

# Compensation Report 2015

Extract from the Annual Report 2015



**Cembra**  
MoneyBank

## Compensation Report

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# Compensation Report

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## Message from the Chairperson of the Compensation and Nomination Committee to the Shareholders

*Dear Shareholders*

On behalf of the Board of Directors and the Compensation and Nomination Committee (“CNC”) I am pleased to share with you the 2015 Compensation Report.

The compensation system of the Bank is designed to support the achievement of our long-term business objectives, to ensure alignment of interests between our shareholders and executives, and to support the recruitment and retention of our talents. Therefore we

- Regularly review our compensation policy to ensure that it supports our strategic objectives and aligns executive compensation with the long-term interests of our shareholders;
- Maintain a compensation system that is premised on pay for performance;
- Clearly define the expected performance through a robust performance management process; and
- Pay market competitive compensation levels for comparable roles and experience.

We continuously strive to further improve our compensation system and consider during this process the opinion of our stakeholders as relevant and highly valuable. Based on discussions with various parties, the Board of Directors proposed and received approval from the shareholders at the General Meeting 2015 to extend the vesting schedule of the Restricted Stock Units (“RSUs”) granted under the Executive Variable Compensation Plan from three to four years effective as of 2015. In this new arrangement, RSU awards granted for the performance year 2015 will vest in equal tranches respectively on the second-, third- and fourth-year anniversary of their grant.

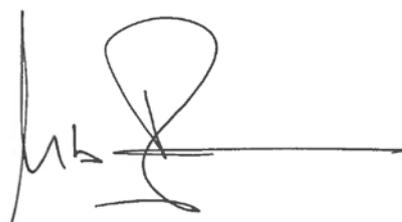
In 2015, the Board of Directors implemented further amendments to the Bank’s compensation system. With the support of external consultants, the CNC benchmarked the structure, level and payout instruments of the Board of Directors and Management Board compensation against a relevant market comparison group. Following this review, Management Board compensation levels have been slightly adjusted, and a new Board of Directors fee structure has been introduced to better reflect the roles and responsibilities of the individual Board members while compensation of the Chairperson has been brought closer to market level.

In order to further strengthen the alignment between shareholders and management, the CNC decided in 2015 for the following changes to take place in 2016:

- From the General Meeting 2016 onwards, members of the Board of Directors will receive one-third of their compensation in shares blocked for a period of five years; and
- As of 2016, a new Executive Variable Compensation Plan will be introduced, taking into consideration the views expressed by shareholders. The current plan has been completely redesigned, and the key change is a separation of the variable compensation into a short-term incentive and a long-term incentive program, each with clear performance conditions. For the short-term variable compensation, the performance is predominantly tied to financial targets (80% for the Chief Executive Officer ("CEO")) and to qualitative targets (20% for the CEO). Embedded into a robust performance management process, the RSUs will be replaced by performance share units with the first grant taking place in spring 2017 and a three-year performance-based cliff-vesting period. This new LTI instrument intends to keep our executives ever-more focused on the attainment of the Bank's future strategic goals and on striving for excellence in all facets of their work.

These changes are further described under section 7 "Compensation Outlook - Redesigned Compensation Structure". At the 2016 General Meeting, we will seek shareholders' approval on the required adjustments to the Bank's Articles of Incorporation.

We would like to thank you for taking the time to share your views with us during the entire year and trust that you find this report informative.

A handwritten signature in black ink, consisting of a stylized 'U' and 'B' followed by a horizontal line.

**Urs D. Baumann**  
Chairperson of the Compensation and  
Nomination Committee

## 1 Compensation Policy and Guiding Principles

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

The compensation policy is designed to support the long-term interest of employees and shareholders and is based on the following three main guiding principles, which have been reviewed and revised by the CNC in 2015:

### Pay for Performance in Alignment with the Bank's Values

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

### Market Competitiveness and Fairness

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

### Good Governance Practice

We want to ensure that our compensation practices are transparent for our stakeholders and aligned with long-term shareholder interests. We act based on the compensation principles set out by FINMA and adhere to rules set by the Ordinance against Excessive Compensation in Listed Corporations ("OaEC"). The implementation of the principles of the FINMA Circular 2010/1 Remuneration Schemes is not mandatory for the Bank. However, since 2011 the Bank decided to comply with the most important standards defining minimum requirements for remuneration schemes applicable to financial institutions.

## 2 Compensation Governance

### 2.1 Compensation and Nomination Committee

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

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

and principles, and in preparing the respective proposals to the General Meeting regarding the compensation of the members of the Board of Directors and the Management Board.

The CNC annually reviews and makes a recommendation to the Board of Directors of the form and amount of the individual compensation of members of the Board of Directors and any additional compensation to be paid for service as Chairperson of the Board and as Chairperson or member on Board committees. In making its recommendation, the CNC gives due con-

sideration to the limits approved by the General Meeting, to customary compensation for directors of comparable companies and to any other factors it deems appropriate that are consistent with the policies and principles set forth in the CNC Charter. The members of the Board of Directors shall abstain from voting when their own compensation is concerned.

Furthermore, the CNC annually (a) reviews and assesses the objectives upon which the compensation of the CEO and the other members of the Management Board is based and (b) evaluates the performance of the CEO and reviews, based on the assessment of the CEO, the performance of the other members of the Management Board in the light of these objectives. Based on the performance evaluation, the

CNC makes a recommendation to the Board of Directors of the individual compensation of the CEO. With regard to the other members of the Management Board, the CNC makes a recommendation to the Board of Directors regarding appropriate individual compensation levels as to (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, (d) any employment agreements and other arrangements or provisions, and (e) any special or supplemental benefits.

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

Decision on	Recommendation by	Review by	Approval by
Compensation policy and principles	Compensation and Nomination Committee		Board of Directors
Aggregate compensation amount of Board of Directors	Compensation and Nomination Committee	Board of Directors	General Meeting (binding vote)
Individual compensation of Chairperson and members of the Board of Directors	Compensation and Nomination Committee		Board of Directors
Aggregate compensation amount of Management Board	Compensation and Nomination Committee	Board of Directors	General Meeting (binding vote)
Compensation of Chief Executive Officer	Compensation and Nomination Committee		Board of Directors
Individual compensation of members of the Management Board (excluding CEO)	Chief Executive Officer	Compensation and Nomination Committee	Board of Directors

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

The CNC holds meetings as often as required, but at least once every quarter. During 2015, the CNC held seven meetings. Meetings are also attended by the Chair-

person of the Board of Directors, the CEO and the Human Resources Director in advisory capacity. However, they do not take part in the section of the meetings where their own performance and/or compensation are discussed and have no voting rights. Other members of the Management Board and Board of Directors as well as other persons may be invited if deemed necessary. The Chairperson of the CNC

reports to the Board of Directors after each meeting on the activities of the CNC. The minutes of the CNC meetings are available to the members of the Board of Directors. The CNC mandated independent external specialists (Hay Consulting Group and HCM International Ltd. ("HCM")) for selected topics in the reporting year.

For further governance related information refer to section Corporate Governance starting on page 24.

## 2.2 Method of Determination of Compensation

To assist decision-making on the compensation of the Board of Directors and Management Board, benchmarking studies are carried out regularly. The compensation practices of comparable companies are analysed in order to assess market practices and competitive remuneration levels. The results of the benchmarking studies are taken into account in setting the fee structure and levels for the Board of Directors and the compensation structure and levels for the CEO and the other Management Board members.

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

## 2.3 Involvement of Shareholders

In compliance with the Ordinance against Excessive Compensation in Listed Corporations ("OaEC"), the Articles of Incorporation include the following provisions on shareholders' vote on compensation (the full version can be found on the website:

[www.cembra.ch/en/investor](http://www.cembra.ch/en/investor) → Corporate Governance → Regulations and Principles):

- According to art. 11a of the Articles of Incorporation, each year, the General Meeting approves separately the proposals of the Board of Directors on the aggregate maximum amounts of:
  - The compensation of the Board of Directors pursuant to art. 25c for the term of office until the next ordinary General Meeting; and
  - The compensation of the Management Board pursuant to art. 25d that is paid out in the subsequent business year following the General Meeting.
- In case the General Meeting does not approve the proposed compensation amounts, the Board of Directors can submit new proposals at the same General Meeting. If no new proposals are submitted or if the new proposals are not approved, the Board of Directors can either convene an extraordinary General Meeting and propose new aggregate compensation amounts or propose new aggregate compensation amounts for retrospective approval to the next ordinary General Meeting.
- According to art. 25e the Bank may award additional compensation to new members of the Management Board in the event that the members are appointed after the General Meeting has approved the aggregate maximum compensation. The additional aggregate compensation per year for all new members of the Management Board shall not exceed 30% of the last aggregate maximum compensation amount approved by the General Meeting.
- Further, the Bank will provide shareholders with the opportunity to express their views on the compensation architecture through an advisory vote on the compensation report at the 2016 General Meeting.

### 3 Compensation of the Board of Directors

#### 3.1 Compensation Architecture for the Board of Directors

The members of the Board of Directors receive only fixed compensation to ensure their independence in their supervisory duties towards the Bank's executive management. The members of the Board of Directors do not receive any variable compensation or pension payments. The members of the Board of Directors who are employed and compensated by General Electric Group do not receive any compensation for their services from the Bank.

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

According to art. 25g of the Articles of Incorporation, the Bank may grant loans, credits, including car lease arrangements, and pension benefits not based on occupational pension schemes to members of the Board of Directors in an amount which shall in total not exceed 50 % of the last aggregate maximum compensation amount approved by the General Meeting.

In 2015, the CNC has mandated HCM as independent advisor to provide an outside-in view on the Board compensation. As part of this outside-in view, HCM analysed the general market practice around the compensation levels for the positions of Chairperson, Vice-Chairperson and other members of the Board of Directors. In addition, the pay structure (base and committee fees), pay mix (cash or equity) and ratios of internal pay equity have been analysed.

The benchmark analysis has been based on listed financial institutions that belong to the 100 biggest companies in Switzerland in terms of market capitalisation. This market comparison group has been further refined by the exclusion of cantonal banks, real estate companies and owner-managed institutions. The final comparison group consisted of 17 companies: Baloise Group, Credit Suisse Group, EFG International, GAM Holding, Helvetia, Julius Baer, Leonteq, LLB, Pargesa, Partners Group, Swiss Life, Swiss Re, UBS, Valiant, Vaudoise Assurances, Vontobel and Zurich Insurance Group. For defining the total compensation levels at the Bank, individual company benchmark data has been size-adjusted.

Based on the results of this market analysis, a new fee structure has been implemented as of 1 October 2015 consisting of an annual fixed compensation for services on the Board of Directors and additional fees for assignments to committees of the Board of Directors. The fee level for the Chairperson of the Board of Directors has been increased as it was significantly below the competitive market practice. With the implementation of the new fee structure, the total compensation of the individual board functions will be 5–15 % below the median level of the size adjusted reference group of companies.

The guiding principles for the revised system are:

- For all members of the Board of Directors, total compensation shall be at or below the market benchmark; and

- The market level of the internal pay equity ratios shall be maintained between Chairperson, Vice-Chairperson and ordinary Board of Directors members.

### New Structure of the Board of Directors Compensation as of 1 October 2015:

In TCHF	Basic Fee	Committee/ Chair Fee
Chairperson of the Board of Directors <sup>1</sup>	450	
Member of the Board of Directors	100	
Vice-Chairperson		30
Chairperson of the Audit Committee		65
Chairperson of the Compensation and Nomination Committee		50
Member of the Audit Committee		35
Member of the Compensation and Nomination Committee		30

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

Expenses are only reimbursed as they occur. Payment of expense allowances has been discontinued effective 1 October 2015.

As part of the revised compensation system, and in line with market best practice, the Board of Directors has decided that as of the General Meeting 2016, one third of their compensation will be delivered in Cembra Money Bank AG shares blocked for a period of five years during which they cannot be sold, transferred or pledged. The required adjustments to the Bank's Articles of Incorporation are subject to shareholders' approval in the General Meeting. More details can be found in the outlook on page 73.

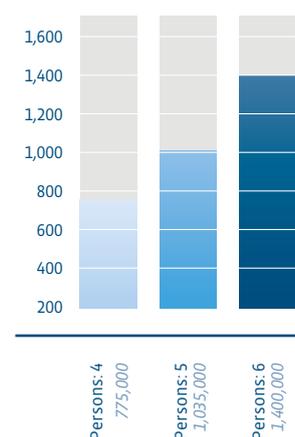
### 3.2 Compensation Awarded to the Board of Directors for 2015

The following table discloses the compensation awarded to the members of the Board of Directors for 2015 and 2014, respectively. For 2015, members of the Board of Directors received a total compensation of TCHF 940 (previous year TCHF 764). This increase is driven by the appointment of one additional Board and Audit Committee member and the implementation of the new fee structure as of 1 October 2015.

Total contractually agreed compensation (including pre-estimated social security contributions) for the period from the 2015 General Meeting to the 2016 General Meeting for the Board of Directors is TCHF 1,035 and is within the maximum amount of TCHF 1,400 approved by the General Meeting on 29 April 2015.

### Total Compensation Board of Directors

in CHF



- Total Compensation Board AGM 2014 to AGM 2015
- Total Compensation Board AGM 2015 to AGM 2016
- Approved Budget for AGM 2015 to AGM 2016

For the year ended 31 December 2015 (CHF)

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

<sup>1</sup> Chairperson CNC until 29 April 2015

<sup>2</sup> Employed and compensated by General Electric Group

<sup>3</sup> Employed and compensated by General Electric Group. Board member until 1 September 2015

<sup>4</sup> Member of the CNC since 1 September 2015

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

<sup>6</sup> Member since 29 April 2015

For the year ended 31 December 2014 (CHF)

Name	Function	Basic Fee <sup>4</sup>	Committee/ Chair Fee	Employer Social Security Contributions	Expense Allowance	Total
Dr. Felix A. Weber	Chairperson	300,000	–	20,249	5,000	325,249
Christopher M. Chambers <sup>1</sup>	Vice-Chairperson, Chairperson CNC	150,000	–	11,145	5,000	166,145
Denis Hall <sup>2</sup>	Member Audit Committee	–	–	–	–	–
Richard Laxer <sup>2</sup>	Member CNC	–	–	–	–	–
Prof. Dr. Peter Athanas	Chairperson Audit Committee	175,000	–	12,014	–	187,014
Urs D. Baumann <sup>3</sup>	Member Audit Committee	85,808	–	–	–	85,808
<b>Total compensation of the members of the Board of Directors</b>		<b>710,808</b>	<b>–</b>	<b>43,408</b>	<b>10,000</b>	<b>764,216</b>

<sup>1</sup> Retroactive adjustment due to retroactive social security liability in UK as of 1 November 2014, foreign exchange rate as on 29 February 2016.

<sup>2</sup> Nominated by General Electric Group

<sup>3</sup> Member since election at General Meeting on 13 May 2014; payments were made directly to employer Bellevue Group.

<sup>4</sup> Including compensation for committee membership/chair role

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

No such compensation was paid during the reporting period.

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

Two members of the Board of Directors (Chairperson and Vice-Chairperson) received an expense allowance until 30 September 2015, which is included in the compensation table above. Apart from this allowance, no other compensation or fees were accrued for or paid to any member or former member of the Board of Directors during the reporting period. For details related to loans outstanding as of 31 Decem-

ber 2015 please refer to section 6 “Loans and Credits: Amounts due to/from Members of Governing Bodies”.

### **Compensation or Loans to Related Parties**

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

### **Clauses on Changes of Control**

The contracts of the members of the Board of Directors (including the Chairperson of the Board of Directors) do not make provision for any agreements in the case of a change of corporate control (change of control clauses).

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## **4 Compensation of the Management Board**

### **4.1 Compensation Architecture for the Management Board in 2015**

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

The total compensation awarded to the Management Board consists of:

- A fixed annual compensation (base salary) stipulated under the relevant employment contract and reflective of the position, market practice, experience and performance of the individual; and
- An annual variable incentive compensation delivered partially in cash and partially in restricted stock units (RSUs).

According to art. 25g of the Articles of Incorporation, the Bank may grant loans, credits, including car lease arrangements, and pension benefits not based on occupational pension schemes to members of the Management Board in an amount which shall in total not exceed 50 % of the last aggregate maximum compensation amount approved by the General Meeting. The payment of bridge or interim annuities by the Bank to members of the Management Board is possible between early retirement and the statutory retirement age.

The table below provides an overview of the compensation architecture for the Management Board valid through 2015:

Key Element	Delivery	Purpose	Drivers	Performance Measures
Annual base salary	Cash	Attract and retain executives required to lead and develop the Bank.	Scope and responsibilities of the role; individual's experience and performance; Market competitiveness	n/a
Annual variable incentive compensation	Annual incentive settled 70% in cash and 30% in RSUs with vesting over 4 years	Pay for performance and reward of executives generating return for shareholders	Business and individual performance	<ul style="list-style-type: none"> <li>• Company financial objectives</li> <li>• Department objectives</li> <li>• Qualitative individual objectives</li> <li>• Demonstration of the Bank's values: Customer Focus, Engagement, Responsibility and Diversity</li> </ul>
Pension and other benefits	Retirement plans, insurances, perquisites	Protection against risks for employees and their dependents	Market practice	n/a

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

In 2015, the CNC mandated Hay Group to conduct a benchmarking analysis of the compensation of the members of the Management Board. The following companies were selected as peer group: Allreal Holding, Baloise Holding, Bank Coop, Bank Linth LLB, Edmond de Rothschild Suisse, EFG International AG, GAM Holding, Helvetia Holding, Hypothekbank Lenzburg, Inter-shop Holding, Leonteq, Mobimo Holding, PSP Swiss Property, Schweizerische National-Versicherungs-Gesellschaft, Swiss Prime Site, Swissquote Group Holding, Valiant Holding, Vaudoise Assurances Holding, Vontobel Holding, VZ Holding, WIR Bank Genossenschaft, Bombardier Transportation Financial Services S.à.r.l., Credit Suisse, COFRA Holding, Helvetia Versicherungen, LeasePlan Schweiz, Lloyds TSB Bank plc., Partners Group Holding, PSA Finance Su-

isse, Swiss Life, Swiss Re, UBS and Zurich Insurance Group.

The results of this benchmarking analysis were used, amongst other factors, to determine the compensation levels for the members of the Management Board in 2015.

#### Annual Base Salary

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

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

#### Executive Variable Compensation Plan

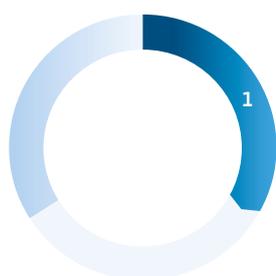
Art. 25h of the Articles of Incorporation contains the principles of the Executive Variable Compensation Plan ("EVCP") regarding the variable compensation in the form of cash and RSUs for the members of the Management Board as described in more detail below.

The variable compensation is governed by the internal EVCP guideline. The EVCP is

applicable to the senior management team (“Senior Management Team”) of the Bank including the Management Board. The purpose of the EVCP is to reward for the company’s success and for the individual contributions of the participants to the overall success of the company.

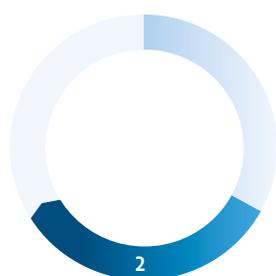
The actual awards paid out are driven by both business and individual performance. The determination process of the executive variable compensation is based on three steps:

#### Determination Process of Variable Compensation



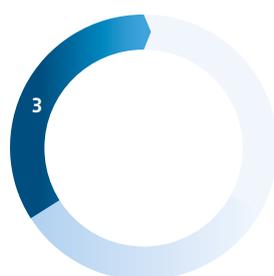
##### 1 Target Pool

- The Target Pool is based on the participant’s annual base salary.
- The annual base salary is multiplied by a Target Percentage. The latter is fixed in the employment contract.
- The sum of each Target Funding generates the Target Pool.



##### 2 Approved Pool

- The Approved Pool needs to be approved by the Board of Directors and justified by reaching short-term, medium-term and qualitative targets (see table below).
- The adjustments based on the achievement of these targets can increase or lower the total bonus pool.



##### 3 Individual Variable Compensation

- The Individual Variable Compensation for each participant is based on an assessment of each participant’s overall performance (achievement of the goals and objectives and demonstration of the Bank’s values).
- Based on this assessment an adjustment (Individual Contribution Factor) is made.

#### Determination of the Target Pool

The participants are assigned a target percentage of their annual base salary pursuant to their employment contract for funding purposes. The individual target percentage is as follows:

- For the CEO:
  - 80 % of his annual base salary until 30 September 2015;
  - 90 % of his annual base salary as of 1 October 2015; and
- For the Management Board:
  - 50 % of their respective annual base salary.

The sum of all participants’ target percentages multiplied by each participant’s annual base salary pursuant to their employment contract with the Bank provides the target pool, which serves as a basis from which the actual pool funding is established. The target pool is only a pool funding mechanism and does not guarantee an actual variable incentive compensation payout.

#### Determination of the Approved Pool

The Board of Directors, based on the recommendation of the CNC, is responsible for approving the actual pool funding on an annual basis. The approved pool fund-

ing is based on a quantitative and qualitative performance assessment taking into account the achievement of the Bank's

short-term, medium-term and qualitative targets as detailed in the table below.

Targets	Weight	Criteria	Targets 2015	Achievement 2015
Short-term financial target	30%	Earnings per share (EPS)	CHF 4.50 – CHF 4.70	CHF 5.04
Medium-term targets	40%	Asset growth <sup>1</sup>	In line with Swiss GDP	-0.3%
		Profitability (ROE)	15%	17.7%
		Tier 1 capital ratio	18%	19.8%
		Dividend payout <sup>2</sup>	60% – 70%	66%
Qualitative targets	30%	Business transformation		
		Compliance	Individually determined	Individually determined
		Culture Roadmap/Leadership		

<sup>1</sup> Net financing receivables

<sup>2</sup> As a percentage of net income

Based on the criteria above, the Board of Directors can make adjustments, either positive (> sum of all participants' target percentage) or negative (< sum of all participants' target percentage) to the target pool to determine and approve the final actual pool funding ("approved pool").

#### Determination of the Individual Variable Compensation Amount Paid Out

The individual variable compensation paid out to each member of the Management Board is determined within the funding limits of the approved pool as well as the individual applicable cap and is based on an assessment of each participant's overall performance.

The participant's overall performance is assessed based on the (a) participant's achievement of the objectives set forth by the Board of Directors for

the CEO and by the CEO for the other members of the Management Board, and (b) demonstration of the Bank's values such as customer focus, engagement, responsibility and diversity.

The individual performance of the CEO is assessed by the CNC and that of the other members of the Management Board members by the CEO. Based on the assessment of the participant's overall performance, the Bank applies an individual adjustment ("Individual Contribution Factor") to determine the individual variable compensation paid out for a given business year.

Participants' actual variable compensation may vary from their target variable compensation and participants are not guaranteed to receive any variable compensation in any given year.

Process of Determining the Individual Variable Compensation of the Members of the Management Board.

**Step 1: Determination of Target Funding**

Annual Base Salary	X	Target Percentage Pursuant to the employment contract	=	Target Funding
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**Step 2: Determination of Individual Variable Compensation**

Target Funding	X	Individual Contribution Factor Pursuant to participant's overall performance	=	Actual Variable Compensation*
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\* The total sum of all actual variable compensation amounts shall in no event exceed the approved pool.

The actual individual annual variable compensation for the Management Board is capped as follows in 2015:

- For the CEO:
  - 124 % of his annual base salary; and
- For the Management Board:
  - 75 % of their respective annual base salary.

On an annual basis the CNC determines the ratio between the proportion of the variable compensation that is paid out in cash and the proportion that is granted in the form of RSUs. For 2015, unchanged from 2014, the CNC decided to split the variable incentive compensation of the Management Board members as follows: 70% in cash and 30% in RSUs.

For the CEO the split has been changed to 60% in cash and 40% in RSUs as of 1 October 2015.

The number of RSUs granted is based on the monetary value of the proportion of the variable compensation amount to be delivered in RSUs divided by the average share price of the month February 2016, rounded up to the next full number. For the grant 2016 based on the performance year 2015 the vesting period of the RSUs has

been extended from three years to four years. One third of the RSUs shall vest on the second anniversary of their grant date, one further third of the RSUs shall vest on the third anniversary of their grant date and the final third shall vest on the fourth anniversary of their grant date. In case of voluntary resignation or termination by the company for cause, the unvested RSUs forfeit upon termination of employment. In case of termination of employment due to retirement, death, disability, termination by the company without cause or termination following change of control, the unvested RSUs are subject to an accelerated pro-rata vesting based on the number of full months that have expired during the actual vesting period in relation to the full vesting period.

**Malus**

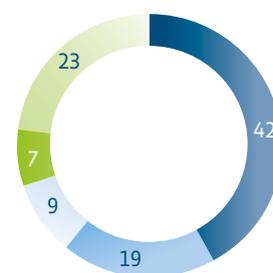
Under the EVCP unvested awards are subject to malus conditions and vested awards are subject to claw-back conditions in case of misconduct, breach of internal risk management or compliance procedures.

**Benefits**

Benefits consist mainly of retirement and insurance plans that are designed to provide a reasonable level of protection for

Performance Year 2015  
 Compensation Structure

in %



**Management Board**

- Base salary
- Bonus in cash
- Bonus in RSUs
- Pension
- Other compensation

the employees and their dependents in respect to the risk of retirement, disability and death. The members of the Management Board participate in regular pension plans offered to all employees.

Members of the Management Board may also receive certain executive benefits such as housing, schooling, company car and other benefits in kind. The monetary value of these other elements of compensation is evaluated at fair value and is disclosed in the compensation table below.

#### 4.2 Compensation Awarded to the Management Board for 2015

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

#### Compensation of Active Management Board Members

For the performance year ended 31 December (CHF)	2015			2014		
	CEO	Management Board	Total Compensation	CEO	Management Board	Total Compensation
Base salary	561,000	1,164,504	1,725,504	536,375	1,296,506	1,832,881
Social security	58,738	122,097	180,835	66,249	136,068	202,318
Pension plan	141,503	158,887	300,390	157,572	177,683	335,254
Other compensation <sup>1</sup>	197,745	371,302	569,046	207,147	389,296	596,443
Retention payments <sup>2</sup>	–	112,000	112,000	129,120	147,260	276,380
<b>Total Fixed Compensation</b>	<b>958,986</b>	<b>1,928,789</b>	<b>2,887,775</b>	<b>1,096,463</b>	<b>2,146,813</b>	<b>3,243,276</b>
EVCP paid in cash <sup>3</sup>	404,313	358,967	763,280	391,664	446,102	837,766
EVCP granted in RSUs	199,606	153,907	353,512	167,881	191,273	359,154
- Amount of RSUs granted <sup>4</sup>	3,206	2,472	5,678	2,964	3,377	6,341
- Value per RSU <sup>5</sup>	62.26	62.26	62.26	56.64	56.64	56.64
Social security	33,970	28,849	62,820	31,614	36,012	67,626
<b>Total Variable Compensation for the Performance Year</b>	<b>637,889</b>	<b>541,723</b>	<b>1,179,612</b>	<b>591,159</b>	<b>673,387</b>	<b>1,264,547</b>
<b>Total Compensation for the Performance Year</b>	<b>1,596,875</b>	<b>2,470,512</b>	<b>4,067,387</b>	<b>1,687,622</b>	<b>2,820,200</b>	<b>4,507,822</b>
Number of persons receiving compensation			5			6

<sup>1</sup> Includes certain benefits for relocated employees such as housing allowance and school fees as well as other benefits such as company cars. Other compensation for 2014 has been reclassified to reflect tax benefits, analog to 2015.

<sup>2</sup> 2014 Retention Payments refer to GE Money Bank Retention Program 2012 with two tranches payable 12 months and 24 months after the beginning of the award period under the condition of an active employment. 2015 Retention Payments refer to GE Money Bank Retention Program 2013 with the award being payable 24 months after the IPO under the condition of an active employment.

<sup>3</sup> Paid out in March 2016

<sup>4</sup> RSUs granted in 2016 and 2015 for the performance years 2015 and 2014

<sup>5</sup> Fair Market Value (average share price of February 2016)

### Highest Total Compensation

Robert Oudmayer, CEO, received the highest total compensation in 2015. For compensation details, please refer to the table above.

The contract of the CEO has been amended with effect on 1 October 2015 to align with market practice and benchmarks as follows:

- Discontinuation of payment of the employee contributions to the pension plan by the Bank and adjustment of the annual base salary to compensate for the above.

- Alignment of the compensation level and structure according to market benchmark:

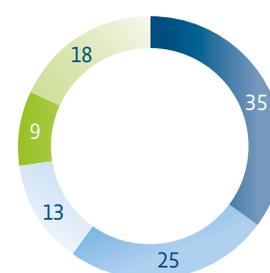
- Increase the variable compensation target from 80% to 90% and
- Adjusting the split of the target into short-term and long-term variable compensation from 70/30% to 60/40%.

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

The total compensation for the performance year 2015 paid to former Management Board members who left the Bank is disclosed in the table below.

### Performance Year 2015 Compensation Structure

in %



#### Chief Executive Officer

- Base salary
- Bonus in cash
- Bonus in RSUs
- Pension
- Other compensation

For the performance year ended 31 December (CHF)		2015
		Former Management Board Member <sup>1</sup>
Base salary		208,480
Social security		15,695
Pension plan		28,836
Other compensation		5,339
<b>Total Fixed Compensation</b>		<b>258,350</b>
<b>Total Variable Compensation for the Performance Year</b>		<b>-</b>
<b>Total Compensation for the Performance Year</b>		<b>258,350</b>
Number of persons receiving compensation		1

<sup>1</sup> Garden Leave as of 10 September 2014, Exit Date 31 August 2015

### Deviations versus the previous year:

- The total compensation of the Management Board members for the performance year 2015 amounted to TCHF 4,067 (previous year TCHF 4,508).
- For the Chief Financial Officer, no individual variable incentive compensation was accrued for the performance year 2015 in line with the EVCP rules due to his voluntary resignation.
- The total fixed compensation of the members of the Management Board for the business year 2015 amounts to TCHF 2,776 (excluding retention payments in the amount of TCHF 112 granted in previous years and paid in 2015). In addition, TCHF 258 were paid to a former member

of the Management Board. The combined total of TCHF 3,034 is TCHF 34 above the amount of TCHF 3,000 approved by the General Meeting 2014 due to the appointment of the new General Counsel, Dr. Emanuel C. Hofacker, as Management Board member as of 1 October 2014. However, this additional amount is allowed based on art. 25e of the Articles of Incorporation which provides for an additional compensation amount for members of the Management Board of up to 30% of the last aggregate maximum compensation amount approved by the General Meeting (0.67% of the TCHF 5,100) for members of the Management Board who are appointed after the General Meeting has

approved the aggregate maximum compensation.  
– A total variable compensation of TCHF 1,180 for the performance year 2015 was approved by the CNC, which is below the amount of TCHF 2,200 approved by the

2015 General Meeting as part of the total fixed and variable compensation of the Management Board. For the performance year 2015, this resulted in a variable compensation amounting to 29 % of the total compensation (compared to 28% in 2014).

### Vesting Schedule of RSU grants

Plan	Grant Year	Vesting Year 1st tranche	Vesting Year 2nd tranche	Vesting Year 3rd tranche	Number of RSUs Vested 2015	Value at vesting 2015 (in CHF)	Value of dividend equivalent paid in 2015 (in CHF)
EVCP 2013 <sup>1</sup>	2014	2015	2016	2017	1,941	115,490	n/a
EVCP 2014	2015	2016	2017	2018	n/a	n/a	n/a
EVCP 2015	2016	2018	2019	2020	n/a	n/a	n/a
One Off Share Program <sup>2</sup>	2013	2015	n/a	n/a	9,314	557,443	55,418

<sup>1</sup> EVCP vesting valued with share price CHF 59.50 on 1 March 2015

<sup>2</sup> One Off Share Program vesting valued with share price CHF 59.85 on 30 October 2015

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

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

For details related to loans outstanding as of 31 December 2015 please refer to section 6 “Loans and Credits: Amounts due to/from Members of Governing Bodies”.

### Compensation or Loans to Related Parties

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

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

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

### Clauses on Changes of Control

The contracts of the Management Board do not make provision for any agreements in the case of a change of corporate control (change of control clauses) other than the accelerated vesting provision in the EVCP as described in section 4.1. For further information refer to section Corporate Governance starting on page 24.

## 5 Compensation Awarded to All Employees in 2015

The structure of compensation of all employees is based on a similar structure

than that of the Management Board:  
– Annual base salary determined based on

the scope and responsibilities of the role, the market value of the role and the individual's level of experience and performance.

– Annual variable incentive compensation for Senior Management Team including the Management Board to reward business and individual performance, is currently paid partly immediately in cash and partly in RSUs with a 4-year staged vesting period (one-third vesting in each of the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> anniversary of the grant).

– Annual variable incentive compensation for middle management employees is paid fully in cash.

– Sales incentives for sales employees are paid quarterly based on the performance against pre-approved goals.

The following table includes information regarding the aggregated compensation awarded to all employees for the business year 2015, including compensation for members of the Management Board. The Bank had 715 and 702 employees (full-time equivalents) as of 31 December 2015 and as of 31 December 2014 respectively.

For the performance year ended 31 December	2015		2014	
	Amount (in TCHF)	Eligible Employees (FTE)	Amount (in TCHF)	Eligible Employees (FTE)
Base salaries	71,340		71,365	
Variable compensation <sup>1</sup>	4,969	209	4,779	193
<b>Total</b>	<b>76,309</b>	<b>715</b>	<b>76,143</b>	<b>702</b>

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

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

As required by Article 663c of the Code of Obligations, the Bank discloses the share-

holdings of the members of the Board of Directors and the Management Board.

### Shareholdings of the Board of Directors

At 31 December	Name	Function	2015		2014	
			Number of shares	Number of RSUs	Number of shares	Number of RSUs
	Dr. Felix A. Weber	Chairperson	7,250	–	2,000	–
	Christopher M. Chambers	Vice-Chairperson	5,000	–	5,000	–
	Denis Hall	Member	–	–	–	–
	Prof. Dr. Peter Athanas	Member	–	–	–	–
	Urs D. Baumann	Member	7,200	–	2,000	–
	Dr. Monica Mächler <sup>1</sup>	Member	–	–	n/a	n/a
	Richard Laxer <sup>2</sup>	Member	n/a	n/a	–	–

<sup>1</sup> From 29 April 2015

<sup>2</sup> Until 1 September 2015

The members of the Board of Directors do not hold any share options as of 31 December 2015 and as of 31 December 2014 respectively.

### Shareholdings and Unvested Restricted Stock Unit Ownership of the Management Board

<i>At 31 December</i>		2015		2014	
Name	Function	Number of shares	Number of RSUs	Number of shares	Number of RSUs
Robert Oudmayer	CEO	3,880	4,842	–	5,758
Antoine Boubilil	CFO	2,271	1,508	–	2,889
Volker Gloe	CRO	2,218	1,316	–	2,732
Dr. Emanuel C. Hofacker	General Counsel	631	1,045	–	911
Daniel Frei	Sales Leader Cards	2,255	1,507	–	2,842

The members of the Management Board do not hold any share options as of 31 December 2015 and as of 31 December 2014 respectively.

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

<i>At 31 December (CHF in thousands)</i>	2015	2014
Amounts due from members of governing bodies	10	3
Amounts due to members of governing bodies	376	331

Amounts due from members of governing bodies as of 31 December 2015 are in connection with credit card balances. Amounts

due to members of governing bodies relate to personal savings accounts.

## 7 Compensation Outlook: Redesigned Compensation Structure

In 2015, the CNC actively continued the dialogue with shareholders and proxy advisors about the compensation strategy of the Bank. By support from external consultants, the CNC benchmarked against relevant peers the structure, level and payout instruments of the Board of Directors and Management Board compensation; with the first adjustments being implemented already in 2015. See section 3.1 and 4.1 for the changes implemented in 2015.

In order to reflect market best practices and to further strengthen the alignment between shareholders and management, the Board of Directors proposes to implement additional changes in 2016. These amendments, as outlined in detail below, require the modification of the Articles of Incorporation, which will be submitted to shareholders' vote at the upcoming 2016 General Meeting.

### **Amendments to the Board of Directors Compensation**

Upon completion of the market review conducted by HCM and implementation of the new Board of Directors fee structure, the Board of Directors has decided that as of the General Meeting 2016, one third of their compensation shall be delivered in form of shares blocked for a period of five years subject to the shareholders' approval at the 2016 General Meeting. This change places the Bank to the stricter end in comparison to its peers, amongst which a three year long blocking period can be considered typical.

### **Amendments to the Management Board Compensation**

As outlined above, the compensation system for the Management Board will be adjusted as from financial year 2016 based on a thorough review undertaken with support of an external consultant to reflect best alignment with shareholder's interest and pay in line with market median of the benchmarking group. Thus, from 2016 onwards the EVCP will consist of two separate programs: a short-term incentive ("STI") and a long-term incentive ("LTI") plan which includes performance triggers at vesting. In 2016, the target bonus (STI and LTI) is set at 90% of the base salary for the CEO and at 50% for the other Management Board members.

#### **Short-term Incentive (STI)**

The target STI is 60% of the target bonus for the CEO and 70% for the other Management Board members. The granted STI award can vary between 0% and 150% of the target STI depending on performance. Under the STI plan, the performance is assessed through a scorecard that measures to what extent the financial year's Bank and departmental financial targets have been delivered and considers a range of

qualitative Key Performance Indicators ("KPIs") capturing the attainment of the Bank's strategic, organisational, risk and compliance goals. The weightings under the new structure have been implemented in line with corporate governance best practice and shareholders' expectations with a 80% weight on financial targets and 20% weight on qualitative KPIs for the CEO.

The STI is fully and immediately settled in cash and is subject to a stringent malus condition.

#### **Long-term Incentive (LTI)**

The target LTI is 40% of the target bonus for the CEO and 30% for the other Management Board members. The granted LTI award can vary between 75% and 125% of the target LTI. The individual LTI grants for the Management Board members are determined by the Board of Directors carrying out an overall look-back assessment based on defined performance criteria. This assessment considers, among others, the overall market positioning of the Bank in terms of its market share and brand reputation, the quality of the Bank's earnings with focus on its financial stability and the robustness of the compliance and risk framework, and the Bank's future strategic aspirations.

The LTI awards are delivered in form of performance share units ("PSUs"), which remain subject to a three year performance period and cliff-vesting. At the end of the three year performance period, the target achievement in terms of stock market performance and financial goals is evaluated and the number of vesting shares is determined between 0% and 200% of the granted number of performance share units.

The performance criteria and targets for the STI and LTI plans are determined within the annual target setting and performance

management process. For 2016 the following performance criteria have been determined:

	Company Financial Targets	Departmental Targets	Qualitative Targets
STI	<ul style="list-style-type: none"> <li>• Net Income</li> <li>• Total Income</li> </ul>	<ul style="list-style-type: none"> <li>• Individually determined where applicable</li> </ul>	<ul style="list-style-type: none"> <li>• Individually determined</li> </ul>
LTI	<ul style="list-style-type: none"> <li>• Relative Total Shareholder Return</li> <li>• Fully-diluted three-year cumulative EPS</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>

Due to its sensitivity performance targets and achievements will be disclosed retrospectively in the compensation report of the respective year.

Below table illustrates the target and maximum variable compensation at grant under the new scheme as of performance year 2016:

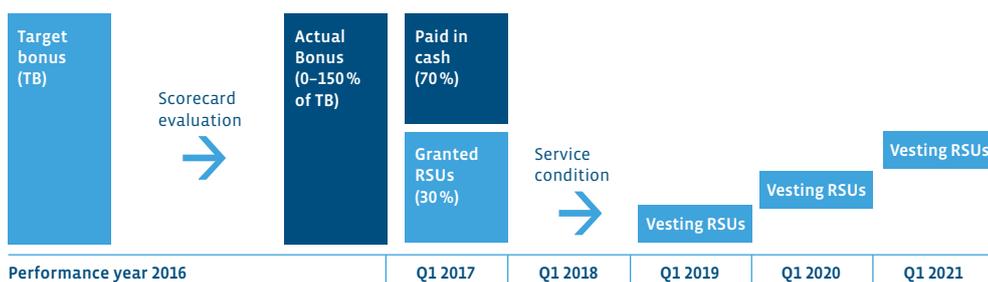
	CEO		Management Board	
<b>TARGET VARIABLE COMPENSATION IN % OF BASE SALARY</b>	90 %		50 %	
	STI	LTI	STI	LTI
% of Target Variable Compensation	60 %	40 %	70 %	30 %
Target Variable Compensation as % of Base Salary	54 %	36 %	35 %	15 %
Cap at Grant in % of Base Salary	81 %	45 %	53 %	19 %
Payout/ Vesting Range in % of Base Salary	0–81 %	0–90 %	0–53 %	0–38 %

Claw-back rules apply for any portion of the variable compensation in case of material noncompliance with financial reporting requirements, serious misconduct, fraudulent or criminal behaviour, and/or serious breach of internal risk management or compliance procedures. Any payback obligation is limited to the three years preceding the discovery of the event.

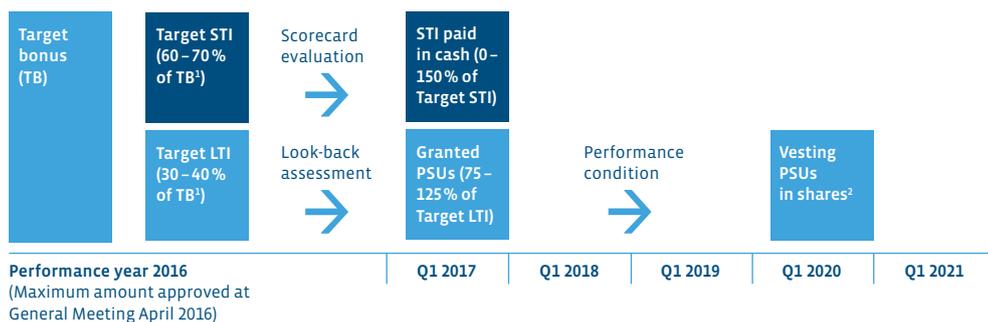
Following illustration provides a summary of the changes to the EVCP as of 2016:

## Current and New Executive Variable Compensation Framework

### Current:



### New:



<sup>1</sup> The target bonus is split into a target STI and a target LTI depending on function (CEO 60%/40%, MB 70%/30%)

<sup>2</sup> Vesting can be between 0-200% of granted PSUs

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# Report of the Statutory Auditor on the Compensation Report to the General Meeting of Shareholders of Cembra Money Bank AG, Zurich

We have audited the compensation report of Cembra Money Bank AG for the year ended 31 December 2015. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections 3.2, 4.2 and 6 of the compensation report.

## Responsibility of the Board of Directors

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

## Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the compensation report for the year ended 31 December 2015 of Cembra Money Bank AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

**Cataldo Castagna**  
Licensed Audit Expert  
Auditor in Charge

**Daniel Merz**  
Licensed Audit Expert

Zurich, 23 March 2016