



## Cembra Money Bank AG

Zurich, Switzerland

CHF 250,000,000

### Net Share Settled Senior Convertible Bonds due 2026 conferring a conversion right with reference to registered shares of Cembra Money Bank AG

(incorporated in Switzerland with limited liability)

This prospectus (the "**Prospectus**") relates to an offering (the "**Offering**" of zero coupon net share settled senior convertible bonds due 2026 (the "**Bonds**", and each a "**Bond**") of Cembra Money Bank AG, Bändliweg 20, 8048 Zurich, Switzerland (the "**Company**" or the "**Issuer**" and, together with its Subsidiaries (as defined in the Terms of the Bonds), the "**Issuer's Group**" or the "**Group**") in the aggregate principal amount of Swiss francs ("**CHF**") 250,000,000, conferring a conversion right with reference to registered shares of the Issuer with a nominal value of CHF 1.00 each as of the date hereof (the "**Shares**"). Unless defined otherwise herein, the words and expressions defined in the "**Terms of the Bonds**" below shall have the same meaning in this Prospectus.

Issuer:	Cembra Money Bank AG, Bändliweg 20, 8048 Zurich, Switzerland
Issue Price:	100.88% of the Principal Amount
Issue Size:	CHF 250,000,000
Interest Rate:	Zero coupon – The Bonds will not bear interest
Payment Date:	9 July 2019 (the " <b>Payment Date</b> ")
Maturity Date:	9 July 2026 (the " <b>Maturity Date</b> ") (7 years)
Assurances:	<i>Pari passu</i> clause, negative pledge clause, events of default provisions, and cross default clause, all as provided in the Terms of the Bonds
Issuer Rating:	Issuer is rated A- by S&P
Rating of the Bonds:	The Bonds are rated A- by S&P
Form of the Bonds:	The Bonds are issued as uncertificated securities ( <i>Wertrechte</i> ) in accordance with article 973c of the Swiss Code of Obligations and registered in the main register ( <i>Hauptregister</i> ) with SIX SIS Ltd (" <b>SIS</b> "). The Bonds constitute intermediated securities ( <i>Bucheffekten</i> ) within the meaning of the Swiss Federal Act on Intermediated Securities. Printing and physical delivery of individually certificated Bonds is excluded.
Denomination:	CHF 200,000 (" <b>Principal Amount</b> ")
Redemption Price:	100% of the Principal Amount
Reference Share Price:	CHF 94.00 being the clearing price of the placement of the treasury shares on 1 July 2019 (the " <b>Concurrent Equity Placing</b> ")
Conversion Premium:	30.00% above the Reference Share Price
Initial Conversion Price:	CHF 122.20, being the Reference Price x (1+ Conversion Premium), subject to adjustments as provided in the Terms of the Bonds
Conversion Right:	Holder of Bonds (" <b>Holders</b> ") who convert their Bonds receive Shares and/or a cash amount (for details see Condition 3 of the Terms of the Bonds)
Conversion Period:	Unless previously redeemed, the Bonds will be convertible at the option of the Holders at any time from 41 days after the Settlement Date up to and including the earlier of 40 trading days before Maturity Date or 15 trading days prior to the date fixed for early redemption
Source of Shares:	Conditional share capital and/or treasury shares of the Issuer
Lock-up Period:	90 days from Settlement Date, subject to customary exceptions
Listing and Trading:	It is expected that the Bonds will be admitted to trading and listed. The Shares are listed and traded on the SIX Swiss Exchange
Sales Restrictions:	In particular U.S.A., European Economic Area, UK and Italy
Swiss Tax Classification:	The Bonds are qualified by the Swiss Federal Tax Administration as "non-classical" according to the Circular No. 15 issued by the Swiss Federal Tax Administration on 3 October 2007 ( <i>Kreisschreiben Nr. 15</i> ). For further information, see " <i>Taxation</i> "
Risks:	See " <i>Risk Factors</i> "
Governing Law and Jurisdiction:	Swiss law, courts of the City of Zurich

	Swiss Security No.:	ISIN:	Common Code:
Bonds	48'659'822	CH0486598227	202452574
Shares	22'517'316	CH0225173167	097966788

Prospectus dated 26 August 2019

## **IMPORTANT INFORMATION**

Prospective Holders are expressly advised that an investment in the Bonds entails financial risks (including, without limitation, the risks that (a) the market price of the Shares into which the Bonds are convertible may be volatile, that (b) there is no prior market for the Bonds and no active trading market may develop, and that (c) the Bond prices may be volatile). Prospective Holders should therefore carefully review the entire content of this Prospectus. For a description of certain further risks see "Risk Factors".

The distribution of this Prospectus and the offering or sale of the Bonds in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer and the Managers to inform themselves about and to observe such restrictions.

This Prospectus may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. In making an investment decision, prospective Holders must rely on their own examination of the Issuer and the terms and conditions of the Offering, including the merits and risks involved. Prospective Holders should not construe anything in this Prospectus as legal, business or tax advice. Each prospective Holder should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Bonds under applicable laws and regulations.

Further, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

No dealer, salesman or any other person has been authorised to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. No representation or warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of their affiliates or advisors or selling agents as to the accuracy or completeness of any information contained in this Prospectus and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers or any of their affiliates or advisors or selling agents as to the past or the future.

Neither the delivery of this Prospectus nor any sale of Bonds shall under any circumstances create any implication that there has been no change in the information contained herein or in the affairs of the Issuer since the date hereof.

All references in this document to "Swiss francs" and "CHF" are to the lawful currency of Switzerland.

## SALES RESTRICTIONS

The Issuer has represented and warranted that it has not made and will not make any application for listing the Bonds on an exchange outside Switzerland.

The Offering consists of a private placement of Bonds in Switzerland and in certain jurisdictions outside of Switzerland, other than the United States or other jurisdictions where an offering would be prohibited by applicable law. The Bonds are being offered outside the United States in reliance on Regulation S, and in accordance with applicable securities laws.

No action has been or will be taken by the Issuer or the Managers that would, or is intended to, permit a public offering of the Bonds, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Bonds, in all cases at their own expense.

Each prospective Holder must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Bonds or possesses or distributes this Prospectus and must obtain any consent, approval or permission required for the purchase, offer or sale by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Issuer nor the Managers shall have any responsibility therefor.

### United States

Each Manager represented, warranted and agreed that:

- a) it understands that the Bonds to be issued and the Shares to be delivered upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except (as to the Bonds) in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.
- b) it has offered and sold the Bonds and agrees that it will offer and sell the Bonds only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any form of "directed selling efforts" (as defined in Regulation S) with respect to the Bonds.
- c) it has not entered and will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds and the Shares to be issued upon conversion of the Bonds, except with its affiliates or with the prior written consent of the Issuer.

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

### United Kingdom

Each Manager 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 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 Bonds in circumstances in which section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer.

## **European Economic Area**

The Managers represented, warranted and agreed that in relation to each Relevant Member State of the European Economic Area, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State they have not made and will not make an offer of Bonds to the public in that Relevant Member State, other than:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Issuer; or
- (iii) in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Issuer or the Managers to publish a prospectus pursuant to article 3 of the Prospectus Directive or to supplement a prospectus pursuant to article 16 of the Prospectus Directive.

## **Other Jurisdictions**

Applicable laws may restrict the distribution of this Prospectus in certain other jurisdictions. No action has been taken by the Issuer that would permit any offer of the Bonds or possession or distribution of this Prospectus or any other publicity material or documentation regarding the Bonds or the Shares in any jurisdiction where action for that purpose is required. Persons into whose possession this Prospectus or such other publicity material or documentation comes must inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such jurisdiction.

## FORWARD-LOOKING STATEMENTS

This Prospectus 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 Prospectus. 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 Prospectus, 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 the SIX Swiss Exchange, the Issuer 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 Prospectus has been prepared by the Issuer for the purpose of making offers and sales of Bonds outside the United States to non-U.S. persons in reliance on Regulation S. Each investor will be deemed to have represented and agreed that such investor understands that the Bonds and the Shares 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 Prospectus shall be read and construed on the basis that the annexes hereto are deemed to be incorporated in, and to form part of this Prospectus.

The financial institutions involved in the issuance and offering of the Bonds are banks, which directly or indirectly have participated, or may participate, in financing transactions or other banking business with the Issuer, which are not disclosed herein.

Investors are advised to familiarise themselves with the entire content of this Prospectus.

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## 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 Prospectus, including, in particular, the specific risk factors set out below, before making an investment decision with respect to the 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 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 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 Prospectus 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 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 Bonds and the Shares**

*The specific risks of investing in the Bonds can only be assessed on the basis of a thorough and detailed assessment and analysis of the Terms of the Bonds and the individual situation of the prospective Holder. To understand the risks associated with an investment in the Bonds, each prospective Holder has to thoroughly and in detail assess and analyse the Terms of the Bonds and the implications the various features of the Bonds have for the prospective Holder in its individual situation. For example, among other features, the Terms of the Bonds provide that the Bonds are redeemable prior to their scheduled maturity at the Issuer's option in certain circumstances.*

### **An investment in the Bonds carries risks and investors may lose the funds invested in the Bonds**

An investment in the Bonds carries, *inter alia*, the risks outlined in this Prospectus. The investors therefore may lose the funds invested in the Bonds. Each investor should consult with its own advisors as to the legal, tax, business, financial and related aspects of the purchase of the Bonds. In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Prospectus, including the merits and risks involved.

### **The Issuer can incur additional debt**

Although the Terms of the Bonds impose certain restrictions on the amount of indebtedness that the Issuer can create, there is no guarantee that the Issuer will not create, incur, assume or guarantee additional indebtedness and that such debt may not be privileged, either by virtue of securities granted by the Issuer or by way of structural subordination of the Bonds.

### **No prior market for the Bonds**

Prior to this Offering, there has been no public market for the Bonds. Application for the listing and trading of the Bonds according to the Standard for Bonds on the SIX Swiss Exchange will be made. The Issuer cannot be certain that an active and liquid trading market for the Bonds will develop or be sustained or that the market price of the Bonds will not decline. Even if such trading market will develop, it may not provide enough liquidity to allow a Holder to trade or sell the Bonds easily, or the Bonds may trade at unfavorable prices. Such trading market may also fail to continue throughout the term of the Bonds. Neither the Issuer nor any of Managers is under an obligation to provide a bid or offer price for the Bonds. Therefore, Holders may not be able to sell the Bonds easily at prices reasonably acceptable to them, or at all, and potential investors should only invest in the Bonds if they can hold them until their Maturity Date.

The liquidity of any market will depend upon the number of Holders, the market for similar securities, the interest of securities dealers in making a market in the Bonds and other factors.

### **Volatility of the market price of the Bonds and/or the Shares**

The market price of the Bonds and/or the Shares into which the Bonds are convertible may be subject to substantial fluctuations. The market price of the Bonds and/or the Shares has experienced volatility in the past, and may continue to fluctuate substantially, depending upon many factors, including, but not limited to:

- market expectation concerning the Group's performance or financial condition;
- fluctuations in the Group's financial position or operating results;
- fluctuations of interest rates in general;
- general market and economic conditions;
- a downgrade or potential downgrade of the Issuer's unofficial credit ratings by banks' fixed income research departments;
- announcements by the Group and developments affecting the Group, its business, customers and suppliers and the markets in which the Group competes;
- changes in Group management and/or the Board of Directors;
- price and volume of the markets where the Shares are traded;
- investor perception of the success and impact of the Offering;

- the conversion of Bonds into Shares;
- future offerings of equity securities or conversion rights into equity securities of the Group; and/or
- the factors listed herein under “Risks Related to the Company, to the Group and to the Industry”.

As a result of these or other factors, the Bonds and/or the Shares may trade at prices significantly below their market price at the commencement of the Offering.

In addition, security markets in general have from time to time experienced significant price and volume fluctuations. Such fluctuations, as well as the economic situation of the financial markets as a whole, can have a substantial negative effect on the market price of the Shares and/or of the Bonds, regardless of the operating results or the financial position of the Group. Developments in, and changes to recommendations by securities analysts regarding the Group’s industry segments may also influence and introduce volatility to the price of the Bonds and/or the Shares in the market. Any such market fluctuations may adversely affect the trading price of the Shares. No assurance can be given that the public trading market price of the Bonds and/or the Shares will reach or exceed the Conversion Price.

**The Issuer may be unable to redeem the Bonds**

Upon maturity of the Bonds, in the event of a delisting of the Shares or in other situations, the Holders may require the Issuer to redeem all of the outstanding Bonds (see Conditions 5 and 7 of the Terms of the Bonds). If such an event were to occur, or at maturity of the Bonds, no assurance can be given that the Issuer will have sufficient funds or would be able to arrange financing to pay the redemption amount for all Bonds that are to be redeemed. The Issuer's ability to redeem the Bonds in such event may be limited by law or the terms of other debt instruments. Also, the Issuer may be required to refinance its debt in order to make such payments.

**The Holders’ anti-dilution protection is limited and upon conversion of the Bonds, the shareholders may be diluted through further issuances of equity securities or securities that are convertible into equity**

The Conversion Price at which the Bonds may be converted into a combination of cash and Shares in accordance with the Terms of the Bonds will be adjusted only in the situations and to the extent provided in the Terms of the Bonds. There is no requirement that there must be an adjustment for every corporate or other event that may affect the value of the Conversion Rights (as defined in the Terms of the Bonds). Events in respect of which no adjustment must be made may adversely affect the value of the Conversion Rights and the Bonds.

Upon conversion of the Bonds, investors holding Shares may be diluted if the Issuer raises additional capital through the issuance of equity or other securities that are convertible into equity of the Issuer.

**The Holders have no shareholder rights prior to exercising their conversion rights**

An investor in the Bonds will not automatically be a shareholder of the Issuer. No Holder (in his capacity as such) will have any right to participate in the shareholders’ meeting, any voting rights, rights to receive dividends or other distributions or any other rights with respect to the Shares until such time, if any, when he receives Shares upon exercising his Conversion Rights and becomes a shareholder of the Issuer. The Bonds confer a Conversion Right into Shares, but only pursuant to the Terms of the Bonds. In addition, expenses, taxes as well as stamp, issue, registration, documentary, transfer and other duties may be due by the Holders upon the conversion of a Bond.

**Future sales of a substantial number of Shares could negatively affect the market price of the Shares and the Bonds**

The Issuer has, subject to certain exceptions, agreed that, without the prior written consent of Managers, it will not, during the period commencing on 1 July 2019 and ending on the date which is 90 calendar days after the Payment Date, sell Shares and it will refrain from certain other transactions in the Shares or related to the Shares. After expiration of the lock-up period, the Issuer may sell their Shares in the public market. Future sales of a substantial number of Shares following the expiry of the lock-up period could negatively affect the market price of the Shares and, consequently, the market price of the Bonds. No assurance can be given that the public trading market price of the Shares will reach or exceed the Conversion Price.

Future sales, or the possibility or perceived possibility of sales, of substantial numbers of Shares by current shareholders could have an adverse effect on the market trading price of Shares.

**Change of law**

The Terms of the Bonds and this Prospectus are based on Swiss law (including tax law) in effect as at the date of this Prospectus and the description of the effects thereof. 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 Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Bonds.

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

The Bonds are rated A- by S&P. Holders face the risk that the ratings may not reflect the potential impact of all risks associated with the Issuer's structure, the market in which the Issuer operates and any additional risk factors which may affect the value of the 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 Bonds.

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

Certain statutory provisions of Swiss law may apply to the 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. In addition, the Issuer and the Holder 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.

**The risk of failing to deal with any potential conflicts of interest could adversely affect the value of the Bonds**

The Issuer, any of its affiliates or the Managers may participate in transactions related to the Bonds in some way, for their own account or for account of a client. Such transactions may not serve to benefit the investors and may have a positive or negative effect on the value of the Bonds. Furthermore, companies affiliated with the Issuer may become counterparties in hedging transactions relating to obligations of the Issuer stemming from the Bonds. As a result, conflicts of interest can arise between companies affiliated with the Issuer, as well as between these companies and Investors, in relation to obligations regarding the calculation of the price of the Bonds and other associated determinations.

The Issuer, any of its affiliates or the Managers may receive non-public information relating to the Bonds, and neither the Issuer, any of its affiliates nor any of the Managers undertake to make this information available to prospective investors and/or Holders. Such activities could present conflicts of interest and may affect the value of the Bonds.

### **Risk-hedging transactions**

The ability to eliminate or to restrict the risks of the 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 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 Bond. If the inflation rate is equal to or higher than the nominal yield, the real yield is zero or even negative.

### **Holders may be exposed to exchange rate risks.**

The settlement currency of the Bonds may not be the currency of the home jurisdiction of an investor. In this case, such Holder will be exposed to an exchange rate risk between the settlement currency and the Holder's home currency. Exchange rate fluctuations between a Holder's home currency and the settlement currency may adversely affect Holders who intend to convert proceeds from the sale of the Bonds into their home currency. As a result, such Holders may lose some or all of their initial investment.

### **Further factors influencing the value of the Bonds**

The value of a 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 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 Bonds.

The market value of the 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 Bonds or may only be able to sell the 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 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 Tier 1 bonds in the aggregate amount of CHF 150 million. 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 Bonds 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 has applied 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 OFFERING AND THE BONDS

### Authorisation

By way of board of directors' resolution, the board of directors of the Issuer (the "**Board of Directors**") authorised on 26 June 2019 the issue of CHF 250 million Bonds due 2026. Holders who convert their Bonds will receive Shares and/or a cash amount pursuant to the Terms of the Bonds.

### Subscription and Sale

The Issuer entered into a bond purchase agreement with Deutsche Bank Aktiengesellschaft, Credit Suisse AG and Zürcher Kantonalbank on 1 July 2019 which was supplemented by a pricing supplement on 2 July 2019 (the "**Bond Purchase Agreement**") and into a paying and conversion agency agreement with Credit Suisse AG on 9 July 2019 related to the Bonds.

Pursuant to the terms and conditions of the Bond Purchase Agreement, each Manager severally and not jointly has agreed to purchase and the Issuer has agreed to sell to the Managers Bonds in the aggregate Principal Amount of CHF 250 million, divided between them as follows:

<i>Manager</i>	<i>Principal Amount in CHF mn</i>	<i>Percentage of aggregate Principal Amount</i>	<i>Number of Bonds</i>	<i>Corresponding to voting rights upon conversion*</i>
Deutsche Bank Aktiengesellschaft, Frankfurt, Deutschland	125	50%	625	3.41
Credit Suisse AG, Zurich, Switzerland	70	28%	350	1.91
Zürcher Kantonalbank, Zurich, Switzerland	55	22%	275	1.50
Total	250	100%	1,250	6.82%

\* Based on an offer size of CHF 250 million and a Conversion Ratio (as defined in the Terms of the Bonds) of 1,636.6612 and based on the Issuer's share capital of 30,000,000 Shares recorded in the Commercial Register of the Canton of Zurich on the date of this Prospectus.

The Bond Purchase Agreement provided for the undertaking of each Manager to offer the Bonds to prospective investors in a private offering in Switzerland and in private placements in certain jurisdictions outside of Switzerland, other than the United States or other jurisdictions where an offering would be prohibited by applicable law.

The Bond Purchase Agreement provided that all of the Managers' obligations were subject to certain conditions precedent. The Bond Purchase Agreement also would have entitled the Managers to terminate the Bond Purchase Agreement in certain circumstances prior to the Payment Date. As it is more fully set out in the Bond Purchase Agreement, the Issuer has agreed to pay the Managers certain commissions and certain costs and expenses incurred in connection with the Offering and to indemnify the Managers for, *inter alia*, losses as a result of breaches of certain representations and undertakings made in connection with the Offering.

### Lock-up

The Issuer agreed that during the period commencing on 1 July 2019 and ending 90 days after the Payment Date, the Issuer will not (i) issue, offer, sell, contract to sell, sell any option or contract to purchase, purchase



any option or contract to sell, grant any option, right or warrant to purchase, pledge, or otherwise transfer or dispose of (or publicly announce any such issuance, offer, sale or disposal), directly or indirectly, any shares or any securities convertible into or exchangeable or exercisable for shares or warrants or other rights to purchase any Shares (except a) for the issuance by the Issuer of Shares or entitlements in respect of shares to employees of the Issuer's Group, or b) in connection with the Concurrent Equity Placing or as previously publicly announced), or (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described in section (i) or (ii) above is to be settled by delivery of Shares or other securities of the Issuer, in cash or otherwise, without the prior written consent of the Managers.

### **Use of net proceeds**

The net proceeds of the Offering, being the amount of CHF 250,200,000 (the "**Net Proceeds**"), will be used by the Issuer for the refinancing of a bridge facility in the context of the Acquisition.

### **Listing agent**

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

### **Paying and Conversion Agent**

Credit Suisse AG is acting as paying and conversion agent for the Bonds.

### **Foreign Investment and Exchange Control Regulations in Switzerland**

Other than in connection with government sanctions imposed on certain persons and organisations from the Republic of Iraq, the Islamic Republic of Iran, the Central African Republic, Lebanon, Libya, Sudan, the Democratic Republic of Congo, Myanmar (Burma), Somalia, Syria, Guinea, Guinea-Bissau, Zimbabwe, Belarus, the Democratic People's Republic of Korea (North Korea), Yemen, Burundi, the Republic of South Sudan, the Republic of Mali, Venezuela, persons and organisations with connections to Osama bin Laden, the "Al-Qaeda" group or the Taliban and certain persons in connection with the assassination of Rafik Hariri as well as measures to prevent the circumvention of international sanctions in connection with the situation in Ukraine, there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of the Shares.

### **Documents available**

Copies of this Prospectus are available free of charge from Deutsche Bank Aktiengesellschaft, Frankfurt, Germany, (e-mail: [syndicate\\_LDN@list.db.com](mailto:syndicate_LDN@list.db.com)), Credit Suisse AG, Zurich, Switzerland (e-mail: [newissues.fixedincome@credit-suisse.com](mailto:newissues.fixedincome@credit-suisse.com)), Zürcher Kantonalbank, Zurich, Switzerland (e-mail: [prospectus@zkb.ch](mailto:prospectus@zkb.ch)) and Cembra Money Bank AG, Zurich, Switzerland (e-mail: [treasury@cembra.ch](mailto:treasury@cembra.ch)).

Copies of the Issuer's articles of incorporation dated 17 April 2019 (the "**Articles of Incorporation**"), annual reports, financial statements and information on the historical price of the Shares can be downloaded from the Issuer's website <https://www.cembra.ch>, section "Investor Relations") free of charge. The contents of the Issuer's website are not incorporated by reference into this Prospectus, and investors should not rely on it in making their decision to invest in Bonds.

### **Concurrent Equity Placing**

On 1 July 2019, the Issuer sold 1.2 million Shares owned by it by way of a private placement in an accelerated bookbuilding for a price of CHF 94.00 per Share.

## INFORMATION ABOUT THE SHARES

### Share Category

The Shares are fully paid-up registered shares of the Issuer with a nominal value of currently CHF 1.00 each. Subject to the transfer restrictions (see "*Transfer Restrictions*"), each Share carries one vote in the Issuer's meetings of shareholder. The Shares rank *pari passu* in all respects with each other, including with respect to dividends, to a share in the liquidation proceeds in case of a liquidation of the Issuer, and to subscription rights (*Bezugsrechte*).

### Transfer Restrictions

Only holders of Shares who have been registered in the Issuer's share register will be recognised by the Issuer as shareholders for the purpose of the exercise of any shareholder rights. Registration in the share register will be made upon request, if the acquirer declares to have acquired the Shares in its own name and for its own account. If a person does not expressly state in the application for registration that the Shares have not been acquired for his/her own account, he/she may be registered as shareholder with voting rights with respect to shares representing a maximum of 3% of the total outstanding share capital. In excess of this limit, registered shares held by such a person will only be entered into the share register with voting rights if such person declares in writing that he/she is prepared to disclose the name, address and shareholding of any person for whose account he/she is holding 0.5% or more of the total outstanding share capital.

### Listing

The Shares are listed in accordance with the International Reporting Standard and traded on the SIX Swiss Exchange under the symbol "CMBN".

### Share Price (on SIX Swiss Exchange)



Source: Bloomberg

Further information is available on the website of the SIX Swiss Exchange ([www.six-swiss-exchange.com](http://www.six-swiss-exchange.com)), section "Market Data", subsection "Shares", subsection "Quotes" and on the Issuer's website ([www.cembra.ch](http://www.cembra.ch)), section "Investor & Media Relations", subsection "Share information", subsection "Share price".

## **Dividends**

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

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

## 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), Räfelstrasse 28, 8045 Zurich, Switzerland.

## Capital

The registered share capital of the Issuer amounts as of the date of this Prospectus 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:

*"<sup>1</sup> 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.*

*<sup>2</sup> 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.*

*<sup>3</sup> 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.*

*<sup>4</sup> 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:

*"<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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:

<sup>1</sup> 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.

<sup>2</sup> 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 Prospectus, the Issuer does not have any option rights outstanding.

At the date of this Prospectus, 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	Floating	2018/2020
CH0419042475	Senior unsecured	CHF	125mn	0.875%	2018/2026
CH0485252784	AT1 Bonds	CHF	150mn	2.5%	2019/-
CH0495259035	Floating Rate Note	CHF	50mn	Floating	2019/2021
CH0419041345	Senior unsecured	CHF	250mn	0%	2019/2023
CH0419041352	Senior unsecured	CHF	175mn	0.285%	2019/2027

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 15 August 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 15 August 2019. The information is based on the information provided by the respective shareholders to SIX Swiss Exchange and the Company.

<i>Shareholder</i>	<i>% of voting rights (purchase position)</i>	<i>% of voting rights (sale position)</i>
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 15 August 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>.

### **Rating**

The Issuer is rated A- by S&P.

The Bonds are rated A- 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 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](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 its 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 Prospectus, 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 Prospectus, no significant developments occurred in the operations and net financial liabilities of the Issuer since 31 December 2018 to and including 25 August 2019.

### **No material changes**

Except as disclosed in this Prospectus, there has been no material change in the assets and liabilities, financial positions or profits and losses of the Issuer since 30 June 2019.

## **RESPONSIBILITY STATEMENT**

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

26 August 2019

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Cembra Money Bank AG

## TERMS OF THE BONDS

The terms and conditions (each a "**Condition**", and together the "**Terms of the Bonds**") of the senior unsecured convertible bonds due 2026 (the "**Bonds**", and each a "**Bond**"), conferring a conversion right with reference to registered shares with the then applicable nominal value of Cembra Money Bank AG, Bändliweg 20, 8048 Zurich, Switzerland (the "**Issuer**"), in the aggregate principal amount of Swiss francs ("**CHF**") 250 million, are established pursuant to a Bond Purchase Agreement (the "**Agreement**") among the Issuer on the first part, and Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland ("**CS**"), Deutsche Bank Aktiengesellschaft, Mainzer Landstrasse 11-17, 60329 Frankfurt am Main, Germany ("**DB**") and Zürcher Kantonalbank, Bahnhofstrasse 9, 8001 Zurich, Switzerland ("**ZKB**"), on the second part.

The Terms of the Bonds govern the rights and obligations of the Issuer and of each holder of Bonds (a "**Holder**", collectively the "**Holders**") in relation to the Bonds and are as follows (defined terms used herein have the meaning ascribed to them in Condition 17):

### 1 Denomination, Form and Delivery of the Bonds

- a) The aggregate principal amount of the Bonds of CHF 250 million (two hundred fifty million Swiss Francs) is divided into Bonds with denominations of CHF 200,000 (two hundred thousand Swiss Francs) each (the "**Principal Amount**").
- b) The Bonds and all rights in connection therewith are issued in uncertificated form in accordance with article 973c of the Swiss Code of Obligations of 30 March 1911, as amended (*Obligationenrecht*, the "**CO**") as uncertificated securities (*Wertrechte*) that will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtbuch*). Such uncertificated securities (*Wertrechte*) will then be entered into the main register (*Hauptregister*) of SIX SIS Ltd ("**SIS**") or any other intermediary in Switzerland recognised for such purposes by the Relevant Exchange (SIS or any such other intermediary, the "**Intermediary**"). Once the uncertificated securities (*Wertrechte*) are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Bonds will constitute intermediated securities (*Bucheffekten*) (the "**Intermediated Securities**") in accordance with the provisions of the Swiss Intermediated Securities Act of 3 October 2008, as amended (*Bucheffektengesetz*, the "**FISA**").
- c) So long as the Bonds are in the form of Intermediated Securities, the Bonds may only be transferred by entry of the transferred Bonds in a securities account (*Effektenkonto*) of the transferee.
- d) The records of the Intermediary will determine the number of Bonds held through each participant of the Intermediary. In respect of Bonds held in the form of Intermediated Securities, the Holders will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their own name or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries holding the Bonds for their own account in a securities account which is in their name.
- e) The conversion of the uncertificated securities (*Wertrechte*) into a permanent global certificate (*Globalurkunde auf Dauer*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Holders nor CS as principal paying and conversion agent (the "**Paying and Conversion Agent**") nor any third 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 auf Dauer*) or individually certificated securities (*Wertpapiere*).

## 2 Interest

The Bonds do not bear interest (zero coupon).

## 3 Conversion

### a) Conversion Right, Conversion Ratio and Conversion Price

- i) Each Bond in the Principal Amount of CHF 200,000 (two hundred thousand Swiss Francs) is convertible on any Business Day during the Conversion Period at the Conversion Ratio.
- ii) Subject to para. iii) below, Holders who convert their Bonds will receive:
  - if the Conversion Value is lower than or equal to the aggregate Principal Amount of the Bonds converted by the same Holder at any one time, the Cash Conversion Amount; or
  - if the Conversion Value is greater than the aggregate Principal Amount of the Bonds converted by the same Holder at any one time:
    - a) the Cash Conversion Amount; and
    - b) the Net Shares.

**"Conversion Value"** means the product (rounded to the nearest whole multiple of CHF 0.01, with 0.005 being rounded upwards) of the Average Share Price and the Conversion Ratio.

**"Conversion Ratio"** means the ratio determined by dividing the Principal Amount by the Conversion Price in effect on the relevant Conversion Date. The Conversion Ratio shall be calculated to five decimal places, provided that if more than one Bond is converted at any one time by the same Holder, the Conversion Ratio will be determined by dividing the aggregate Principal Amount of the Bonds converted by the same Holder at any one time by the Conversion Price prevailing at the Conversion Date, such Conversion Ratio to be calculated to five decimal places.

**"Average Share Price"** means the arithmetic mean of the VWAPs of one Share on the Relevant Exchange with respect to each Trading Day in the Settlement Calculation Period, provided that if on any such Trading Day:

- (A) any Dividend (other than an Extraordinary Dividend) in respect of the Shares has been announced, whether on or prior to or after the relevant Conversion Date in circumstances where the Record Date or other due date for the establishment of entitlement in respect of such Dividend is on or after the relevant Conversion Date and if on any Trading Day in the Settlement Calculation Period the VWAP on such Trading Day determined as provided above is based on a price ex-such Dividend, then such VWAP on such Trading Day shall be increased by an amount equal to the corresponding value of any such Dividend per Share as at the Ex Date in respect of such Dividend (or, if that is not

a Trading Day, the immediately preceding Trading Day), determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit,

- (B) the Share is quoted ex-any Extraordinary Dividend or other entitlement in respect of which (i) an adjustment to the Conversion Price is required (or would be required assuming for this purpose that Conversion Rights were exercisable on such day) pursuant to Condition 6 and (ii) the Conversion Price in effect on the Conversion Date has not been adjusted in respect thereof, the VWAP on such Trading Day shall be divided by the adjustment factor (determined in accordance with Condition 6) applied (or which would have been applied) to the Conversion Price, and
- (C) the Share is quoted cum-any Extraordinary Dividend or other entitlement in respect of which an adjustment to the Conversion Price pursuant to Condition 6 is in effect on the Conversion Date, the VWAP on such Trading Day shall be multiplied by the adjustment factor (determined in accordance with Condition 6) applied to the Conversion Price,

all as determined by the Paying and Conversion Agent.

**"VWAP"** means with respect to any Trading Day, the volume-weighted average price of one Share (or one Put Option, Distribution or Purchase Right, as the case may be) on the Relevant Exchange in respect thereof as published by (i) Bloomberg Page HP (setting "Weighted Average Line") (or any successor page or setting) in respect of such Share (and for the Relevant Exchange) and such Trading Day (such page being, as at the Payment Date, CMBN SW Equity HP) or, (ii) if such volume-weighted average price is not capable of being determined as provided above, such other source (if any) as shall be determined to be appropriate by the Common Expert in respect of such Trading Day, provided that in respect of any Trading Day for which such price cannot be determined as provided above, the VWAP of a Share (or Put Option, Distribution or Purchase Right) shall be (A) the volume-weighted average price, determined as provided above, in respect of the immediately preceding Trading Day for which the same can be so determined or (B) if such immediately preceding Trading Day as aforesaid falls earlier than the 5<sup>th</sup> day prior to the original date in respect of which the VWAP was required to be determined, such price as is determined to be appropriate by the Common Expert.

**"Settlement Calculation Period"** means the thirty (30) consecutive Trading Days beginning on (and including) the third Trading Day following the Election Date.

**"Cash Conversion Amount"** means:

- if the Conversion Value is lower than or equal to the aggregate Principal Amount of the Bonds converted by the same Holder at any one time, an amount (rounded to the nearest whole multiple of CHF 0.01, with 0.005 being rounded upwards) equal to the Conversion Value; or



- if the Conversion Value is higher than the aggregate Principal Amount of the Bonds converted by the same Holder at any one time, an amount equal to the aggregate Principal Amount of the Bonds converted by the same Holder at any one time.

"**Net Shares**" means a number of Shares to be determined by dividing (y) the balance of the Conversion Value minus the aggregate Principal Amount of the Bonds converted by the same Holder at any one time by (z) the Average Share Price, such number of Shares to be calculated to five decimal places.

- iii) Upon conversion of one or more Bonds by a Holder in the manner specified in Condition 3(b)(i) below, the Issuer may make an election (the "**Cash Settlement Election**") by giving notice (the "**Cash Settlement Election Notice**") to the Paying and Conversion Agent by not later than the date falling four (4) Business Days following the relevant Conversion Date (the "**Election Date**"). If the Issuer makes a Cash Settlement Election, a Holder who converts its Bonds as of such Conversion Date will receive the Cash Settlement Amount.

"**Cash Settlement Amount**" means a cash amount equal to the Conversion Value.

- iv) Fractions of Shares will not be delivered on conversion. Instead, in case of any delivery of Net Shares, a cash payment in CHF equal to the product of the relevant fraction of Net Shares and the Average Share Price will be made in respect thereof (the "**Cash Payment for Fractions**"), except where any individual entitlement would be less than CHF 10.00 (ten), in which case no such payment shall be made.
- v) A Conversion Right may not be exercised following the giving of a default notice by the Holder Representative pursuant to Condition 9 nor in respect of a Bond which has been redeemed pursuant to Conditions 5, 7 or 9.
- vi) Where a Conversion Right is exercised during a Change of Control Period, the provisions in Condition 7 shall apply.

b) Conversion Procedures

i) Conversion Notices

To exercise the right to convert all or any of its Bonds pursuant to this Condition 3, a Holder must deposit with the Paying and Conversion Agent at its own expense during the Conversion Period a duly completed notice of conversion (the "**Conversion Notice**") in a form satisfactory to the Paying and Conversion Agent together with clearing instructions in a form satisfactory to the Paying and Conversion Agent allowing for the transfer of the relevant Bond(s) through the Intermediary to the Paying and Conversion Agent at the Specified Office. By depositing the Conversion Notice, the Holder authorizes the Paying and Conversion Agent to make, in its name and on its behalf, any such declarations to the Issuer as may be required or advisable under applicable law for the purpose of the determination of the number and creation and delivery of the Shares (if any) to be delivered to the Holder pursuant to these Terms of the Bonds upon conversion of its Bonds.

By depositing the Conversion Notice, a Holder is also deemed to represent and warrant that (x) it understands that the Shares to be delivered upon conversion of the Bonds, if any, have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and (y) it is not a U.S. person (as defined in Regulation S under the Securities Act ("**Regulation S**")) and is located outside the United States within the meaning of Regulation S, is acquiring the Shares to be delivered upon conversion of the Bonds in an offshore transaction (as defined in Regulation S) in accordance with Rule 903 or 904 of Regulation S and understands that the Shares may not be delivered within the United States upon conversion of the Bonds and may not be resold in the United States except pursuant to an exemption from the registration requirements of the Securities Act.

A Conversion Notice, once duly completed and deposited as aforesaid, shall be irrevocable. Each Bond duly presented and/or transferred for conversion shall be cancelled in its entirety by the Paying and Conversion Agent and, upon (i) the delivery of the Net Shares and/or the payment of the Cash Conversion Amount, as well as the Cash Payment for Fractions, if any, or (ii) in case of a Cash Settlement Election, the payment of the Cash Settlement Amount shall be considered redeemed.

The Conversion Right can be exercised only in respect of the whole of the Principal Amount of a Bond.

A Conversion Notice shall be deemed to be presented on a Business Day if received in a form satisfactory to the Paying and Conversion Agent before 4.00 p.m. CET/CEST on that Business Day at the Specified Office. Any Conversion Notice presented after 4.00 p.m. CET/CEST will be deemed to have been received on the next following Business Day.

The conversion date in respect of a Bond (the "**Conversion Date**") shall be the date on which a Conversion Notice has been received or is deemed to have been received in accordance with this Condition 3(b)(i).

ii) Cash Settlement Election Notice

The receipt of a Cash Settlement Election Notice pursuant to Condition 3(a)(iii) by the Paying and Conversion Agent shall be communicated to the Holder which has submitted the respective Conversion Notice.

If the Issuer does not give a Cash Settlement Election Notice on or before the Election Date, the Issuer shall satisfy its obligations pursuant to Condition 3(a)(ii) by delivering the Net Shares and/or the Cash Conversion Amount for all Bonds converted as of such Conversion Date.

iii) Delivery of Shares and Payment of Cash Amounts

The Shares to be delivered upon conversion of Bonds in accordance with this Condition 3, if any, will be, at the sole discretion of the Issuer, either (A) Shares to be issued from the conditional capital of the Issuer or (B) Shares otherwise held or acquired by the Issuer, in each case, with the same entitlements as the other outstanding Shares, except that the Shares so delivered will not be entitled to any dividend or other distribution declared, paid or made by reference to a Record Date prior to the relevant Settlement Date and except that the

voting rights may not be exercised unless the person designated in the Conversion Notice as recipient of the Shares is registered as the holder of the Shares in the Issuer's share register.

The number of Shares to be delivered, if any, and all cash amounts due pursuant to Condition 3(a) upon conversion of Bonds will be determined by the Paying and Conversion Agent promptly after the end of the relevant Settlement Calculation Period. The Issuer will (x) effect or procure the delivery of the Shares, if any, and (y) make payment to the relevant Holder of any cash amount due pursuant to Condition 3(a) on a Business Day (the "**Settlement Date**") falling no later than the tenth (10<sup>th</sup>) Business Day after the last day of the Settlement Calculation Period (or if the Conversion Value is not capable of being determined in accordance with these Terms of the Bonds at the latest on the 3<sup>rd</sup> Business Day prior to such 10<sup>th</sup> Business Day as aforesaid, as soon as practicable following the first date on which such determination can be made), in each case through the Intermediary in accordance with directions given by the relevant Holder in the relevant Conversion Notice.

At the time of the delivery of Shares, the then valid share registration rules of the Issuer will apply; the Issuer does not offer any assurance or guarantee that the exercising Holder will be accepted as a shareholder with voting rights in its share register.

iv) Taxes and other Costs

Any Swiss Federal Stamp Duty, if due, as well as the fee of the Relevant Exchange, if any, payable upon the delivery in Switzerland of Shares to the Holder upon the conversion of Bonds will be paid or reimbursed by the Issuer. The Issuer will, however, not pay (a) any tax payable in connection with any subsequent sale or transfer of Shares by the respective Holder, or (b) any tax or other cost payable in connection with the sale, transfer or delivery of Share(s) in or to a country other than Switzerland. The applicable Swiss withholding tax on any accretion of the Initial Bond Floor will be charged to the Holders.

#### 4 Payments

The amounts required for the payment of the Principal Amount, the Cash Conversion Amount, the Cash Settlement Amount and any other payments in cash to be made under these Terms of the Bonds (after deduction of the Withholding Tax, if applicable) will be made available in good time in freely disposable CHF, which will be placed at the free disposal of the Paying and Conversion Agent in Switzerland. 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 Holders will not be entitled to any additional sum in relation thereto.

Swiss withholding tax (of presently 35%, the "**Withholding Tax**") will be applicable, upon the conversion, early redemption or redemption of the Bonds (but not on the sale of the Bonds) on the difference between the respective bond floor (calculated for income tax purposes) at the time of conversion, early redemption or redemption and the bond floor at issuance calculated for tax purposes (the "**Initial Bond Floor**", initially 99.20% of the nominal value of the Bonds). The Withholding Tax will be deducted from the payment of early redemption or redemption amount of the Bonds, or in case of conversion, from the Cash Conversion Amount or the Cash Settlement Amount.

Upon receipt of the funds in Switzerland, the Paying and Conversion 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, at the counters of the Paying and Conversion Agent in Switzerland.

The receipt by the Paying and Conversion Agent of funds in CHF in Switzerland from the Issuer shall release the Issuer from its obligations under the Bonds to the extent of the amounts received by the Paying and Conversion Agent.

## 5 Redemption and Purchase

### a) Repayment at Maturity Date

Unless previously converted, redeemed, or purchased and cancelled as provided below, the Issuer undertakes to repay the Bonds on the Maturity Date, without further notice, at the Principal Amount (such repayment of any Bond on the Maturity Date, as well as any early redemption in accordance with this Condition 5, with Condition 7 or with Condition 9, in these Terms of the Bonds being referred to as the "**Redemption**").

### b) Early Redemption at the Option of the Issuer

Subject to not less than thirty (30) nor more than sixty (60) calendar days' prior notice, the Issuer may redeem all but not only some of the Bonds outstanding at the Principal Amount:

- i) at any time after the Payment Date and prior to the Maturity Date, if less than fifteen (15) per cent of the aggregate Principal Amount of the Bonds issued pursuant to the Terms of the Bonds is outstanding at the time of the notice; or
- ii) at any time on or after 31 July 2023, if the VWAP of a Share on the Relevant Exchange on each of at least twenty (20) out of thirty (30) consecutive Trading Days ending not earlier than five (5) Trading Days prior to the date on which the relevant notice of Redemption is given has been at least 130 per cent of the Conversion Price in effect on each such Trading Day (provided that if (A) on any such Trading Day the Share is quoted ex- any dividend or other entitlement in respect of which an adjustment of the Conversion Price is required to be made in accordance with Condition 6 and (B) such adjustment is not yet in effect on such Trading Day, the VWAP of the Share on such Trading Day shall be multiplied by the Conversion Price adjustment factor determined in accordance with Condition 6 in respect of such adjustment), respectively.

### c) Early Redemption at the Option of the Holders in Case of Delisting of Shares

If the Shares are delisted from the Relevant Exchange without being listed on another Relevant Exchange, each Holder may, acting in accordance with this Condition 5(c), require the Issuer to redeem all or any of the Bonds held by such Holder at their Principal Amount on the Relevant Put Date.

As soon as practicable after becoming aware thereof and at the latest on the date the Shares are delisted from the Relevant Exchange, the Issuer shall give notice of that fact (the "**Notice of Delisting**").

To exercise its right pursuant this Condition 5(c), the Holder must deposit at its own expense a duly completed and signed notice (a "**Put Notice**") in a form satisfactory to the Paying and Conversion Agent during the period starting on the date of the Notice of Delisting and ending sixty (60) calendar days thereafter. Such notice shall be irrevocable except in the event that such Bond becomes immediately due and repayable before the Relevant Put Date.

d) Purchases

The Issuer and any of its Subsidiaries may at any time purchase Bonds at any price, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Paying and Conversion Agent for cancellation in accordance with Condition 5(e) below.

Any Bonds while held by or on behalf of the Issuer or any of its Subsidiaries shall not entitle their Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating any quorum at meetings of the Holders.

e) Cancellation

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

f) Notice

Where the provisions of this Condition 5 provide for the giving of notice by the Issuer, such notice shall be deemed to be validly given if made in accordance with Condition 10.

## 6 Adjustments to the Conversion Price

a) Events leading to adjustments to the Conversion Price

iii) *Increase of capital by means of capitalisation of reserves, profits or premiums by distribution of Shares, or division or consolidation of Shares:*

In the event of a change in the Issuer's share capital as a result of capitalisation of reserves, profits or premiums, by means of the distribution of Shares, save for a distribution of Shares as a Dividend as set out in Condition 6(a)(iv) below, and in the event of division or consolidation of Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Adjustment Date by the result of the following formula:

$$N_{\text{old}} / N_{\text{new}}$$

where:

$N_{old}$  is the number of Shares existing before the change in share capital; and

$N_{new}$  is the number of Shares existing after the change in share capital.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(a)(i) only, the "**Adjustment Date**") which is (i) the date on which such Shares are distributed or (ii) in the event of division or consolidation of Shares, the first day the Shares are traded on the new basis on the Relevant Exchange.

iv) *Issue of Shares or Other Securities by way of conferring subscription or purchase rights:*

If (a) the Issuer grants to holders of Shares any options, warrants or other rights to subscribe for or to acquire Shares, Other Securities or securities convertible or exchangeable into Shares or Other Securities, or (b) any third party with the agreement of the Issuer issues to holders of Shares any options, warrants or other rights to purchase any Shares, Other Securities or securities convertible or exchangeable into Shares or Other Securities (the rights referred to in (a) and (b) collectively and individually being the "**Purchase Rights**"), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Adjustment Date by the result of the following formula:

$$(P_{cum} - R) / P_{cum}$$

where:

$P_{cum}$  is the Current Market Price by reference to whichever is the later of (x) the date on which the Shares are first traded ex-Purchase Rights on the Relevant Exchange and (y) the Trading Day when the subscription or purchase price under the Purchase Right is announced, or, if the day the subscription or purchase price is announced is not a Trading Day, the next following Trading Day; and

$R$  is the value of such number of Purchase Rights allotted to the holder of one Share, such value to be calculated as follows:

(A) in the event the Purchase Rights relate to Shares and the consideration payable in respect thereof comprises solely cash:

$$R = P_{cum} - TERP$$

where:

$$TERP = (N_{old} \times P_{cum} + N_{new} \times (P_{rights} + Div)) / (N_{old} + N_{new}) \text{ and:}$$

$TERP$  is the theoretical ex-Purchase Rights price; and

$N_{old}$  is the number of Shares existing before the change in share capital; and

$N_{new}$  is the number of offered Shares to be newly issued; and

$P_{rights}$  is the price at which one new Share can be subscribed or purchased; and

Div is the amount (in CHF) by which the entitlement to Dividends per existing Share exceeds the entitlement to Dividends per new Share, (x) if Dividends have already been proposed to the general meeting of shareholders but not yet paid, based on the proposed amount of the Dividends, or (y) if Dividends have not yet been proposed based on the last paid Dividend, provided that the amount of any such Dividend shall be determined (A) in accordance with the provisions of Condition 6(a)(iv) no later than the Adjustment Date;

provided, however, that no such adjustment shall be made if the price at which one new Share can be subscribed or purchased is at least ninety-five (95) per cent of the Current Market Price by reference to whichever is the later of (x) the date on which the Shares are first traded ex-Purchase Rights on the Relevant Exchange and (y) the Trading Day when the subscription or purchase price under the Purchase Right is announced, or, if the day the subscription or purchase price is announced is not a Trading Day, the next following Trading Day;

(B) in the event the Purchase Rights relate to Other Securities or to securities convertible or exchangeable into Shares or Other Securities and where such Purchase Rights are traded on a regulated stock exchange in Switzerland, the European Union, the United Kingdom, the United States of America, Canada or Japan:

$$R = N_{\text{rights}} \times P_{\text{rights}}$$

where:

$N_{\text{rights}}$  is the number of Purchase Rights granted per Share; and

$P_{\text{rights}}$  is the VWAP of the Purchase Rights on the Relevant Exchange (or, if no dealing is recorded, the arithmetic mean of the bid and offered prices) during the time Purchase Rights are traded, but not longer than the first ten (10) Trading Days for the Purchase Rights.

(C) in all other cases where neither of the previous paragraphs (A) or (B) is applicable R will be determined by a Common Expert.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(a)(ii) only, the "**Adjustment Date**") which falls on:

- i) in the case of Condition 6(a)(ii)(A), on the first day on which the Shares are traded ex-Purchase Rights on the Relevant Exchange;
- ii) in the case of Condition 6(a)(ii)(B), the fifth (5<sup>th</sup>) Trading Day after (x) the end of the period during which the Purchase Rights are traded or (y) the tenth (10<sup>th</sup>) Trading Day of the Purchase Rights, whichever is sooner; and
- iii) in the case of Condition 6(a)(ii)(C), on the date determined by the Common Expert.

v) *Spin-offs and capital distributions other than Dividends:*

If, in respect of a spin-off or a capital distribution, other than Dividends as referred to in Condition 6(a)(iv) below, the Issuer shall issue or distribute to holders of Shares any assets, evidence of indebtedness of the Issuer, shares or other rights (other than as referred to in Condition 6(a)(ii) above) (the "**Distribution**"), the Conversion Price shall be adjusted as follows:

(A) In case the Distribution (other than in the circumstances the subject of paragraphs (B) or (C) below) (x) consists of securities that will be traded (within 10 Trading Days of the date on which the Shares are first traded ex-Distribution on the Relevant Exchange) on a regulated stock exchange in Switzerland, the European Union, the United Kingdom, the United States of America, Canada or Japan or (y) consists of securities that are traded (prior to the date on which the Shares are first traded ex-Distribution on the Relevant Exchange) on a regulated stock exchange in Switzerland, the European Union, the United Kingdom, the United States of America, Canada or Japan, in the case of both (x) and (y) in circumstances where "D" can be determined in accordance with the definition thereof, by multiplying the Conversion Price in force immediately prior to the Adjustment Date by the result of the following formula:

$$(P_{\text{cum}} - D) / P_{\text{cum}}$$

where:

$P_{\text{cum}}$  is the Current Market Price by reference to the date on which the Shares are first traded ex-Distribution on the Relevant Exchange; and

D is equal to (i) in case of (iii)(A)(x), the current market price of the Distribution on the Relevant Exchange, calculated on a per Share basis, as determined by the Paying and Conversion Agent, or (ii) in case of (iii)(A)(y), the current market price of the Distribution on the date by reference to which  $P_{\text{cum}}$  has been determined, calculated on a per Share basis, as determined by the Paying and Conversion Agent;

and where for purposes of this provision, the current market price (to determine "D") in case of (iii)(A)(x) shall be deemed to be the average of the VWAPs (ignoring for this purpose provisos (A) and (B) to the definition thereof) on the five (5) consecutive Trading Days for the Distribution commencing on the date on which the Shares are first traded ex-Distribution on the Relevant Exchange (or, if such date is not a Trading Day for the Distribution, the first such Trading Day following such date), and in case of (iii)(A)(y) shall be deemed to be the average of the VWAPs (ignoring for this purpose provisos (A) and (B) to the definition thereof) on the five (5) consecutive Trading Days for the Distribution ending on and including the Trading Day for the Distribution preceding the day on which the Shares are first traded ex-Distribution on the Relevant Exchange, provided that in the case of both (iii)(A)(x) and (iii)(A)(y), if:

(X) the Distribution is quoted for part of the relevant period of 5 consecutive Trading Days cum- any dividend or other entitlement and ex- such dividend or other entitlement for some other part of such period, or



(Y) the Share is quoted for part of the relevant period of 5 consecutive Trading Days cum- any dividend or other entitlement and ex- such dividend or other entitlement for some other part of such period, and the Issuer determines, in consultation with the Paying and Conversion Agent, that the VWAP of the Distribution should be adjusted as a result thereof,

then a Common Expert shall determine the appropriate adjustment (if any) to be made to any such VWAPs of the Distribution.

- (B) In all other cases (other than in the circumstances the subject of paragraph (C) below and where there is one (but not more) Distribution on a given Trading Day), by multiplying the Conversion Price in force immediately prior to the Adjustment Date by the result of the following formula:

$$P_{\text{after}} / P_{\text{before}}$$

where:

$P_{\text{after}}$  is the current market price per Share from the date on which the Shares are first traded ex-Distribution on the Relevant Exchange (the "**Distribution Date**"); and

$P_{\text{before}}$  is the current market price per Share before the Distribution Date;

whereby for purposes of this provision the current market price per Share shall be deemed to be the average of the VWAPs, (x) in the case of  $P_{\text{before}}$ , on the five (5) consecutive Trading Days before the Distribution Date, and (y) in the case of  $P_{\text{after}}$ , on the five (5) consecutive Trading Days from and including the Distribution Date, as determined by the Paying and Conversion Agent. When calculating the average of the VWAPs the gross dividend amount (or any other entitlement), if any, of any dividend (or any other entitlement) in respect of which the Shares are first traded ex- during either of the above mentioned periods of five (5) consecutive Trading Days, shall be added back to the VWAPs on each of the Trading Days on which the Shares are traded ex-dividend (or any other entitlement).

- (C) If the Issuer issues or distributes to its shareholders tradable put options as a Dividend with respect to any financial year, the Conversion Price shall be adjusted according to the formula set out in Condition 6(a)(iv).
- (D) In all other cases, the Common Expert will determine the necessary adjustment.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(a)(iii) only, the "**Adjustment Date**"), in the case of (A)(y), on the date on which the Distribution is made (or, if later, the first date on which the adjustment is capable of being determined in accordance with these Terms of the Bonds) and, in the case of (A)(x), (B) and (C), on the sixth (6<sup>th</sup>) Trading Day after the Distribution Date (or, if later, the first date on which the adjustment is capable of being determined in accordance with these Terms of the Bonds) and, in the case of (D), as determined by a Common Expert.

vi) *Dividends*

If the Issuer pays an Extraordinary Dividend, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Adjustment Date by the following fraction:

$$(P_{cum} - D) / (P_{cum} - T)$$

where:

$P_{cum}$  is the Current Market Price on the Effective Date;

D is the Extraordinary Dividend calculated on a per Share basis; and

T (i) In case no previous Dividends have been paid or made in the Relevant Year, "T" shall equal the Threshold Amount. (ii) In case previous Dividends have been paid or made in the Relevant Year, T is the amount (if any) by which the Threshold Amount in respect of the Relevant Year exceeds an amount equal to the aggregate of the cash amount of any previous Dividends paid or made in such Relevant Year, provided that T shall be zero if such previous Dividends are equal to, or exceed, the Threshold Amount in respect of such Relevant Year.

"D" in the above formula shall be calculated by reference to

- i) the gross cash amount in case of a cash dividend or a repayment of paid-in capital in cash;
- ii) an amount as calculated by the following formula in case of a stock dividend in lieu of a cash dividend:

$$CMP - (CMP \times (N_{old} / N_{new}))$$

where:

CMP is the Current Market Price by reference to the Ex-Date;

$N_{old}$  is the number of Shares existing before the change in share capital;  
and

$N_{new}$  is the number of Shares existing after the change in share capital;

- iii) an amount as calculated by the following formula in case of a distribution of tradable put options in lieu of a cash dividend (the "**Put Option**"):

$$VWAP \times (P / N)$$

where:

VWAP is the average of the daily VWAP of the Put Option on each of the five (5) consecutive Trading Days for the Put Options commencing on the Ex-Date (or, if this is not a Trading Day for the Put Options, the first such Trading Day following the Ex-Date);

P is the number of Put Options to be issued; and

N is the number of Shares existing.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(a)(iv) only, the "**Adjustment Date**") which is the Ex-Date (or, in the case of Put Options according to (iii) above, the sixth (6<sup>th</sup>) Trading Day following the Ex-Date (or, if later, the first date on which the adjustment is capable of being determined by the Paying and Conversion Agent in accordance with these Terms of the Bonds)).

b) Calculation of adjustments

- i) Each adjustment to be made pursuant to Condition 6(a) shall be calculated by the Paying and Conversion Agent and shall (in the absence of manifest error) be binding on all parties concerned. The Principal Paying and Conversion Agent shall for the purpose of the foregoing provisions only be liable for making, or not making, adjustments or taking, or not taking, any other measures in connection with these Bonds, if and to the extent that it fails to act with due care according to established market practice. The Principal Paying and Conversion Agent may engage the advice or services of any Common Expert whose advice or services it may consider necessary and rely upon any advice so obtained, and the Paying and Conversion Agent shall incur no liability as against the Issuer or the Holders in respect of any action taken, or not taken, or suffered to be taken, or not taken, in accordance with such advice and in exercising due care according to established market practice.
- ii) If in case of any adjustment the resulting Conversion Price is not an integral multiple of CHF 0.01 (one hundredth of a Swiss franc), it shall be rounded to the nearest whole or multiple of CHF 0.01 (one hundredth of a Swiss franc) with 0.005 being rounded upwards.
- iii) The Issuer will procure that a notice is published in the manner described in Condition 10 as soon as practicable after either the date on which any adjustment to the Conversion Price becomes effective or, if no adjustment is required, the date on which it is possible to determine that such is the case.

c) Retroactive Adjustments

If (i) the date on which any Net Shares shall be delivered upon conversion of any Bond (or would have to be delivered, if the Conversion Value was greater than the aggregate Principal Amount of the Bonds converted by the same Holder at any one time) falls after the relevant Record Date for any payment, issue, sale, grant or offer or any other entitlement which leads to an adjustment of the Conversion Price pursuant to Condition 6(a) (or, in the case of Condition 6(a)(iv), which would have led to an adjustment of the Conversion Price assuming for this purpose only that the Threshold Amount was equal to zero), and (ii) the Conversion Date falls before the date on which the relevant adjustment to the Conversion Price becomes (or, in the case of Condition 6(a)(iv) in the circumstances as aforesaid, would have become) effective under Condition 6(a), the Issuer shall procure

that there shall be delivered to the converting Holder such additional number of Shares (the "**Additional Shares**") as, together with the number of Shares delivered or to be delivered on conversion (together with any fraction of any Share not so delivered but only to the extent no Cash Payment for Fractions was required to be made in respect thereof) is equal to the number of Shares which would have been required to be delivered on conversion if the relevant adjustment to the Conversion Price (assuming for this purpose, in the case of Condition 6(a)(iv), that the Threshold Amount is equal to zero) had in fact been made and become effective on or prior to the Conversion Date (the "**Retroactive Adjustment**"). Without prejudice to the provisions of Condition 3, upon a Retroactive Adjustment becoming effective in accordance with this Condition 6(c), the delivery of the relevant Additional Shares shall be made within ten (10) Business Days after the first date on which it is possible to calculate such adjustment. Without prejudice to the foregoing and to mandatory provisions of applicable law, in the event that a payment, issue, sale, grant or offer leading to an adjustment pursuant to Condition 6(a) is effected between the above mentioned Conversion Date and the date of delivery of the relevant Additional Shares, the Issuer shall request a Common Expert to determine the amount of the further consideration to be made to the converting Holder, whether in kind or in cash, so that the Holder may be substantially treated as if such Holder actually held the Additional Shares on the Conversion Date.

d) Events not giving rise to Adjustments

No adjustment to the Conversion Price will be made:

- i) as a result of any issue or distribution of Shares or Other Securities if the pre-emptive rights (*Bezugsrechte*) in respect thereof under the CO have been validly excluded by resolution of the general meeting of shareholders or by the board of directors of the Issuer, unless a pre-emptive right in respect thereof is granted indirectly to the shareholders by a third party with the agreement of the Issuer; or
- ii) as a result of any public issue of bonds convertible or exchangeable into Shares or bonds with options to subscribe for Shares, such issue being in connection with a conditional increase of the share capital of the Issuer, irrespective of whether in respect of such issue the advance subscription rights to acquire such bonds (*Vorwegzeichnungsrechte*) have been excluded or not, unless advance subscription rights have been granted to the shareholders of the Issuer and are traded on the Relevant Exchange; or
- iii) if Shares or Other Securities (including pre-emptive rights, options or warrants in relation to Shares or Other Securities) are issued, offered or granted to, or for the benefit of, members of the board of directors, officers or employees of the Issuer or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person, in any such case pursuant to any employee share or option scheme; or
- iv) if an increase in the Conversion Price would result from such adjustment, except in case of an exchange of the Shares for Other Securities or a consolidation of Shares; or
- v) if the Conversion Price would fall below the nominal value of a Share. In this case, the Conversion Price will be adjusted to the nominal value of a Share and any remaining reduction of the Conversion Price resulting from such adjustment or from any further adjustment will be carried forward and only be applied if and to the extent the nominal value of a Share will be reduced.

e) Other Events

If the Issuer determines, after consultation with the Paying and Conversion Agent, or the Paying and Conversion Agent determines after consultation with the Issuer, that notwithstanding Condition 6(a) and Condition 6(d) an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in Condition 6(a) or circumstances including circumstances listed in Condition 6(d) having arisen which have an adverse effect on the right to convert Bonds and no adjustment to the Conversion Price under Condition 6(a) would otherwise arise or an adjustment would be excluded according to Condition 6(d), the Paying and Conversion Agent shall engage the advice or services of a Common Expert to determine as soon as practicable what adjustment, if any, to the Conversion Price or amendment, if any, to the terms of this Condition 6 is fair and reasonable to take account thereof and the date on which such adjustment and/or amendment should take effect. If several events occur which become effective on the same Trading Day and which would lead to an adjustment of the Conversion Price pursuant to Condition 6(a), the decision as to the manner of calculating the adjustment of the Conversion Price shall also be taken by a Common Expert. The decision of the Common Expert shall be binding as set forth in Condition 17(18). The Paying and Conversion Agent shall have no responsibility to make any inquiries as to whether or not any event has occurred which might require an adjustment to the Conversion Price or amendment, if any, to the terms of this Condition 6.

f) Correction of Adjustments

If an adjustment has been made in accordance with Condition 6(a) based on events or circumstances that subsequently are not implemented or are implemented in a manner materially different than anticipated when calculating the adjustment, then the Issuer and the Paying and Conversion Agent shall determine whether and to what extent the adjustment previously made shall be corrected. The Paying and Conversion Agent may engage the services of a Common Expert to determine whether and to what extent a correction shall be made. The decision of the Common Expert shall be binding as set forth in Condition 17(18). The Paying and Conversion Agent shall have no responsibility to make any inquiries as to whether or not any event has occurred which might require correction of an adjustment to the Conversion Price previously made.

## 7 Change of Control

a) A "**Change of Control**" occurs if:

- i) an offer to acquire Shares, whether expressed as a public takeover offer, a merger or similar scheme with regard to such acquisition, or in any other way, is made in circumstances where (A) such offer is available to (aa) all holders of Shares, (bb) all holders of Shares other than the offeror and any persons acting in concert with such offeror, or (cc) all holders of Shares other than persons who are excluded from the offer by reason of being connected with one or more specific jurisdictions (or a combination of the exceptions pursuant to (bb) and (cc)), and (B) such offer having become or been declared unconditional with respect to acceptances, the Issuer becomes aware that the right to cast more than fifty (50) per cent of all the voting rights (whether exercisable or not) of the Issuer has become or will become vested in the offeror and any persons acting in concert with the offeror; or
- ii) the Issuer consolidates with or merges into any other company, save where, following such consolidation or merger, shareholders of the Issuer immediately prior to such consolidation

or merger have the right to cast at least fifty (50) per cent of the voting rights (whether exercisable or not) of such other company; or

- iii) the Issuer becomes aware that the right to cast more than fifty (50) per cent of all voting rights (whether exercisable or not) of the Issuer has become unconditionally vested directly or indirectly in any person (or in persons acting in concert with each other in respect of the exercise of such voting rights); or
- iv) the legal or beneficial ownership of all or substantially all of the assets owned, directly or indirectly, by the Issuer is acquired by one or more other persons.

b) **Change of Control Notice**

Upon a Change of Control, the Issuer shall give notice of the fact that a Change of Control occurred (the "**Change of Control Notice**") to the Holders no later than two (2) Trading Days after the occurrence of a Change of Control in the form set out in Condition 10. The Change of Control Notice shall:

- i) inform the Holders of their right to either require redemption of the Bonds pursuant to Condition 7(d) or, if applicable, exercise their Conversion Rights for a period of thirty (30) Trading Days (the "**Change of Control Period**") starting on the Trading Day following the date of publication of the Change of Control Notice at the adjusted Conversion Price, as further described in Condition 7(c);
- ii) specify the date (the "**Change of Control Redemption Date**"), being not more than fifty (50) and not less than forty-one (41) Trading Days after publication of the Change of Control Notice on which the Bonds may be redeemed at the option of the Holders pursuant to Condition 7(d);
- iii) specify the Conversion Price in effect immediately prior to the Change of Control and the adjusted Conversion Price applicable as a consequence of the Change of Control (calculated, for this purpose, based on the date immediately preceding the date on which the Change of Control Notice is given); and
- iv) provide details concerning the Change of Control.

c) **Adjustment of Conversion Price upon Change of Control**

If a Change of Control occurs, the Conversion Price for Bonds converted on a Conversion Date falling within the Change of Control Period shall be adjusted as follows:

$$\text{Conversion Price} = \text{RP} \times (1 + (\text{CP} \times (1 - c/t)))$$

where:

RP Conversion Price on the relevant Conversion Date, divided by (1 + CP);

CP the initial conversion premium of 30.00 per cent (expressed as a fraction);

- c the number of calendar days from and including the date of occurrence of the Change of Control to but excluding the fortieth (40<sup>th</sup>) Trading Day prior to the Maturity Date; and
  - t the number of calendar days from and including the Payment Date to but excluding the fortieth (40<sup>th</sup>) Trading Day prior to the Maturity Date.
- d) Early Redemption at the option of Holders upon Change of Control

Upon the occurrence of a Change of Control, the Issuer will, at the option of a Holder, redeem any Bond of such Holder on the Change of Control Redemption Date at its Principal Amount. To exercise such option, a Holder must present, by not later than ten (10) Business Days prior to the Change of Control Redemption Date, at the Specified Office a duly completed redemption notice in a form satisfactory to the Paying and Conversion Agent (a "**Change of Control Redemption Notice**"), together with clearing instructions in a form satisfactory to the Paying and Conversion Agent allowing for the transfer of the relevant Bond(s) through the Intermediary to the Paying and Conversion Agent. No Bond or Change of Control Redemption Notice so deposited may be withdrawn without the consent of the Issuer.

- e) Conversion after the Change of Control Redemption Date

With respect to the Bonds that remain outstanding after the Change of Control Redemption Date, in the case of a Change of Control as defined in Condition 7(a)(ii) and if the Issuer is not the surviving company, the Issuer shall use its commercially reasonable efforts to ensure that each Bond shall be convertible into such shares or other equity securities, including depositary receipts issued for the same and any other consideration (including cash) which such Holder would have received in the Change of Control transaction if such Holder had exercised its Conversion Rights immediately prior to the date of the Change of Control Notice (and then participated in the Change of Control transaction).

## **8 Status and Negative Pledge**

- a) The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, rank *pari passu* among themselves and with all other unsecured and unsubordinated obligations of the Issuer, except for such preferences as are provided for by any mandatorily applicable provision of law.
- b) So long as any Bonds remain outstanding, the Issuer will not, directly or indirectly, create any guarantee, mortgage, lien, pledge, charge or other form of encumbrance or security interest (each a "**Security**"), other than a Permitted Security, upon the whole or any part of its present or future assets or revenues, to secure any Relevant Debt or to secure any guarantee or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Bonds (i) are secured equally and rateably therewith by such encumbrance or security interest or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Holder Representative,

*provided that* the Issuer may, directly or indirectly, create any Security for Secured Financing if, immediately after giving effect to the issuance of such Secured Financing,

- i. the aggregate principal amount of outstanding Secured Financing is below the Secured Financing Cap, or
- ii. subject to the provision below, the Secured Financing Ratio is below 35 %,

*provided further* that if the aggregate principal amount of Secured Financing is above the Secured Financing Cap and the Secured Financing Ratio is above 30%, the Issuer shall, within three months from the issuance of such Secured Financing, either reduce the aggregate principal amount of Secured Financing below the Secured Financing Cap or reduce the Secured Financing Ratio below 30%.

For the purposes of this Condition 8:

**"Relevant Debt"** means any present or future Secured Financing and any other indebtedness of the Issuer represented or evidenced by notes, bonds, debentures, loan stock or other securities which for the time being are or are capable of being quoted, listed or ordinarily dealt with on any stock exchange, over-the-counter-market or other securities market;

**"Permitted Security"** means any Security (and any Security created in substitution for any such Security) relating to the financing, refinancing or the acquisition of any specified asset or assets, but only to the extent that such security secures obligations arising from the financing, refinancing or acquisition of such specified assets;

**"Secured Financing"** means any present or future issue of asset backed bonds, secured loans, securitisation or other secured financing arrangement of any sort of the Issuer or any Subsidiary, but excluding, for the avoidance of doubt, any secured or asset backed securities issued, but retained by the Issuer and/or any Subsidiary and not held by third party investors;

**"Secured Financing Cap"** means CHF 1,500,000,000;

**"Secured Financing Ratio"** at any date means the ratio (as a percentage) of (x) Consolidated Secured Financing to (y) Consolidated Net Financing Receivables at that date;

**"Consolidated Net Financing Receivables"** at any date means the consolidated net financing receivables of the Issuer at that date calculated in accordance with US GAAP as applied in the Issuer's consolidated audited annual and interim financial statements.

**"Consolidated Secured Financing"** at any date means the consolidated aggregate principal amount outstanding of asset backed bonds and any secured loans, securitisation or other secured financing arrangement of any sort, in each case to the extent backed or secured by financing receivables, of the Issuer at that date calculated in accordance with US GAAP as applied in the Issuer's consolidated audited annual and interim financial statements.

- c) The Issuer undertakes to inform the Holder Representative without delay if any breach of Condition 8(b) has occurred and to provide the Holder Representative with all necessary documents and information in connection therewith.



## 9 Event of Default

The Paying and Conversion Agent in its capacity as holder representative (the "**Holder Representative**") has the right but not the obligation, on behalf of the Holders, to declare all Bonds to be repayable as specified in this Condition 9, at the Principal Amount by serving a written notice of default upon the Issuer, but only in case of the occurrence of any of the following events (each event an "**Event of Default**"):

- a) there is a failure by the Issuer (i) to pay any amount under the Bonds when due or (ii) to deliver Shares, if any, upon conversion of any Bonds, if and when due and such failure continues for a period of twenty (20) calendar days; or
- b) a default is made in the performance or observance of any material covenant, condition or provision which is to be performed by the Issuer under the Terms of the Bonds (other than the covenant pursuant to Condition 8(b)) and (except where the Holder Representative certifies in writing that, in its opinion, such default is not capable of remedy, when no such notice or continuation as is mentioned below shall be required) such default continues for a period of twenty (20) calendar days following the service by the Holder Representative on the Issuer of notice requiring such default to be remedied; or
- c) there is a breach of the covenant pursuant to Condition 8(b) and such breach is not remedied within three months of the earlier of (i) the Issuer notifying the Holder Representative, and (ii) the Issuer becoming aware of the breach; or
- d) any other present or future indebtedness of the Issuer for or in respect of monies borrowed is not paid when due (otherwise than, where permitted under the terms of the relevant indenture or agreement, at the option of the relevant debtor) and such failure continues for a period of at least five (5) calendar days or, as the case may be, within any applicable grace period, or becomes due and payable prior to its stated maturity as a result of an event of default (howsoever described), or any security in respect of any such indebtedness becomes enforceable or any guarantee of, or indemnity in respect of such indebtedness given by the Issuer is not honored when due and called upon or, as the case may be, within any applicable grace period, provided that no such event shall be taken into account for the purposes of this Condition 9(d) unless such indebtedness, either alone or when aggregated with other indebtedness subject to such events which shall have occurred and are continuing shall at any time equal or exceed the amount of at least CHF 50,000,000 or its equivalent in any other currency or currencies (calculated on the basis of the middle spot rate for the relevant currency against CHF as quoted by any leading bank at the place of payment of such debt on the day on which this Condition 9(d) operates); or
- e) any guarantee, mortgage, lien or other encumbrance, present or future, created or assumed by the Issuer becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person but not the serving of a payment order (*Zahlungsbefehl*) provided that the aggregate amount of the relevant indebtedness in respect of which such guarantee, mortgage, lien or other encumbrance was created or permitted to subsist equals or exceeds CHF 50,000,000 or its equivalent in any other currency or currencies (calculated on the basis of the middle spot rate for the relevant currency against CHF as quoted by any leading bank at the place of payment of such debt on the day on which this Condition 9(e) operates), and any such steps taken are not abandoned or discontinued within twenty (20) calendar days of being taken; or

- f) the Issuer is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes a stay of execution, a postponement of payments (*Stillhaltevereinbarung*), a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium or postponement of payments (*Stillhaltevereinbarung*) is agreed or declared in respect of or affecting all or a substantial part of (or a particular type of) the debts of the Issuer; or
- g) the Issuer alters its legal or commercial structure through bankruptcy, liquidation, disposal of all or substantially all of its assets, change in the objects of the legal entity and/or commercial activities or merger (otherwise than the disposal of assets in connection with Secured Financing) and such merger does not constitute a Change of Control, in so far as the relevant action, in the Holder Representative's opinion, has a material adverse effect on the capacity of the Issuer to meet its obligations under the Terms of the Bonds, unless the Holder Representative considers the situation of the Holders as adequately protected based on securities created or other steps taken by the Issuer; or
- h) a dissolution or merger involving the Issuer as a result of which the Issuer is not the surviving legal entity, unless the successor legal entity assumes all the Issuer's liabilities in respect of the Bonds.

The Issuer shall inform the Holder Representative without delay that any event mentioned under paragraphs (a) through (h) has occurred and provide the Holder Representative with all necessary documents. The Issuer accepts responsibility for the information contained in those documents.

If an Event of Default occurs, the Holder Representative has the right but not the obligation to serve a written notice of default upon the Issuer, such notice having the effect that the Bonds shall become immediately due and repayable at the Principal Amount on the day the default notice is given.

## **10 Notices**

All notices to Holders regarding the Bonds (the "**Notices**") shall be published by the Paying and Conversion Agent on behalf of, and in accordance with directions by and at the expense of the Issuer in due time in a daily newspaper nationally circulated in Switzerland, expected to be the *Neue Zürcher Zeitung*.

Upon the first Trading Day of the Bonds on the Relevant Exchange and for as long as the Bonds are admitted to trading or listed on the Relevant Exchange, all Notices may be validly published according to the then applicable rules of the Relevant Exchange, in case of SIX Swiss Exchange currently electronically on its internet website [https://www.six-group.com/exchanges/news/official\\_notices/search\\_en.html](https://www.six-group.com/exchanges/news/official_notices/search_en.html)), save as otherwise required by law, replacing the publication in a daily newspaper pursuant to the preceding paragraph.

## **11 Listing**

The Issuer will use its reasonable efforts to have the Bonds listed on SIX Swiss Exchange no later than by the end of September 2019 and to maintain such listing until the Maturity Date or, in case of an early redemption of the Bonds, the date of the early redemption. The Issuer will use all reasonable efforts to have the Shares listed and to maintain a listing for all the issued Shares on SIX Swiss Exchange or any other Relevant Exchange.

## **12 Statute of Limitations**

Claims for payment of the Principal Amount, of any Cash Conversion Amount, of any Cash Settlement Amount and of Cash Payments for Fractions, respectively, cease to be enforceable by legal action in accordance with the applicable Swiss statute of limitations, presently after ten (10) years in each case from their relevant due dates for payment.

## **13 Governing Law and Jurisdiction**

The Bonds and these Terms of the Bonds shall in every respect (including without limitation questions of form, content and interpretation) be subject to and governed by Swiss law.

Any dispute which may arise between Holders on the one hand and the Issuer on the other hand regarding the Bonds and the Terms of the Bonds shall be submitted to the exclusive jurisdiction of the courts of the City of Zurich (Zurich 1), Switzerland.

The Issuer shall be discharged by and to the extent of any payment or delivery of Shares made in respect of any Bonds to a person recognised as a creditor by an enforceable judgement of a Swiss court.

## **14 Amendment to these Terms**

The Terms of the Bonds may be amended from time to time by agreement between the Issuer and the Holder Representative, acting on behalf of and with effect for all present and future Holders, provided that in the sole opinion of the Holder Representative such amendment is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Holders.

Notice of any such amendment shall be published in accordance with Condition 10 above.

Any such amendment shall be binding on the Issuer and the Holders in accordance with its terms.

## **15 Role of Joint Bookrunners**

Each of DB and CS will act as a joint bookrunner (the "**Joint Bookrunners**"). CS will also act as Paying and Conversion Agent of this Bond issue and does or may also act as Holder Representative, but only in the cases stated explicitly in these Terms of the Bonds. In any other cases, none of the Joint Bookrunners is obliged to take or to consider any actions on behalf or for the benefit of the Holders.

## **16 Severability**

If at any time any one or more of the provisions of the Terms of the 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.

## **17 Definitions**

- 1 "**Additional Shares**" has the meaning given to it in Condition 6(c);
- 2 "**Agreement**" has the meaning given to it in the preamble;

- 3 "**Average Share Price**" has the meaning given to it in Condition 3(a)(ii);
- 4 "**Bond(s)**" has the meaning given to it in the preamble;
- 5 "**Business Day**" means any day (other than Saturday or Sunday) on which banks in Zurich are open for the whole day for business;
- 6 "**Cash Conversion Amount**" has the meaning given to it in Condition 3(a)(ii);
- 7 "**Cash Payment for Fractions**" has the meaning given to it in Condition 3(a)(iv);
- 8 "**Cash Settlement Amount**" has the meaning given to it in Condition 3(a)(iii);
- 9 "**Cash Settlement Election**" has the meaning given to it in Condition 3(a)(iii);
- 10 "**Cash Settlement Election Notice**" has the meaning given to it in Condition 3(a)(iii);
- 11 "**Change of Control**" has the meaning given to it in Condition 7(a);
- 12 "**Change of Control Notice**" has the meaning given to it in Condition 7(b);
- 13 "**Change of Control Period**" has the meaning given to it in Condition 7(b)(i);
- 14 "**Change of Control Redemption Date**" has the meaning given to it in Condition 7(b)(ii);
- 15 "**Change of Control Redemption Notice**" has the meaning given to it in Condition 7(d);
- 16 "**CHF**" has the meaning given to it in the preamble;
- 17 "**CO**" has the meaning given to it in Condition 1(b);
- 18 "**Common Expert**" means an independent investment bank of international repute or an independent law firm or accounting firm of international repute or an independent financial advisor with relevant expertise of international repute (an "**Expert**") selected and instructed by the Issuer and the Paying and Conversion Agent by mutual agreement. If the Issuer and the Paying and Conversion Agent do not mutually agree on an Expert within seven (7) calendar days from the beginning of the appointment process, each of the Issuer and the Paying and Conversion Agent shall select an Expert, whereby the so elected Experts shall together select a third Expert. In case the two selected Experts do not mutually agree on a third Expert within seven (7) calendar days after being appointed, each of them shall select another Expert, whereby a Swiss Notary Public appointed by the Paying and Conversion Agent will pick one of these two Experts as third Expert by drawing lots. In the case of the appointment of three Experts references in the Terms of the Bonds to a Common Expert shall be deemed to refer to these three Experts, deciding by majority decision. Decisions of the Common Expert shall be final and binding on the Issuer, the Holders and the Paying and Conversion Agent. The Paying and Conversion Agent shall incur no liability against the Issuer or the Holders in respect of any action taken, or suffered to be taken, in accordance with such decision and in good faith. The fees and costs of the Common Expert shall be borne by the Issuer;
- 19 "**Condition**" has the meaning given to it in the preamble;

- 20 "**Consolidated Net Financing Receivables**" has the meaning given to it in Condition 8(b);
- 21 "**Consolidated Secured Financing**" has the meaning given to it in Condition 8(b);
- 22 "**Conversion Date**" has the meaning given to it in Condition 3(b)(i);
- 23 "**Conversion Notice**" has the meaning given to it in Condition 3(b)(i);
- 24 "**Conversion Period**" means the period during which a Holder may exercise the Conversion Right at its option, such period commencing forty-one (41) days after the Payment Date and lasting up to and including the earlier of (i) forty (40) Trading Days before the Maturity Date or (ii) in case of early redemption of the Bonds pursuant to Condition 5(b), fifteen (15) Trading Days prior to the date fixed for early redemption;
- 25 "**Conversion Price**" means CHF 122.20 subject to adjustments in accordance with Conditions 6 and 7(c);
- 26 "**Conversion Ratio**" has the meaning given to it in Condition 3(a)(ii);
- 27 "**Conversion Right**" means the right of a Holder to request conversion of any Bond in accordance with the provisions of these Terms of the Bonds;
- 28 "**Conversion Value**" has the meaning given to it in Condition 3(a)(ii);
- 29 "**CS**" has the meaning given to it in the preamble;
- 30 "**Current Market Price**" means the average of the daily VWAPs of one Share on each of the five (5) consecutive Trading Days ending on (and including) the Trading Day immediately preceding the date by reference to which such Current Market Price is to be calculated, provided that when calculating the average of the VWAPs the gross dividend amount (or any other entitlement), if any, of any dividend (or any other entitlement) paid for which an Ex-Date occurs during the above mentioned five (5) consecutive Trading Days, shall be deducted from the VWAPs on each (if any) of the Trading Days on which the Shares are traded cum- such dividend (or any other entitlement);
- 31 "**DB**" has the meaning given to it in the preamble;
- 32 "**Distribution**" has the meaning given to it in Condition 6(a)(iii);
- 33 "**Distribution Date**" has the meaning given to it in Condition 6(a)(iii)(B);
- 34 "**Dividend**" means a distribution per Share made by the Issuer to holders of the Shares at any time as (i) a cash dividend, (ii) a repayment of paid-in capital in cash, (iii) a stock dividend in lieu of a cash dividend, or (iv) tradable put options in lieu of a cash dividend;
- 35 "**Effective Date**" means the last date on which the Shares are traded cum- dividend on the Relevant Exchange;
- 36 "**Election Date**" has the meaning given to it in Condition 3(a)(iii);

- 37 "**Event of Default**" has the meaning given to it in Condition 9;
- 38 "**Ex-Date**" means the first day on which the Shares are traded on the Relevant Exchange without entitlement (ex);
- 39 "**Expert**" has the meaning given to it in Condition 17(18);
- 40 "**Extraordinary Dividend**" means (i) any Dividend paid or made by the Issuer in the course of any financial year of the Issuer (the "**Relevant Year**"), if the making or payment of such Dividend will lead to the total of any such Dividends including any Dividends previously made or paid in such Relevant Year to exceed the Threshold Amount and (ii) any Dividend paid or made after, but in the same Relevant Year as, any Dividend determined to be an Extraordinary Dividend pursuant to limb (i) of this definition;
- 41 "**FISA**" has the meaning given to it in Condition 1(b);
- 42 "**Holder**" has the meaning given to it in the preamble;
- 43 "**Holder Representative**" has the meaning given to it in Condition 9;
- 44 "**Initial Bond Floor**" has the meaning given to it in Condition 4;
- 45 "**Intermediary**" has the meaning given to it in Condition 1(b);
- 46 "**Intermediated Securities**" has the meaning given to it Condition 1(b);
- 47 "**Issuer**" has the meaning given to it in the preamble;
- 48 "**Joint Bookrunners**" has the meaning given to it in Condition 15;
- 49 "**Maturity Date**" means 9 July 2026;
- 50 "**Net Shares**" has the meaning given to it in Condition 3(a)(ii);
- 51 "**Notice of Delisting**" has the meaning given to it in Condition 5(c);
- 52 "**Notices**" has the meaning given to it in Condition 10;
- 53 "**Other Securities**" means equity securities of the Issuer other than Shares;
- 54 "**Paying and Conversion Agent**" has the meaning given to it in Condition 1(e);
- 55 "**Payment Date**" means 9 July 2019;
- 56 "**Permitted Security**" has the meaning given to it in Condition 8(b);
- 57 "**Principal Amount**" has the meaning given to it in Condition 1(a);
- 58 "**Purchase Rights**" has the meaning given to it in Condition 6(a)(ii);

- 59 "**Put Notice**" has the meaning given to it in Condition 5(c);
- 60 "**Put Option**" has the meaning given to it in Condition 6(a)(iv);
- 61 "**Record Date**" means the relevant due date for the determination of the entitlement of holders of the Shares to receive any dividend or other entitlement;
- 62 "**Redemption**" has the meaning given to it in Condition 5(a);
- 63 "**Regulation S**" has the meaning given to it in Condition 3(b)(i);
- 64 "**Relevant Debt**" has the meaning given to it in Condition 8(b);
- 65 "**Relevant Exchange**" means (i) in the case of Shares, SIX Swiss Exchange or any successor thereof or, if the Shares are no longer admitted to trading on SIX Swiss Exchange or such successor thereof, the principal stock exchange or securities market on which the Shares are traded, and (ii) in the case of other securities, the principal stock exchange or securities market on which such other securities are traded;
- 66 "**Relevant Put Date**" means the fourteenth (14<sup>th</sup>) calendar day after the expiry of the period of sixty (60) calendar days referred to in Condition 5(c). If such day does not fall on a Business Day, the Relevant Put Date shall be the Business Day immediately following such day;
- 67 "**Relevant Year**" has the meaning given to it in Condition 17(40);
- 68 "**Retroactive Adjustment**" has the meaning given to it in Condition 6(c);
- 69 "**Secured Financing**" has the meaning given to it in Condition 8(b);
- 70 "**Secured Financing Cap**" has the meaning given to it in Condition 8(b);
- 71 "**Secured Financing Ratio**" has the meaning given to it in Condition 8(b);
- 72 "**Securities Act**" has the meaning given to it in Condition 3(b)(i);
- 73 "**Security**" has the meaning given to it in Condition 8(b);
- 74 "**Settlement Calculation Period**" has the meaning given to it in Condition 3(a)(ii);
- 75 "**Settlement Date**" has the meaning given to it in Condition 3(b)(iii);
- 76 "**Shares**" means issued and fully paid registered shares of currently CHF 1.00 (one Swiss franc) par value each of the Issuer or any other shares or stock resulting from any subdivision, consolidation or reclassification of such shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation of the Issuer;
- 77 "**SIS**" has the meaning given to it in Condition 1(b);

- 78 "**SIX Swiss Exchange**" means SIX Swiss Exchange Ltd or any successor to SIX Swiss Exchange Ltd;
- 79 "**Specified Office**" means Credit Suisse AG, CA Processing Funds, Derivatives & Proxy, MOAA 63, Paradeplatz 8, 8001 Zurich, Switzerland;
- 80 "**Subsidiary**" of the Issuer means a company the financial statements of which are, in accordance with applicable law or generally accepted accounting principles, consolidated with those of the Issuer;
- 81 "**Swiss Federal Stamp Duty**" means (a) the transfer stamp duty that may become due on the transfer of securities if a transfer is made by or through a Swiss securities dealer (*Effekthändler*) within the meaning of the Swiss Stamp Duty Act of 27 June 1973, as amended (*Bundesgesetz über die Stempelabgaben*) and (b) the capital issuance stamp duty becoming due upon the issuance of any new Shares by the Issuer;
- 82 "**Terms of the Bonds**" has the meaning given to it in the preamble;
- 83 "**Threshold Amount**" means CHF 3.75 per Share, subject to adjustment (rounded to 4 decimal places, with 0.00005 rounded upwards) in proportion to any adjustment to the Conversion Price in accordance with Condition 6;
- 84 "**Trading Day(s)**" means any day (other than a Saturday or Sunday) on which (i) (unless otherwise specified) in respect of the Shares, the Relevant Exchange in respect thereof is open for business and Shares may be dealt in or (ii) in respect of other relevant securities, the Relevant Exchange in respect thereof is open for business and the relevant securities may be dealt in;
- 85 "**VWAP**" has the meaning given to it in Condition 3(a)(ii);
- 86 "**Withholding Tax**" has the meaning given to it in Condition 4;
- 87 "**ZKB**" has the meaning given to it in the preamble.



## TAXATION

### Taxation in Switzerland

The following is a general description of certain Swiss tax considerations relating to the Bonds or the Shares. It does not purport to be a complete analysis of all tax considerations relating to the Bonds or the Shares, 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 the Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Bonds and receiving payments of interest, principal and/or other amounts under the 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 Prospectus and is subject to any change in law or practice that may take effect after such date or with retroactive effect.

### Taxes in relation to the Bonds

#### In General

A Holder who is not resident of Switzerland and who during the taxable year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland and who is not subject to Swiss taxation for any other reason will be exempt from any Swiss income tax in respect of interest as well as capital gains realised on sale, conversion or redemption of the Bonds. The Swiss Federal Tax Administration has confirmed that the Bonds qualify as "non-classical, transparent convertible bonds with predominant one-time interest payment" (*transparente Nicht-Klassische Wandelanleihe mit überwiegender Einmalverzinsung*) in accordance with the Circular No. 15 by the Swiss Federal Tax Administration (*Kreisschreiben Nr. 15 vom 3. Oktober 2017*). The Swiss cantonal tax authorities who assess the Swiss federal income tax (*Direkte Bundessteuer*) as well as the Swiss cantonal and communal income and wealth taxes (*Kantons- und Gemeindesteuer*) normally follow the qualification of the Bonds as "non-classical, transparent convertible bonds with predominant one-time interest payment" made by the Swiss Federal Tax Administration, are however not legally bound to it.

The tax consequences are therefore generally as follows:

#### Swiss Withholding Tax

The positive difference between the theoretical bond floor at the time of early redemption, redemption or conversion and the Initial Bond Floor (99.2%) ("one-time interest" will be subject to "Withholding Tax" (*Verrechnungssteuer*) currently at the rate of 35% and the Issuer will be required to withhold tax at such rate from any one-time interest payments made to a Holder. The theoretical bond floor at the time of early redemption, redemption or conversion will be calculated on the basis of the original discount rate without adjustment.

##### a) Swiss resident recipients

Swiss resident individuals or legal entities incorporated in Switzerland are generally entitled to a full refund of Withholding Tax if they, in each case, among other things, are the beneficial owner of the Bonds at the time the one-time interest is due and duly report the gross interest received on their personal income tax return or, in case of a legal entity, include the taxable profit in the income statement, for the relevant tax period.

b) Non-Swiss resident recipients

The recipient of the one-time interest who is an individual or a legal entity not resident in Switzerland for tax purposes may be entitled to a full or partial refund of Withholding Tax if the country in which such recipient resides for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and if the further prerequisites of such treaty are met. Holders not resident in Switzerland should be aware that the procedures for claiming treaty benefits (and the time required for obtaining a refund) might differ from country to country. Holders not resident in Switzerland should consult their own legal, financial or tax advisors regarding receipt, ownership, purchase, sale or other dispositions of Bonds and the procedures for claiming a refund of Withholding Tax.

### Swiss Income Tax

A Holder who is not a resident of Switzerland and who during the taxable year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland and who is not subject to Swiss taxation for any other reason will be exempt from any Swiss income tax in respect of periodic interest as well as any other income realised on sale, conversion, early redemption or redemption of the Bonds.

a) One-time Interest Payments and Repayments of Nominal Value

Swiss resident individuals holding Bonds for private investment purposes are subject to Swiss federal income tax on the positive difference between the theoretical bond floor at the time of sale, early redemption or redemption and the theoretical bond floor at the time of purchase of the Bonds and are required to include all payments of such interest received on such Bonds in their personal income tax return for the relevant tax period and will be taxed on the net taxable income for such tax period at the then prevailing tax rates. The theoretical bond floor at the time of purchase, sale, early redemption or redemption will be calculated on the basis of the original discount rate without adjustment. Holders holding the Bonds since issuance are subject to income tax on the positive difference between the theoretical bond floor at the time of sale, early redemption or redemption and the Initial Bond Floor (99.2%).

Foreign residents who hold Bonds through a permanent establishment or a fixed place of business in Switzerland and Swiss residents who hold Bonds as business assets (including individuals, who for income tax purposes, are classified as professional securities dealers for tax purposes (*gewerbsmässige Wertschriftenhändler*)) will be subject to Swiss federal income tax in respect of any income from the Bonds upon sale, early redemption or redemption reflected in their income statement for the respective tax period.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/communal income taxes.

b) Capital Gains realised upon Sale of the Bonds

Apart from the aforementioned positive difference between the theoretical bond floor at the time of sale and the theoretical bond floor at the time of purchase, Swiss resident individuals holding Bonds for private investment purposes will be generally exempt from Swiss federal income tax in respect of capital gains realised upon sale of the Bonds prior to maturity, except if they are considered as professional securities dealers for tax purposes.

Foreign residents who hold Bonds through a permanent establishment or a fixed place of business in Switzerland and Swiss residents who hold Bonds as business assets (including individuals, who for income tax purposes, are classified as professional securities dealers for tax purposes) will be subject to Swiss federal income tax on any income from the Bonds upon sale reflected in their income statement for the respective tax period.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/communal income taxes.

c) **Capital Gains upon Conversion of the Bonds**

Swiss resident individuals holding Bonds for private investment purposes will be subject to Swiss federal income tax in respect of the positive difference between the theoretical bond floor at the time of conversion and the theoretical bond floor at the time of purchase. The theoretical bond floor at the time of purchase and conversion of the Bonds will be calculated on the basis of the original discount rate without adjustment. Holders holding the Bonds since issuance are subject to income tax on the positive difference between the theoretical bond floor at the time of Conversion and the Initial Bond Floor (99.2%).

Foreign residents who hold Bonds through a permanent establishment or a fixed place of business in Switzerland and Swiss residents who hold Bonds as business assets (including individuals who for income tax purposes, are classified as professional securities dealers for tax purposes) will be subject to Swiss federal income tax on any income from the Bonds upon conversion reflected in their income statement for the respective tax period.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/communal income taxes.

**Wealth Tax or Net Equity Tax**

Swiss resident individuals are required to report their Bonds as part of their taxable wealth and will be liable for cantonal and communal net wealth tax (*Vermögenssteuer*), provided that their aggregate taxable net assets exceed applicable allowances. No such net asset tax is levied at the federal level.

Legal entities incorporated in Switzerland or persons otherwise subject to taxation in Switzerland as Holders are subject to the cantonal and communal net assets or equity tax on the taxable net assets or net equity (*Kapitalsteuer*).

**Cantonal Gift, Inheritance and Estate Taxes**

Subject to a tax treaty, if any, in an international context, transfers of Bonds may be subject to cantonal and/or communal inheritance tax, estate tax or gift tax if the decedent had his or her last domicile in Switzerland, the donor is resident in Switzerland, or in the case of a foreign deceased or donor the transfer involves an unincorporated business (partnership or sole proprietorship) in Switzerland and the Bonds are held as part of such a business. Tax rates depend upon the existing relationship (i.e. the relationship between the decedent and the heirs, or between the donor and the donee) and the size of the inheritance or gift. Interspousal gifts and gifts to descendants, as well as inheritances collected by the surviving spouse and descendants are frequently exempt or taxed at very low rates, depending on the canton. The taxable base is usually the market value of the Bonds.

**Taxes in relation to the Shares**

**Swiss Withholding Tax**

Under present Swiss law, any dividends paid and similar cash or distributions in kind made on the Shares (including distributions of liquidation proceeds in excess of (i) the nominal value and (ii) the capital contribution reserves (*Reserven aus Kapitaleinlage*) of the Shares, and bonus shares) will be subject to Withholding Tax currently at a rate of 35% and the Issuer will be required to withhold tax at such a rate from any distribution made to a shareholder. Furthermore, in case of a repurchase of own Shares by the Group, the portion of the repurchase price which exceeds (i) the nominal value and (ii) the capital contribution reserves of the Shares

may, in some cases (in particular, if the Shares are redeemed for subsequent cancellation), be characterised as taxable liquidation dividend which is subject to the Withholding Tax if certain conditions are met.

Following the capital contribution principle (*Kapitaleinlageprinzip*) according to article 5(1bis) of the Swiss federal withholding tax act, and provided certain conditions are met, the repayment of the total consideration (*i.e.*, nominal value and capital contribution reserves, less cost received by the Group at conversion of the Shares (or any shares issued thereafter) will not be subject to Withholding Tax. Any repayment of other contributions for which the capital contributions principle is applicable is not subject to Withholding Tax as well. In accordance with the Swiss tax reform entering into force as per 1 January 2020, as of this date the Company may for Withholding Tax and personal income tax purposes of Swiss resident individuals due to its listing on a Swiss stock exchange, only distribute capital contribution reserves, if it distributes dividends from other reserves in the same amount. After the Company has distributed all freely distributable other reserves, the distribution of the remaining capital contribution reserves, if any, is not subject to Withholding Tax.

a) Swiss resident recipients

Swiss resident individuals or legal entities incorporated in Switzerland are generally entitled to a full refund of Withholding Tax if they, in each case, among other things, are the beneficial owner of the Shares at the time the distribution is due and duly report the gross distribution received on their personal income tax return or, in case of a legal entity, include the taxable profit in their income statement, for the relevant tax period.

b) Non-Swiss resident recipients

The recipient of a taxable distribution from the Issuer who is an individual or a legal entity not resident in Switzerland for tax purposes may be entitled to a full or partial refund of Withholding Tax if the country in which such recipient resides for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and if the further prerequisites of such a double taxation treaty are met. Shareholders not resident in Switzerland should be aware that the procedures for claiming treaty benefits (and the time required for obtaining a refund) may differ from country to country. Shareholders not resident in Switzerland should consult their own legal, financial or tax advisors regarding receipt, ownership, purchase, sale or other dispositions of Shares and the procedures for claiming a refund of Withholding Tax.

### **Swiss Income Tax**

A holder of Shares who is not a resident of Switzerland and who during the respective taxation year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland for tax purposes and who is not subject to taxation for any other reason will be exempt from any Swiss income tax in respect of dividends received as well as capital gains realised on disposal of the Shares.

For Swiss resident shareholders and foreign resident shareholders who hold Shares through a permanent establishment or a fixed place of business in Switzerland the tax consequences are as follows:

a) Dividend Payments and Repayments of Nominal Value and Capital Contribution Reserves

Swiss resident shareholders and foreign resident shareholders who hold Shares through a permanent establishment or a fixed place of business in Switzerland will be generally subject to Swiss federal income tax on dividend payments received in respect of the Shares. Corporations and co-operative societies or individuals holding at least 10% of the shares may under certain conditions apply for participation relief. Any repayment of (i) the nominal value and (ii) the capital contribution reserves (*Reserven aus Kapitaleinlage*) of the Shares is tax exempt, if the Shares are held by Swiss resident shareholders as private assets.

b) Capital Gains realised upon Disposal of Shares

Swiss resident individuals who are holding Shares for private investment purposes will be generally exempt from Swiss federal income tax on gains realised through a disposal of Shares. However, income tax consequences may result for private investors considered as professional securities dealers. Furthermore, in case of a repurchase of own Shares by the Group, the portion of the repurchase price which exceeds (i) the nominal value and (ii) the capital contribution reserves of the Shares may, in some cases (in particular, if the Shares are redeemed for subsequent cancellation), be characterised as taxable liquidation dividend income if certain conditions are met.

Foreign resident shareholders who hold Shares through a permanent establishment or a fixed place of business in Switzerland and Swiss resident shareholders who hold Shares as business assets will generally be subject to Swiss federal income tax on any capital gains realised in respect of the Shares. Corporations and cooperative societies participating to at least 10% in the shares may under certain conditions apply for participation relief.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/communal income taxes.

### **Wealth Tax**

Swiss resident individuals are required to report their Shares as part of their taxable wealth and will be liable for cantonal and communal net wealth tax (*Vermögenssteuer*), provided that their aggregate taxable net assets exceed applicable allowances. No such net asset tax is levied at the federal level.

Legal entities incorporated in Switzerland or persons otherwise subject to taxation in Switzerland as Holders are subject to the cantonal and communal net wealth or equity tax on the taxable net assets or net equity.

### **Cantonal Gift, Inheritance and Estate Taxes**

Subject to a tax treaty, if any, in an international context, transfers of Shares may be subject to cantonal and/or communal inheritance tax, estate tax or gift tax, if the decedent had his or her last domicile in Switzerland, the donor is resident in Switzerland, or in the case of a foreign deceased or donor the transfer involves an unincorporated business (partnership or sole proprietorship) in Switzerland and the Shares are held as part of such a business. Tax rates depend upon the existing relationship (i.e. the relationship between the decedent and the heirs, or between the donor and the donee) and the size of the inheritance or gift. Interspousal gifts and gifts to descendants, as well as inheritances collected by the surviving spouse and descendants are frequently exempt or taxed at very low rates, depending on the canton. The taxable base is usually the market value of the Shares.

### **Stamp Taxes**

Issuance stamp duty (*Emissionsabgabe*) payable upon the issuance of Shares on conversion of Bonds will amount, at the current rate, to 1% of the applicable Conversion Price net of certain deductions and will be paid by the Issuer.

The transfer of Bonds or Shares may be subject to Swiss transfer stamp duty (*Umsatzabgabe*) at the current rate of up to 0.15% if such transfer or sale is made by or through the intermediary of a securities dealer resident in Switzerland or Liechtenstein, as defined in the Swiss Stamp Tax Act, and if no exception applies. In addition, the sale of Bonds or Shares by or through a member of the SIX Swiss Exchange may be subject to a stock exchange levy.

## **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, 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 Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the 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 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 Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

## **Potential new Swiss Withholding Tax Legislation**

On 4 November 2015 the Swiss Federal Council announced that it had mandated the Swiss Federal Finance Department to appoint a group of experts to prepare a proposal for a reform of the Swiss withholding tax system. The proposal is expected to, among other things, replace the current debtor-based regime applicable to interest payments with a paying agent-based regime for Withholding Tax. This paying agent-based regime is expected to be similar to the one contained in the draft legislation published by the Swiss Federal Council on 17 December 2014, which was subsequently withdrawn on 24 June 2015. However, on 23 October 2017, the Swiss Federal Economic Affairs and Taxation Committee of the Swiss National Council filed a parliamentary initiative reintroducing the request to replace the current debtor-based regime applicable to interest payments with a paying agent-based system for Withholding Tax. The initiative requests the implementation of a paying agent-based system that (i) subjects all interest payments made to individuals resident in Switzerland to Withholding Tax and (ii) provides an exemption from Withholding Tax for interest payments to all other persons (including Swiss corporations). If such a new paying agent-based regime were to be enacted and were to result in the deduction or withholding of Withholding Tax on any interest payments in respect of the Bonds by any person other than the Issuer, the Holder would not be entitled to receive any additional amounts as a result of such

deduction or withholding under the terms of the Bonds. In the meantime, the Swiss Federal Council has announced the key objectives of the reform and commissioned the Federal Department of Finance (EFD) to prepare a consultation draft by autumn 2019.

## INDEX TO FINANCIAL INFORMATION

The following financial statements are incorporated by reference into this Prospectus (the "**Financial Statements**"):

- (i) 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.
- (ii) The Unaudited Interim Condensed Consolidated Financial Statements of the Group for the six months ended 30 June 2019.

The Financial Statements may be downloaded free of charge from the Issuer's website ([www.cembra.ch](http://www.cembra.ch), section "Investor Relations", subsection "Reports and presentations", subsection "Financial reports"). Any other content of the Issuer's website is not incorporated by reference into this Prospectus, and investors should not rely on it in making their decision to invest in Bonds.