value of the assets are consistently applied and described in note 1.

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

CHF in thousands	**2018**	2017
Balance at 1 January	**233,177**	**202,284**
Actual return on plan assets	**–12,136**	19,080
Employer contributions	**7,976**	7,509
Participant contributions	**5,273**	4,923
Benefits paid (–)/received, net	**1,958**	–4,244
Business combinations	**–**	3,625
Balance at 31 December	**236,248**	**233,177**

The asset allocations are described below:

At 31 December	**2018 Target allocation**	**2018 Actual allocation**
Equity securities		
Swiss equity securities	**13%**	**11%**
Non-Swiss equity securities	**23%**	**23%**
Debt securities		
Swiss bonds	**18%**	**15%**
Non-Swiss bonds	**17%**	**19%**
Real estate funds	**19%**	**22%**
Other investments	**10%**	**10%**

The pension fund board sets investment policies and strategies and oversees the investment allocation, which includes selecting investment managers, commissioning periodic asset-liability studies and setting long-term strategic targets. Long-term strategic investment objectives take into consideration a number of factors, including the funded status of the plan, a balance between risk and return and the plan's liquidity requirements. Target allocation percentages are established at an asset class level by the pension fund board. Target allocation ranges are guidelines, not limitations, and occasionally the pension fund board will approve allocations above or below a target range. The pension fund board monitors the plan's liquidity position in order to meet the near-term benefit payment and other cash commitments.

The pension fund assets are invested subject to the following additional guidelines:
- Investment in the following assets may not exceed the maximum % of total assets in the plan: Swiss bonds 22%, non-Swiss bonds 21%, Swiss equities 16%, non-Swiss equities 30%, real estate funds 29% and alternative funds 20%;
- No single bond may exceed more than 10% of total assets; and
- No single equity security or real estate investment can exceed more than 5% of total assets.

The pension fund did not hold direct investments, but indirect investments through funds. The fair values of the pension plan investments are presented below:

	2018			
At 31 December (CHF in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities				
Swiss equity securities	**26,315**	**–**	**–**	**26,315**
Non-Swiss equity securities	**54,803**	**–**	**–**	**54,803**
Debt securities				
Swiss bonds	**35,521**	**–**	**–**	**35,521**
Non-Swiss bonds	**44,166**	**–**	**–**	**44,166**
Real estate funds	**–**	**50,810**	**–**	**50,810**
Other investments [1]	**13,590**	**9,880**	**–**	**23,470**
Total investments	**174,395**	**60,690**	**–**	**235,085**
Other				**1,163**
Total assets				**236,248**

[1] Primarily includes commodity funds, insurance-linked funds and cash

	2017			
At 31 December (CHF in thousands)	Level 1	Level 2	Level 3	Total
Equity securities				
Swiss equity securities	29,631	–	–	29,631
Non-Swiss equity securities	49,055	–	–	49,055
Debt securities				
Swiss bonds	35,635	–	–	35,635
Non-Swiss bonds	44,965	–	–	44,965
Real estate funds	–	48,120	–	48,120
Other investments [1]	–	25,494	–	25,494
Total investments	**159,286**	**73,614**	**–**	**232,900**
Other				**277**
Total assets				**233,177**

[1] Primarily includes commodity funds, insurance-linked funds and cash

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

At 31 December (CHF in thousands)	**2018**	2017
Funded status	**– 22,454**	– 18,519
Pension liability recorded in the statement of financial position		
Other liabilities		
Due after one year	**– 22,454**	– 18,519
Net amount recognised	**– 22,454**	**– 18,519**
Amounts recorded in shareholders' equity (unamortised)		
Prior service credit	**– 5,553**	– 7,630
Net actuarial loss	**32,385**	26,538
Total	**26,832**	**18,908**

In 2019, the Group estimates that it will amortise TCHF 1,500 of prior service credit and TCHF 5,315 of net actuarial loss for the pension plan from shareholders' equity into pension cost.

The estimated future benefit payments are described below:

CHF in thousands	2019	2020	2021	2022	2023	2024–2028
Pension plan	16,504	17,163	15,830	15,739	14,429	63,173

13. Other Liabilities

This section primarily reflects the pension plans funded status of TCHF 22,454 and TCHF 18,519 as at 31 December 2018 and 2017, respectively. It also comprises deferred compensation related to the Group's jubilee plan amounting to TCHF 2,743 and TCHF 2,759 as at 31 December 2018 and 2017, respectively. The jubilee plan is a voluntary benefit provided by the Group to its employees based on their years of service.

14. Capital Adequacy

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

Since January 2008, the Bank has operated under Basel II – the international capital adequacy standards set forth by the Basel Committee on Banking Supervision (BCBS). These standards affected the measurement of both total eligible capital and risk-weighted assets. In January 2011, as required by FINMA, the Bank implemented the BCBS "Revisions to the Basel II market risk framework" (Basel 2.5) for FINMA regulatory capital purposes.

As of 1 January 2013, the Group adopted the Basel III standards as required by FINMA.

The Group's consolidated eligible regulatory capital and the risk-weighted assets have been derived from the Group's consolidated financial statements as at 31 December 2018, which were prepared in accordance with FINMA requirements, and calculated in accordance with applicable Swiss regulatory requirements. The Group uses the "SA-BIS" approach to calculate the minimum capital requirement for covering credit risk. It is entitled to use the standard approach to calculate the capital charge for market risk. The Group uses a standardised approach for operational risk management and fulfils the qualitative and quantitative requirements of the Capital Adequacy Ordinance (CAO 952.03).

The total eligible regulatory capital of the Group comprises Tier 1, Common Equity Tier 1 (CET1), and consists of shareholders' equity including net income for the current year. Deductions from Tier 1 include, among other items, anticipated but non-declared dividends, own shares, goodwill and deferred tax assets. Risk-weighted assets include consolidated balance sheet assets, off-balance sheet transactions converted into credit equivalents, non counterparty risk, market risk and operational risk from processes, people, systems and external events.

As of 31 December 2018, the Group adheres to the applicable regulatory requirements for a category 4 bank set by FINMA. The Group aims to consistently operate with a capital base that is well above this mark. The Group was adequately capitalised under the regulatory provisions outlined by FINMA and the Bank for International Settlements.

Further information on capital adequacy is contained in the separate document "Capital Adequacy and Liquidity Disclosures 2018" published on the Cembra website (www.cembra.ch/en/investor → Reports and Presentations → Financial Reports).

At 31 December (CHF in thousands)	**2018**	2017
Eligible regulatory capital		
Tier 1 capital	**833,830**	789,660
of which CET1 capital	**833,830**	789,660
Total eligible capital	**833,830**	**789,660**
Risk-weighted assets		
Credit risk	**3,702,608**	3,510,926
Non-counterparty risk	**37,835**	29,028
Market risk	**7,409**	899
Operational risk	**598,263**	573,188
Total risk-weighted assets	**4,346,114**	**4,114,040**
Capital ratios		
CET1 ratio	**19.2%**	19.2%
Tier 1 ratio	**19.2%**	19.2%
Total capital ratio	**19.2%**	19.2%

15. Earnings per Share and Additional Share Information

For the years ended 31 December	2018	2017
Net income attributable to shareholders for basic earnings per share (CHF in thousands)	**154,126**	144,492
Net income attributable to shareholders for diluted earnings per share (CHF in thousands)	**154,126**	144,492
Weighted-average number of common shares		
Weighted-average number of common shares issued	**30,000,000**	30,000,000
Less weighted-average number of treasury shares	**1,812,016**	1,811,379
Weighted-average numbers of common shares outstanding for basic earnings per share	**28,187,984**	**28,188,621**
Dilution effect number of shares	**19,770**	19,699
Weighted-average numbers of common shares outstanding for diluted earnings per share	**28,207,754**	**28,208,320**
Basic earnings per share (in CHF)	**5.47**	**5.13**
Diluted earnings per share (in CHF)	**5.46**	**5.12**

The amount of common shares outstanding has changed as follows:

	2018	2017
Common shares issued		
Balance at beginning of period	**30,000,000**	**30,000,000**
Issuance of common shares	**–**	–
Balance at end of period	**30,000,000**	**30,000,000**
Treasury shares		
Balance at beginning of period	**1,814,170**	**1,807,627**
Share based compensation	**– 10,921**	– 10,457
Purchase	**10,000**	17,000
Balance at end of period	**1,813,249**	**1,814,170**
Common shares outstanding	**28,186,751**	**28,185,830**

16. Revenue Recognition

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

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

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

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

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

Disaggregation of Revenues

For the year ended 31 December (CHF in thousands)	2018
Insurance	**20,473**
Credit cards	**92,560**
Total	**113,033**

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

Impact of Adoption
The impact of adoption of ASC Topic 606 on the Group's consolidated statement of operations for the year ended 31 December 2018 resulted in an increase in commission and fee income and a corresponding increase in general and administrative expenses of TCHF 6,580. This was due to gross presentation of certain fees and their related expenses in comparison to net presentation in the prior period. The impact of the adoption did not have any impact on the Group's consolidated statement of financial position at 31 December 2018.

17. Income Tax Expense

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

For the years ended 31 December (CHF in thousands)	2018	2017
Current tax expense	**40,845**	39,418
Deferred tax expense/benefit (–) from temporary differences	**776**	– 602
Income tax expense	**41,622**	**38,816**

Deferred income tax balances reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the carrying amounts for income tax purposes.

Under Swiss law, a resident company is subject to income tax at the federal, cantonal and communal levels. The federal statutory tax rate is 8.5%. The cantonal and communal corporation tax rates vary. The Group's effective tax rates for each of the two years ended 31 December were approximately 21%.

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

At 31 December (CHF in thousands)	2018	2017
Assets		
Pension plans	**4,667**	3,799
Other	**1,017**	936
Total deferred tax assets	**5,683**	**4,735**
Liabilities		
Deferred loan origination fees and costs	**– 661**	– 678
Other	**– 458**	– 882
Total deferred tax liabilities	**– 1,120**	**– 1,561**
Net deferred tax assets	**4,564**	**3,175**

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

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

18. Commitments and Guarantees

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

Swiss banking law and the deposit insurance system require Swiss banks and securities dealers to jointly guarantee an amount of up to CHF 6 billion for privileged client deposits in the event that a Swiss bank or securities dealer becomes insolvent. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate, the Group's share in the deposit insurance guarantee programme was TCHF 6,884 and TCHF 7,478 as at 31 December 2018 and 2017, respectively. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 31 December 2018, the Group considers the probability of a material loss from this obligation to be remote.

As at 31 December 2018, minimum rental commitments under non-cancellable operating leases aggregated TCHF 15,566 for the Group. Amounts payable over the next five years are shown below.

CHF in thousands	2019	2020	2021	2022	2023
Minimum rental commitments	5,936	4,672	3,684	810	465

For details of rental expense, refer to note 25.

As described in note 2, the Group adopted ASU 2016-02 in 2019. As a result of the adoption, the Group recognised additional operating liabilities of TCHF 16,315 based on the present value of the remaining rental payments under previous leasing standard for existing operating leases and related right-of-use assets of TCHF 16,315.

19. Financial Instruments

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

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

	2018		2017	
At 31 December (CHF in thousands)	**Carrying amount net**	**Estimated fair value**	Carrying amount net	Estimated fair value
Assets				
Loans	**3,120,336**	**3,187,017**	2,899,904	2,962,668
Liabilities				
Deposits	**– 2,827,254**	**– 2,864,107**	– 2,626,786	– 2,666,924
Borrowings	**– 1,497,763**	**– 1,506,002**	– 1,421,370	– 1,438,351

Fair values are estimated as follows:

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

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

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

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

20. Variable Interest Entities

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

The Group completed four securitisations, all through consolidated VIEs, to obtain funding backed by its auto lease receivables. The first securitisation, launched in March 2012, involved the issuance of TCHF 200,000 in senior notes with a maturity in 2015, three years from the date of issuance. This issuance was fully repaid on 23 March 2015. The second securitisation was completed in June 2013, which involved the issuance of TCHF 200,000 in senior notes with an optional redemption of three years from the date of issuance, and with a coupon of 0.576% per annum. In March 2015, the Group launched its third securitisation transaction and issued fixed-rate senior notes of TCHF 200,000 with a coupon of 0.23% per annum and an optional redemption date of four years from the date of issuance. The proceeds from this issuance were used to refinance the first securitisation. In June 2016, the Group launched its fourth securitisation transaction and issued fixed-rate senior notes of TCHF 200,000 with a coupon of 0.22% per annum and an optional redemption date of 3¾ years from the date of issuance. The proceeds from this issuance were used to refinance the second securitisation.

Third-party holders of the debt issued by the VIEs only have recourse to the financing receivables owned by the VIEs and not to the Bank's general credit. Contractually, the cash flows from these financing receivables must first be used to pay third-party debt holders and other expenses of the VIEs. Excess cash flows are available to the Bank.

The Bank is the servicer of the VIEs and holds the subordinated interests issued by the VIEs. The Bank is considered primary beneficiary of the VIEs as it has both the power to direct the activities that most significantly impact the VIEs' economic performance and an obligation to absorb losses, or a right to receive benefits from the VIEs. Hence the VIEs are being consolidated.

On 21 July 2017, the Group signed an agreement to refinance a CHF 42 million personal loan portfolio from eny Finance AG, a Swiss online personal loan provider. The Group has also agreed to partially refinance future personal loan volume from this provider. The deal was structured through a VIE that is fully owned, controlled and consolidated by the Group. The Bank is the co-servicer of the VIE and holds the subordinated interests issued by the VIE that were used to refinance the loan portfolio from eny Finance AG. The Bank is considered the primary beneficiary of the VIE as it has both the power to direct the activities that most significantly impact the VIE's economic performance and an obligation to absorb losses, or a right to receive benefits from the VIE.

On 28 March 2018, the Group signed a long-term agreement with Lendico Schweiz AG (Lendico), a 100% subsidiary of PostFinance AG, to finance small business loans sourced via the Lendico online platform. Lendico is an SME loan marketplace active in Switzerland since the end of 2016, based in Zurich. Under the agreement, the Group will be a preferred partner for financing of SME loans sourced by Lendico. Lendico will continue to service the portfolio once the loans have been financed. The deal was structured through a VIE that is fully owned, controlled and consolidated by the Group. The Bank is considered the primary beneficiary of the VIE as it has both the power to direct the activities that most significantly impact the VIE's economic performance and an obligation to absorb losses, or a right to receive benefits from the VIE.

The table below summarises the assets and liabilities of the consolidated VIEs described above:

At 31 December (CHF in thousands)	**2018**	2017
Assets		
Financing receivables, net	**580,854**	503,018
Financing leases	**459,364**	459,485
Loans	**121,489**	43,533
Other assets	**28,790**	32,428
Total assets	**609,644**	**535,446**
Liabilities		
Accrued expenses and other payables	**4,320**	6,277
Non-recourse borrowings	**399,494**	398,866
Total liabilities	**403,814**	**405,142**

Revenues from the consolidated VIEs amounted to TCHF 28,869 in 2018 and TCHF 24,331 in 2017, respectively. Related expenses consisted primarily of provisions for losses of TCHF 4,176 and TCHF 2,120 and interest expense of TCHF 1,543 and TCHF 1,602 for the years ended 31 December 2018 and 2017, respectively. These amounts did not include intercompany revenues and costs, principally fees and interest between the Bank and the VIEs, which are eliminated for consolidation purposes.

21. Related-Party Transactions

The Group had no related-party transactions in 2018 and 2017.

22. Interest Income

The details of interest income are shown below:

For the years ended 31 December (CHF in thousands)	2018	2017
Personal loans	**161,333**	167,115
Auto leases and loans	**98,437**	83,820
Credit cards	**71,654**	60,487
Other	**– 1,469**	– 3,117
Total	**329,955**	**308,305**

23. Interest Expense

The details of interest expense are shown below:

For the years ended 31 December (CHF in thousands)	2018	2017
Interest expense on ABS	**1,808**	1,808
Interest expense on deposits	**12,596**	13,217
Interest expense on debt	**6,367**	9,681
Total	**20,771**	**24,706**

24. Commission and Fee Income

The details of commission and fee income are shown below:

For the years ended 31 December (CHF in thousands)	2018	2017
Insurance	**20,473**	22,990
Credit cards	**92,560**	75,014
Loans and leases	**13,384**	11,801
Other	**3,229**	2,939
Total	**129,646**	**112,744**

25. General and Administrative Expenses

The details of general and administrative expenses are shown below:

For the years ended 31 December (CHF in thousands)	2018	2017
Professional services	**18,629**	11,427
Marketing [1]	**8,521**	6,057
Collection fees	**10,916**	5,780
Postage and stationery	**9,864**	9,289
Rental expense under operating leases	**4,873**	4,744
Information technology	**24,909**	23,578
Depreciation and amortisation	**13,004**	8,731
Other	**– 3,538**	680
Total	**87,177**	**70,285**

1 Marketing includes advertising costs, which are expensed as incurred

26. Share-Based Compensation

Under the Executive Variable Compensation Plan (EVCP) that was set up for the senior management team in 2013 each member of the Group's senior management team received at grant a number of restricted stock units (RSUs) as part of their annual variable compensation. Vesting for the RSUs takes place in three equal tranches. The last grant of RSUs as part of the EVCP was in 2016 for the performance year 2015. For further details related to this plan, please refer to the Compensation Report in the Annual Report 2015.

The total number of RSUs under this plan was 9,911 based on the share price of CHF 59.50 at the grant date 1 March 2015 and 9,839 with a share price of CHF 65.58 at the grant date 1 March 2016. The fair value used for each RSU was calculated as the market price of the Bank's stock on the date of the grant. RSUs issued under this plan will be settled out of shares acquired by the Group for such purpose. Participants will pay no consideration for the receipt of RSUs or the shares in which those RSUs will be settled.

The following table summarises RSUs outstanding as at 31 December 2018 and 2017, respectively:

	2018		2017	
	Number of RSUs	Weighted average grant date fair value (CHF)	Number of RSUs	Weighted average grant date fair value (CHF)
RSUs outstanding at 1 January	**12,250**	**786,052**	17,962	1,127,032
Granted [1]	**3,038**	**248,122**	–	–
Vested	**– 6,734**	**– 426,444**	– 5,246	– 310,643
Forfeited	**– 115**	**– 8,004**	– 466	– 30,337
RSUs outstanding at 31 December	**8,439**	**599,726**	12,250	786,052
RSUs expected to vest	**8,439**	**599,726**	**12,250**	**786,052**

1 In 2018, the Group granted 3,038 RSUs as replacement award at the grant date 2 August 2018 with a share price of CHF 81.67

The total recognised compensation cost was TCHF 196 and TCHF 294 for the years 2018 and 2017, respectively. The remaining unrecognised cost of TCHF 295 is expected to be recognised over a weighted-average period of 27 months.

In 2016, the EVCP plan was adapted, and since the performance year 2016 the senior management team receives under the long-term incentive programme (LTI), which is one part of the EVCP, a part of their variable compensation in performance share units (PSUs). The PSUs vest after a three-year period depending on the achievement of performance conditions which include relative total shareholder return (TSR) and cumulative fully diluted earnings per share (EPS). The actual LTI bonus of each participant is determined in the first quarter after each performance year in a range of 75% to 125% of the target LTI bonus based on a look-back assessment in a guided discretion by the Board of Directors. The actual LTI bonus is granted in PSUs. The first grant took place in March 2017. For details regarding the plan, please refer to Compensation Report on page 70.

	2018		2017	
	Number of PSUs	**Weighted average grant date fair value (CHF)**	Number of PSUs	Weighted average grant date fair value (CHF)
PSUs outstanding at 1 January	**6,760**	**499,226**	–	–
Granted	**5,953**	**538,747**	7,446	549,887
Vested	**– 282**	**– 22,990**	–	–
Forfeited	**– 587**	**– 50,859**	– 686	– 50,661
PSUs outstanding at 31 December	**11,844**	**964,123**	6,760	499,226
PSUs expected to vest	**14,210**	**1,165,470**	**7,564**	**558,611**

The fair value of a PSU was calculated as the arithmetic average of the daily volume weighted average price (VWAP) of a Bank's share during the 60 trading days ending on the last trading day (inclusive) before the grant date, risk-adjusted for the performance condition. A PSU was calculated at CHF 90.50 and CHF 73.85 at the grant date of 1 March 2018 and 2017, respectively, and one PSU was equal to one ordinary share of the Bank.

At 31 December 2018, the weighted-average conversion ratio of one PSU was 120% based on performance conditions. The total recognised compensation cost was TCHF 501 in 2018. The remaining unrecognised cost of TCHF 747 is expected to be recognised over a weighted-average period of 21 months.

27. Supplemental Cash Flow Information

Certain supplemental information related to cash flows is shown below:

For the years ended 31 December (CHF in thousands)	**2018**	2017
Increase in loans to customers	**– 1,810,780**	– 1,782,663
Principal collections from customers – loans	**1,667,709**	1,655,991
Investment in equipment for financing leases	**– 950,159**	– 1,038,222
Principal collections from customers – financing leases	**917,676**	766,247
Net change in credit card receivables and other	**– 121,778**	– 135,324
Net change in financing receivables	**– 297,332**	**– 533,972**

28. Off-Balance Sheet Arrangements

As at 31 December 2018 and 2017, the Group was party to the following off-balance sheet financial instruments. The balances represent the Group's maximum contractual exposure to credit risk resulting from off-balance sheet arrangements:

At 31 December (CHF in thousands)	**2018**	2017
Ordinary course of business lending commitments	**59,449**	58,502
Unused revolving loan facilities	**67,349**	56,841
Unused credit card facilities	**3,141,538**	**2,859,117**

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Loan commitments are most often uncollateralised and may be drawn up to the total amounts to which the Group is committed. Total commitment amounts do not necessarily represent future cash requirements as the lines of credit may expire or be terminated without being fully drawn upon. No additional allowance for losses was deemed necessary for these unused commitments since the Group can terminate the lines of credit at any time unilaterally.

29. Subsequent Events

The Group has evaluated subsequent events from the financial position date through 19 March 2019, the date at which the financial statements were available to be issued.

On 6 March 2019, the Group announced the launch of its fifth lease asset backed security (ABS) transaction and issuance of a fixed-rate senior note of TCHF 250,000 on the Swiss capital market with a contractual maturity of 9 years and optional redemption date of three years from the date of issuance. The transaction is executed through the newly founded subsidiary Swiss Auto Lease 2019-1 GmbH.

Besides that, there were no other subsequent events at that date.

KPMG

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Cembra Money Bank AG and subsidiaries (the “Group”), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity, and cash flows, and notes thereto (pages 92 to 129) for the years ended December 31, 2018 and 2017.

Board of Directors’ Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Swiss law and Swiss Auditing Standards as well as Auditing Standards Generally Accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements as of and for the years ended December 31, 2018 and 2017 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with U.S. Generally Accepted Accounting Principles and comply with Swiss law.

KPMG

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

Valuation of allowance for losses on financing receivables

Valuation of goodwill

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of allowance for losses on financing receivables

Key Audit Matter

As per December 31, 2018 gross financing receivables (smaller-balance, homogenous loans, including credit card receivables, personal loans as well as auto leases and loans) amount to CHF 4,858.8 million (representing 89% of total assets). At the same time, the Group has recorded an allowance for losses on financing receivables of CHF 52.0 million.

The valuation of collective allowance for losses on financing receivables relies on the application of significant management judgment in determining the methodology and parameters in calculating the allowance and requires specific knowledge of developments in the Group's financing receivables portfolio. The use of different modelling techniques and assumptions (e.g. current trends, conditions and macroeconomic factors) could result in significantly different estimates of allowances for losses on financing receivables.

In particular, the valuation of the collective allowance for losses on financing receivables is based on significant estimates, such as future client payment behavior, which is subject to management judgment and requires specific knowledge and competencies in determining allowances.

Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of the allowance for losses on financing receivables. This included controls over the calculation, approval, recording and monitoring of allowances. This also included controls over model approval, validation and approval of key data inputs and qualitative considerations for potential impairment that were not captured by management's models.

For a sample of allowances for losses on financing receivables calculated on a collective basis we tested the underlying models including the model approval and validation process. We also tested the reasonableness of the inputs to those models, such as delinquency and payment behavior, by comparing data and assumptions made to historical accuracy of estimates.

For a sample of financing receivables, and with the use of our own valuation specialists, we critically examined and challenged the assumptions and models used or we re-performed an independent assessment of the valuation allowance.

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

— Note 1 (Basis of presentation and summary of significant accounting policies, Allowance for losses)

— Note 4 (Financing receivables and allowance for losses)

KPMG

Valuation of goodwill

Key Audit Matter	Our response
As at December 31, 2018 the Group reports goodwill of CHF 15.9 million arising from two acquisitions in the previous period. Due to the inherent uncertainty of forecasting and discounting future cash flows in relation with the Group's recognized goodwill, this is deemed to be a significant area of judgment. Goodwill impairment testing is performed at the Reporting Unit (RU) level and involves a comparison of the estimated fair value of each RU to its carrying amount. The estimates of fair values are determined by discounting future projected cash flows.	Our procedures included, amongst others, the assessment of the Group's processes and key controls for testing of goodwill impairment, including the assumptions used. We tested the key assumptions and methodologies forming the Group's fair value calculations, including the cash flow projections and discount rates. We assessed the reasonableness of cash flow projections and compared key inputs, such as the discount rates and growth rates, to externally available industry, economic and financial data and the Group's own historical data and performance. With the assistance of our own valuation specialists, we critically assessed the assumptions and methodologies used to determine the fair value for those RUs where goodwill was found sensitive to changes in those assumptions. On an overall basis, we also evaluated the aggregate fair values determined by the Group to its market capitalization. Additionally, we considered whether the Group's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with the goodwill impairment.

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

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

— Note 8 (Goodwill)

KPMG

Report on Other Legal and Regulatory Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

KPMG AG

Cataldo Castagna
Licensed Audit Expert
Auditor in Charge

Daniel Merz
Licensed Audit Expert

Zurich
March 19, 2019

Individual Financial Statements

Balance Sheet

At 31 December (CHF in thousands)	Notes	2018	2017
Assets			
Liquid assets		**487,141**	405,410
Amounts due from banks		**7,740**	3,016
Amounts due from customers	7.1	**4,359,842**	4,075,753
Financial investments	7.2	**48,106**	49,032
Accrued income and prepaid expenses		**50,970**	47,065
Participations		**4,861**	56,988
Tangible fixed assets		**37,477**	28,354
Intangible assets	7.3	**8,903**	–
Other assets	7.4	**18,393**	8,878
Total assets		**5,023,433**	**4,674,496**
Total subordinated claims		**58,990**	292,990
Liabilities			
Amounts due to banks		**42,000**	147,000
Amounts due in respect of customer deposits		**1,041,223**	1,012,278
Cash bonds		**1,757,971**	1,576,887
Bond issues and central mortgage institution loans		**1,101,535**	926,144
Accrued expenses and deferred income		**57,827**	50,070
Other liabilities	7.4	**72,453**	62,555
Provisions	7.7	**2,753**	1,371
Bank's capital	7.8	**30,000**	30,000
Statutory capital reserves		**171**	84,760
of which reserve from tax-free capital contribution		**171**	84,760
Statutory retained earnings reserves		**15,000**	15,000
Voluntary retained earnings reserves		**853,796**	722,304
Own shares	7.12	**– 100,972**	– 101,004
Profit carried forward		**131**	237
Profit (result of the period)		**149,546**	146,893
Total liabilities		**5,023,433**	**4,674,496**
Total subordinated liabilities		**–**	–
Off-Balance-Sheet Transactions			
Contingent liabilities	7.1	**59,449**	58,502
Irrevocable commitments	7.1	**6,884**	7,478

Income Statement

For the years ended 31 December (CHF in thousands)	Notes	2018	2017
Result from interest operations			
Interest and discount income	8.1	**346,330**	326,336
Interest and dividend income from financial investments		**2,604**	871
Interest expense	8.1	**– 19,243**	– 23,167
Gross result from interest operations		**329,691**	**304,040**
Changes in value adjustments for default risks and losses from interest operations		**– 40,123**	– 32,338
Subtotal net result from interest operations		**289,568**	**271,702**
Result from commission business and services			
Commission income from other services		**150,906**	141,319
Commission expense		**– 64,466**	– 65,702
Subtotal result from commission business and services		**86,441**	**75,617**
Other result from ordinary activities			
Income from participations		**–**	249
Other ordinary income		**7,252**	3,736
Subtotal other result from ordinary activities		**7,252**	**3,986**
Operating expenses			
Personnel expenses	8.2	**– 108,877**	– 98,473
General and administrative expenses	8.3	**– 69,078**	– 56,803
Subtotal operating expenses		**– 177,955**	**– 155,276**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		**– 14,365**	– 8,186
Changes to provisions and other value adjustments, and losses		**– 989**	–
Operating result		**189,951**	**187,843**
Extraordinary income	8.4	**2,008**	–
Taxes	8.5	**– 42,413**	– 40,949
Profit (result of the period)		**149,546**	**146,893**

Appropriation of Profit

For the years ended 31 December (CHF in thousands)	2018
Profit (result of the period)	**149,546**
Profit carried forward	**131**
Distributable profit	**149,677**
Appropriation of profit	
Allocations to voluntary retained earnings reserves	**– 43,757**
Dividends distributed from disributable profit	**– 105,743**
New profit carried forward	**177**

Statement of Changes in Equity

CHF in thousands	Bank's capital	Statutory capital reserves	Statutory retained earnings reserves	Voluntary retained earnings reserves and profit carried forward	Own Shares	Result of the period	**Total**
Equity at 1 January 2018	**30,000**	**84,760**	**15,000**	**722,541**	**– 101,004**	**146,893**	**898,191**
Appropriation of profit 2017							
Allocation to legal reserves	–	–	–	–	–	–	**–**
Allocation to voluntary reserves	–	–	–	147,000	–	– 147,000	**–**
Dividends	–	– 84,589	–	– 15,508	–	–	**– 100,097**
Net change in profit carried forward	–	–	–	– 107	–	107	**–**
Change of own shares	–	–	–	–	32	–	**32**
Profit (result of the period)	–	–	–	–	–	149,546	**149,546**
Equity at 31 December 2018	**30,000**	**171**	**15,000**	**853,927**	**– 100,972**	**149,546**	**947,672**

Notes to the Individual Financial Statements

1. The Company, Legal Form and Domicile of the Bank

Cembra Money Bank AG (the "Bank") is a public company under the Swiss law. The services are rendered at the Bank's headquarters in Zurich as well as through 18 branches in Switzerland.

2. Accounting and Valuation Principles

General Principles

Accounting and valuation principles for the statutory individual financial statements are based on the Swiss Code of Obligations, the Banking Law, its relevant regulation and the Circular 15/1 of the Swiss Financial Market Supervisory Authority FINMA. The individual financial statements with reliable assessment describe the economic situation of the Bank in the way that enables third parties to make a reliable opinion. The individual financial statements can contain hidden reserves.

The numbers published in the notes are rounded, however they are calculated on full numbers, therefore rounding differences can occur.

General Valuation Principles

The financial statements are prepared under the going concern assumption. Assets result from past business transactions or events. They are tangible or intangible assets under the control of the Bank, from which the Bank is likely to benefit or future cash inflow is probable. Asset values must be determined in a reliable manner. If no sufficient reliable estimate is possible, then the asset is considered as contingent.

Liabilities result from past business transactions or events where future cash outflow is probable (e.g. due to the purchase of goods or services, liabilities resulting from the provision of guarantees, or liability claims for services rendered). The amount required to meet the liability (settlement value) must be determined or estimated reliably. Where this is not possible, liabilities are considered as contingent liabilities.

The balance sheet line items are valued on an individual basis. The transitional provision requiring implementation of individual valuation for participations, tangible fixed assets and intangible assets by 1 January 2020, is not applied.

Offsetting of assets and liabilities as well as income and expense is generally not permitted. The exceptions are made for: offsetting value adjustments that are directly attributable to individual assets against the respective assets; for receivables and payables as long as they are related to similar transactions with the same counterparty, in the same currency and the same or earlier maturity of the receivables that do not result in counterparty risk.

Liquid Assets
Liquid assets are recorded at nominal value.

Amounts Due from Banks, Amounts Due from Customers
Amounts due from banks and customers are recorded at nominal value less value adjustments.

The allowance for losses on financing receivables represents the Bank's estimate of future probable losses inherent in the portfolio. Losses on financing receivables are recognised when they are incurred. The method of calculating estimated losses depends on the size, type and risk characteristics of the related financing receivables. The Bank's loan portfolio consists of smaller-balance, homogenous loans, including credit card receivables, personal loans, auto leases and loans. Each portfolio is evaluated for impairment quarterly. The allowance for losses on these financing receivables is established through a process that estimates the probable losses inherent in the portfolio based upon statistical analyses of portfolio data. These analyses include migration analysis, in which historical delinquency and credit loss experience is applied to the current ageing of the portfolio, together with other analyses that reflect current trends and conditions. Management also considers the Bank's historical loss experience to date based on actual defaulted loans and overall portfolio indicators including nonaccrual loans, trends in loan volume and lending terms, credit policies and other observable environmental factors such as the unemployment rate or interest rate movements as well as future client payment behaviour which is subject to management judgement.

Nonaccrual financing receivables are those on which the Bank has stopped accruing interest.

Delinquent receivables are those that are 30 days or more past due based on their contractual terms.

For personal loans and auto leases and loans, the Bank maintains a single write-off date within each month, which ensures that at each reporting date all accounts meeting the relevant criteria have been written off. The Bank writes off unsecured closed-end instalment loans and consumer auto finance leases on the monthly write-off date after the contract reaches 120 days contractually past due and unsecured open-end revolving loans and commercial auto finance leases on the monthly write-off date after the contract reaches 180 days contractually past due. For credit cards, the Bank writes off the account on the date the account becomes 180 days contractually past due. Unsecured consumer loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within the defined write-off periods, whichever occurs earlier.

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

Write-offs are deducted from the allowance for losses when the Bank judges the principal to be uncollectable and subsequent recoveries are added to the allowance for losses at the time cash is received on a written off account.

Changes in value adjustments for default risks and losses from interest operations is the expense related to maintaining the allowance for losses at an appropriate level to absorb the estimated probable future losses on financing receivables as at each period end date.

Delinquent receivables are classified as regular when outstanding instalments and interest are paid in a timely manner according to contractual terms and when further credit worthiness criteria are fulfilled as well. The release of allowance is recorded through the Income Statement position "Change in value adjustments for default risks from interest operations".

Amounts Due to Banks, Amounts Due to Customers in Savings and Deposit Accounts
These items are recorded at nominal value.

Financial Investments
Financial assets comprise debt securities and vehicles that have been acquired as a result of credit transactions and are designated for resale. Financial investments valued according to the principle of the lower of cost or market value: an upwards revaluation to the acquisition cost at maximum is required where the market value has fallen below the acquisition cost and then recovers. The balance of adjustments in the book value is to be recorded under the position "Other ordinary income" or "Other ordinary expenses", as applicable.

Debt securities held to maturity are valued at acquisition cost with premium or discount amortised to maturity under the accrual method. Value adjustments for default risks are recorded in the Income Statement position “Change in value adjustments for default risks from interest operations”.

Debt securities without intent to hold to maturity are valued according to the principle of lower of cost or market value. Value adjustments from subsequent measurement are recorded in the income statement under the position “Other ordinary income” or “Other ordinary expenses”, as applicable. Value adjustments for default risks are recorded in the Income Statement under position “Change in value adjustments for default risks and losses from interest operations”.

Participations
Participations are equity securities owned by the Bank in undertakings, where those securities are held with the intention of a permanent investment irrespective of the percentage of voting shares held. Participations are valued individually at acquisition cost less economically necessary value adjustments. At every balance sheet date, participations are tested for impairment. This test results from indicators that individual assets may be impaired. In such case realisable value of the asset is determined, which is the higher of net market value and utility value. An asset is impaired if the book value is higher than realisable value. In case of impairment, the book value is written down to realisable value, and the impairment charge is recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”.

Tangible Fixed Assets
Investments in tangible fixed assets are capitalised when they are used for more than one accounting period and exceed a threshold of CHF 3,000. Tangible fixed assets are recorded at acquisition cost less accumulated depreciation. Depreciation is recognised in accordance with a schedule on a straight line over the useful life of the asset and recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. On every balance sheet date, fixed assets are tested on impairment. This test results from indicators that individual assets may be impaired. In such case, realisable value of the asset is determined, which is the higher of net market value and utility value. An asset is impaired if the book value is higher than the realisable value. In case of an impairment, the book value is reduced to the realisable value, and the value adjustment is recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. The estimated useful life of the fixed asset categories is as follows:

Buildings	40 years
Leasehold improvements	5–10 years
Office equipment	5–10 years
Hardware	3 years
Software	5 years

Intangible Assets
Intangible assets are of a non-monetary nature and without any physical substance. They can be either acquired or generated internally. Intangible assets may also originate from acquisitions of business units and companies. The intangible asset reported is goodwill.

Intangible assets are recognised as assets and are valued at no more than the acquisition cost. Amortisation is recognised in accordance with a schedule on a straight line over the useful life of the asset and recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. On every balance sheet date, intangible assets are tested on impairment. In case of an impairment, the book value is reduced to the realisable value, and the value adjustment is recorded in the position “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”. The estimated useful life of goodwill is five years.

Provisions
Legal and factual obligations are valued on a regular basis. When a value outflow is probable and can be measured reliably, a corresponding provision is established.

Existing provisions are assessed at every balance sheet date. Provisions are recorded in the Income Statement position "Changes in provisions and other impairments and losses". Based on the new assessment, provisions are increased, retained or released. Provisions are released through Income Statement in case they are not economically necessary anymore and cannot be used to cover for similar exposures.

Taxes
Current taxes are recurring annual income and capital taxes. Transaction-based taxes are not included in current taxes. Liabilities resulting from current income and capital taxes are disclosed under "Accrued expenses". The current income and capital tax expense is disclosed under "Taxes" in the Income Statement.

Off-Balance Sheet
Off-balance sheet items are recorded at nominal value. For foreseeable risk provisions are built in the balance sheet.

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

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

Pension Liability
The employees of the Bank are insured by the pension fund of the Bank. The pension liabilities as well as pension assets to cover these liabilities are held in a legally independent foundation. The organisation, management and financing of the pension plan are done in accordance with applicable regulations, the articles of the foundation as well as the valid pension regulations. The entire pension and post-retirement benefit plans of the Bank are based on a defined contribution principle.

The Bank pays over-mandatory contributions to the Bank's pension fund, which insures personnel against the financial consequences of old age, death and disability. The employer contributions to the pension plans are recorded under "Personnel expenses" of the corresponding reporting period.

The Bank assesses at every balance sheet date if there is an economic benefit or an economic liability against the pension plan. It is based on the contractual agreements and annual reports of the pension fund prepared under FER 26 in Switzerland, as well as other calculations relevant to the assessment of financial situation as well as existing over/underfunding of the plan.

Share-Based Compensation
The Bank has share-based compensation programmes in place. The Bank accounts for the compensation cost from share-based payment transactions according to the fair-value-based method. The compensation cost is measured based on the fair value of the shares at grant date and is recognised over the requisite service period with a corresponding credit to equity. Any differences at settlement are recorded as "Personnel expenses". For details to share-based compensation please refer to the Compensation Report.

Changes in the Accounting and Valuation Principles as Compared to the Previous Year

There were no significant changes in the accounting and valuation principles in 2018 compared to previous year.

Recording of Transactions

All transactions concluded by the balance sheet date are recorded at trade date in the books and valued according to the valuation principles as described above.

Treatment of Overdue Interest

Overdue interest and corresponding commissions are not recorded as interest income. As such are considered interest and commissions that are due for more than 90 days, but not paid. From this point of time, the future interest and commissions are no longer recorded as "Interest and discount income" until there is no overdue interest outstanding. Overdue interest is not cancelled retroactively. The interest due from the period up to 90 days (due, unpaid and accrued interest) is written off through the position "Changes in value adjustments for default risks and losses from interest operations".

Foreign Currency Translation

Transactions in foreign currencies are booked using daily exchange rates. At the balance sheet date, assets and liabilities are translated at closing exchange rates. Foreign currency translation gains and losses are recorded in the Income Statement. As of balance sheet date, the Bank had no significant foreign exchange exposures.

3. Risk Management

Risk is broadly defined as the possibility that an uncertain event or outcome results in adverse variations of profitability or in losses. Risks might also negatively impact the strength of the Bank's balance sheet, its market capitalisation or its brand and reputation. In the process of performing its function as a financial intermediary, the Bank exposes itself to various categories of risk, such as credit risk, asset and liability management risk (including market and liquidity risk), operational risk and other risks.

Within its risk appetite and tolerances and in accordance with its strategic objectives, the Bank takes and manages risks and controls and monitors them prudently. The Bank actively, comprehensively and systematically manages risk and promotes a strong risk and control culture across all business areas. The established risk management process comprises four core elements:
- Identification of risks across all business activities;
- Assessment and measurement of risks, including stress testing;
- Limitation and mitigation of risks; and
- Effective controls, monitoring and reporting.

The Board of Directors is ultimately responsible for determining the risk strategy, risk appetite and corresponding tolerance levels. It has established an effective internal control system that: (i) ensures that material risks are assessed and controlled; (ii) oversees the risk profile to ensure it is correctly monitored and managed; and (iii) ensures the correct implementation of the risk management framework and strategies.

The Bank has set regulations governing the risk management and control processes to ensure that all material risks are recorded and supervised. These processes are supported by a framework of approved policies and directives, which describe the principles guiding the Bank's attitude to risk and its appetite for the amount of risk willing to accept.

The Bank has established a risk appetite framework including integrated tolerance limits to control overall risk taking. It contains a diverse set of quantitative metrics and qualitative statements across various risk categories and serves as a decision making tool for the Management Board. As part of the Group Risk Policy, it is annually reviewed by the Board of Directors and takes into account strategic objectives and business plans. The risk profile is assessed versus the risk appetite, and risk exposures are monitored versus risk tolerance limits on a regular basis. Summary reports are reviewed by the Audit and Risk Committee and reported to the Board of Directors.

Three working committees have been established. Attendance of the members of the Management Board is required on regular committee meetings:

Committee	Risk category
Credit Committee	Credit risk
Asset & Liability Management Committee (ALCO)	Asset & Liability Management, Market & Liquidity Risk, Capital Management
Risk & Controllership Committee (RCC)	Risk Framework, Internal Control System, Compliance & Operational Risk Management, Information Security, Data Privacy, Business Continuity Management

The Bank's risk and control framework operates along three lines of defence:
- First Line: business functions are responsible for ensuring that a risk and control environment is established and maintained as part of day-to-day operations;
- Second Line: control functions provide independent control and oversight of risks; and
- Third Line: the Internal Audit function evaluates the overall effectiveness of the control environment and provides additional independent assurance.

The Bank's adoption of the three lines of defence model ensures the segregation between the direct accountability for risk decisions, the setting and oversight of risk management and the independent assurance on the effectiveness of risk management. Internal policies and directives further detail the expected principles of risk management and control for each risk category.

Credit Risk

Credit risk is the risk to earnings or capital that may arise from the potential that a borrower or counterparty may fail to honour their contractual obligations. The obligations include, for example, principal repayment, interest and fees. A consequent loss may be partial or complete and may arise at any time from a number of isolated or interlinked circumstances. The Bank is exposed to credit risk on all its lending products.

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

The guidelines for the approval of credit programmes, as well as the individual counterparty credit approvals are described within the credit risk policy. Delegated credit competency authorities are actively monitored and reviewed regularly.

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

The credit capacity of consumers is further evaluated according to the legal regulations of the Swiss Consumer Credit Act where applicable. Internal models determine the credit amount based on the risk profile of the customer. Manual underwriting complements the automated system decision in cases where additional information may be required.

The quality of portfolios and specific customer segments are thoroughly and periodically assessed. The quality and performance of new business is monitored to ensure that the credit approval process continues to effectively mitigate credit risk, and underwriting procedures are being correctly followed. Scorecards are regularly monitored and back-tested to ensure their performance remains within expected levels and, if required, model changes are implemented. Segmented collection strategies are implemented to tailor activities to customer groups with different payment behaviours and to ensure optimal resource allocation and effective mitigation of credit risk.

The Bank's customer base comprises primarily of natural persons and small- and medium-sized enterprises. Concentration risks are regularly assessed and monitored. The large number of borrowers naturally results in a broad credit risk diversification.

Credit risk metrics, portfolio and collection performance reports, as well as macroeconomic trends, are reviewed on a monthly basis by the Credit Committee. Summary reports of the Bank's credit risk profile are reviewed by the Audit and Risk Committee quarterly and reported to the Board of Directors.

ALM, Market and Liquidity Risk

Asset and liability management (ALM) forms part of the Bank's risk management framework and can be considered as the coordinated management of various inherent risk types, such as liquidity, funding and market risk, in order to achieve the Bank's objectives whilst operating within prudent and predetermined risk limits and concentrations. The ALCO is the decision-making committee for asset and liability management activities and has overall responsibility for the administration of respective policies, their monitoring and reporting. The ALCO is chaired by the CFO.

Liquidity and Funding Risk
Liquidity risk is defined as the risk of the Bank not having sufficient funds, or only being able to secure them at excessive costs, to meet contractual obligations when they fall due and support normal business activities. The Bank recognises that liquidity risks are often consequential rather than isolated in nature and arise from the materialisation of other risk types such as strategic, reputational, credit, regulatory, or macroeconomic.

The Bank's liquidity risk appetite is defined by the Board of Directors and forms the basis for the Bank-internal liquidity risk management strategy, the liquidity-related directives and the risk steering and control process.

As an independent listed entity, the Bank aims to maintain a highly conservative liquidity profile; this approach is viewed as an essential safeguard in protecting the reputation of the Bank as a stable institution. The Management Board ensures that adequate liquidity levels are maintained to meet operational and regulatory requirements under normal and stressed conditions. Excess liquidity can be invested with two principal objectives in mind: principal preservation and liquidity management.

The Bank maintains a robust stable funding structure. In order to withstand an extended period of limited access to the wholesale funding markets, the Bank proactively seeks to reduce reliance on short term, potentially volatile sources of funding. The Bank actively averts building up concentration risk and strategically diversifies its investor base across different business sectors, by individual counterparty, by maturity buckets and across various categories of debt instruments.

For effective risk controlling, the overall condition of funding markets is regularly monitored and assessed against market-wide and Bank-specific early warning indicators to ensure the Bank's ability to access funding. This is intended to provide management with timely warning of events that might have a potential unfavourable impact on its access to funding in the near future and, in turn, increase liquidity risk. Consequently, the Bank has developed a comprehensive liquidity stress testing process, to ensure it can adequately manage its liquidity during times of market stress of differing, yet plausible, magnitudes. This ensures the Bank has sufficient controls and mitigation procedures in place to prevent or alleviate the consequences of stressed market conditions. The Bank's contingency funding plan is influenced by the results of stress-testing scenarios and integrated into the Business Continuity Management (BCM) framework. The plan is tested annually, and results are reviewed within ALCO and reported to the RCC. Stress-testing results along with other regulatory liquidity measures, such as minimum reserve, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are an essential component to the Bank's liquidity management and are reviewed regularly by the ALCO and Board of Directors.

Further quantitative information is contained in the separate document "Capital Adequacy and Liquidity Disclosures 2018" published on the Cembra website (www.cembra.ch/en/investor → Reports and Presentations → Financial Reports).

Market Risk
Market risk encompasses the risk of financial losses due to adverse movements in the market prices. The Bank's business model leads to a limited exposure to market risk factors. The Bank's main source of market risk is interest rate risk in the banking book (IRRBB). IRRBB is the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates. Movements in interest rates might change the underlying value of assets, liabilities and off-balance sheet items and hence its economic value. They might also affect net interest income and earnings by altering interest rate sensitive income and expenses. Excessive IRRBB can pose a significant threat to a Bank's current capital base and/or future earnings if not managed appropriately. The Bank has implemented an effective interest rate risk management framework to limit potential effects on the Bank's current capital base or future earnings and to keep interest rate risk at an acceptable level.

Due to the Bank's predominately fixed interest rate assets and liabilities, it is mainly exposed to repricing risk. This is the risk of adverse consequence due to increasing or decreasing interest rates because of difference in time of when these rate changes affect the Bank's assets and liabilities. The Bank faces relatively low option and basis risk. Consequently, the Bank focuses IRRBB monitoring on repricing risk.

The Bank actively manages and monitors IRRBB performance against internally defined triggers. As per the regulatory requirement, the Bank applies different interest rate shock scenarios and reports the impact on the economic value of equity (lifetime) and net interest income (next 12 months) on a weekly basis. As of 31 December 2018, the Bank does not employ hedging instruments to manage IRRBB.

Another type of the market risk is the foreign exchange (FX) risk which is defined as the financial risk from adverse movements in the exchange rate on operations denominated in a currency other than the base currency of the institution. The Bank operates predominantly in the Swiss consumer lending market, borrows and lends exclusively in Swiss francs. Therefore, the foreign exchange risk exposure of the Bank is minimal and is limited to supplier invoices denominated in foreign currencies. FX exposure is monitored closely against internally set triggers, and the Bank would take immediate corrective action if limits are exceeded. As of 31 December 2018, the Bank does not use hedging instruments to manage its FX risk.

Operational Risk and Other Risks

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank recognises the importance of the effective management of operational risks and has implemented a robust framework and appropriate processes to manage them.
Key instruments include:
- Operational Risk Assessments: regular identification and assessment of the likelihood and potential impact of operational risks;
- Control catalogue: execution of a set of documented controls aligned with business processes and their inherent risks;
- Key Risk Indicators: regularly monitored risk metrics that serve as early warning indicators for potentially material operational risks;
- Loss Data Collection: historical dataset of loss events used to identify operational risks deriving from process inefficiencies or control gaps; and
- External Events Analysis: external operational risk events applicable to the Bank's risk profile analysed to identify emerging risks and evaluate controls.

The Bank is exposed to a wide variety of operational risks, including technology and cybersecurity risk that stem from dependencies on information technology or third-party suppliers. The Bank acknowledges the evolving cyber risk landscape and therefore developed a comprehensive framework to effectively manage and control this type of risk. This framework addresses regulatory requirements, is based on international standards and is supported by a cybersecurity strategy that aims for cyber resilience. A set of cyber threats is regularly assessed, and corresponding measures are considered. Specific response plans are maintained for cases where this type of risk materialises. Information security, data confidentiality and integrity are of critical importance, and the Bank has implemented a comprehensive framework aiming to ensure the protection of client identifying data and related information technology systems. This includes both the specific training of relevant staff and making use of vulnerability and penetration tests to protect sensitive data and systems.

The Bank is aware that severe events beyond its control (such as natural disaster) may result in an inability to fulfil some or all of its business obligations, particularly where its physical, telecommunications or IT infrastructure would be damaged or made inaccessible. In compliance with the Recommendation for Business Continuity Management (BCM) issued by the Swiss Bankers Association, the Bank has implemented a BCM programme, including the identification of critical processes and their dependency on systems, applications and external vendors. The Bank's BCM framework encompasses planning, testing and other related activities. The framework aims at ensuring that business-critical functions will either continue to operate in spite of a serious incident, or will be recovered to an operational state within a reasonably short period of time after such an incident occurred. Comprehensive crisis management plans are maintained that define processes to be followed in case of a business emergency. This aims to safeguard the continuity of the Bank's business critical activities and to control major damages in the event of a significant business interruption. The status of the BCM programme and results of the disaster recovery and business continuity tests are reviewed by the RCC.

The Bank has chosen to use external service providers to support its business activities. With the implementation of directives governing this area and an ongoing monitoring process, the Bank ensures compliance with relevant regulatory requirements.

Compliance risk is the risk of legal or regulatory sanctions, reputational damage and financial forfeiture or material loss deriving from violations of laws and regulations, internal policies or prescribed best practice, professional and ethical standards. The Bank is exposed to this type of risk as a consequence of being a market participant in the financial services industry with its legal and regulatory requirements and their respective evolvement. For operational independence, the Bank has a separate Legal & Compliance function. It effectively manages, controls, monitors and reports legal and compliance risks and ensures that the Bank's business activities adhere to all relevant legal requirements, regulatory standards and requirements for effective corporate governance. The Bank acknowledges the increasing importance of behavioural compliance related to conduct risk in the banking sector and addresses this within the provisions of the Bank's Code of Conduct.

Strategic risk is defined as possible losses that arise from uncertainties or untapped opportunities inherent in the Bank's strategic intent. Reputational risk is the risk of losses resulting from damages to the Bank's reputation. The Management Board directly manages and supervises strategic risk, business risk and reputational risk. Recognising the fact that reputational risk can be difficult to quantify and arises as a consequence of another materialised risk, the Bank manages reputational risk jointly with other risks by assessing the inherent reputational impact.

4. Methods Used for Identifying Default Risks and Determining the Need for Value Adjustments

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

For private customers, the consumer rating is derived from a credit score application that is calculated through one of the Bank's internal scorecards. Each credit score translates into one of the consumer ratings. For commercial customers, an obligor rating (OR) is assigned. The obligor rating can be translated into the grades of the consumer rating. In addition to regular scorecard monitoring, a parity test is run on a quarterly basis to monitor at portfolio level whether the consumer ratings adequately reflect the credit quality. The parity tests confirm that although a consumer rating may have been assigned more than 12 months ago and so the initial 12-month window for probability of default has passed, the rating still accurately reflects the probability of default.

5. Events after the Balance Sheet Date

The Bank has evaluated subsequent events from the financial statements date through 19 March 2019, the date at which the financial statements were available to be issued. There were no subsequent events at that date.

6. Reasons that Led to the Premature Resignation of the Auditor

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

7. Notes to the Balance Sheet

7.1 Collateral for Financing Receivables and Off-Balance Sheet and Impaired Financing Receivables

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

At 31 December 2018 (CHF in thousands)	Secured by mortgage	Other collateral	Unsecured	Total
Financing receivables				
Amounts due from customers (before netting with value adjustments)	–	**500,785**	**3,904,287**	**4,405,072**
Total financing receivables (before netting with value adjustments)	–	**500,785**	**3,904,287**	**4,405,072**
Prior year	–	362,580	3,756,577	4,119,157
Amounts due from customers (after netting with value adjustments)	–	**498,281**	**3,861,561**	**4,359,842**
Total financing receivables (after netting with value adjustments)	–	**498,281**	**3,861,561**	**4,359,842**
Prior year	–	360,803	3,714,950	4,075,753
Off-balance sheet				
Contingent liabilities	–	–	**59,449**	**59,449**
Irrevocable commitments	–	–	**6,884**	**6,884**
Total off-balance sheet	–	–	**66,333**	**66,333**
Prior year	–	–	65,980	65,980

Impaired financing receivables are as follows:

At 31 December 2018 (CHF in thousands)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments [1]
Impaired loans/receivables	**14,057**	**888**	**13,169**	–
Prior year	14,160	1,153	13,006	–

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

7.2 Financial Investments

	Book value		Fair value	
At 31 December (CHF in thousands)	**2018**	2017	**2018**	2017
Debt securities held to maturity	**37,200**	37,200	**37,200**	37,408
Debt securities available for sale	**10,548**	11,744	**10,548**	11,744
Repossessed vehicles held for sale	**358**	88	**358**	88
Total	**48,106**	**49,032**	**48,106**	**49,240**

The breakdown of counterparties by rating is following:

At 31 December 2018 (CHF in thousands)	AAA to AA–	A+ to A–	BBB+ to BBB-	Lower than B-	Not rated
Book value of debt securities	**10,548**	**37,200**	**–**	**–**	**358**

The Bank uses the rating classes of Fitch, Moody's and Standard & Poor's.

7.3 Intangible Assets

CHF in thousands	Cost Value	Accumulated amortisation	Book value as per 31 December 2017	Current Year			Book value as per 31 December 2018
				Additions	Disposals	Amortisation	
Goodwill	–	–	–	11,103	–	– 2,200	8,903
Total intangible assets	**–**	**–**	**–**	**11,103**	**–**	**– 2,200**	**8,903**

7.4 Other Assets and Liabilities

	2018		2017	
At 31 December (CHF in thousands)	**Other assets**	**Other liabilities**	Other assets	Other liabilities
Indirect taxes	**1,410**	**971**	920	950
Settlement accounts	**4,758**	**71,088**	562	60,852
Amounts due from the sale of insurance products	**872**	**–**	2,182	–
Various assets and liabilities	**11,354**	**393**	5,213	752
Total other assets and liabilities	**18,393**	**72,453**	**8,878**	**62,555**

7.5 Liabilities to Own Pension Plans

At 31 December (CHF in thousands)	**2018**	2017
Amounts due in respect of customer deposits	**–**	–
Total due to own pension plans	**–**	**–**

The pension fund does not directly hold any equity instruments of the Bank.

7.6 Economic Position of Own Pension Plans

At 31 December (CHF in thousands)			**2018**	2017	Influence of ECR on personnel expenses	
Employer contribution reserves (ECR)[1]	**Nominal value**	**Waiver of use**	**Net amount**	Net amount	**2018**	2017
Pension plan	**2,915**	**–**	**2,915**	2,915	**–**	–
Total due to own pension plans	**2,915**	**–**	**2,915**	**2,915**	**–**	**–**

[1] Based on audited financial statements 2017 and 2016 of Employer Pension Plan of Cembra Money Bank AG in accordance with FER 26 and material changes during the reporting period

The employer contribution reserves are recorded at nominal value according to pension plan statement under the position "Other assets" in the balance sheet. The nominal value of the employer contribution reserve is not discounted. Ordinary interest rate is currently not applied to employer contribution reserve. There are no unrecognised employer contribution reserves.

Economic benefit/obligation and pension expense [1]	**Overfunding/ underfunding at 31.12.2018**	Economic interest of the bank		Change in economic interest versus prior year	**Contributions paid 2018**	Pension expense in personnel expense	
CHF in thousands		**2018**	2017			**2018**	2017
Employer sponsored funds/schemes	**–**	**–**	–	–	**–**	**–**	–
Pension plans without overfunding/underfunding	**–**	**–**	–	–	**–**	**–**	–
Pension plans with overfunding	**28,930**	**–**	–	–	**7,807**	**7,930**	7,877
Pension plans with underfunding	**–**	**–**	–	–	**–**	**–**	–

[1] Based on audited financial statements 2017 and 2016 of Employer Pension Plan of Cembra Money Bank AG in accordance with FER 26 and material changes during the reporting period

All regular employees of the Bank are insured in the pension fund of the Bank. Temporary employees are exempt. The plan is a defined contribution plan. The accounting of the pension plan follows the guidelines of Swiss GAAP FER 26. There are no further obligations of the employer.

7.7 Value Adjustments and Provisions

CHF in thousands	Balance as per 31 December 2017	Use in conformity with designated purpose	Reclassifications [1]	Recoveries, past due interest	New provisions charged to income	Releases to income	**Balance as per 31 December 2018**
Value adjustments and provisions for default risks	43,404	– 110,880	2,294	61,424	60,143	– 11,155	**45,230**
Provision for pension benefit obligations	–	–	–	–	–	–	**–**
Other provisions	1,371	– 2,398	2,821	–	1,140	– 181	**2,753**
Total value adjustments and provisions	**44,776**	**– 113,278**	**5,115**	**61,424**	**61,283**	**– 11,337**	**47,983**

[1] Reclassifications include the takeover of existing value adjustments and provisions for default risks of the merged entity EFL Autoleasing AG of TCHF 2,294 as well as the takeover over of existing other provisions of the merged entity EFL Autoleasing AG and reclassifications for obligations related to the acquisition of EFL Autoleasing AG and Swissbilling of TCHF 2,821

Value adjustments and provisions for default risks are related to financing receivables. Please refer to the Risk Management section for details. Other provisions contain provisions for litigation, reconstruction costs and others.

7.8 Bank's Capital

	2018			2017		
Bank's capital	**Total par value in CHF**	**Number of shares**	**Capital eligible for dividend in CHF**	Total par value in CHF	Number of shares	Capital eligible for dividend in CHF
Share capital	**30,000,000**	**30,000,000**	**28,186,751**	30,000,000	30,000,000	30,000,000
Total	**30,000,000**	**30,000,000**	**28,186,751**	**30,000,000**	**30,000,000**	**30,000,000**
Authorised capital	**3,000,000**	**3,000,000**	**–**	3,000,000	3,000,000	–
of which, capital increases completed	**–**	**–**	**–**	–	–	–
Conditional capital	**3,900,000**	**3,900,000**	**–**	3,900,000	3,900,000	–
of which, capital increases completed	**–**	**–**	**–**	–	–	–

Share capital is fully paid in. There are no special rights related to share capital.

7.9 Share and Option Holdings of the Members of the Board of Directors, the Management Board and the Employees

	Equity shares				Options (RSUs/PSUs)			
	Number as of 31 December		Value (CHF) at 31 December		Number as of 31 December		Value (CHF) at 31 December[1]	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Members of the Board of Directors	**24,493**	19,661	**1,906,780**	1,786,202	**–**	–	**–**	–
Members of the Management Board	**19,867**	15,876	**1,546,646**	1,442,335	**16,453**	13,542	**1,259,173**	917,429
Employees	**5,056**	4,971	**393,610**	451,615	**4,757**	5,468	**304,677**	367,880
Total	**49,416**	**40,508**	**3,847,036**	**3,680,152**	**21,210**	**19,010**	**1,563,849**	**1,285,309**

1 Weighted yearly average price since grant date

Under the Executive Variable Compensation Plan (EVCP) that was set up for the senior management team in 2013, each member of the Group's senior management team received at grant a number of restricted stock units (RSUs) as part of their annual variable compensation. Vesting for the RSUs takes place in three equal tranches. The last grant of RSUs was in 2016 for the performance year 2015. For further details related to this plan, please refer to the Compensation Report in the Annual Report 2015.

In 2016, the EVCP plan was adapted and since the performance year 2016 the senior management team receives under the long-term incentive programme (LTI), which is one part of the EVCP, a part of their variable compensation in performance share units (PSUs). The PSUs vest after a three-year period depending on the achievement of performance conditions which include relative total shareholder return (TSR) and cumulative fully diluted earnings per share (EPS). The actual LTI bonus of each participant is determined in the first quarter after each performance year in a range of 75% to 125% of the target LTI bonus based on a look-back assessment in a guided discretion by the Board. The actual LTI bonus is granted in PSUs. The first grant took place in March 2017. For details regarding the plan, please refer to the Compensation Report on page 70.

7.10 Related Parties

At 31 December (CHF in thousands)	**2018**	2017
Amounts due from related companies	**185,233**	339,691
Amounts due to related companies	**12,290**	10,443

There are no off-balance items from related parties. Related-party transactions are concluded at arm's length conditions.

There are following transactions with governing bodies:

At 31 December (CHF in thousands)	**2018**	2017
Amounts due from members of governing bodies	**22**	17
Amounts due to members of governing bodies	**1,061**	429

The governing bodies conclude usual banking transactions at personnel conditions.

7.11 Holders of Significant Participations

The following parties hold participations with more than 5% of voting rights:

	2018			2017		
Significant shareholders with voting rights	**Total par value in CHF**	**Number of shares**	**Share as %**	Total par value in CHF	Number of shares	Share as %
Cembra Money Bank AG	**1,813,249**	**1,813,249**	**6.0**	1,814,170	1,814,170	6.0
UBS Fund Management	**1,623,913**	**1,623,913**	**5.4**	1,623,913	1,623,913	5.4

7.12 Own Shares

Treasury shares (number)	2018	Average transaction price (CHF)
Balance at 1 January	**1,814,170**	
Purchase	**10,000**	84.71
Share-based compensation	**– 10,921**	65.49
Balance at 31 December	**1,813,249**	

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

Non-Distributable Reserves

At 31 December (CHF in thousands)	2018	2017
Non-distributable statutory capital reserves	**–**	–
Non-distributable statutory retained earnings reserves	**15,000**	15,000
Total non-distributable reserves	**15,000**	**15,000**

The statutory retained earnings reserves and the statutory capital reserves, to the extent they do not exceed one-half of the share capital, may be used only to cover losses or for measures designed to sustain the Bank through difficult times, to prevent unemployment or to mitigate its consequences.

7.13 Holdings of the Governing Bodies and Compensation Report

Board of Directors

At 31 December		2018		2017	
Name	Function	**Number of shares**	**Number of blocked shares**	Number of shares	Number of blocked shares
Dr Felix A. Weber	Chairman	**7,250**	**3,621**	7,250	1,963
Ben Tellings	Vice Chairman	**–**	**1,157**	–	567
Prof. Dr Peter Athanas	Member	**–**	**1,328**	–	720
Urs D. Baumann	Member	**7,200**	**1,208**	7,200	655
Denis Hall	Member	**–**	**651**	–	180
Katrina Machin	Member	**–**	**991**	–	537
Dr Monica Mächler	Member	**–**	**1,087**	–	589

Management Board

At 31 December		2018			2017		
Name	Position	**Number of shares**	**Number of RSUs**	**Number of PSUs**	Number of shares	Number of RSUs	Number of PSUs
Robert Oudmayer	CEO	**9,790**	**2,138**	**5,474**	7,734	4,194	2,967
Jörg Fohringer	Managing Director B2B	**–**	**–**	**–**	n/a	n/a	n/a
Daniel Frei	Managing Director B2C	**4,053**	**584**	**1,144**	3,455	1,182	620
Volker Gloe	CRO	**3,823**	**579**	**1,087**	3,266	1,136	589
Dr Emanuel Hofacker	General Counsel	**1,919**	**486**	**996**	1,421	984	540
Niklaus Mannhart	COO	**–**	**3,038**	**–**	n/a	n/a	n/a
Pascal Perritaz	CFO	**–**	**–**	**–**	n/a	n/a	n/a
Rémy Schimmel	former CFO	**282**	**927**	**–**	–	1,042	288

For details, refer to the Compensation Report.

8. Notes to the Income Statement

8.1 Negative Interest Revenue

Negative interest on assets is recorded as a reduction of interest income. Negative interest on liabilities is recorded as a reduction of interest expense.

For the years ended 31 December (CHF in thousands)	**2018**	2017
Negative interest on assets (reduction of interest income)	**1,464**	2,863
Negative interest on liabilities (reduction of interest expense)	**381**	253

8.2 Personnel Expenses

For the years ended 31 December (CHF in thousands)	**2018**	2017
Salaries	**88,541**	81,845
of which share-based compensation and alternative forms of variable compensation	**709**	464
Social security benefits	**14,446**	14,102
Other compensation	**5,890**	2,526
Compensation and benefits	**108,877**	**98,473**

8.3 General and Administrative Expenses

For the years ended 31 December (CHF in thousands)	**2018**	2017
Office space expenses	**6,330**	6,613
Expenses from furniture and fixtures	**1,436**	1,222
Expenses for information and communication technology	**27,811**	23,142
Audit fees	**948**	837
Other operating expense	**32,554**	24,989
Total	**69,078**	**56,803**

8.4 Explanatory Notes on Extraordinary Income and Value Adjustments and Provisions no Longer Required

For the years ended 31 December (CHF in thousands)	**2018**	2017
Sale of a portfolio of loss certificates	**1,680**	–
Other income	**329**	–
Total	**2,008**	**–**

8.5 Current and Deferred Taxes

For the years ended 31 December (CHF in thousands)	**2018**	2017
Current tax expense	**42,413**	40,949
Income tax expense	**42,413**	**40,949**

The effective tax rates of the Bank for each of the two years ended 31 December were approximately 21%. There were no deferred taxes.

Report of the Statutory Auditor

To the General Meeting of Cembra Money Bank AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Cembra Money Bank AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 135 to 154) for the year ended December 31, 2018.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2018 comply with Swiss law and the company's articles of incorporation.

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

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

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

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

Key Audit Matter

As per December 31, 2018 amounts due from customers (smaller-balance, homogenous loans, including credit card receivables, personal loans as well as auto leases and loans) amount to CHF 4,359.8 million (representing 87% of total assets) and includes an allowance for losses of CHF 45.2 million.

The valuation of collective allowance for losses on amounts due from customers relies on the application of significant management judgment in determining the methodology and parameters in calculating the allowance and requires specific knowledge of developments in the Bank's amounts due from customers. The use of different modelling techniques and assumptions (e.g. current trends, conditions and macroeconomic factors) could result in significantly different estimates of allowances for losses on amounts due from customers.

In particular, the valuation of the collective allowance for losses on amounts due from customers is based on significant estimates, such as future client payment behavior, which is subject to management judgment and requires specific knowledge and competencies in determining allowances.

Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of the allowance for losses on amounts due from customers. This included controls over the calculation, approval, recording and monitoring of allowances. This also included controls over model approval, validation and approval of key data inputs and qualitative considerations for potential impairment that were not captured by management's models.

For a sample of allowances for losses on amounts due from customers calculated on a collective basis we tested the underlying models including the model approval and validation process. We also tested the reasonableness of the inputs to those models, such as delinquency and payment behavior, by comparing data and assumptions made to historical accuracy of estimates.

For a sample of amounts due from customers, and with the use of our own valuation specialists, we critically examined and challenged the assumptions and models used or we re-performed an independent assessment of the valuation allowance.

For further information on valuation of allowance for losses on amounts due from customers (financing receivables) refer to the following:

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

— Note 7.7 (Value adjustments and provisions)

KPMG

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Cataldo Castagna
Licensed Audit Expert
Auditor in Charge

Daniel Merz
Licensed Audit Expert

Zurich
March 19, 2019