

Consolidated Financial Statements

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Consolidated statements of income

For the years ended 31 December (CHF in thousands)	Notes	2023	2022
Interest income	23	422,126	385,562
Interest expense	24	-74,908	-29,390
Net interest income		347,218	356,172
Commission and fee income	25	168,468	152,688
Net revenues		515,687	508,859
Provision for losses on financing receivables	4	-56,906	-40,934
Compensation and benefits		-136,972	-135,486
General and administrative expenses	26	-125,636	-121,969
Total operating expenses		-262,608	-257,456
Income before income taxes		196,173	210,469
Income tax expense	18	-38,140	-41,168
Net income		158,033	169,300
Earnings per share			
Basic	16	5.39	5.77
Diluted	16	5.38	5.76

See accompanying Notes to the consolidated financial statements

Consolidated statements of comprehensive income

For the years ended 31 December (CHF in thousands)	Notes	2023	2022
Net income		158,033	169,300
Net prior service cost, net of tax	13	-903	-1,142
Actuarial gain/(loss), net of tax	13	-8,941	21,593
Unrealised gains/(losses) on investment securities, net of tax	5	830	-731
Gains/(losses) on cash flow hedges, net of tax	12	-3,578	-
Foreign currency translation adjustments		-6	-
Total other comprehensive gain/(loss), net of tax		-12,599	19,719
Comprehensive income		145,434	189,019

See accompanying Notes to the consolidated financial statements

Consolidated statements of financial position

At 31 December (CHF in thousands)	Notes	2023	2022
Assets			
Cash and cash equivalents		921,974	632,644
Financing receivables, net	4	6,687,141	6,520,097
Investment securities	5	98,256	97,337
Property, equipment and software, net	6	54,903	64,036
thereof operating lease - right-of-use (ROU) assets	6	16,131	19,610
Intangible assets, net	7	26,530	39,182
Goodwill	8	189,521	189,521
Other assets	9	109,858	81,052
Total assets¹		8,088,183	7,623,869
Liabilities and equity			
Deposits	10	3,497,133	3,513,116
Accrued expenses and other payables		205,965	174,441
Short-term debt	11	450,016	450,000
Long-term debt	11	2,647,749	2,163,029
Other liabilities	14	27,221	23,027
thereof operating lease - lease liability	6	16,131	19,751
Deferred tax liabilities, net	18	10,362	25,855
Total liabilities¹		6,838,445	6,349,468
Common shares		30,000	30,000
Additional paid in capital (APIC)		258,666	258,123
Retained earnings		997,887	1,010,017
Treasury shares		-37,380	-36,903
Accumulated other comprehensive income (loss) (AOCI)		565	13,164
Total shareholders' equity		1,249,738	1,274,401
Total liabilities and shareholders' equity		8,088,183	7,623,869

¹ The Group's consolidated assets as at 31 December 2023 and 2022 include total assets of TCHF 620,767 and TCHF 302,816, respectively, of consolidated variable interest entities (VIEs) that can only be used to settle the liabilities of the VIEs. The Group's consolidated liabilities as at 31 December 2023 and 2022 include liabilities of the VIEs of TCHF 530,091 and TCHF 251,223, respectively, for which the VIE creditors do not have recourse to Cembra Money Bank AG

See accompanying Notes to the consolidated financial statements

Consolidated statements of changes in shareholders' equity

CHF in thousands	Common shares	APIC	Retained earnings	Treasury shares	AOCI	Total equity
Balance at 1 January 2022	30,000	257,683	953,689	-34,540	-6,556	1,200,276
Net income	-	-	169,300	-	-	169,300
Dividends paid	-	-	-112,971	-	-	-112,971
Change due to share-based compensation	-	440	-	633	-	1,073
Treasury shares	-	-	-	-2,997	-	-2,997
Pension benefit plan obligation movements, net of deferred tax of TCHF -4,676	-	-	-	-	20,091	20,091
Pension benefit plan obligation reclassifications from AOCI, net of deferred tax of TCHF -64 ¹	-	-	-	-	360	360
Available for sale debt securities unrealised gains/(losses), net of deferred tax of TCHF 174	-	-	-	-	-731	-731
Balance at 31 December 2022	30,000	258,123	1,010,017	-36,903	13,164	1,274,401
Balance at 1 January 2023	30,000	258,123	1,010,017	-36,903	13,164	1,274,401
Net income	-	-	158,033	-	-	158,033
Dividends paid	-	-	-115,930	-	-	-115,930
Change due to share-based compensation	-	543	-	604	-	1,147
Treasury shares	-	-	-	-1,080	-	-1,080
Pension benefit plan obligation movements, net of deferred tax of TCHF 1,635	-	-	-	-	-6,924	-6,924
Pension benefit plan obligation reclassifications from AOCI, net of deferred tax of TCHF 712 ¹	-	-	-	-	-2,921	-2,921
Available for sale debt securities unrealised gains/(losses), net of deferred tax of TCHF -197	-	-	-	-	830	830
Day 1 impact from CECL adoption, net of deferred tax of TCHF 12,668	-	-	-54,234	-	-	-54,234
Derivatives gain/(loss), net of deferred tax of TCHF 850	-	-	-	-	-3,370	-3,370
Derivatives gain/(loss) reclassified from AOCI to interest expense ²	-	-	-	-	-207	-207
Foreign currency translation adjustments	-	-	-	-	-6	-6
Balance at 31 December 2023	30,000	258,666	997,887	-37,380	565	1,249,738

¹ Reclassifications from accumulated other comprehensive income (loss) related to the Group's pension benefit plan obligation are classified in the income statement under general and administrative expenses

² Reclassifications from accumulated other comprehensive income (loss) related to the interest expense on derivatives are classified in the income statement under interest expense

See accompanying Notes to the consolidated financial statements

Consolidated statements of cash flows

For the years ended 31 December (CHF in thousands)	Notes	2023	2022
Cash flows from operating activities			
Net income		158,033	169,300
Adjustments to reconcile net income to cash provided from operating activities:			
Provision for losses on financing receivables		-10,215	40,934
Deferred income taxes		548	12,286
Depreciation of property, equipment and software	6	14,844	14,776
Amortisation of intangible assets	7	12,652	11,179
(Decrease)/ Increase in accrued expenses and other payables		31,524	33,197
Decrease/(Increase) in tax receivables		5,814	-3,848
Decrease/(Increase) in other receivables		-1,997	-3,970
Decrease/(Increase) in deferred expenses		-13,385	-1,763
Decrease/(increase) in other assets		-588	-29,343
All other operating activities		-8,699	673
Net cash provided by operating activities		188,531	243,421
Cash flows from investing activities			
Net (increase)/ decrease in financing receivables	28	-223,949	-306,419
Proceeds from maturity of investment securities		229,476	-
Purchase of investment securities		-230,000	-98,473
Additions to property, equipment and software	6	-8,965	-15,081
Investments in subsidiaries and other investments	3	-	-50,638
All other investing activities		-	-1,259
Net cash used for investing activities		-233,438	-471,870
Cash flows from financing activities			
Net change in deposits		-15,983	313,719
Issuance of short-term and long-term debt		935,000	470,000
Repayments of short-term and long-term debt		-450,000	-372,145
Dividends paid		-115,930	-112,971
Purchase of treasury shares		-1,080	-2,997
All other financing activities		883	2,039
Net cash provided by financing activities		352,890	297,644
Net increase/(decrease) in cash and cash equivalents		307,983	69,195
Cash and cash equivalents, including restricted cash classified in "Other assets"			
Beginning of the period		650,441	581,245
thereof restricted cash		17,797	36,476
End of period		958,422	650,441
thereof restricted cash		36,448	17,797
Supplemental disclosure			
Interest paid		-53,257	-24,506
Income taxes paid		-24,923	-34,681

See accompanying Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. Basis of presentation and summary of significant accounting policies

Cembra Money Bank, which is headquartered in Zurich, Switzerland, comprises of Cembra Money Bank AG (“the Bank” or the parent company) and its subsidiaries Swiss Auto Lease 2019-1 GmbH in Liquidation, Swiss Auto Lease 2020-1 GmbH, Swiss Auto Lease 2023-1 GmbH, Swissbilling SA, eny Credit GmbH, Fastcap AG, CembraPay AG (previously Byjuno AG renamed in October 2023) and Cembra Latvia SIA (previously Cembra Technologies SIA, renamed in January 2024)¹ (collectively “the Group”). The Group is a leading provider of financing solutions and services in Switzerland. The main products comprise consumer finance products such as personal loans, auto leases and loans, credit cards, invoice financing as well as saving products.

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

Consolidation

The consolidated financial statements represent the Bank and all of its majority-owned or controlled subsidiaries. All significant transactions and balances among the Group’s consolidated subsidiaries have been eliminated.

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

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

VIEs are continually monitored by the Group to determine if any events have occurred that could cause its primary beneficiary status to change. These events include:

- Additional purchases or sales of variable interests by the Bank or an unrelated third party, which cause the Bank’s overall variable interest ownership to change;
- Changes in contractual arrangements in a manner that reallocates expected losses and residual returns among the variable interest holders;
- Changes in the party that has the power to direct the activities of a VIE that most significantly impact the entity’s economic performance; and
- Providing support to an entity that results in an implicit variable interest.

¹ Following the acquisition of Byjuno in 2022, Cembra finalised the transaction by forming the new legal entity Cembra Latvia SIA (previously Cembra Technologies SIA, renamed in January 2024), in Riga, Latvia in April 2023, with EUR functional currency. The purpose of the entity is to provide services to Cembra and its subsidiaries

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Foreign currency translation

Transactions denominated in currencies other than the functional currency of the related entity are recorded by remeasuring them in the functional currency of the related entity using the foreign exchange rate on the date of the transaction. As of the dates of the consolidated statements of financial position, monetary assets and liabilities are reported using the year-end spot foreign exchange rates. Foreign exchange rate differences are recorded in the consolidated statements of income. Non-monetary assets and liabilities are recorded using the historic exchange rate.

For the purpose of consolidation, the assets and liabilities of subsidiaries operating outside of Switzerland with functional currency other than Swiss francs are translated into Swiss francs equivalents using year-end spot foreign exchange rates, whereas revenues and expenses are translated at weighted average foreign exchange rates for the period. Translation adjustments arising from consolidation are included in accumulated other comprehensive income/(loss) (AOCI) within total shareholders' equity. Cumulative translation adjustments are released from AOCI and recorded in the consolidated statements of operations when the Group disposes and loses control of a consolidated foreign subsidiary.

Use of estimates

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

Revenues (earned income)

Interest income on loans and credit cards

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

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

Interest income on leases

Financing lease income is recognised using the interest method to produce a level yield on the outstanding principal. Interest on leases also includes amortisation of initial direct costs. Estimated residual values at the date of lease inception are based upon the Group's initial best estimates of the value of the leased asset at the end of the lease term. The Group uses various data sources in determining this estimate, including information obtained from third parties which is adjusted for the attributes of the specific asset being evaluated. Full amount of residual values guaranteed by third party dealers are included in fixed lease payments when evaluating lease classification under ASC 842-10-25-2.

Other revenues

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

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

Depreciation and amortisation

Depreciation of property, equipment and software is recorded on a straight-line basis over the estimated useful lives of the assets by type of fixed assets. Depreciation of leasehold improvements is recorded on a straight-line basis over the estimated useful lives of the assets or the period of the underlying lease agreement, when shorter.

Software, stated at cost less accumulated amortisation, includes purchased software and capitalisable application development costs associated with internally developed software. Software is included in property, equipment and software, net of accumulated depreciation. Amortisation expense, computed on the straight-line method, is charged to depreciation and amortisation in general and administrative expenses over the estimated useful life of the software, generally five years.

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

Cloud computing arrangements consist of software as a service (SaaS). Implementation costs related to such hosting arrangements that are service contracts are capitalised and amortised on a straight-line basis over the noncancelable term of the cloud computing arrangement plus any optional renewal periods that are reasonably certain to be exercised or for which exercise of the renewal option is controlled by the cloud service provider. Implementation costs associated with cloud computing arrangements are recorded in "Other assets". Amortisation expense is charged to information technology in general and administrative expenses.

Allowance for losses

Current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortised cost, including loan receivables and off-balance sheet credit exposures. The methodology to calculate expected losses takes into account historical and current information, as well as future conditions that are expected to materialize over the lifetime of a financial asset.

The allowance for losses on financing receivables represents the Group's current estimate of lifetime credit losses inherent in the portfolio.

The Group's loan portfolio consists of smaller-balance, homogenous pools of loans, including mainly credit card receivables, personal loans, auto leases and loans and invoice financing receivables. Each portfolio is evaluated for impairment at least on a quarterly basis. For the purpose of measuring current expected credit losses, the Group defines pools of financing receivables that share similar risk characteristics, such as borrower creditworthiness, underwriting standards, spending habits, responses to distinct market changes and evaluates the expected credit losses at pool level. The segments of financing receivables that do not share risk characteristics similar to the main pools are subject to individual assessment, though they represent only a marginal portion of the total Group's financing receivables. The Group regularly reviews the segmentation underlying allowances for losses calculation to ensure that all financing receivables within each pool continue to share similar risk characteristics.

When estimating expected losses for outstanding balances, all available quantitative and qualitative information, including internal and external data related to past events, current conditions, and reasonable and supportable forecasts, is considered to assess collectability.

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Historical and current information

Expected credit loss estimates involve modeling loss projections, which are based on historical loss performance observed over a long period for each pool of financing receivables.

The Group uses portfolio vintage analysis to quantify the portion of assets on which losses were incurred over the contractual lifetime. For closed-end-loans, the lifetime horizon is derived from historical data by observing the point after which no further material losses are expected. For the credit cards portfolio, where the contractual termination is not defined, different factors such as the average balance of a credit card and the monthly payment obligations are taken into account to determine the lifetime.

For each pool of financing receivables the likelihood of an exposure to become uncollectable is estimated (probability of being written-off). Lifetime recoveries cash flows are as well estimated based on historical data and discounted by the effective interest rate. For both probability of becoming uncollectable and loss given default, vintages for a long time series are considered in the modelling approach. The vintage approach by construction takes already into account information on prepayment behavior, which is deemed to be stable over time.

Forward-looking adjustment

The Group includes in the estimates of expected credit losses future expectations, which are based on reasonable and supportable forecasts. The methodology applied includes the estimate based on the expected development of unemployment rate in Switzerland, which is assumed to be the base case scenario. Two additional scenarios, optimistic and adverse, are derived from the base case in order to include in the estimates the uncertainty around macroeconomic environment evolution. The baseline scenario is weighted at 50%, the pessimistic at 30% and the optimistic at 20%. The definition of the likelihood of each scenario to materialize is within the management's responsibility, with the base case being the scenario that is in principle deemed as the most likely to materialize.

The Group will consider and may qualitatively adjust for conditions, changes and trends in loan portfolios that are not already captured in the modeled results. Such adjustments are based on management's judgment and may involve an assessment of current and forward-looking expectations, changes in lending policies and processes, changes in the portfolio characteristics, as well as uncertainty related to the macro economic environment.

The Group evaluates customers' payment behavior through a behavioral scorecard that implies the segmentation of financing receivables by credit grading. This information serves as an input in the allowances for losses calculation and aims to capture any portfolio quality changes in the current expected credit losses estimates.

The assumptions underlying the methodology for the estimate of current expected credit losses are updated periodically to reflect current conditions, performance of the methodology used, and are subject to the Group's governance and controls.

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

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

Troubled debt restructurings ("TDRs") accounting has been eliminated with the adoption of CECL. All modifications and refinancings of loans or leases (including those with customers that are experiencing financial difficulty) are subject to the modification guidance in ASC Topic 310-20 and result in a new loan or a continuation of an existing loan, consistent with the accounting for other loan modifications. The Group has minimal exposure to TDRs as this type of restructuring only would be granted in exceptional individual cases.

Write-offs and recoveries

For personal loans and auto leases and loans, the Group maintains a single write-off date within each month, which ensures that at each reporting date all accounts meeting the relevant criteria have been written off. Unsecured closed-end instalment loans originated by the Bank or cashgate (until merger in June 2021) with term duration less than 60 months and consumer auto finance leases are written off on the monthly write-off date after the contract reaches 120 days contractually past due. Unsecured closed-end instalment loans originated by the Bank or cashgate (until merger in June 2021) with term duration of 60 months or greater, commercial auto finance leases and BNPL receivables are written off on the monthly write-off date after the contract reaches 180 days contractually past due. For credit cards, the

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Group writes off the account on the date the account becomes 180 days contractually past due. Unsecured consumer loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within the defined write-off periods, whichever occurs earlier.

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

Write-offs are deducted from the allowance for losses when the Group judges the principal to be uncollectable and subsequent recoveries are added to the allowance for losses on a written-off account at the time cash is received or when an asset has been repossessed, the estimated remarketing gain may be booked as recovery.

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

Provision for losses

Provision for losses on financing receivables is the expense related to maintaining the allowance for losses at an appropriate level to absorb the estimated probable future losses on financing receivables as at each period end date. Factors that could influence the provision for losses on financing receivables include:

- The impact of general economic conditions on consumers, including unemployment levels, bankruptcy trends and interest rate movements;
- Changes in consumer spending and payment behaviours;
- Changes in the Group's financing receivables portfolio, including the overall mix of accounts, products and loan balances within the portfolio;
- The level and direction of historical and anticipated delinquencies, write-offs and recoveries;
- The credit quality of the financing receivables portfolio, which reflects, among other factors, the Group's underwriting practices and effectiveness of collection efforts; and
- Regulatory changes or new regulatory guidance.

Cash and cash equivalents

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

Leases

The Group offers leases for both new and used vehicles (primarily cars but also other auto vehicles including light commercial vehicles, motorcycles and caravans) to private and self-employed individuals and small businesses. These lease transactions are considered and accounted for as direct financing leases as they fulfil the relevant criteria set out in ASC Topic 842. Direct financing leases are carried at the aggregate of lease payments receivable plus the guaranteed residual value of the leased object less unearned income.

In line with ASC Topic 842, right-of-use assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease.

Operating lease right-of-use assets and liabilities are recognised at the commencement date of a lease based on the present value of lease payments over the lease term. The Group determines if an arrangement is a lease at inception. Operating lease right-of-use assets are included in property, equipment and software whereas operating lease liabilities are recognised in accrued expenses and other payables and other liabilities in the Group's consolidated statements of financial position. No material finance leases have been recognised.

As most of the Group's leases do not provide an implicit rate, the Group uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Group uses the implicit rate when readily determinable. The operating lease right-of-use asset also includes any lease payments

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made and excludes lease incentives. Our lease terms may include options to extend or terminate leases. When it is reasonably certain that the Group will exercise an option to extend or terminate a lease, the amended term is included in the lease calculation. Lease expense for lease payments is recognised on a straight-line basis over the lease term. Variable lease payments are expensed in the period in which they occur.

The Group has lease agreements with lease and non-lease components. For real estate leases, the Group has elected to account for the lease and non-lease components as a single lease component. For automobile and IT asset leases, the Group has elected to account for the lease and non-lease components as separate components.

The Group accounts for all short-term leases by recognising lease payments in net income on a straight-line basis over the lease term and will not recognise any right-of-use assets and lease liabilities in the Group's consolidated statements of financial position.

Investment securities

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

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

Accrued interest receivable is recorded separately within other assets.

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

Goodwill

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

Intangible assets and amortisation

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

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Income taxes

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

Share-based compensation

The Group has share-based compensation programmes in place. It accounts for the compensation cost from share-based payment transactions according to the fair-value-based method. The compensation cost is measured based on the grant-date fair value of the shares and is recognised over the requisite service period with a corresponding credit to equity. The compensation cost for an award with only service conditions that has a graded vesting schedule is recognised on a straight-line basis over the requisite service period for each separate vesting portion of the award. The programmes are described in detail in note 27. Share-based compensation.

Debt

Loans that the Bank intends to hold to maturity are carried at amortised cost as the outstanding principal balance plus accrued interest, net of the following items: unamortised discounts, deferred loan origination fees. Interest income is accrued on the unpaid balance, and net deferred discounts and fees are amortised as an adjustment to the loan yield over the term of the related loans. For capital management purposes, the Bank issued hybrid capital instruments, either with a Tier 1 capital trigger or a write-off or contingent share conversions features. The embedded conversion option as linked to the Bank's shares is bifurcated for accounting purposes as measured separately via equity. The host contract is accounted for under the amortised cost method.

Derivatives and hedge instruments

The Group uses derivative instruments for risk management purposes and recognises all such instruments as either assets or liabilities in the consolidated statements of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For derivative instruments that are designated and qualify as hedging instruments, the Group designates the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation. For derivative instruments not designated as hedging instruments, the gain or loss is recognised in the consolidated statements of income during the current period.

Derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to interest rate risk) are reported at fair value within other assets or other liabilities on the consolidated statements of financial position, with the gain or loss on the derivative instrument reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction (interest payments on floating-rate borrowing) affects earnings. The gain or loss is presented in the same consolidated statements of income line item as the earnings effect of the hedged item (in interest expense). Cash flows from the hedging instrument will be classified as operating activities, in line with the hedged item. At the inception of a qualifying cash flow hedge, the Group designates the qualifying relationship as a hedge of the variability of cash flows to be received or paid, or forecasted to be received or paid, related to the recognised liability and formally documents the relationship between the hedging instrument and hedged item, as well as the risk management objectives for undertaking such hedge transactions. Both at hedge inception and on an ongoing

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basis, the Group formally assesses whether the derivative used in hedging relationships is highly effective in offsetting changes in fair values or cash flows of the hedged item.

A hedging instrument is expected at inception to be highly effective at offsetting changes in the hedged transactions attributable to the changes in the hedged risk. The Group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing quarterly basis, and requires the Group to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing quarterly basis and requires the Group to determine whether or not the hedging relationship has actually been effective.

Hedge accounting treatment is no longer applied if a derivative financial instrument is terminated, the hedge designation is removed, or the derivative instrument is assessed to no longer be highly effective. For terminated cash flow hedges, the changes in fair value of the derivative instrument remain in AOCI and are recognised in the consolidated statements of income when the hedged cash flows affect earnings. However, if it is probable that the forecasted cash flows will not occur within a specified period, any changes in fair value of the derivative financial instrument remaining in AOCI are reclassified into earnings immediately. In all instances, after hedge accounting is no longer applied, any subsequent changes in fair value of the derivative instrument will be recorded into earnings.

The primary risk managed by the Group using derivative instruments is interest rate risk. The Group entered into an interest rate swap in the current period to manage interest rate risk associated with the Group's floating-rate borrowing and designated the swap accordingly as a cash flow hedge. Changes in the fair value of the derivative financial instrument qualifying as a cash flow hedge are recorded in AOCI and recognised in the consolidated statements of income when the hedged cash flows affect earnings. For further details please refer to note 12. Derivatives and hedge instruments.

Treasury shares

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

Pension obligation

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

Fair value measurements

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

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Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

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

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

Off-balance sheet arrangements

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

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

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2. Accounting changes

Recently adopted accounting standards

ASC Topic 326 – financial instruments – credit losses

On 16 June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which amends the guidance on the impairment of financial instruments. The ASU adds to US GAAP an impairment model, known as the current expected credit loss model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognises as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The ASU is also intended to reduce the complexity of US GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments.

Subsequently, the FASB has issued several additional amendments to ASU 2016-13, which affect certain aspects related to clarification and updates to a variety of topics, as well as allowing for an irrevocable election of the fair value option for certain financial assets previously measured on an amortised cost basis upon transition. Additionally, the amendments also deferred the effective date to annual periods beginning after 15 December 2022, and interim periods therein.

The Group adopted the guidance on 1 January 2023 using a modified retrospective approach with an increase of allowance for credit losses of CHF 67 million, resulting in a cumulative-effect adjustment reducing the opening retained earnings. For additional information and impact of CECL adoption, please see note 1. Basis of presentation and significant accounting policies and note 4. Financing receivables and allowance for losses.

The following table illustrates the impact of adopting ASC Topic 326 on 1 January 2023.

CHF in thousands	As reported under ASC 326	Pre-ASC 326 adoption	Impact of ASC 326 adoption
Financing receivables			
Personal loans	98,923	62,811	36,112
Auto leases and loans	22,333	13,622	8,711
Credit cards	28,366	9,340	19,026
BNPL ¹	6,598	6,598	-
Allowance for losses on financing receivables	156,221	92,371	63,849
Other liabilities			
Allowance for losses on irrevocable off-balance sheet credit exposures	3,361	89	3,272

¹ BNPL includes Swissbilling SA and CembraPay AG

Results for reporting periods beginning on or after 1 January 2023 will be presented under the new standard, while prior period amounts before the adoption of CECL on 1 January 2023, continue to be reported in accordance with previously applicable GAAP.

The Bank adopted the expected credit loss approach using the modified retrospective method according to FINMA Accounting Ordinance FINMA-AO, "Art. 98 Transitional provisions" and FINMA Circular 2020/01, "Accounting – Banks" with the effective date 31 December 2022 for its standalone financial statements. The net adoption impact of CHF 66 million was reported in the income statement as an increase of allowance for credit losses. For additional information and impact of CECL adoption on the Individual financial statements, in Annual Report 2022, please see note 2. Accounting and valuation principles and note 7.7. Value adjustments and provisions.

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805): Accounting for contract assets and contract liabilities from contracts with customers". This ASU amends ASC 805 to require that an entity recognize and

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measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606. The amendments improve comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and those not acquired in a business combination. The new guidance is effective for fiscal years beginning after 15 December 2022, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The adoption of the standard as of 1 January 2023 did not have an impact on the Group's financial statements.

Recently issued accounting standards to be effective in future periods

On 5 August 2020, the FASB issued ASU 2020-06 "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity". The ASU reduces the number of models used to account for convertible instruments, eliminating two out of five existing separation models (i.e. the convertible debt with a cash conversion feature and the convertible instrument with a beneficial conversion feature). The ASU furthermore provides more consistent guidance on calculating the dilutive impact on earnings per share. The ASU is expected to reduce complexity and improve comparability of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The new guidance is effective for the Group for fiscal years beginning after 15 December 2023, including interim periods within those fiscal years. The Group plans to adopt the guidance as of 1 January 2024 and is currently assessing the impact of this guidance on its financial statements.

On 27 November 2023, the FASB issued ASU 2023-07, "Segment Reporting—Improvements to Reportable Segment Disclosures". This ASU improves disclosures about a public entity's reportable segments, primarily related to significant segment expenses, but does not change how a public entity identifies its operating segments. The new guidance is effective for public entities (including those with a single operating or reportable segment) for fiscal years beginning after 15 December 2023, and interim periods in fiscal years beginning after 15 December 2024. The Group is currently assessing the impact of this guidance on its financial statements.

On 14 December 2023, FASB has issued ASU No. 2023-09, "Improvements to Income Tax Disclosures". This ASU is intended to enhance the transparency and decision usefulness of income tax disclosures, primarily through changes to the rate reconciliation and income taxes paid information. The amendments apply to public business entities for annual periods beginning after 15 December 2024. Entities should apply the amendments on a prospective basis, but retrospective application is allowed. The Group does not expect the adoption of ASU 2023-09 to have a material impact on its financial statements.

3. Business developments

There were no business combinations and no significant business developments for the year ended 31 December 2023.

On 31 October 2022, the Group acquired 100% of shares of Byjuno AG and its sister company Byjuno Finance AG (hereinafter collectively referred to as "Byjuno", subsequently merged and renamed CembraPay AG in October 2023), a major provider of invoice payment solutions in Switzerland, for total consideration of CHF 60 million in cash without any earn-out. The Group intends to combine Byjuno with its subsidiary Swissbilling to create a leading provider of invoice payment solution with the aim to establish compelling solutions for pay-by-invoice services in Switzerland. Financing receivables generated by Swissbilling AG and CembraPay AG are reported under buy now pay later ("BNPL"). Byjuno Finance AG has been formerly known as Intrum Finance Services AG.

The Group determined that this acquisition constitutes a business combination as defined by ASC Topic 805, Business Combinations. Accordingly, as of the date of the acquisition, the Group recorded the assets acquired and liabilities assumed at fair value. The Group determined fair values in accordance with the guidance provided in ASC Topic 820, Fair Value Measurements and Disclosures. Fair value was established using a combination of market, income or cost approaches. The determination of fair values involves high degree of judgement and complexity. The estimation of expected future cash flows, market conditions, and other future events and actual results could differ materially.

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The following table summarises the preliminary allocation of the Byjuno purchase price, which is based on the estimated fair values of the assets acquired and liabilities assumed on the close date. The fair value of the assets acquired includes receivables from invoice financing, net of provision for losses of CHF 47.6 million. The gross amount due under contracts is CHF 71.4 million, of which CHF 19.8 million is expected to be uncollectible and written off. Transaction costs of CHF 0.8 million were expensed as incurred.

CHF in thousands	2022
Cash and cash equivalents	9,362
Financing receivables, net	47,619
Intangible assets, net	17,911
Other current and non-current assets, including trade receivables	2,510
Total assets acquired	77,402
Term debt	-21,821
Trade payables	-22,151
Other current and non-current liabilities, including accrued expenses	-2,781
Deferred tax liabilities, net	-3,342
Total liabilities acquired	-50,095
Net identifiable assets acquired	27,307
Goodwill	32,693
Purchase price	60,000

The allocation of the purchase price was based upon a preliminary valuation. There were no subsequent adjustments to the purchase price allocation during 2023.

The excess of purchase price over the fair value of assets acquired and liabilities assumed was recorded as goodwill. The goodwill associated with the acquisition includes the acquired assembled workforce, and the value arising from future cost efficiencies and other benefits that are expected to be generated by combining Swissbilling and Byjuno. The intangible assets acquired mainly relate to customer relationships. Based on management's preliminary valuation of the fair value of assets acquired and liabilities assumed, preliminary goodwill of CHF 32.7 million was recorded. Goodwill recognised is not expected to be deductible for tax purposes. Refer to note 8. Goodwill for more information.

In addition, the Group paid a nominal value of CHF 22.1 million to settle a third-party liability of Byjuno AG assumed in the acquisition and replaced it with intercompany financing.

Net revenues of CHF 4.2 million and income before tax of CHF 0.9 million were recognised since the acquisition date and included in the consolidated statements of income for the reporting period 2022.

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4. Financing receivables and allowance for losses

The Group has adopted a continued active and prudent management of risk appetite for effective loss mitigation. This has assisted it to remain resilient through economic headwinds, including the 2009 downturn and in the Covid-19 pandemic. In light of the current economic uncertainty, the Group's credit risk strategy continues to be cautious, and assesses the potential impact of various macroeconomic scenarios.

On 1 January 2023, the Group adopted the CECL standard. Accordingly, the disclosures below reflect these adoption changes. Prior period presentation was not modified to conform to the current period presentation. For additional information on the recently adopted accounting standard please refer to note 1. Basis of presentation and significant accounting policies and to note 2. Accounting changes.

At 31 December 2023 and 2022, respectively, the Group's financing receivables included lending to private customers, vehicle lease financing, credit card financing and BNPL products as follows:

At 31 December (CHF in thousands)	2023	2022
Loans	3,751,770	3,726,282
Deferred costs, net	50,451	49,796
Total loans, including deferred costs, net	3,802,221	3,776,078
Investment in financing leases, net of deferred income ²	2,894,897	2,716,216
BNPL ¹	146,909	120,176
Financing receivables before allowance for losses	6,844,026	6,612,469
Less allowance for losses	-156,885	-92,371
Financing receivables, net	6,687,141	6,520,097

¹ BNPL includes Swissbilling SA and CembraPay AG

² Only financing leases residual values are secured by collateral of TCHF 1,444,684 and TCHF 1,295,156 as at 31 December 2023 and 2022, respectively (guaranteed by dealers at the end of contract)

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

At 31 December (CHF in thousands)	2023	2022
Total minimum lease payments receivable	3,201,103	2,953,212
Deferred income ¹	-306,206	-236,996
Investment in direct financing leases	2,894,897	2,716,216
Less allowance for losses	-20,661	-10,530
Net investment in direct financing leases	2,874,237	2,705,686

¹ Includes TCHF 25,379 and TCHF 26,640 of initial direct costs on direct financing leases as at 31 December 2023 and 2022, respectively

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The subsidiaries held TCHF 588,472 and TCHF 285,019 of net financing receivables as at 31 December 2023 and 2022, respectively, as collateral to secure third-party debt in securitisations. See note 21. Variable interest entities for further details of securitisations.

As at 31 December 2023, the Group's contractual maturities for loans and financing leases were:

Due in (CHF in thousands)	Loans	Minimum lease payments receivable
2024	70,741	281,203
2025	173,598	460,821
2026	308,658	707,563
2027	445,664	974,882
2028	453,718	717,390
2029 and thereafter	1,214,233	59,244
Consumer revolving loans	1,085,157	-
Total	3,751,770	3,201,103

Actual maturities may differ from contractual maturities.

The following table provides further information about financing receivables:

At 31 December (CHF in thousands)	2023	2022
Personal loans	2,474,428	2,449,184
Auto leases and loans	3,170,977	2,988,920
Credit cards	1,051,713	1,054,188
BNPL ¹	146,909	120,176
Financing receivables, before allowance for losses	6,844,026	6,612,469
Allowance for losses	-156,885	-92,371
Financing receivables, net	6,687,141	6,520,097

¹ BNPL includes Swissbilling SA and CembraPay AG

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

CHF in thousands	Balance at 1 January 2023	Impact of CECL adoption	Provision for losses	Amounts written off	Recoveries	Other	Balance at 31 December 2023
Personal loans	62,811	36,112	40,812	-75,215	39,882	-	104,401
Auto leases and loans	13,622	8,711	5,425	-27,843	23,465	-	23,379
Credit cards	9,340	19,026	3,394	-19,968	11,879	-	23,670
BNPL ¹	6,598	-	7,305	-12,799	4,329	-	5,434
Total	92,371	63,849	56,936	-135,826	79,555	-	156,885
As a % of total financing receivables, net							2.3%

¹ BNPL includes Swissbilling SA and CembraPay AG

CHF in thousands	Balance at 1 January 2022	Provision for losses	Amounts written off	Recoveries	Other ²	Balance at 31 December 2022
Personal loans	64,164	24,864	-64,323	38,106	-	62,811
Auto leases and loans	13,482	3,006	-31,235	28,369	-	13,622
Credit cards	8,403	7,308	-17,566	11,195	-	9,340
BNPL ¹	1,732	5,743	-6,011	1,248	3,886	6,598
Total	87,781	40,920	-119,134	78,917	3,886	92,371
As a % of total financing receivables, net						1.4%

¹ BNPL includes Swissbilling SA and CembraPay AG

² Other includes opening balances for allowances for losses from Byjuno AG and Byjuno Finance AG as of 1 November 2022 (subsequently merged and renamed CembraPay AG in October 2023)

Credit quality of financing receivables

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

The Group employs a robust monitoring process for its financing receivables portfolio, utilising key metrics such as payment behavior or consumer rating. These credit quality indicators provide valuable insights into the performance of the portfolio, enabling the Group to effectively assess and manage credit risk. By tracking these metrics over time, the bank can identify trends, assess credit quality at different vintages, and proactively manage potential credit issues. This monitoring approach enhances risk management practices, supports informed decision-making, and facilitates transparency for stakeholders.

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The table below shows the Group's portfolio by key credit quality indicators as of 31 December 2023. In particular, we give an overview of the portfolio by delinquency status.

Financing receivables ¹	Year of origination							
	CHF in thousands	2023	2022	2021	2020	2019	Prior	Revolving (credit card)
Current		2,589,595	1,523,597	731,535	372,959	181,045	44,975	1,019,129
0-30 days		58,181	44,434	23,065	11,841	6,893	1,913	16,829
30-60 days		17,680	16,566	8,646	4,776	3,015	947	5,796
60-90 days		9,082	9,920	5,601	2,820	1,569	744	3,241
90+ days		11,748	13,141	6,948	3,246	4,096	7,321	5,304

¹ Financing receivables for loans and credit cards are net of deferred costs and income

Past due financing receivables

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

	2023		2022	
	Over 30 days past due	Over 90 days past due	Over 30 days past due	Over 90 days past due
Personal loans	3.8 %	1.6 %	3.4 %	1.3 %
Auto leases and loans	0.9 %	0.1 %	0.9 %	0.1 %
Credit cards	1.4 %	0.5 %	1.2 %	0.4 %
BNPL ¹	6.4 %	2.9 %	8.2 %	3.6 %
Total	2.1 %	0.8 %	2.0 %	0.7 %

¹ BNPL includes Swissbilling SA and CembraPay AG

Non-accrual financing receivables

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

At 31 December (CHF in thousands)	2023	2022
Personal loans	37,894	32,447
Auto leases and loans	4,363	2,861
Credit cards	5,304	4,304
BNPL ¹	4,235	4,323
Total	51,796	43,935
Non-performing loan coverage ²	303 %	210 %

¹ BNPL includes Swissbilling SA and CembraPay AG

² Calculated as allowance for losses divided by nonaccrual financing receivables

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Credit quality indicators

The Group employs internally developed scorecards for its credit processes, which analyses various financial and non-financial factors, such as credit history, socio-demographic data and business performance, among others. The Group utilises application scorecards during the loan application process to assess credit quality and support the underwriting process, while behavioral scorecards are employed to regularly evaluate the creditworthiness of financing receivables taking into account the most recent information on the customers' payment behaviour.

In addition to regular scorecard monitoring, the responsible functions run a parity test on a bi-annual basis to monitor at portfolio level whether the consumer ratings adequately reflect the credit quality. The parity test assesses the performance and predictive accuracy of internal scorecards, which involves comparing the actual outcomes of credit decisions with the predictive outcomes based on the scorecard.

The Group employs an internal master scale consisting of five consumer ratings ("CR"), each of which is assigned an implied probability of default. The default definition used in the scale is 90 days past due or write-off in 12 months. The five ratings and their associated probabilities of default are:

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

2023					
At 31 December (CHF in thousands)	CR1	CR2	CR3	CR4	CR5
Personal loans	1,063,522	762,610	436,937	140,890	56,890
Auto leases and loans	1,651,909	1,041,237	386,546	73,545	17,741
Credit cards	740,668	219,039	86,151	5,761	94
Total¹	3,456,098	2,022,886	909,634	220,195	74,724
As a % of total financing receivables before allowance for losses ¹	51.7%	30.3%	13.6%	3.3%	1.1%

¹ Does not include any Credit GmbH and BNPL related to Swissbilling SA and CembraPay AG. There is no material impact on the Group's consumer ratings

2022					
At 31 December (CHF in thousands)	CR1	CR2	CR3	CR4	CR5
Personal loans	1,054,362	769,455	437,222	124,313	42,467
Auto leases and loans	1,593,291	977,551	346,736	56,644	14,698
Credit cards	767,441	204,635	76,281	5,752	79
Total¹	3,415,094	1,951,641	860,238	186,709	57,244
As a % of total financing receivables before allowance for losses ¹	52.8%	30.2%	13.3%	2.9%	0.9%

¹ Does not include any Credit GmbH and BNPL related to Swissbilling SA and Byjuno AG with sister company Byjuno Finance AG (starting with 1 November 2022). There is no material impact on the Group's consumer ratings

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5. Investment securities

Investment securities are comprised of debt securities available for sale.

At 31 December (CHF in thousands)	2023	2022
Debt securities available for sale	98,256	97,337
Total investment securities	98,256	97,337

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

	2023				2022			
	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value
Debt securities issued by Swiss cantons	20,061	58	-40	20,079	30,011	-	-351	29,661
Debt securities issued by Swiss funding institutions ¹	39,844	82	-12	39,914	39,762	-	-382	39,381
Debt securities issued by Swiss central government ²	19,854	20	0	19,874	9,908	-	-28	9,879
Debt securities issued by supranational organisations	18,376	40	-27	18,389	18,561	-	-145	18,416
Debt securities available for sale	98,135	200	-79	98,256	98,242	-	-905	97,337

¹ Includes Swiss covered bonds, SNB eligible

² Includes SNB bills

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

	Amortised cost	Fair value
At 31 December (CHF in thousands)	2023	2023
Within 1 year	39,857	39,825
From 1 to 5 years	58,277	58,431
From 5 to 10 years	-	-
After 10 years	-	-
Total debt securities	98,135	98,256

Upon analysing the financial investment portfolio, the Group determined that no allowance was required as these investments represent high quality liquid assets securities for which the risk of loss was deemed minimal.

Accrued interest receivable presented separately within other assets was TCHF 633 and TCHF 401, for the year ended 31 December 2023 and 2022, respectively.

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6. Property, equipment and software

At 31 December (CHF in thousands)	Estimated useful lives (years)	2023	2022
Original cost			
Buildings and improvements	(5-40)	8,711	8,598
Office equipment	(3-10)	21,446	19,756
Software	(1-5)	121,172	114,009
Total		151,329	142,364
Accumulated depreciation			
Buildings and improvements		-7,953	-7,242
Office equipment		-17,012	-15,455
Software		-87,592	-75,241
Total		-112,557	-97,938
Net carrying value			
Buildings and improvements		757	1,356
Office equipment		4,435	4,301
Software		33,580	38,768
Total		38,772	44,426

In 2023 the Group elected to present the software as part of property, equipment and software on the consolidated statements of financial position. The change in presentation is retrospective, with prior year figures adjusted to the current year change in presentation. The reason for the change is consistency in presentation with regulatory and statutory requirements.

Depreciation expense was TCHF 14,844 and TCHF 14,776 for the year ended 31 December 2023 and 2022, respectively. The Group did not recognise any impairment losses in both periods.

The Group holds operating leases primarily related to real estate and automobiles.

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At 31 December (CHF in thousands)	2023	2022
Components of the lease liability		
Operating lease - right-of-use (ROU) assets	16,131	19,610
Operating lease - lease liability	16,131	19,751
Short-term classification	5,066	5,859
Long-term classification	11,065	13,892
Supplemental information		
Right-of-use (ROU) assets obtained for new lease liabilities	1,253	1,112
Weighted average remaining lease term (in years)	3.22	3.84
Weighted average discount rate	0.73 %	0.19 %

For the years ended 31 December (CHF in thousands)	2023	2022
Components of the lease expense		
Operating lease expense ¹	6,152	6,687
Supplemental cash flow information		
Operating cash flows paid for operating leases	6,404	6,553
Operating cash flows paid for short-term	634	392

¹ Includes impairment loss of TCHF 0 and TCHF 236 on operating leases for the period ended 31 December 2023 and 2022, respectively

At 31 December (CHF in thousands)	2023
Maturities of operating lease liabilities	
2024	5,153
2025	5,365
2026	4,353
2027	1,053
2028 and thereafter	415
Total lease payments	16,339
Less: imputed interest	- 208
Total	16,131

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7. Intangible assets

CHF in thousands	Estimated useful lives (years)	2023	2022
Original cost			
Customer relationships	(5 - 5.5)	64,802	64,802
Trademarks	(5)	10,957	10,957
Total		75,759	75,759
Accumulated amortisation			
Customer relationships		-39,727	-29,268
Trademarks		-9,502	-7,309
Total		-49,229	-36,577
Net carrying value			
Customer relationships		25,076	35,535
Trademarks		1,455	3,647
Total		26,530	39,182

Please refer to note 6. Property, equipment and software for details on the change in presentation.

Amortisation expense related to intangible assets was TCHF 12,652 and TCHF 11,179 for the year ended 31 December 2023 and 2022, respectively. As at 31 December 2023, the Group estimates the annual pre-tax amortisation for intangible assets over the next five years to be as follows:

CHF in thousands	2024	2025	2026	2027	2028 and thereafter
Estimated pre-tax amortisation	11,913	3,200	1,671	1,671	8,076

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8. Goodwill

On 16 February 2017, the Group acquired 100% of the shares of Swissbilling SA, a Swiss invoice financing company with operations mainly in the French-speaking region of Switzerland. On 30 November 2017, the Group acquired 100% of outstanding shares of EFL Autoleasing AG, a Swiss auto leasing company domiciled in Winterthur. On 2 September 2019, the Group acquired 100% of the shares of cashgate AG, a leading consumer finance provider in Switzerland, for total consideration of CHF 277 million. On 31 October 2022, the Group acquired 100% of shares of Byjuno AG and its sister company Byjuno Finance AG (subsequently merged and renamed CembraPay AG in October 2023), a major provider of invoice payment solutions in Switzerland, for total consideration of CHF 60 million. Goodwill related to these acquisitions is presented below.

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

Based on the goodwill impairment analysis as of 30 September 2023 and follow up procedures performed covering the last quarter 2023, the Group concluded that the estimated fair value for all the reporting units with goodwill substantially exceeded the related carrying values and no impairment was necessary at 31 December 2023. There are no deferred taxes booked related to goodwill.

CHF in thousands	Balance at 1 January 2023	Goodwill acquired during the period	Other	Balance at 31 December 2023
Gross amount of goodwill	189,521	-	-	189,521
Accumulated impairment	-	-	-	-
Net book value	189,521	-	-	189,521

At 31 December (CHF in thousands)	Balance at 1 January 2022	Goodwill acquired during the period	Other	Balance at 31 December 2022
Gross amount of goodwill	156,828	32,693	-	189,521
Accumulated impairment	-	-	-	-
Net book value	156,828	32,693	-	189,521

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9. Other assets

At 31 December (CHF in thousands)	2023	2022
Restricted cash	36,448	17,797
Tax receivables, net	3,221	9,035
Other receivables	13,746	11,749
Deferred expenses	22,742	9,357
Other	33,701	33,113
Total other assets	109,858	81,052

Restricted cash is not available for use in the ordinary course of operations and is restricted in terms of withdrawal or usage. The Group had TCHF 36,448 and TCHF 17,797 of restricted cash related mainly to the consolidated VIEs (see note 21. Variable interest entities) as at 31 December 2023 and 2022, respectively. Furthermore, the Group pledged to SNB half of the required deposit insurance guarantee of TCHF 4'154 and TCHF 0 as at 31 December 2023 and 2022 (see note 19. Commitments and guarantees).

The tax receivables consist of income tax receivables and net input VAT (net reclaimable VAT). Input VAT input represents reclaimable VAT receivables related to purchases of goods and services and is recorded in other assets. Output VAT represents VAT payable related to goods sold and services supplied and is recorded in accrued expenses and other payables. The Group has elected to present the VAT on a net basis on the consolidated statements of financial position. On a gross basis, the Group had TCHF 33,644 and TCHF 30,593 input VAT (receivable) and TCHF 30,511 and TCHF 29,444 output VAT (payable) at 31 December 2023 and 2022, respectively.

Implementation costs associated with cloud computing arrangements recorded as deferred expenses were TCHF 15,601 and TCHF 3,268 as of 31 December 2023 and 2022, respectively. There was no amortisation recorded for hosting arrangements implementation costs for the years ended 31 December 2023 and 2022, respectively.

Other includes pension plan asset of TCHF 31,045 and TCHF 31,698 as of 31 December 2023 and 2022, respectively. For more information, please refer to note 13. Pension plans.

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10. Deposits

The following table shows the maturities of the Group's customers' saving deposits, term deposits and prepaid card balances as at 31 December 2023 and 2022, respectively:

At 31 December (CHF in thousands)	2023	2022
On demand	159,867	166,062
Less than 3 months	1,116,932	1,199,110
3 to less than 6 months	298,188	351,406
6 to less than 12 months	502,670	425,033
12 months plus, thereof	1,419,477	1,371,505
due in 2024	-	486,915
due in 2025	431,463	309,022
due in 2026	227,444	154,990
due in 2027	315,458	259,739
due in 2028	221,498	69,890
due in 2029 and thereafter	223,614	90,950
Total	3,497,133	3,513,116

There is no term maturity for on-demand saving deposits. All deposits are denominated in CHF. The weighted average interest rate on all deposits was approximately 1.51% and 0.77% as at 31 December 2023 and 2022, respectively.

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11. Short-term and long-term debt

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

At 31 December (CHF in thousands)	Maturity	2023		2022	
		Amount	Contractual interest rate ⁴	Amount	Contractual interest rate ⁴
Short-term portion					
External debt (unsecured bond)	2023	-	-	250,000	0.00%
External debt (unsecured bond)	2023	-	-	200,000	0.18%
Non-recourse borrowings (Auto ABS) ¹	2024	250,000	0.00%	-	-
External debt (unsecured bond)	2024	200,016	0.25%	-	-
Long-term portion					
Non-recourse borrowings (Auto ABS) ¹	2024	-	-	250,000	0.00%
External debt (unsecured bond)	2024	-	-	200,055	0.25%
External debt (bond eligible for additional tier 1 capital) ²	Perpetual	150,000	2.50%	150,000	2.50%
External debt (unsecured bond)	2025	150,177	0.38%	150,295	0.38%
External debt (unsecured bond)	2025	250,000	1.18%	250,000	1.18%
Non-recourse borrowings (Auto ABS) ³	2026	275,000	2.58%	-	-
External debt (unsecured bond)	2026	125,081	0.88%	125,114	0.88%
External debt (senior convertible bond)	2026	249,278	0.00%	248,993	0.00%
External debt (unsecured bond)	2026	200,000	0.15%	200,000	0.15%
External debt (unsecured bond)	2027	220,000	3.11%	220,000	3.11%
External debt (unsecured bond)	2027	175,000	0.29%	175,000	0.29%
External debt (unsecured bond)	2028	200,000	0.42%	200,000	0.42%
External debt (unsecured bond)	2029	215,000	2.54%	-	-
External debt (unsecured bond)	2029	235,000	2.41%	-	-
External debt (unsecured bond)	2030	210,000	2.67%	-	-
Debt issuance costs		-6,787		-6,429	
Total short-term and long-term debt		3,097,765		2,613,029	

¹ Related to consolidated VIEs, for further details refer to note 21. Variable interest entities

² First call date November 2024 and annually thereafter

³ Related to consolidated VIEs, for further details refer to note 21. Variable interest entities. Floating interest rate hedged for fixed interest rate, see note 12. Derivatives and hedge instruments

⁴ Rounded to two decimal places

The contractual interest rate represents the interest due on the relevant debt at the reporting date, whereas the effective interest (all-in) rate reflects, in addition to the contractual interest rate, fees and debt issuance costs that are amortised over the expected life of the instrument. As per 31 December 2023, the Group had primarily fixed rate funding.

As per 31 December 2023 and 2022, unamortised debt issuance costs amounted to TCHF 6,787 and TCHF 6,429, respectively. Commitment fees for revolving credit facilities are recognised as incurred over the commitment period.

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On 29 December 2023, the Group renewed a revolving credit facility with a Swiss bank with a committed term until end of 2026. The facility consists of a TCHF 150,000 unsecured commitment.

On 28 January 2022, the Group signed a revolving credit facility with an international bank with a committed term until 2025. The facility consists of a TCHF 100,000 unsecured commitment.

On 16 December 2021, the Group signed a revolving credit facility with a Swiss bank with a committed term until 2025. The facility consists of a TCHF 50,000 unsecured commitment.

On 4 July 2021, the Group signed a revolving credit facility with a Swiss bank with a committed term until 2024. The facility consists of a TCHF 100,000 unsecured commitment.

As at 31 December 2023 and 2022, the Group maintained TCHF 400,000 of undrawn committed facilities. The weighted average contractual commitment fee for all facilities was 0.22% and 0.23% as at 31 December 2023 and 2022, respectively.

On 18 September 2023, the Group issued a TCHF 215,000 senior unsecured bond at 100% with maturity of five and half years and a coupon of 2.5385%.

On 30 May 2023, the Group issued a TCHF 210,000 senior unsecured bond at 100% with a maturity of seven years and a coupon of 2.665%.

On 18 January 2023, the Group issued a TCHF 235,000 senior unsecured bond at 100% with maturity of six and half years and a coupon of 2.4113%.

On 18 October 2022, the Group issued a TCHF 220,000 senior unsecured bond at 100% with maturity of four and half years and a coupon of 3.1125%.

On 17 May 2022, the Group issued a TCHF 250,000 senior unsecured bond at 100% with maturity of three and half years and a coupon of 1.1833%.

On 21 October 2021, the Group issued a TCHF 200,000 senior unsecured bond at 100% with maturity of seven years and a coupon of 0.4175%.

On 1 October 2019, the Group issued a TCHF 200,000 senior unsecured bond at 100% with a maturity of seven years and a coupon of 0.15%.

On 8 July 2019, the Group issued a TCHF 250,000 senior unsecured bond at 100% with maturity of three and three quarter years and a coupon of 0.0% and a TCHF 175,000 senior unsecured bond at 100% with a maturity of eight years and a coupon of 0.29%.

On 4 July 2019, the Group issued a TCHF 150,000 bond eligible for additional tier1 capital, at 100% with perpetual maturity (first call in November 2024 or annually thereafter) and a coupon of 2.5%. The interest rate will be reset on the first call date and every 5th anniversary thereafter. The bond is eligible for tier1 capital, and will be written-off if a pre-specified trigger event occurs in relation to the regulatory capital adequacy ratio (>5.125% Common Equity Tier 1). If capital triggering occurs, the investor receives a write-down of the outstanding amount of the debt, which may be defined as either fixed or variable (depending upon the point of conversion). Given the extremely low likelihood of conversion, no separate derivative was recorded related to the value of the conversion option.

On 2 July 2019, the Group issued a TCHF 250,000 convertible bond at 100.88% with a maturity of seven years and a coupon rate of 0.0%. The effective interest rate on the debt component for the period ended 31 December 2023 was 0.11%. The conversion right allows the bondholders to convert their bonds any time 41 days after settlement up to and including 40 days before maturity. When conversion rights are exercised, holders who convert their bonds will receive a) 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 b) if the conversion value is greater than the aggregate principal amount of the bonds converted by the same holder at any one time the cash conversion amount and the net shares. Upon conversion, it is at the discretion of Cembra Money Bank AG to deliver net shares or its equivalent in cash. The

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convertible bond has an initial conversion price of CHF 122.02. The embedded conversion option met the criteria for a cash conversion option via ASC Topic 470 and is measured separately via equity at TCHF 4,200.

In May 2023, the Group entered into its seventh auto lease asset backed security ("ABS") transaction with a floating rate senior loan of TCHF 275,000 with a contractual maturity of ten years, an optional redemption date of three years from issuance and an interest rate of 2.5825%.

On 3 March 2020, the Group launched its sixth ABS transaction and issued fixed rate senior notes of TCHF 250,000 on the Swiss capital market with a contractual maturity of ten years, an optional redemption date of four years from the date of issuance and coupon of 0.00%.

The Group has a total of TCHF 2,955,000 of outstanding bonds (including ABS and convertible) and TCHF 150,000 bond eligible for additional tier 1 capital issued as at 31 December 2023. These bonds have been issued in 2017 (maturing in 2024 and 2025), 2018 (maturing in 2026), 2019 (maturing in 2026 and 2027), 2020 (maturing in 2024), 2021 (maturing 2028), 2022 (maturing 2025 and 2027) and 2023 (maturing in 2026, 2029 and 2030). All debt instruments are repayable in full at maturity or at the earliest possible redemption date.

12. Derivatives and hedge instruments

The Group has entered into an interest rate swap agreement during the current period to manage interest rate risk exposure. An interest rate swap agreement utilised by the Group effectively modifies the Group's exposure to interest rate risk by converting the floating-rate debt to a fixed-rate basis for three years, thus reducing the impact of interest-rate changes on future interest expense. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount.

The interest rate swap was entered into with a counterparty that met the Group's credit standards and the Group believes that the credit risk inherent in the derivative contract is not significant.

As of 31 December 2023, the total notional amount of the Group's receive floating/pay fixed interest rate swap was TCHF 275,000. During the next twelve months, the Group estimates that TCHF 956 will be reclassified from AOCI to Interest expense.

	2023			2022		
	Other asset/(Other liability)	Gain/(loss) recognised in AOCI on derivatives	Gain/(loss) rec-reclassified from AOCI to interest expense	Other asset/(Other liability)	Gain/(loss) recognised in AOCI on derivatives	Gain/(loss) rec-reclassified from AOCI to interest expense
At 31 December (CHF in thousands)						
Interest rate swap ¹	-4,428	-4,428	-207	-	-	-
Total	-4,428	-4,428	-207	-	-	-

¹ Interest rate swap on non-recourse borrowing (Swiss Auto Lease 2023-1 GmbH) has a notional amount of TCHF 275,000, pay fixed interest rate, receive SARON compounded floating interest rate over the three year term (May 2023 - 2026)

13. Pension plans

The Bank and its subsidiaries participate in pension plans that provide benefits in accordance with the requirements of the Swiss Occupational Pension Act (BVG). The Group's participation in these pension plans has been accounted for as defined benefit plans in the consolidated financial statements. The funding policy of the Group's pension plans is compliant with the local government and tax requirements.

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

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

The Group's pension plan participants as at 31 December 2023 and 2022, respectively, were as follows:

At 31 December	2023	2022
Active employees	924	984
Beneficiaries and pensioners	171	166
Total	1,095	1,150

The cost of the pension plans is presented below:

For the years ended 31 December (CHF in thousands)		2023	2022
Service cost for benefits earned	Compensation and benefits	7,263	8,368
Prior service credit amortisation	General and administrative expenses	-989	-1,416
Expected return on plan assets	General and administrative expenses	-11,206	-8,489
Interest cost on benefit obligations	General and administrative expenses	6,487	685
Net actuarial loss amortisation	General and administrative expenses	-2,497	1,769
Net periodic benefit cost		-942	917

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

At 31 December	2023	2022
Discount rate	1.50%	2.30%
Compensation increases	2.21%	2.33%
Expected return on assets	3.50%	3.50%

To determine the expected long-term rate of return on pension plan assets the Group considers current asset allocations and historical and expected returns on various categories of plan assets. In developing future return expectations for the pension plan's assets, the Group formulates a view on the future economic environment. Furthermore, the Group evaluates general market trends and historical relationships among a number of key variables that impact asset class returns such as expected earnings growth, inflation, valuations, yields and spreads, using both internal and external sources. The Group also takes into account expected volatility by asset class and diversification across classes to determine expected overall portfolio returns given current allocations. Based on the analysis of future expectations of asset performance, past return results and the current asset allocations, the Group assumed a 3.5% long-term-expected return on the assets. For the pension plan, the Group applies the expected rate of return to the market value of assets. The Group amortises experienced gains and losses, as well as the effects of changes in actuarial assumptions and plan provisions, over the average expected years of service of the employees.

The funding policy of the pension plan is aimed to contribute an amount sufficient to meet minimum funding requirements, as set forth in employee benefit and tax laws, plus any additional amounts which may be determined appropriate by the management. Management expects to contribute approximately TCHF 10,808 to the pension plan in 2024. Benefit obligations are described in the following tables. Accumulated and projected benefit obligations (ABO and PBO, respectively) represent the obligations of the pension plan for past service as at the measurement date. ABO is the present value of benefits earned to date with benefits computed on the basis of current compensation levels. PBO is ABO increased to reflect expected future compensation.

The accumulated benefit obligation was TCHF 295,504 and TCHF 278,686 for 31 December 2023 and 2022, respectively. The changes in the projected benefit obligation are presented below:

CHF in thousands	2023	2022
Balance at 1 January	285,606	344,557
Service cost for benefits earned	7,263	8,368
Interest cost on benefit obligations	6,487	685
Participant contributions	7,076	6,954
Actuarial (gain)/loss, net	10,453	-66,503
Benefits (paid)/received, net	-13,495	-11,387
Business combinations	-	3,003
Plan change	146	-71
Balance at 31 December	303,536	285,606

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

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

CHF in thousands	2023	2022
Balance at 1 January	317,304	341,202
Actual return on plan assets	13,100	-33,247
Employer contributions	10,596	10,529
Participant contributions	7,076	6,954
Benefits (paid)/received, net	-13,495	-11,387
Business combinations	-	3,253
Balance at 31 December	334,581	317,304

The asset allocations are described below:

At 31 December	2023 Target allocation	2023 Actual allocation
Equity securities		
Swiss equity securities	13 %	11 %
Non-Swiss equity securities	23 %	22 %
Debt securities		
Swiss bonds	18 %	20 %
Non-Swiss bonds	17 %	16 %
Real estate funds	19 %	23 %
Other investments	10 %	8 %

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

The pension fund assets are invested subject to the following additional guidelines:

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

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

	2023			
At 31 December (CHF in thousands)	Level 1	Level 2	Level 3	Total
Equity securities				
Swiss equity securities	37,970	-	-	37,970
Non-Swiss equity securities	72,244	-	-	72,244
Debt securities				
Swiss bonds	66,591	-	-	66,591
Non-Swiss bonds	53,827	-	-	53,827
Real estate funds	-	76,305	-	76,305
Other investments ¹	7,404	14,474	-	21,878
Total investments	238,036	90,780	-	328,816
Other				5,765
Total assets				334,581

¹ Primarily includes infrastructure funds and cash

	2022			
At 31 December (CHF in thousands)	Level 1	Level 2	Level 3	Total
Equity securities				
Swiss equity securities	35,730	-	-	35,730
Non-Swiss equity securities	65,276	-	-	65,276
Debt securities				
Swiss bonds	62,689	-	-	62,689
Non-Swiss bonds	51,749	-	-	51,749
Real estate funds	-	77,454	-	77,454
Other investments ¹	4,801	12,376	-	17,177
Total investments	220,246	89,830	-	310,076
Other				7,228
Total assets				317,304

¹ Primarily includes infrastructure funds and cash

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

At 31 December (CHF in thousands)	2023	2022
Funded status	31,045	31,698
Pension asset (liability) recorded in the statement of financial position		
Other asset (liabilities)		
Due after one year	31,045	31,698
Net amount recognised	31,045	31,698
Amounts recorded in shareholders' equity (unamortised)		
Prior service credit	- 542	- 1,677
Net actuarial (gain) loss	- 4,469	- 15,525
Net amount recognised	- 5,011	- 17,202

In 2023, the Group estimates that it will amortise TCHF 391 of prior service credit and TCHF 679 of net actuarial gain for the pension plan from shareholders' equity into pension cost.

The estimated future benefit payments are described below:

CHF in thousands	2024	2025	2026	2027	2028	2029-2033
Pension plan	20,165	20,391	20,260	20,077	19,816	77,497

14. Other liabilities

Other liabilities primarily includes operating lease liability. For detailed information please refer to note 6. Property, equipment and software.

Other liabilities include deferred compensation related to the Group's jubilee plan amounting to TCHF 3,328 and TCHF 3,187 as at 31 December 2023 and 2022. The jubilee plan is a voluntary benefit provided by the Group to its employees based on their years of service.

Recorded in other liabilities is also allowance for credit losses on the irrevocable off-balance sheet commitments and financial guarantees of TCHF 3,334 and TCHF 89 as at 31 December 2023 and 2022. For detailed information on CECL adoption please refer to note 2. Accounting changes.

Furthermore, other liabilities also include fair value losses of derivatives and hedge instruments related to the interest rate swap. For detailed information please refer to note 12. Derivatives and hedge instruments.

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15. Capital adequacy

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

The Group is applying the definite Basel III rules effective since 1 January 2013. Under Basel III, a variety of basic approaches are available to banks for the calculation of capital adequacy requirements for credit, market and operational risks. The Group uses the International standard approach ("SA-BIS" approach) to calculate the minimum requirement for covering credit risk. It is entitled to use a standardised approach to calculate the capital charge for market risk. The Group also applies a standardised approach to calculate the capital charge for operational risk management. Thus, it fulfils the qualitative and quantitative requirements of the Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO, SR 952.03).

The total eligible regulatory capital of the Group comprises Tier 1, Common Equity Tier 1 (CET1), additional Tier 1 capital (AT1), Tier 2 (provisions for defaulted risks) and consists of shareholders' equity including net income for the current year. Deductions from Tier 1 include, among other items, anticipated but non-declared dividends, own shares, goodwill and deferred tax assets. Risk-weighted assets include consolidated balance sheet assets, off-balance sheet arrangements converted into credit equivalents, non-counterparty risk, market risk, operational risk from processes, people, systems and external events and equity participation in the non-consolidated subsidiaries.

As of 31 December 2023, the Group adheres to the applicable regulatory requirements for a category 4 bank set by FINMA. The Group aims to consistently operate with a capital base that is well above this mark. The Group was adequately capitalised under the regulatory provisions outlined by FINMA and the Bank for International Settlements. Further information on capital adequacy is contained in the separate document "Basel III Pillar 3 disclosures 2023" available at www.cembra.ch/financialreports.

At 31 December (CHF in thousands)	2023	2022
Eligible regulatory capital		
Tier 1 capital	1,046,011	1,055,014
of which CET1 capital	896,011	905,014
of which additional Tier 1 capital	150,000	150,000
Tier 2 capital	3,334	3,272
Total eligible capital	1,049,346	1,058,287
Risk-weighted assets		
Credit risk	5,276,345	5,022,582
Non counterparty risk	54,903	39,797
Market risk	888	346
Operational risk	757,935	715,084
Amounts below the thresholds for deduction (risk-weighted with 250%) ¹	-	160,000
Total risk-weighted assets	6,090,070	5,937,808
Capital ratios		
CET1 ratio	14.7 %	15.2 %
Tier 1 ratio	17.2 %	17.8 %
Total capital ratio	17.2 %	17.8 %

¹ Related to the equity participation in the non-consolidated subsidiaries

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16. Earnings per share and additional share information

Basic earnings per share ("EPS") is calculated based on the weighted average number of common shares outstanding during the period. Diluted EPS is computed based on the weighted average number of common shares plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding restricted stock units ("RSUs") and performance share units ("PSUs").

The components of basic and dilutive EPS are as follows:

For the years ended 31 December (CHF in thousands)	2023	2022
Net income attributable to shareholders for basic earnings per share (CHF in thousands)	158,033	169,300
Net income attributable to shareholders for diluted earnings per share (CHF in thousands)	158,033	169,300
Weighted-average number of common shares		
Weighted-average number of common shares issued	30,000,000	30,000,000
Less weighted-average number of treasury shares	661,318	647,864
Weighted-average numbers of common shares outstanding for basic earnings per share	29,338,682	29,352,136
Dilution effect number of shares	31,552	20,942
Weighted-average numbers of common shares outstanding for diluted earnings per share	29,370,234	29,373,078
Basic earnings per share (in CHF)	5.39	5.77
Diluted earnings per share (in CHF)	5.38	5.76

The amount of common shares outstanding has changed as follows:

	2023	2022
Common shares issued		
Balance at beginning of period	30,000,000	30,000,000
Issuance of common shares	-	-
Balance at end of period	30,000,000	30,000,000
Treasury shares		
Balance at beginning of period	656,757	613,931
Share-based compensation	-6,622	-7,174
Purchase	15,000	50,000
Balance at end of period	665,135	656,757
Common shares outstanding	29,334,865	29,343,243

17. Revenue recognition

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

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

Nature of services

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

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

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

Disaggregation of revenues

For the years ended 31 December (CHF in thousands)	2023	2022
Insurance	23,824	23,448
Credit cards	89,247	94,765
Total	113,071	118,213

The table above differs from note 25. Commission and fee income as it includes only contracts with customers that are in scope of ASC Topic 606 – Revenue from Contracts with Customers.

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18. Income tax expense

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

For the years ended 31 December (CHF in thousands)	2023	2022
Current tax expense	37,592	28,882
Deferred tax expense/(benefit) from temporary differences	548	12,286
Income tax expense	38,140	41,168

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

Under Swiss law, a resident company is subject to income tax at the federal, cantonal and communal levels. The federal statutory tax rate is 8.5%. The cantonal and communal corporation tax rates vary. The Group's effective tax rates were approximately 19% and 20% for the years ended 31 December 2023 and 2022, respectively.

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

At 31 December (CHF in thousands)	2023	2022
Assets		
Operating lease - lease liability	3,097	3,792
Loss carried forward	96	231
Other	1,489	612
Total deferred tax assets	4,682	4,635
Liabilities		
Deferred loan origination fees and costs	-738	-465
Intangibles	-4,945	-7,272
Pension plans	-5,958	-6,101
Operating lease - right-of-use assets	-3,097	-3,765
Other	-305	
CECL adoption in individual financial statements	-	-12,887
Total deferred tax liabilities	-15,044	-30,490
Net deferred tax assets/(liabilities)	-10,362	-25,855

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

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

19. Commitments and guarantees

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

Swiss banking law and the deposit insurance system require Swiss banks and securities dealers to jointly guarantee an amount of up to CHF 6 billion for privileged client deposits in the event that a Swiss bank or securities dealer becomes insolvent. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate, the Group's share in the deposit insurance guarantee programme was TCHF 8,307 and TCHF 6,208 as at 31 December 2023 and 2022, respectively. The Group pledged to SNB half of the required deposit insurance guarantee amount. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 31 December 2023, the Group considers the probability of a material loss from this obligation to be remote.

The Bank has issued a comfort letter (guarantee) towards Swisscom Directories AG as part of a factoring agreement between the subsidiary Swissbilling SA and Swisscom Directories AG. The guarantee covers the net financial obligations of Swissbilling SA to Swisscom Directories AG up to a maximum amount of TCHF 35,000, in the event Swissbilling SA is not able to meet its financial obligations. The commitment is irrevocable until all net financial obligations have been settled with Swisscom Directories AG. Exposure as at 31 December 2023 amounts to TCHF 27,986 and management assesses that the probability of payout is remote.

CembraPay AG issues payment guarantees towards merchants for cases in which the customers will not meet their financial obligations towards them, through a variety of payment guarantee products. These payment guarantees cover the off-balance sheet exposure that represents the outstanding balance to the merchants prior to the guarantee execution timeline (on-balance sheet exposure). The commitment is irrevocable, the exposure as at 31 December 2023 amounts to TCHF 5,447 and management assesses that the probability of payout is remote.

Allowance for credit losses on the irrevocable off-balance sheet commitments and financial guarantees is provided through the credit loss provision, but recorded as a separate liability included in other liabilities.

For details on rental commitments under non-cancellable operating leases refer to note 6. Property, equipment and software.

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20. Financial instruments

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

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

At 31 December (CHF in thousands)	2023		2022	
	Carrying amount net	Estimated fair value	Carrying amount net	Estimated fair value
Assets				
Loans	3,671,429	3,771,498	3,700,834	3,772,825
Liabilities				
Deposits	-3,497,133	-3,504,425	-3,513,116	-3,505,529
Borrowings	-2,848,487	-2,817,015	-2,613,029	-2,263,663

Fair values are estimated as follows:

Loans

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

Deposits and borrowings

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

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

Pension fund

Refer to note 13. Pension plans for further details on pension funds.

21. Variable interest entities

The Group primarily uses variable interest entities ("VIEs") to securitise auto lease financing receivables. The financing receivables are originated by the Bank in the ordinary course of business and transferred to the VIEs. The financing receivables in the VIEs have similar risks characteristics to the auto leases and loans pool not included in VIEs. Consequently, aligned to CECL standard, current expected credit losses are calculated at pool level without further segmentation based on the VIEs' inclusion.

In May 2023, the Group launched its seventh securitisation transaction (Swiss Auto Lease 2023-1 GmbH) and issued a floating rate senior loan of TCHF 275,000 with a coupon of 2.5825% per annum and an optional redemption date of three years from the date of issuance. For details, please refer to note 11. Short-term and long-term debt and to note 12. Derivatives and hedge instruments. In March 2020, the Group launched its sixth securitisation transaction (Swiss Auto Lease 2020-1 GmbH) and issued fixed rate senior notes of TCHF 250,000 with a coupon of 0.00% per annum and an optional redemption date of four years from the date of issuance.

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

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

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

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

At 31 December (CHF in thousands)	2023	2022
Assets		
Financing receivables, net	588,472	285,019
Financing leases	581,615	270,411
Loans	6,857	14,608
Other assets	32,295	17,797
Total assets	620,767	302,816
Liabilities		
Accrued expenses and other liabilities	5,555	1,558
Non-recourse borrowings	524,536	249,664
Total liabilities	530,091	251,223

Revenues from the consolidated VIEs amounted to TCHF 21,479 and TCHF 15,546 for the years ended 31 December 2023 and 2022, respectively. Related expenses consisted primarily of provisions for losses of TCHF 3,760 and TCHF 552, general and administrative expenses related to portfolio service costs of TCHF 1,500 and TCHF 1,253 and interest expense of TCHF 4,712 and TCHF 272 for the years ended 31 December 2023 and 2022, respectively. These amounts did not include intercompany revenues and costs, principally fees and interest between the Bank and the VIEs, which are eliminated for consolidation purposes.

22. Related-party transactions

The Group had no related-party transactions in 2023 and 2022 outside the normal course of business.

23. Interest income

The details of interest income are shown below:

For the years ended 31 December (CHF in thousands)	2023	2022
Personal loans	171,450	163,079
Auto leases and loans	150,802	133,086
Credit cards	87,930	89,050
Other	11,943	346
Total	422,126	385,562

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24. Interest expense

The details of interest expense are shown below:

For the years ended 31 December (CHF in thousands)	2023	2022
Interest expense on ABS	4,920	613
Interest expense on deposits	39,598	13,718
Interest expense on debt	30,390	15,059
Total	74,908	29,390

25. Commission and fee income

The details of commission and fee income are shown below:

For the years ended 31 December (CHF in thousands)	2023	2022
Insurance	23,824	23,448
Credit cards	89,247	94,765
Loans and leases	14,511	14,975
BNPL ¹	39,363	17,626
Other	1,524	1,874
Total	168,468	152,688

¹ BNPL includes fee income related to Swissbilling SA and CembraPay AG (in 2022 classified as BNPL and other)

26. General and administrative expenses

The details of general and administrative expenses are shown below:

For the years ended 31 December (CHF in thousands)	2023	2022
Professional services	20,825	21,960
Marketing ¹	11,685	15,725
Collection fees	15,029	10,748
Postage and stationery	10,165	15,035
Rental expense under operating leases	6,156	6,687
Information technology	50,622	43,936
Depreciation and amortisation	27,496	25,956
Other	-16,342	-18,078
Total	125,636	121,969

¹ Marketing includes advertising costs, which are expensed as incurred

27. Share-based compensation

The Group had two share-based compensation plans in 2023.

The one-time Long-Term Incentive Plan was set up for employees below the Management Board. Under the one-time long-term incentive plan, employees invited to participate received a fixed number of RSUs free of charge. The RSUs were granted on 29 April 2022 and shall vest on 30 April 2025 (the vesting date) provided that neither termination of employment nor any forfeiture events have occurred in relation to the participant on or before the vesting date. On the vesting date, vested RSUs shall automatically convert into company shares that shall be assigned to the participant with all right attached to them as per the vesting date.

The total number of Restricted Share Units granted under this plan was 18,743 based on a share price of CHF 69.65 at the grant date. The fair value used was calculated as the closing price before the grant date. RSUs issued under this plan will be settled out of shares acquired by the Group for such purpose.

The following table summarises RSUs outstanding as at 31 December 2023 and 2022, respectively:

	2023		2022	
	Number of RSUs	Weighted average grant date fair value (CHF)	Number of RSUs	Weighted average grant date fair value (CHF)
RSUs outstanding at 1 January	18,832	1,315,714	-	-
Granted ¹	-	-	20,196	1,411,126
Vested	-	-	-	-
Forfeited	-1,237	-86,528	-1,364	-95,412
RSUs outstanding at 31 December	17,595	1,229,186	18,832	1,315,714
RSUs expected to vest	17,595	1,229,186	18,832	1,315,714

¹ In 2022, the Group granted 1,453 RSUs as replacement award at the grant date 1 September 2022 with a share price of CHF 68.86 (for further details on the replacement award, please refer to the Compensation Report on page 107)

The total recognised compensation cost was TCHF 396 and TCHF 285 for the years ended 31 December 2023 and 2022, respectively. The remaining unrecognised cost of TCHF 565 as of 31 December 2023 is expected to be recognised over a weighted-average period of 16 months.

The Executive Variable Compensation Plan ("EVCP") was set up for the senior management team in 2013. In 2016, the EVCP plan was adapted, and since the performance year 2016 the senior management team receives under the long-term incentive programme (LTI), which is one part of the EVCP, a part of their variable compensation in performance share units.

The PSUs vest after a three-year period depending on the achievement of performance conditions which include relative total shareholder return ("TSR") and cumulative fully diluted earnings per share. The actual LTI bonus of each participant is determined in the first quarter after each performance year in a range of 75% to 125% of the target LTI bonus based on a look-back assessment in a guided discretion by the Board of Directors. The actual LTI bonus is granted in PSUs. The first grant took place in March 2017. For details regarding the plan, please refer to the Compensation Report on page 107 of the Annual Report 2023.

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	2023		2022	
	Number of PSUs	Weighted average grant date fair value (CHF)	Number of PSUs	Weighted average grant date fair value (CHF)
PSUs outstanding at 1 January	8,385	658,394	7,005	701,452
Granted	8,467	650,253	5,620	356,027
Vested	-2,025	-213,293	-1,728	-138,758
Forfeited	-550	-40,605	-2,512	-260,326
PSUs outstanding at 31 December	14,277	1,054,749	8,385	658,394
PSUs expected to vest	10,303	716,070	9,517	625,771

The fair value of a PSU was calculated as the arithmetic average of the daily volume weighted average price (VWAP) of a Bank's share during the 60 trading days ending on the last trading day (inclusive) before the grant date, risk-adjusted for the performance condition. A PSU was calculated at CHF 76.80 and CHF 63.35 at the grant date of 1 February 2023 and 2022, respectively, and one PSU was equal to one ordinary share of the Bank.

At 31 December 2023, the weighted-average conversion ratio of one PSU was 72% based on performance conditions. The total recognised compensation cost was TCHF 199 and TCHF 185 for the years ended 31 December 2023 and 2022, respectively. The remaining unrecognised cost of TCHF 371 as of 31 December 2023 is expected to be recognised over a weighted-average period of 21 months.

28. Supplemental cash flow information

Certain supplemental information related to cash flows is shown below:

For the years ended 31 December (CHF in thousands)	2023	2022
Increase in loans to customers	-1,927,780	-2,054,565
Principal collections from customers – loans	1,898,352	1,922,801
Investment in equipment for financing leases	-1,596,787	-1,531,582
Principal collections from customers – financing leases	1,424,027	1,386,009
Net change in credit card and BNPL receivables	-21,761	-29,083
Net change in financing receivables	-223,949	-306,419

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29. Off-balance sheet arrangements

At 31 December 2023 and 2022 the Group was party to the following off-balance sheet financial instruments. The balances represent the Group's maximum contractual exposure to credit risk resulting from off-balance sheet arrangements:

At 31 December (CHF in thousands)	2023	2022
Ordinary course of business lending commitments	139,299	208,616
Unused revolving loan facilities	58,565	59,019
Unused credit card facilities	3,664,024	3,716,958

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

Allowance for credit losses on the irrevocable off-balance sheet credit exposures is provided through the credit loss provision, but recorded as a separate liability included in other liabilities. For further details please refer to note 14. Other liabilities.

30. Subsequent events

The Group has evaluated subsequent events from the financial statements date through 21 February 2024, the date at which the financial statements were available to be issued.

Subsequent to the reporting period ended 31 December 2023, Cembra initiated a restructuring plan with the objective of enhancing operational efficiency and optimising cost structure. This will be achieved through using internal capabilities and by outsourcing of certain services. This event is considered a non-adjusting subsequent event as it occurred after the reporting period and does not impact the financial statements for the period ended 31 December 2023. The restructuring plan includes restructuring activities such as workforce reductions. The financial impact of this restructuring plan will be reflected in future financial statements. Management is currently in the process of evaluating the associated costs, including severance and other related expenses.

This disclosure is provided to ensure stakeholders are informed of significant events occurring subsequent to the reporting period that may impact the company's financial position, results of operations, or cash flows.

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

31. Significant differences between US GAAP and statutory accounting rules for banks

The Group's consolidated financial statements have been prepared in accordance with US GAAP.

FINMA requires Swiss-domiciled banks which present their financial statements under either US GAAP or International Financial Reporting Standards (IFRS) to provide a narrative explanation of the material differences between accounting rules for banks and its primary accounting standard. The principal provisions of the Swiss Act on Banks and Savings Banks (Banking Act), Swiss Ordinance on Banks and Savings Banks (Banking Ordinance), the Swiss Financial Market Supervisory Authority's Accounting Ordinance (FINMA Accounting Ordinance) and the FINMA circular 2020/1, "Accounting – Banks", governing the accounting rules for banks ("Swiss GAAP") differ in certain aspects from US GAAP. For details on the Group's accounting policies please refer to "Note 1. Basis of presentation and summary of significant accounting policies". The following are the material differences:

Allowances and provisions for credit losses

Starting 1 January 2023, under US GAAP, allowances and provisions for credit losses on financial instruments have been estimated based on the CECL methodology. The credit loss requirements apply to financial assets measured at amortised cost as well as off-balance sheet credit exposures, such as irrevocable loan commitments, credit guarantees and similar instruments. The credit loss requirements are based on a forward-looking, lifetime CECL model by incorporating historical experience, current conditions and reasonable and supportable forecasts of future economic conditions available as of the reporting date. Under Swiss GAAP, the same impairment model and methodology is applied as under US GAAP. The Bank, under Swiss GAAP, has adopted the CECL methodology as of 31 December 2022.

Goodwill amortisation

Under US GAAP, goodwill is not amortised but must be tested for impairment annually or more frequently if an event or change in circumstances indicates that the goodwill may be impaired. Under Swiss GAAP, goodwill is amortised over its useful life, generally not exceeding five years, except for justified cases where a maximum useful life of up to ten years is acceptable. In addition, goodwill is tested at least annually for impairment.

Share based payments

The Swiss accounting rules for banks allow the same accounting treatment for share-based payments as US GAAP with the following exceptions: The expenses for share-based payments are recognised in the income statement with a corresponding entry in accrued expenses and deferred income, instead of additional paid in capital in equity.

Operating leases for lessee

Under US GAAP, at commencement of an operating lease, the lessee recognises a lease liability for future lease payments and a right-of-use asset which reflects the future benefits from the lease contract. The initial lease liability equals the present value of the future lease payments; amounts paid upfront are not included. The right-of-use asset equals the sum of the initial lease liability, initial direct costs and prepaid lease payments, with lease incentives received deducted. Operating lease costs, which include amortisation and an interest component, are recognised over the remaining lease term on a straight-line basis. If the reporting entity permanently vacates premises and sub-leases a leased asset to another party at a loss, an impairment is recognised on the right-of-use asset. The impairment is determined as the difference between the carrying value of the right-of-use asset and the present value of the expected sub-lease income over the sub-lease term. Under Swiss GAAP, at commencement of an operating lease, no right-of-use assets and lease liabilities are recognised on the balance sheet of the lessee. For the calculation of the periodic lease expenses, initial direct costs, lease incentives and prepaid lease payments are considered, and the total cost of a lease contract is expensed on a straight-line basis over the lease term.

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Available-for-sale debt securities

Under US GAAP, available-for-sale debt securities are valued at fair value. Unrealised gains and losses due to fluctuations in fair value (including foreign exchange) are not recorded in the consolidated statements of operations but included net of tax in AOCI, which is part of total shareholders' equity. Credit-related impairments may have to be recognised in the consolidated statements of operations if the fair value of an individual debt security decreases below its amortised cost basis due to credit-related factors. Under Swiss GAAP, available-for-sale securities are accounted for at the lower of amortised cost or market with valuation reductions and recoveries due to market fluctuations recorded in other ordinary expenses and income, respectively. Foreign exchange gains and losses are recognised in net income/(loss) from trading activities and fair value option.

Derivative financial instruments used for cash flow hedging

Under US GAAP, the change in the fair value of a designated derivative of a cash flow hedge is reported in AOCI. Under Swiss GAAP, the change in the fair value of a designated derivative of a cash flow hedge is recorded in the compensation account included in other assets or other liabilities.

Deferred taxes

The Swiss accounting rules for banks generally do not recognize deferred tax in reliable assessment statutory financial statements. The Bank does not recognize any deferred taxes for its individual financial statements in accordance with the Swiss accounting rules for banks.

Debt issuance costs

Under US GAAP, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt. Under Swiss GAAP, debt issuance costs are reported as a balance sheet asset in accrued income and prepaid expenses.

Loan origination fees and costs

US GAAP requires the deferral of fees received upfront and direct costs incurred in connection with the origination of loans not held under the fair value option. Under Swiss GAAP, only upfront payments or fees that are considered interest-related components are deferred (e.g., premiums and discounts). Loan origination costs are deferred and reported under accrued income and prepaid expenses. Fees received from the borrower are deferred and reported under accrued expenses and deferred income.

Extraordinary income and expenses

Unlike US GAAP, Swiss GAAP does report certain expenses or revenues as extraordinary if the recorded income or expense is non-operating and non-recurring.



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Statutory Auditor's Report

To the General Meeting of Cembra Money Bank AG, Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cembra Money Bank AG (and its subsidiaries) (the Group), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 133 to 184) present fairly, in all material respects, the financial position of the Group as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit, which include relevant ethical requirements in the United States of America, with the provisions of Swiss law and the requirements of the Swiss audit profession.

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

Key Audit Matters



Valuation of allowance for losses on financing receivables

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



Valuation of allowance for losses on financing receivables

Key Audit Matter

As per December 31, 2023 gross financing receivables (smaller-balance, homogenous loans, including primarily credit card receivables, personal loans as well as auto leases and loans) amount to CHF 6,844.0 million (representing 84.6% of total assets). At the same time, the Group has recorded an allowance for losses on financing receivables of CHF 156.9 million.

On January 1, 2023, the Group has adopted an approach to determine allowances and provisions for expected credit losses based on the CECL methodology in accordance with ASC 326 "Financial Instruments – Credit Losses".

The valuation of collective allowance for expected credit losses on financing receivables relies on the application of significant management judgment in determining the methodology and parameters in calculating the allowance. The Group uses various modelling techniques and assumptions, which are based on credit loss experience and historical delinquency data as well as current and future trends, conditions and macroeconomic factors.

In particular, the valuation of the collective allowance for losses on financing receivables is based on significant estimates, such as future client payment behavior, which is subject to management judgment. These judgments require specific knowledge of developments in the Group's financing receivables portfolio as well as relevant competencies in determining allowances.

Our response

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

For a selected sample of allowances for losses on financing receivables calculated on a collective basis, we developed our independent expectation, by calculating the respective coverage rates and allowance for losses balance. Furthermore, we evaluated the reasonableness of the inputs to those models, such as delinquency and payment behavior, by comparing data and assumptions made to historical accuracy of estimates.

With the involvement of our Financial Risk Management specialists, we assessed the appropriateness and reasonableness of models, inputs, implementation, use and documentation of the expected credit loss methodology and challenged the underlying assumptions.

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

- Note 1 (Basis of presentation and summary of significant accounting policies, Allowance for losses)
- Note 4 (Financing receivables and allowance for losses)



Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles and the provisions of Swiss law, and for the design, implementation, and maintenance of internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment or economic decisions made by a reasonable user based on these consolidated financial statements.

In performing an audit in accordance with GAAS, Swiss law, and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit of the Group. We remain solely responsible for our audit opinion.

We are required to communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters, including any significant deficiencies, that we identified during the audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information in the Annual Report

The Board of Directors is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements, the stand-alone financial statements of the company, the compensation report, the sustainability report, and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. We have nothing to report in this regard.



Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

A handwritten signature in blue ink, appearing to be 'E. Tüfekçi', written over a light blue grid background.

Ertugrul Tüfekçi
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to be 'A. Schuler', written over a light blue grid background.

André Schuler
Licensed Audit Expert

Zurich, February 21, 2024