

Consolidated Financial Statements

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Consolidated statements of income

For the years ended 31 December (CHF in thousands)	Notes	2024	2023
Interest income	24	485,730	422,126
Interest expense	25	-105,250	-74,908
Net interest income		380,480	347,218
Commission and fee income	26	169,975	168,468
Net revenues		550,455	515,687
Provision for losses on financing receivables	5	-74,151	-56,906
Compensation and benefits		-134,808	-136,972
General and administrative expenses	27	-129,714	-125,636
Total operating expenses		-264,522	-262,608
Income before income taxes		211,781	196,173
Income tax expense	19	-41,384	-38,140
Net income		170,397	158,033
Earnings per share			
Basic	17	5.81	5.39
Diluted	17	5.80	5.38

See accompanying Notes consolidated financial statements



Consolidated statements of comprehensive income

For the years ended 31 December (CHF in thousands)	Notes	2024	2023
Net income		170,397	158,033
Net prior service cost, net of tax	14	- 264	- 903
Actuarial gain/(loss), net of tax	14	- 16,179	- 8,941
Unrealised gains/(losses) on investment securities, net of tax	6	1,067	830
Gains/(losses) on cash flow hedges, net of tax	13	- 2,010	- 3,578
Foreign currency translation adjustments		- 7	- 6
Total other comprehensive gain/(loss), net of tax		- 17,393	- 12,599
Comprehensive income		153,004	145,434

See accompanying Notes to the consolidated financial statements

Consolidated statements of financial position

At 31 December (CHF in thousands)	Notes	2024	2023
Assets			
Cash and cash equivalents		793,201	921,974
Financing receivables, net	5	6,624,776	6,687,141
Investment securities	6	189,856	98,256
Property, equipment and software, net	7	46,817	54,903
thereof operating lease - right-of-use (ROU) assets	7	10,679	16,131
Intangible assets, net	8	14,617	26,530
Goodwill	9	189,521	189,521
Other assets	10	89,944	109,858
Total assets¹		7,948,731	8,088,183
Liabilities and equity			
Deposits	11	3,524,299	3,497,133
Accrued expenses and other payables		210,506	205,965
Short-term debt	12	400,058	450,016
Long-term debt	12	2,499,536	2,647,749
Other liabilities		23,807	27,221
thereof operating lease - lease liability	7	10,679	16,131
Deferred tax liabilities, net	19	5,410	10,362
Total liabilities¹		6,663,615	6,838,445
Common shares		30,000	30,000
Additional paid in capital (APIC)		259,730	258,666
Retained earnings		1,050,890	997,887
Treasury shares		-38,675	-37,380
Accumulated other comprehensive income (loss) (AOCI)		-16,828	565
Total shareholders' equity		1,285,116	1,249,738
Total liabilities and shareholders' equity		7,948,731	8,088,183

¹ The Group's consolidated assets as at 31 December 2024 and 2023 include total assets of TCHF 330,512 and TCHF 620,767, 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 2024 and 2023 include liabilities of the VIEs of TCHF 281,551 and TCHF 530,091, 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 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
Balance at 1 January 2024	30,000	258,666	997,887	-37,380	565	1,249,738
Net income	-	-	170,397	-	-	170,397
Dividends paid	-	-	-117,394	-	-	-117,394
Change due to share-based compensation	-	1,064	-	822	-	1,886
Treasury shares	-	-	-	-2,117	-	-2,117
Pension benefit plan obligation movements, net of deferred tax of TCHF 4,017	-	-	-	-	-16,922	-16,922
Pension benefit plan obligation reclassifications from AOCI, net of deferred tax of TCHF -110 ¹	-	-	-	-	479	479
Available for sale debt securities unrealised gains/(losses), net of deferred tax of TCHF -254	-	-	-	-	1,067	1,067
Derivatives gain/(loss), net of deferred tax of TCHF 478	-	-	-	-	-777	-777
Derivatives gain/(loss) reclassified from AOCI to interest expense ²	-	-	-	-	-1,234	-1,234
Foreign currency translation adjustments	-	-	-	-	-7	-7
Balance at 31 December 2024	30,000	259,730	1,050,890	-38,675	-16,828	1,285,116

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

2024

2023

Cash flows from operating activities

Net income		170,397	158,033
Adjustments to reconcile net income to cash provided from operating activities:			
Provision for losses on financing receivables		74,548	-10,215
Deferred income taxes		-818	548
Depreciation of property, equipment and software	7	14,904	14,844
Amortisation of intangible assets	8	11,921	12,652
(Decrease)/ Increase in accrued expenses and other payables		4,541	31,524
Decrease/(Increase) in tax receivables		3,140	5,814
Decrease/(Increase) in other receivables		1,637	-1,997
Decrease/(Increase) in deferred expenses		-7,248	-13,385
Decrease/(increase) in other assets		10,607	-588
All other operating activities		-22,984	-8,699
Net cash provided by operating activities		260,645	188,531

Cash flows from investing activities

Net (increase)/ decrease in financing receivables	30	-18,090	-223,949
Proceeds from maturity of investment securities		120,000	229,476
Purchase of investment securities		-210,083	-230,000
Additions to property, equipment and software	7	-10,300	-8,965
All other investing activities		5,907	-
Net cash used for investing activities		-112,566	-233,438

Cash flows from financing activities

Net change in deposits		27,166	-15,983
Issuance of short-term and long-term debt		250,000	935,000
Repayments of short-term and long-term debt		-450,016	-450,000
Dividends paid		-117,394	-115,930
Purchase of treasury shares		-2,117	-1,080
All other financing activities		3,732	883
Net cash (used for) provided by financing activities		-288,630	352,890

Net increase/ (decrease) in cash and cash equivalents

-140,551 307,983

Cash and cash equivalents, including restricted cash classified in "Other assets"

Beginning of the period		958,422	650,441
thereof restricted cash		36,448	17,797
End of period		817,871	958,422
thereof restricted cash		24,670	36,448

Supplemental disclosure

Interest paid		-84,411	-53,257
Income taxes paid		-36,327	-24,923

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 2020-1 GmbH, Swiss Auto Lease 2023-1 GmbH, Cembra Credit GmbH (previously eny Credit GmbH, renamed in November 2024), Fastcap AG, CembraPay AG (previously Byjuno AG renamed in October 2023 and merged with Swissbilling SA in May 2024), Cembra Latvia SIA (previously Cembra Technologies SIA, renamed in January 2024)¹ and Cembra Auto Finance AG (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 savings 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 financing 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

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.

The Group offers insurance products to its customers. Those products are complementary to the Group's financing 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 materialise 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.

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 trend of the 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 materialise is within the management's responsibility, with the base case being the scenario that is in principle deemed as the most likely to materialise.

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 underwriting 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.

Significant changes in write-off policies or estimates from prior periods

In the current reporting year, management observed an increased demand for longer contractual durations also as a result of a slightly more adverse macro environment with stretched cost-of-living in exposed customer segments. As a result, collection activities and the recognition of a contract as uncollectible are delayed over time. Despite these challenges, historical data demonstrates consistently high recovery rates throughout economic cycles, confirming the continued effectiveness of the enforcement process in ensuring collectability, albeit with potential delays during downturns. Taking into account this through-the-cycle view of recovery performance and recognising shifts within

individual portfolios, management has determined that the previous write-off date did not allow sufficient time to fully assess the collectability of loans that were experiencing payment delays. To allow for write-off events, that indicate uncollectability, to materialise prior to the timing write-off and ensure alignment with the dynamics and timelines of the collection process, the Group has revised the write-off period for personal loans and credit card receivables.

Effective starting with the last quarter of 2024, the write-off period has been extended to 360 days past due for personal loans and credit cards, up from the previous write-off periods of 120 days for contracts with terms of 60 months or less, and 180 days for contracts with terms greater than 60 months and credit cards.

This synchronisation of write-off and collection processes is considered a change in accounting estimate as per ASC Topic 250, where changes are made prospectively. The change in estimate led to a decrease of write-off amounts of TCHF 15,228 and to an increase of allowances for losses of TCHF 8,510 compared with prior year. As a consequence of the decrease in written off amounts, the financing receivables 30 and 90 days past due have increased by the same amount in 2024. The net impact on income before tax was TCHF 6,718.

Write-offs and recoveries

The Group ensures that at each reporting date all accounts meeting the relevant criteria have been written off. The Group regularly reviews the appropriateness of its write-off criteria to ensure that the accounting treatments reflect the risk profiles and collectability of its asset portfolio. The Group maintains a list of events which classify a loan as uncollectible. In addition to the event-driven uncollectability recognition, the Group establishes specific timelines to write off a loan based on the days the loan became past due (timely write-off criteria).

For personal loans the Group writes off a loan after the account reaches 360 days contractually past due. Previously, the timing was set at 120 days past due for personal loans with term duration less than 60 months and at 180 days past due for unsecured loans with term duration greater or equal than 60 months.

For credit cards, the Group writes off the account on the date the account becomes 360 days contractually past due. Previously, the timing was set at 180 days contractually past due.

Auto consumer loans and leases are written off after such contracts become 120 days past due. Commercial leases are written off at 180 days contractually past due. Any extension of the write-off date beyond 180 days would not materially change the financial position of the Group, as the repossession and liquidation of the leased asset event occurs long before 360 days past due.

BNPL receivables are written off after the contract becomes 180 days contractually past due. The shorter write-off period for these unsecured contracts reflects the shorter repayment terms.

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 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 9. 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 8. Intangible assets for further details.

Income taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the date of the 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 and share-matching programmes. It accounts for the compensation cost from share-based and share-matching 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 29. 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 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 13. 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.

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

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

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

Off-balance sheet arrangements

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

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

2. Accounting changes

Recently adopted accounting standards

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 has adopted ASC 280 and this guidance as of 1 January 2024 on its financial statements, on a retrospective basis. For further details please see note 4. Operating segments.

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 prove 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 adoption of this guidance as of 1 January 2024 did not had an impact on the Group's financial statements.

Recently issued accounting standards to be effective in future periods

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.

On 4 November 2024, the FASB issued ASU No. 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40)", to improve the disclosures of expenses by requiring public business entities to provide further disaggregation of relevant expense captions (i.e., employee compensation, depreciation, intangible asset amortisation) in a separate note to the financial statements, a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, and the total amount of selling expenses and, in an annual reporting period, an entity's definition of selling expenses. The ASU is required to be adopted on a retrospective or prospective basis and will be effective in annual period ending December 31, 2027 and interim periods for the interim period beginning January 1, 2028. The Group is currently evaluating the impact on its disclosures.

3. Business developments

There were no business combinations and no significant business developments for the year ended 31 December 2024 and 2023, respectively.

4. Operating segments

In the first quarter of 2024, Cembra changed its management structure resulting in implementation of operating reportable segments that reflect how the CEO, who is the chief operating decision maker (CODM), manages the Group, including allocating resources and measuring performance.

Cembra organised its reporting into two reportable operating segments: Lending and Payments, with no other of the remaining operations or activities recorded separately.

Prior-period single reportable operating segment results have been revised to reflect the new organisation of Cembra's management reporting structure, with consolidated results remaining unchanged.

The following is a description of each reportable operating segment, and the products these provide to their respective client bases.

Lending

Lending includes auto loans and leasing, which has auto loans and leasing financing solutions distributed via intermediaries and car dealers and personal loans, which are offered through our branches, intermediaries and online. Lending is operating in a relatively stable and predictable market, with financing duration ranging from 1 to 8 years and moderate capital needs.

Payments

Payments includes credit cards, which has proprietary card portfolios and co-branded credit cards through partner programmes and BNPL (buy now pay later), which has consumer invoice financing services and flexible payment options for both online and point-of-sale channels. Payments is operating in a more dynamic and innovative market, with frequent short-term transactions and lighter capital requirements.

Revenues and expenses directly associated with each respective segment are included in determining respective net income results. Other indirect revenues and expenses that are attributable to a particular segment are generally allocated based on respective net revenues, financing receivables, FTE (full time equivalents) or other relevant measures. The accounting policies of these reportable segments are the same as those disclosed in note 1. Basis of presentation and summary of significant accounting policies.

Performance measurement is based on net income. These results are used by the CODM, both in evaluating the performance, and in allocating resources, predominantly in the annual budget and forecasting process. The CODM considers budget-to-actuals variances on a monthly basis for net income when making decisions about allocating capital and personnel to each segment and in the compensation of certain employees.

The following tables present information regarding Cembra's operations by reportable segment.

For the years ended 31 December (CHF in thousands)	Lending		Payments		Total Group	
	2024	2023	2024	2023	2024	2023
Interest income	372,492	330,884	113,238	91,241	485,730	422,126
Interest expense	-86,658	-61,678	-18,592	-13,229	-105,250	-74,908
Net interest income	285,834	269,206	94,646	78,012	380,480	347,218
Commission and fee income	37,201	37,742	132,774	130,726	169,975	168,468
Net revenues	323,034	306,949	227,420	208,738	550,455	515,687
Provision for losses on financing receivables	-58,571	-46,236	-15,580	-10,670	-74,151	-56,906
Compensation and benefits	-78,511	-82,279	-56,298	-54,693	-134,808	-136,972
General and administrative expenses	-63,681	-62,579	-66,033	-63,057	-129,714	-125,636
Total operating expenses	-142,191	-144,858	-122,331	-117,750	-264,522	-262,608
Income tax expense	-23,897	-22,524	-17,487	-15,615	-41,384	-38,140
Net income	98,375	93,331	72,023	64,702	170,397	158,033

At 31 December (CHF in thousands)	Lending		Payments		Total Group	
	2024	2,023	2024	2,023	2024	2,023
Identifiable assets						
Financing receivables	5,588,013	5,645,374	1,195,217	1,198,652	6,783,230	6,844,026
Allowance for credit losses	-133,053	-127,749	-25,402	-29,136	-158,454	-156,885
Financing receivables, net	5,454,960	5,517,625	1,169,815	1,169,516	6,624,776	6,687,141

All revenue is generated within the country of Switzerland and substantially all of Cembra's fixed assets are located within Switzerland.

5. Financing receivables and allowance for losses

At 31 December 2024 and 2023, the Group's financing receivables included loans to private customers, vehicle lease financing, credit card financing and BNPL products, as follows:

At 31 December (CHF in thousands)	2024	2023
Loans	3,606,333	3,751,770
Deferred costs, net	46,028	50,451
Total loans, including deferred costs, net	3,652,361	3,802,221
Investment in financing leases, net of deferred income ²	2,966,438	2,894,897
BNPL ¹	164,432	146,909
Financing receivables before allowance for losses	6,783,230	6,844,026
Less allowance for losses	-158,454	-156,885
Financing receivables, net	6,624,776	6,687,141

¹ BNPL includes CembraPay AG (and Swissbilling SA, merged in May 2024)

² Only financing leases residual values are secured by collateral of TCHF 1,533,665 and TCHF 1,444,684 as at 31 December 2024 and 2023, 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)	2024	2023
Total minimum lease payments receivable	3,292,907	3,201,103
Deferred income ¹	-326,469	-306,206
Investment in direct financing leases	2,966,438	2,894,897
Less allowance for losses	-26,822	-20,661
Net investment in direct financing leases	2,939,616	2,874,237

¹ Includes TCHF 25,661 and TCHF 25,379 of initial direct costs on direct financing leases as at 31 December 2024 and 2023, respectively

The subsidiaries held TCHF 311,494 and TCHF 588,472 of net financing receivables as at 31 December 2024 and 2023, respectively, as collateral to secure third-party debt in securitisations. See note 22. Variable interest entities for further details of securitisations.

As at 31 December 2024, the Group's contractual maturities for loans and financing leases were:

Due in (CHF in thousands)	Loans	Minimum lease payments receivable
2025	62,413	283,070
2026	176,213	518,641
2027	312,648	799,668
2028	367,564	1,029,909
2029	533,031	647,257
2030 and thereafter	1,099,881	14,362
Consumer revolving loans	1,054,583	-
Total	3,606,333	3,292,907

Actual maturities may differ from contractual maturities.

The following table provides further information about financing receivables:

At 31 December (CHF in thousands)	2024	2023
Personal loans	2,376,397	2,474,428
Auto leases and loans	3,211,616	3,170,977
Credit cards	1,030,784	1,051,713
BNPL ¹	164,432	146,909
Financing receivables, before allowance for losses	6,783,230	6,844,026
Allowance for losses	-158,454	-156,885
Financing receivables, net	6,624,776	6,687,141

¹ BNPL includes CembraPay AG (and Swissbilling SA, merged in May 2024)

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

CHF in thousands	Balance at 1 January 2024	Provision for losses ¹	Amounts written off ²	Recoveries	Other	Balance at 31 December 2024 ²
Personal loans	104,401	28,965	-73,048	43,099	-	103,417
Auto leases and loans	23,379	29,981	-48,382	24,685	-	29,663
Credit cards	23,670	4,903	-24,920	15,814	-	19,468
BNPL ¹	5,434	10,698	-16,136	5,910	-	5,906
Total²	156,885	74,548	-162,486	89,508	-	158,454
As a % of total financing receivables, net						2.4%

¹ BNPL includes CembraPay AG

² The 2024 synchronisation of write-off and collection processes resulted in an overall increase in the allowance for losses of TCHF 8,510. For details see note 1

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 CembraPay AG (and Swissbilling SA, merged in May 2024)

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.

The table below shows the Group's portfolio by key credit quality indicators as at 31 December 2024. In particular, we give an overview of the portfolio by delinquency status.

Financing receivables ¹	Year of origination						
	2024	2023	2022	2021	2020	Prior	Revolving (credit card)
CHF in thousands							
Current	2,250,443	1,569,205	932,666	401,272	147,297	50,436	995,252
0-30 days	66,010	47,986	31,051	15,170	5,562	2,283	16,238
30-60 days	16,956	18,631	13,440	5,758	2,382	1,216	6,364
60-90 days	9,153	10,632	8,382	3,530	1,494	646	3,492
90+ days	18,526	23,160	11,379	5,503	2,111	10,605	7,312

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:

	2024		2023	
	Over 30 days past due	Over 90 days past due	Over 30 days past due	Over 90 days past due
Personal loans	4.9 %	2.4 %	3.8 %	1.6 %
Auto leases and loans	1.1 %	0.3 %	0.9 %	0.1 %
Credit cards	1.7 %	0.7 %	1.4 %	0.5 %
BNPL ¹	7.7 %	3.7 %	6.4 %	2.9 %
Total²	2.7 %	1.2 %	2.1 %	0.8 %

¹ BNPL includes CembraPay AG (and Swissbilling SA, merged in May 2024)

² The 2024 synchronisation of write-off and collection processes resulted in an overall increase in financing receivables over 30 and 90 days past due; the normalised values are at 2.5 % and 0.9 %, respectively

Nonaccrual financing receivables

The following table provides further information about financing receivables that are classified as nonaccrual:

At 31 December (CHF in thousands)	2024	2023
Personal loans	56,191	37,894
Auto leases and loans	8,953	4,363
Credit cards	7,312	5,304
BNPL ¹	6,142	4,235
Total²	78,597	51,796
Non-performing loan coverage ³	202 %	303 %

¹ BNPL includes CembraPay AG (and Swissbilling SA, merged in May 2024)

² The 2024 synchronisation of write-off and collection processes resulted in an increase in nonaccrual financing receivables of TCHF 15,228. For details see note 1

³ Calculated as allowance for losses divided by nonaccrual financing receivables

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.

2024					
At 31 December (CHF in thousands)	CR1	CR2	CR3	CR4	CR5
Personal loans	970,691	732,392	425,700	171,224	67,346
Auto leases and loans	1,692,993	999,081	402,871	84,401	32,270
Credit cards	708,972	224,975	91,721	5,048	68
Total¹	3,372,656	1,956,448	920,292	260,673	99,684
As a % of total financing receivables before allowance for losses ¹	51.0%	29.6%	13.9%	3.9%	1.5%

¹ Does not include Cembra Credit GmbH (previously eny Credit GmbH, renamed in November 2024) and BNPL related to CembraPay AG. There is no material impact on the Group's consumer ratings

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 eny Credit GmbH (renamed Cembra Credit GmbH in November 2024) and BNPL related to CembraPay AG (and to Swissbilling SA, merged in May 2024). There is no material impact on the Group's consumer ratings

6. Investment securities

Investment securities are comprised of debt securities available for sale.

At 31 December (CHF in thousands)	2024	2023
Debt securities available for sale	189,856	98,256
Total investment securities	189,856	98,256

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.

	2024				2023			
	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	10,046	306	-	10,353	20,061	58	- 40	20,079
Debt securities issued by Swiss funding institutions ¹	60,237	951	-	61,188	39,844	82	- 12	39,914
Debt securities issued by Swiss central government ²	99,941	23	-	99,965	19,854	20	-	19,874
Debt securities issued by supranational organisations	18,189	162	-	18,351	18,376	40	- 27	18,389
Debt securities available for sale	188,414	1,443	-	189,856	98,135	200	- 79	98,256

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)	2024	2024
Within 1 year	68,866	68,970
From 1 to 5 years	119,548	120,886
From 5 to 10 years	-	-
After 10 years	-	-
Total debt securities	188,414	189,856

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 835 and TCHF 633, for the year ended 31 December 2024 and 2023, respectively.

7. Property, equipment and software

At 31 December (CHF in thousands)	Estimated useful lives (years)	2024	2023
Original cost			
Buildings and improvements	(5-40)	3,196	8,711
Office equipment	(3-10)	8,958	21,446
Software	(1-5)	58,916	121,172
Total		71,070	151,329
Accumulated depreciation			
Buildings and improvements		-2,708	-7,953
Office equipment		-4,628	-17,012
Software		-27,596	-87,592
Total		-34,932	-112,557
Net carrying value			
Buildings and improvements		488	757
Office equipment		4,330	4,435
Software		31,320	33,580
Total		36,138	38,772

Depreciation expense was TCHF 14,904 and TCHF 14,844 for the year ended 31 December 2024 and 2023, respectively. The Group did not recognise any impairment losses in both periods. Assets no longer in use have been removed from original cost records and accumulated depreciation, ensuring that the carrying value of property, equipment and software accurately reflects only the assets currently utilised in operations.

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

At 31 December (CHF in thousands)	2024	2023
Components of the lease liability		
Operating lease - right-of-use (ROU) assets	10,679	16,131
Operating lease - lease liability	10,679	16,131
Short-term classification	5,289	5,066
Long-term classification	5,390	11,065
Supplemental information		
Right-of-use (ROU) assets obtained for new lease liabilities	1,189	1,253
Weighted average remaining lease term (in years)	2.21	3.22
Weighted average discount rate	0.66 %	0.73 %

For the years ended 31 December (CHF in thousands)	2024	2023
Components of the lease expense		
Operating lease expense	5,838	6,152
Supplemental cash flow information		
Operating cash flows paid for operating leases	5,286	6,404
Operating cash flows paid for short-term	502	634

At 31 December (CHF in thousands)	2024
Maturities of operating lease liabilities	
2025	5,337
2026	4,207
2027	974
2028	242
2029 and thereafter	-
Total lease payments	10,761
Less: imputed interest	-82
Total	10,679

8. Intangible assets

At 31 December (CHF in thousands)	Estimated useful lives (years)	2024	2023
Original cost			
Customer relationships	(5 - 5.5)	53,462	64,802
Trademarks	(5)	-	10,957
Total		53,462	75,759
Accumulated amortisation			
Customer relationships		-38,846	-39,727
Trademarks		-	-9,502
Total		-38,846	-49,229
Net carrying value			
Customer relationships		14,617	25,076
Trademarks		-	1,455
Total		14,617	26,530

Amortisation expense related to intangible assets was TCHF 11,921 and TCHF 12,652 for the year ended 31 December 2024 and 2023, respectively. As at 31 December 2024, the Group estimates the annual pre-tax amortisation for intangible assets over the next five years to be as follows:

CHF in thousands	2025	2026	2027	2028	2029 and thereafter
Estimated pre-tax amortisation	3,200	1,671	1,671	1,671	6,405

9. Goodwill

On 16 February 2017, the Group acquired 100% of the shares of Swissbilling SA (merged with CembraPay AG in May 2024), 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 (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 2024 and follow up procedures performed covering the last quarter 2024, 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 2024. There are no deferred taxes booked related to goodwill.

CHF in thousands	Balance at 1 January 2024	Goodwill acquired during the period	Other	Balance at 31 December 2024
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 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

10. Other assets

At 31 December (CHF in thousands)	2024	2023
Restricted cash	24,670	36,448
Tax receivables, net	81	3,221
Other receivables	12,109	13,746
Deferred expenses	29,990	22,742
Other	23,094	33,701
Total other assets	89,944	109,858

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 24,670 and TCHF 36,448 of restricted cash related mainly to the consolidated VIEs (see note 22. Variable interest entities) as at 31 December 2024 and 2023, respectively. Furthermore, the Group pledged to esuisse half of the required deposit insurance guarantee of TCHF 5,652 and TCHF 4'154 as at 31 December 2024 and 2023 (see note 20. 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 30,794 and TCHF 33,644 input VAT (receivable) and TCHF 31,780 and TCHF 30,511 output VAT (payable) at 31 December 2024 and 2023, respectively.

Implementation costs associated with cloud computing arrangements recorded as deferred expenses were TCHF 23'371 and TCHF 15,601 as of 31 December 2024 and 2023, respectively. Implementation costs amortisation recorded for cloud computing arrangements were TCHF 3,008 and TCHF 0 for the period ended 31 December 2024 and 2023, respectively.

Other includes pension plan asset of TCHF 20,240 and TCHF 31,045 as of 31 December 2024 and 2023, respectively. For more information, please refer to note 14. Pension plans.

11. Deposits

The following table shows the maturities of the Group's customers' saving deposits, term deposits and prepaid card balances as at 31 December 2024 and 2023, respectively:

At 31 December (CHF in thousands)	2024	2023
On demand	383,689	159,867
Less than 3 months	612,371	1,116,932
3 to less than 6 months	119,572	298,188
6 to less than 12 months	545,400	502,670
12 months plus, thereof	1,863,268	1,419,477
due in 2025	-	431,463
due in 2026	637,152	227,444
due in 2027	526,070	315,458
due in 2028	262,784	221,498
due in 2029	206,670	74,126
due in 2030 and thereafter	230,592	149,488
Total	3,524,299	3,497,133

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 1.39% and 1.51% as at 31 December 2024 and 2023, respectively.

12. Short-term and long-term debt

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

At 31 December (CHF in thousands)	Maturity	2024		2023	
		Amount	Contractual interest rate ⁴	Amount	Contractual interest rate ⁴
Short-term portion					
Non-recourse borrowings (Auto ABS) ¹	2024	-	-	250,000	0.00%
External debt (unsecured bond)	2024	-	-	200,016	0.25%
External debt (unsecured bond)	2025	150,058	0.38%		
External debt (unsecured bond)	2025	250,000	1.18%		
Long-term portion					
External debt (bond eligible for additional tier 1 capital) ²	Perpetual	150,000	2.96%	150,000	2.50%
External debt (unsecured bond)	2025	-	-	150,177	0.38%
External debt (unsecured bond)	2025	-	-	250,000	1.18%
Non-recourse borrowings (Auto ABS) ³	2026	275,000	2.58%	275,000	2.58%
External debt (unsecured bond)	2026	125,048	0.88%	125,081	0.88%
External debt (senior convertible bond)	2026	249,566	0.00%	249,278	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%	215,000	2.54%
External debt (unsecured bond)	2029	235,000	2.41%	235,000	2.41%
External debt (unsecured bond)	2030	210,000	2.67%	210,000	2.67%
External debt (unsecured bond)	2030	250,000	2.22%	-	-
Debt issuance costs		-5,077		-6,787	
Total short-term and long-term debt		2,899,594		3,097,765	

¹ Related to consolidated VIEs, for further details refer to note 22. Variable interest entities

² First call date November 2024 and annually thereafter

³ Related to consolidated VIEs, for further details refer to note 22. Variable interest entities. Floating interest rate hedged for fixed interest rate, see note 13. 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 2024, the Group had primarily fixed rate funding.

As per 31 December 2024 and 2023, unamortised debt issuance costs amounted to TCHF 5,077 and TCHF 6,787, respectively. Commitment fees for revolving credit facilities are recognised as incurred over the commitment period.

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 2024 and 2023, the Group maintained TCHF 300,000 and TCHF 400,000 of undrawn committed facilities, respectively. The weighted average contractual commitment fee for all facilities was 0.21% and 0.22% as at 31 December 2024 and 2023, respectively.

In February 2024, the Group issued a TCHF 250,000 senior unsecured bond at 100% with maturity of six years and a coupon of 2.215%.

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 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. On the first call date, in November 2024, the interest rate was reset from 2.500% to 2.957%. 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 2024 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 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.

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

On 1 June 2017, the Group issued a TCHF 150,000 senior unsecured bond at 100.63% with maturity of eight years and a coupon of 0.375%.

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%.

The Group has a total of TCHF 2,754,671 of outstanding bonds (including ABS and convertible) and TCHF 150,000 bond eligible for additional tier 1 capital issued as at 31 December 2024. These bonds have been issued in 2017 (maturing in 2025), 2018 (maturing in 2026), 2019 (maturing in 2026 and 2027), 2021 (maturing 2028), 2022 (maturing 2025 and 2027), 2023 (maturing in 2026, 2029 and 2030) and 2024 (maturing in 2030). All debt instruments are repayable in full at maturity or at the earliest possible redemption date.

13. 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 2024, 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 -4'711 will be reclassified from AOCI to Interest expense.

At 31 December (CHF in thousands)	2024			2023		
	Other asset/(Other liability)	Gain/(loss) recognised in AOCI on derivatives	Gain/(loss) reclassified from AOCI to interest expense	Other asset/(Other liability)	Gain/(loss) recognised in AOCI on derivatives	Gain/(loss) reclassified from AOCI to interest expense
Interest rate swap ¹	-6,915	-2,488	-1,234	-4,428	-4,428	-207
Total	-6,915	-2,488	-1,234	-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)

14. 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 2024 and 2023, respectively, were as follows:

At 31 December	2024	2023
Active employees	759	924
Beneficiaries and pensioners	180	171
Total	939	1,095

The cost of the pension plans is presented below:

For the years ended 31 December (CHF in thousands)		2024	2023
Service cost for benefits earned	Compensation and benefits	7,927	7,263
Prior service credit amortisation	General and administrative expenses	1,268	-989
Expected return on plan assets	General and administrative expenses	-11,688	-11,206
Interest cost on benefit obligations	General and administrative expenses	4,456	6,487
Net actuarial loss amortisation	General and administrative expenses	-679	-2,497
Net periodic benefit cost		1,284	-942

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	2024	2023
Discount rate	0.90%	1.50%
Compensation increases	2.14%	2.21%
Expected return on assets	3.00%	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 3.0% 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 9,275 to the pension plan in 2025. 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 309,381 and TCHF 295,504 for 31 December 2024 and 2023, respectively. The changes in the projected benefit obligation are presented below:

CHF in thousands	2024	2023
Balance at 1 January	303,536	285,606
Service cost for benefits earned	7,927	7,263
Interest cost on benefit obligations	4,456	6,487
Participant contributions	6,690	7,076
Actuarial (gain)/loss, net	33,398	10,453
Benefits (paid)/received, net	-38,250	-13,495
Plan change	-	146
Balance at 31 December	317,757	303,536

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	2024	2023
Balance at 1 January	334,581	317,304
Actual return on plan assets	24,157	13,100
Employer contributions	10,819	10,596
Participant contributions	6,690	7,076
Benefits (paid)/received, net	-38,250	-13,495
Balance at 31 December	337,997	334,581

The asset allocations are described below:

At 31 December	2024 Target allocation	2024 Actual allocation
Equity securities		
Swiss equity securities	13 %	12 %
Non-Swiss equity securities	23 %	23 %
Debt securities	0 %	0 %
Swiss bonds	18 %	21 %
Non-Swiss bonds	17 %	16 %
Real estate funds	19 %	23 %
Other investments	10 %	5 %

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.

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

At 31 December (CHF in thousands)	2024			Total
	Level 1	Level 2	Level 3	
Equity securities				
Swiss equity securities	39,901	-	-	39,901
Non-Swiss equity securities	79,134	-	-	79,134
Debt securities				
Swiss bonds	69,775	-	-	69,775
Non-Swiss bonds	55,478	-	-	55,478
Real estate funds	-	76,427	-	76,427
Other investments ¹	2,891	14,477	-	17,368
Total investments	247,180	90,904	-	338,084
Other				-87
Total assets				337,997

¹ Primarily includes infrastructure funds and cash

At 31 December (CHF in thousands)	2023			Total
	Level 1	Level 2	Level 3	
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

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

At 31 December (CHF in thousands)	2024	2023
Funded status	20,240	31,045
Pension asset (liability) recorded in the statement of financial position		
Other asset (liabilities)		
Due after one year	20,240	31,045
Net amount recognised	20,240	31,045
Amounts recorded in shareholders' equity (unamortised)		
Prior service credit	- 215	- 542
Net actuarial (gain) loss	15,544	- 4,469
Net amount recognised	15,329	- 5,011

In 2024, the Group estimates that it will amortise TCHF 271 of prior service credit and TCHF 2,323 of net actuarial loss for the pension plan from shareholders' equity into pension cost.

The estimated future benefit payments are described below:

CHF in thousands	2025	2026	2027	2028	2029	2030-2034
Pension plan	19,340	19,066	18,938	18,532	18,359	73,456

15. Other liabilities

Other liabilities primarily includes operating lease liability. For detailed information please refer to note 7. Property, equipment and software.

Other liabilities include deferred compensation related to the Group's jubilee plan amounting to TCHF 3,275 and TCHF 3,328 as at 31 December 2024 and 2023. 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 2,938 and TCHF 3,334 as at 31 December 2024 and 2023.

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 13. Derivatives and hedge instruments.

16. 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 Basel III rules effective since 1 January 2013, as applicable in Switzerland. 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 standardised approach ("SA-BIS" approach) to calculate the minimum requirement for covering credit risk. It applies the current exposure method ("CEM") to calculate the required capital for counterparty credit risk for derivative. The simplified approach with credit equivalent calculated with CEM is used to quantify the loss risk to credit value adjustment ("CVA") of the derivative. It uses the standardised approach to calculate the capital charge for market risk. The Group also applies the 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 (CAO, SR 952.03) and the FINMA Circular Risk Diversification for Banks (2019/01).

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.

As of 31 December 2024, 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 2024" available at www.cembra.ch/financialreports.

At 31 December (CHF in thousands)	2024	2023
Eligible regulatory capital		
Tier 1 capital	1,091,453	1,046,011
of which CET1 capital	941,453	896,011
of which additional Tier 1 capital	150,000	150,000
Tier 2 capital	2,938	3,334
Total eligible capital	1,094,390	1,049,346
Risk-weighted assets		
Credit risk	5,249,243	5,276,345
Non counterparty risk	46,817	54,903
Market risk	1,866	888
Operational risk	789,883	757,935
Total risk-weighted assets	6,087,809	6,090,070
Capital ratios		
CET1 ratio	15.5%	14.7%
Tier 1 ratio	17.9%	17.2%
Total capital ratio	18.0%	17.2%

17. 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)	2024	2023
Net income attributable to shareholders for basic earnings per share (CHF in thousands)	170,397	158,033
Net income attributable to shareholders for diluted earnings per share (CHF in thousands)	170,397	158,033
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	673,147	661,318
Weighted-average numbers of common shares outstanding for basic earnings per share	29,326,853	29,338,682
Dilution effect number of shares	47,803	31,552
Weighted-average numbers of common shares outstanding for diluted earnings per share	29,374,656	29,370,234
Basic earnings per share (in CHF)	5.81	5.39
Diluted earnings per share (in CHF)	5.80	5.38

The amount of common shares outstanding has changed as follows:

	2024	2023
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	665,135	656,757
Share-based compensation	-14,032	-6,622
Purchase	30,000	15,000
Balance at end of period	681,103	665,135
Common shares outstanding	29,318,897	29,334,865

18. 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 financing 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)	2024	2023
Insurance	23,492	23,824
Credit cards	91,649	89,247
Total	115,141	113,071

The table above differs from note 26. Commission and fee income as it includes only contracts with customers that are in scope of ASC Topic 606 – Revenue from Contracts with Customers.

19. Income tax expense

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

For the years ended 31 December (CHF in thousands)	2024	2023
Current tax expense	42,202	37,592
Deferred tax expense/(benefit) from temporary differences	-818	548
Income tax expense	41,384	38,140

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 20% and 19% for the years ended 31 December 2024 and 2023, respectively.

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

At 31 December (CHF in thousands)	2024	2023
Assets		
Operating lease - lease liability	2,053	3,097
Loss carried forward	-	96
Other	1,957	1,489
Total deferred tax assets	4,009	4,682
Liabilities		
Deferred loan origination fees and costs	-428	-738
Intangibles	-2,605	-4,945
Pension plans	-3,880	-5,958
Operating lease - right-of-use assets	-2,053	-3,097
Other	-453	-305
Total deferred tax liabilities	-9,419	-15,044
Net deferred tax assets/(liabilities)	-5,410	-10,362

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.

20. 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 11,304 and TCHF 8,307 as at 31 December 2024 and 2023, respectively. The Group pledged in favour to esisuisse half of the required contribution obligation. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 31 December 2024, 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 CembraPay AG (previously Swissbilling SA, merged in May 2024) and Swisscom Directories AG. The guarantee covers the net financial obligations of CembraPay AG to Swisscom Directories AG up to a maximum amount of TCHF 35,000, in the event CembraPay AG 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 2024 amounts to TCHF 34,096 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 2024 amounts to TCHF 3,333 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 7. Property, equipment and software.

21. 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)	2024		2023	
	Carrying amount net	Estimated fair value	Carrying amount net	Estimated fair value
Assets				
Loans	3,526,633	3,652,373	3,671,429	3,771,498
Liabilities				
Deposits	-3,524,299	-3,597,616	-3,497,133	-3,504,425
Borrowings	-2,650,028	-2,731,813	-2,848,487	-2,817,015

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 14. Pension plans for further details on pension funds.

22. 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 12. Short-term and long-term debt and to note 13. 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 (fully repaid in March 2024).

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.

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

At 31 December (CHF in thousands)	2024	2023
Assets		
Financing receivables, net	311,494	588,472
Financing leases	308,498	581,615
Loans	2,996	6,857
Other assets	19,018	32,295
Total assets	330,512	620,767
Liabilities		
Accrued expenses and other liabilities	6,783	5,555
Non-recourse borrowings	274,767	524,536
Total liabilities	281,551	530,091

Revenues from the consolidated VIEs amounted to TCHF 21,469 and TCHF 21,479 for the years ended 31 December 2024 and 2023, respectively. Related expenses consisted primarily of provisions for losses of TCHF 2,352 and TCHF 3,760, general and administrative expenses related to portfolio service costs of TCHF 1,300 and TCHF 1,500 and interest expense of TCHF 7,491 and TCHF 4,712 for the years ended 31 December 2024 and 2023, 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.

23. Related-party transactions

The Group had no related-party transactions in 2024 and 2023 outside the normal course of business.

24. Interest income

The details of interest income are shown below:

For the years ended 31 December (CHF in thousands)	2024	2023
Personal loans	186,182	171,450
Auto leases and loans	175,296	150,802
Credit cards	109,560	87,930
Other ¹	14,692	11,943
Total	485,730	422,126

¹ Other includes interest income from cash, investment securities and BNPL

25. Interest expense

The details of interest expense are shown below:

For the years ended 31 December (CHF in thousands)	2024	2023
Interest expense on ABS	7,541	4,920
Interest expense on deposits	55,448	39,598
Interest expense on debt	42,262	30,390
Total	105,250	74,908

26. Commission and fee income

The details of commission and fee income are shown below:

For the years ended 31 December (CHF in thousands)	2024	2023
Insurance	23,492	23,824
Credit cards	91,649	89,247
Loans and leases	15,023	14,511
BNPL ¹	39,948	39,363
Other	-137	1,524
Total	169,975	168,468

¹ BNPL includes fee income related to CembraPay AG (and Swissbilling SA, merged in May 2024)

27. General and administrative expenses

The details of general and administrative expenses are shown below:

For the years ended 31 December (CHF in thousands)	2024	2023
Professional services	24,642	20,825
Marketing ¹	9,950	11,685
Collection fees	15,633	15,029
Postage and stationery	10,352	10,165
Rental expense under operating leases	5,838	6,156
Information technology	50,380	50,622
Depreciation and amortisation	26,825	27,496
Other	-13,905	-16,342
Total	129,714	125,636

¹ Marketing includes advertising costs, which are expensed as incurred

28. Restructuring costs

In 2024 Cembra announced 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. The restructuring plan includes restructuring activities such as headcount reductions. The total programme costs were originally estimated to TCHF 3,000 to TCHF 5,000. As of 31 December 2024 the Group incurred TCHF 3,169 of the costs related to the restructuring programme.

The following table outlines the costs incurred and the cumulative costs incurred under the programme per operating segment:

For the years ended 31 December (CHF in thousands)	Employee severance costs by segment		Cumulative costs
	2024	2023	incurred up to 2024
Lending	1,987	-	1,987
Payments	1,182	-	1,182
Total	3,169	-	3,169

Restructuring expenses recorded for this programme are included in the lines compensation and benefits and general and administrative expenses in the Consolidated Income Statements.

Liabilities associated with the restructuring programme are included in accrued expenses and other payables. The following table shows the activity from the beginning of the program to 31 December 2024:

CHF in thousands	Employee severance costs
Beginning balance at 1 January 2024	-
Restructuring charges	2,664
Cash payments/settlements	-981
Ending balance at 30 June 2024	1,683
Restructuring charges	505
Cash payments/settlements	-1,191
Ending balance at 31 December 2024	997

29. Share-based compensation

The Group had two share-based compensation plans and one share-matching plan.

The one-time Long-Term Incentive Plan was set up for employees below the Management Board level. 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 2024 and 2023, respectively:

	2024		2023	
	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	17,595	1,229,186	18,832	1,315,714
Granted	-	-	-	-
Vested	-	-	-	-
Forfeited	-1,084	-75,826	-1,237	-86,528
RSUs outstanding at 31 December	16,511	1,153,360	17,595	1,229,186
RSUs expected to vest	16,511	1,153,360	17,595	1,229,186

The total recognised share-based compensation costs was TCHF 347 and TCHF 396 for the years ended 31 December 2024 and 2023, respectively. The remaining unrecognised cost of TCHF 141 as of 31 December 2024 is expected to be recognised over a weighted-average period of 5 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 109 of the Annual Report 2024.

Under the Group's share-matching plan, Management Board, including the CEO, may elect to receive a portion of up to 40% of the annual cash bonus in form of company shares. These shares are matched at a 1:1 ratio at grant date and blocked for a period of five years.

	2024		2023	
	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	14,277	1,054,749	8,385	658,394
Granted	19,539	1,279,727	8,467	650,253
Vested	-1,287	-124,621	-2,025	-213,293
Forfeited	-1,844	-121,679	-550	-40,605
PSUs outstanding at 31 December	30,685	2,088,176	14,277	1,054,749
PSUs expected to vest	32,416	2,151,559	10,303	716,070

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 65.50 and CHF 76.80 at the grant date of 1 February 2024 and 2023, respectively, and one PSU was equal to one ordinary share of the Bank.

At 31 December 2024, the weighted-average conversion ratio of one PSU was 106% based on performance conditions. The total recognised share-based compensation costs, including those related to shares issued as part of the share-matching plan, was TCHF 1,096 and TCHF 199 for the years ended 31 December 2024 and 2023, respectively. The remaining unrecognised cost of TCHF 1,092 as of 31 December 2024 is expected to be recognised over a weighted-average period of 24 months.

30. Supplemental cash flow information

Certain supplemental information related to cash flows is shown below:

For the years ended 31 December (CHF in thousands)	2024	2023
Increase in loans to customers	-1,601,823	-1,927,780
Principal collections from customers – loans	1,693,317	1,898,352
Investment in equipment for financing leases	-1,522,652	-1,596,787
Principal collections from customers – financing leases	1,430,258	1,424,027
Net change in credit card and BNPL receivables	-17,190	-21,762
Net change in financing receivables	-18,090	-223,950

31. Off-balance sheet arrangements

At 31 December 2024 and 2023 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)	2024	2023
Ordinary course of business lending commitments	141,453	139,299
Unused revolving loan facilities	48,656	58,565
Unused credit card facilities	3,540,786	3,664,024

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 15. Other liabilities.

32. Subsequent events

The Group has evaluated subsequent events from the financial position date through 19 February 2025, the date at which the financial statements were available to be issued. There were no subsequent events at that date.

33. 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:

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.

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.



Report of the Statutory Auditor 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, 2024 and 2023, 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 141 to 193) present fairly, in all material respects, the financial position of the Group as of December 31, 2024 and 2023, 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, 2024 gross financing receivables (smaller-balance, homogenous loans, including primarily credit card receivables, personal loans as well as auto leases and loans) amount to CHF 6,783.2 million (representing 85.3% of total assets). At the same time, the Group has recorded an allowance for losses on financing receivables of CHF 158.5 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.

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 5 (Financing receivables and allowance for losses)

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.



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.

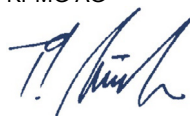


Report on Other Legal and Regulatory Requirements

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



Philipp Gämperle
Licensed Audit Expert
Auditor in Charge



André Schuler
Licensed Audit Expert

Zurich, February 19, 2025