Full-year 2016 Financial Results

23 February 2017

Cembra MoneyBank

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Strong results in challenging environment

Challenging environment

- Interest rates stable and at record lows … negative inflation
- Customers remain cautious … consumer loan market declining
- New interest rate caps (10% and 12%) effective since 1st July 2016
- Domestic interchange fee reduced from 95bp to 70bp since 1 August 2015

Managing business

- Stable assets: strong Cards performance offsetting decline in Personal Loans
- Business development securing future growth
- Repaid remaining GE loan … completely independent funding
- Stable loss performance: 30+ DPD at 1.8% / NPL at 0.4% … loss rate @ 1.1%
- Cost discipline with cost/income ratio of 42.5%

Strong results

- 2nd best result in history with net income of CHF 143.7mn or CHF 5.10 a share … EPS up 1%
- Above market average return on average equity (ROE) of 17.4%
- Delivering on mid-term targets

Strongly capitalised

- Tier 1 capital ratio of 20.0%[1] … resulting in excess capital of CHF 76mn
- Refined capital policy with regards to excess capital deployment
- Total dividend of CHF 4.45 per share proposed (2015: CHF 3.35) … incl. CHF 1.00 extraordinary dividend

[1] Includes net income adjusted for expected dividend distribution

Consumer Finance Market Update

Markets	Cembra's performance
Personal loan market decreased again in 2016 – Aggressive competition due to new pricing	▪ Defending market share … landscape and pricing changed since 1 July 2016 … Cembra's new pricing closer to competition ▪ Focus on direct business (branches, online) and less agent business ▪ Closed 7 smaller branches – network of 18 branches ▪ Customers requesting more flexibility … combination with cards
Number of **credit cards** up 3% and transaction volumes up 6% – average transaction declining[1]	▪ Number of credit cards up 11% to 727,000 – gaining market share ▪ Cumulus MasterCard again rated best-in-class card in various surveys[2] ▪ Strengthened cooperation with Conforama and Migros; introduced Fnac card scheme in November 2016
Better than expected new **car** sales (317k; -2%) after record 2015; used car market growing (874k; +2%)[3]	▪ Stable market share in auto business ▪ Maintain pricing despite pressure from captives ▪ Combining technology (new system) with personal service approach
Payment technology moving: - Twint and Paymit joined forces - Apple Pay started; Samsung Pay expected for H1'17 in Switzerland - NFC transactions growing >80%[1]	▪ Continue to be a smart follower – will join the winning technology ▪ Leader on NFC … 20% of NFC transactions in 2016 by Cembra

Combined receivables: CHF 2,431 million (+1%)

Auto receivables: CHF 1,641 million (-1%)

[1] Source: SNB Monthly Banking Statistics
[2] Comparis.ch (5.3) / Bonus.ch (5.2)/ Moneyland.ch (#1)
[3] Sources: auto-schweiz; Eurotax

Business development

Acquisition of SWISSBILLING SA

- Payment by invoice increasingly popular in Switzerland: 81% penetration[1]
- Small business with best-in-class technology platform
- Enriches Cembra's offering to merchants
- Provides Cembra access to credit affine customers in high volume market
- SWISSBILLING will continue to operate under its brand and will benefit from Cembra's strong financial position and access to capital
- 100% of share capital to be acquired; two founding partners will continue to run the business
- Transaction consideration below CHF 10mn with expected impact on CET1 of approx. 0.1%

swissbilling

Strengthen Migros partnership

- Early extension of contract until 2022
- Securing successful partnership since 2006
- Addressing impact of regulatory changes (lower domestic interchange fee of 44bp as of 1 August 2017)
- Continuing growth expected; more details to be disclosed after go-live
- Launch of 5th card generation expected for mid-2017

Previous card generations:

New partner Fnac

- Loyalty programme with 200,000 members in Switzerland
- Fast implementation with launch in November 2016 – promising start

Innovation with Mondaine

- Launch of Mondaine PayChip™ watch with NFC chip fitted into the strap

[1] www.gfk.com; study on online shopping; 4 March 2016

P&L

Income statement (in CHF mn)		2016	2015	V%
Interest income		324.3	338.3	*(4)*
Interest expense		(26.5)	(36.4)	*(27)*
Net interest income	1	297.7	301.9	*(1)*
Insurance	2	21.9	20.7	*6*
Credit card fees	3	63.5	55.5	*14*
other		10.9	10.6	*3*
Commission and fee income		96.3	86.7	*11*
Total income		**394.0**	**388.7**	*1*
Provision for losses	4	(44.6)	(43.6)	*2*
Operating expense	5	(167.5)	(161.5)	*4*
Income before taxes		**181.9**	**183.6**	*(1)*
Taxes		(38.2)	(38.5)	*(1)*
Net income		**143.7**	**145.0**	*(1)*
Basic earnings per share (EPS)	6	**5.10**	**5.04**	*1*

Key ratios

Net interest income / financing receivables	7.2%	7.3%
Cost/income	42.5%	41.5%
Effective tax rate	21.0%	21.0%
Return on average equity (ROE)	17.4%	17.7%
Return on average assets (ROA)	3.0%	3.0%

Comments

1
- Lower interest income driven by lower interest rate following the introduction of lower rate caps
- Partially offset by lower interest expenses due to GE loan repayment and re-pricing

2
- Higher profit share mainly from PPI

3
- Credit Cards fee increase driven by the increase in the number of cards issued and by fee initiatives
- Interchange (after contributions for loyalty) accounted for c. 10% of credit card fee income

4
- Loss rate of 1.1% in-line with 2015 performance and expectation

5
- Higher operating expense driven by pension cost, depreciation and normalised IT run-rate

6
- EPS up 1% supported by share buyback

Operating Expenses

Income statement (in CHF mn)		2016	2015	V%
Compensation and benefits	1	100.4	99.8	*1*
Professional services	2	9.0	10.9	*(18)*
Marketing	3	6.6	7.7	*(14)*
Collection fees	4	5.7	6.7	*(15)*
Postage and stationery	5	8.6	7.7	*11*
Rental expenses under operating leases	6	6.0	5.6	*8*
Information technology	7	24.1	14.6	*65*
Depreciation and amortisation	8	7.8	4.5	*75*
GECC assessment / TSA[1]	9	-	2.2	*(100)*
Other		(0.7)	1.8	*(141)*
Total operating expenses		**167.5**	**161.5**	*4*
Cost/income ratio (reported)		**42.5%**	**41.5%**	
Full-time equivalent employees (year-end)		**705**	**715**	*(1)*

Comments

1
- Increase in pension expense (3.0mn) due to lower discount rate and lower expected return on assets
- Headcount 1% down despite 7% increase in the number of customers

2
- Lower one-offs following the successful delivery of IT migration in 2015

3
- Lower marketing spend and higher 3rd party contributions

4
- Lower net collection fees

5
- Increase driven by higher number of customers

6
- One-off costs following the closure of smaller branches

7
- Increase driven by normalised IT cost, higher IT investment project (e.g. data center outsourcing) and a shift from TSA and professional services

8
- Higher depreciation following the successful IT separation of Cembra and GE

9
- TSA ended October 2015 – majority of costs reported under information technology expenses

[1] Transitional Service Agreement (TSA) from November 2013 until 30 October 2015

Balance Sheet

Assets (in CHF mn)		31-12-16	31-12-15	V%
Cash and equivalents	1	669	572	*17*
Net financing receivables	2	4,073	4,063	*0*
Personal loans		1,720	1,784	*(4)*
Auto loans and leases		1,641	1,661	*(1)*
Credit cards		711	617	*15*
Other assets		115	109	*6*
Total Assets		**4,857**	**4,745**	***2***

Liabilities (in CHF mn)				
3rd party funding	3	3,874	3,817	*1*
Deposits		2,355	2,246	*5*
Short- & long-term debt		1,520	1,571	*(3)*
Other liabilities		135	129	*5*
Total liabilities		**4,009**	**3,946**	*2*
Shareholders' equity	4	848	799	*6*
Total liabilities and equity		**4,857**	**4,745**	*2*
Risk-weighted assets		**3,758**	**3,703**	*1*
Tier 1 capital ratio[1]		**20.0 %**	**19.8%**	

Comments

1
- Higher liquidity driven by net operating cash flow ahead of debt maturities and dividend payment

2
- Financing receivables driven by strong growth in cards partially offset by a decline in personal loans whilst auto held up well in a normalised market

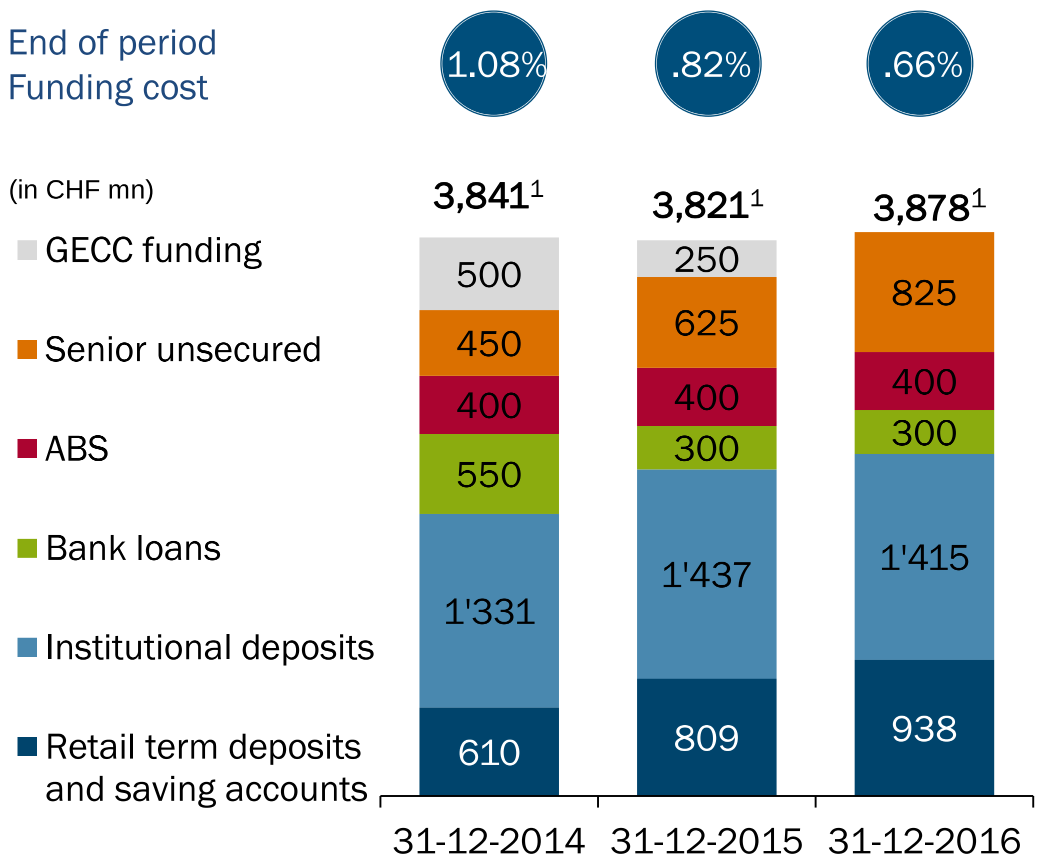
3
- Continued growth in deposits, reaching 61% of total funding, driven by strong retail demand (up 16%)
- Short- & long-term debt reduction in order to further optimise the Banks' liquidity sources

4
- Equity was up as a result of net income (CHF 143.7mn) partially offset by the dividend payment (CHF 94.5mn)

[1] Includes net income adjusted for expected dividend distribution

Funding

Diversified, local funding sources



	31-12-2014	31-12-2015	31-12-2016
Avg. remaining term (yrs)	2.2	2.4	2.7
LCR	864%	2540%	1908%
NSFR[2]	>100%	>100%	>100%
Undrawn credit lines	550mn	500mn	350mn

Existing funding programs

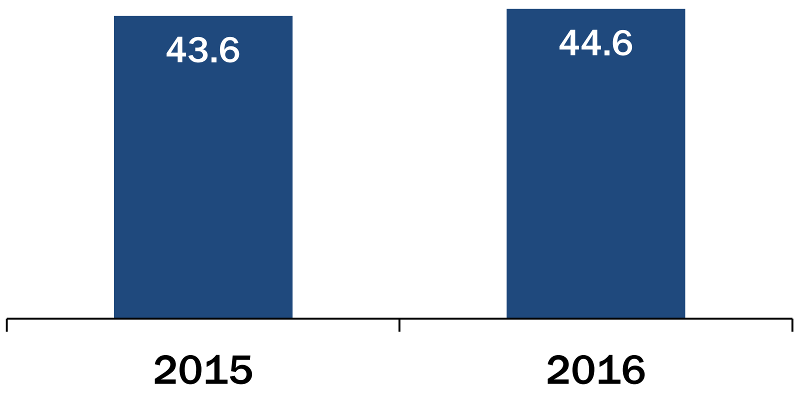
Non-Deposits – 39%	ABS	■ Two AAA-rated issuances of CHF 200mn each ■ Avg. remaining term of 2.8 yrs / avg. rate of 0.23%*
	Bank loans & committed revolving credit lines	**Bank Loans** ■ Two loans of CHF 150mn each ■ Avg. remaining term of 1 yrs / avg. rate of 0.69% **Revolving Credit Facilities (RCF)** ■ Four facilities of between CHF 50mn to 100mn each ■ Avg. remaining term of 1.6 yrs / avg. rate of 0.24%*
	Senior unsecured	■ Five issuances of between CHF 100 mn to 250mn each ■ Avg. remaining term of 4.0 yrs / avg. rate of 0.73%*
Deposits – 61%	Institutional term deposits	■ Diversified portfolio across sectors and maturities ■ Book of 100+ investors
	Retail term deposits and saving accounts	■ Circa 32,000 active depositors ■ Fixed term offerings of 3 – 8 years ■ Saving accounts are on demand deposits
	GE Capital	■ Fully repaid and cancelled line in July 2016

Avg. rate of 0.59% / Avg. remaining term of 2.4 yrs

[1] CHF 3,837mn, 3,817mn and CHF 3,874mn including deferred debt issuance costs on long- & short-term debt (US GAAP)
[2] Based on the revised NSFR framework published by the Basel Committee on Banking Supervision in January 2014
* Additional charges apply related to fees and debt issuance costs

Provision for Losses

Provision for losses (in CHF mn)



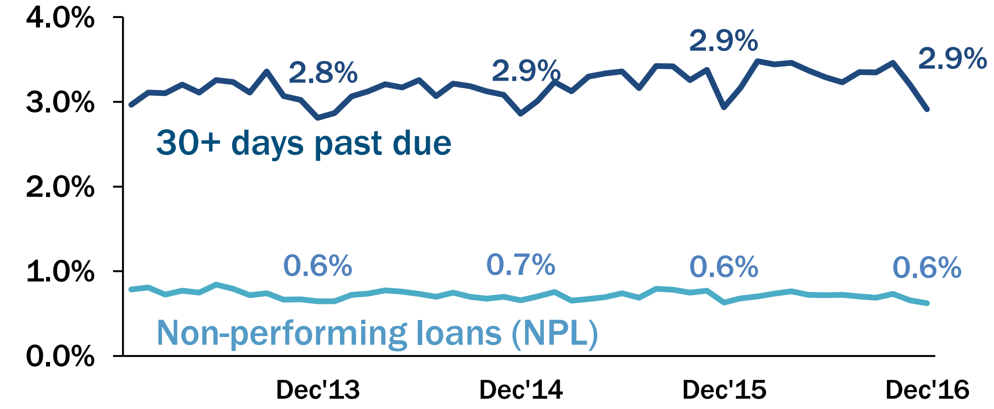
2015	2016	
1.1%	**1.1%**	**Loss rate[1]**
1.8%	1.8%	30+ days past due
0.4%	0.4%	Non-performing loans (NPL)[2]

Comments

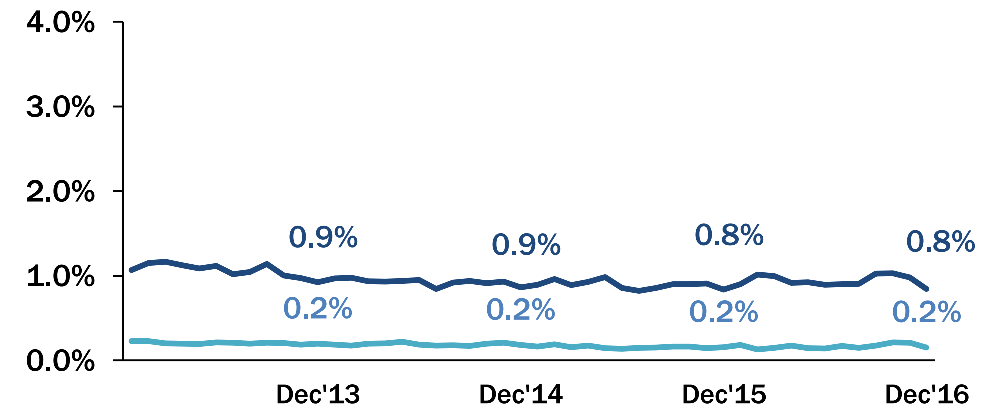
- Loss performance stable year over year (loss rate +2bps)
- Stable delinquencies on all products and in line with prior year trends, reflecting stable underlying asset quality
- Loss performance in 2017 expected to be in line with prior years

[1] Loss rate is defined as the ratio of provisions for losses on financing receivables to average financing receivables (net of deferred income and before allowance for losses)
[2] Non-performing loans (NPL) ratio is defined as the ratio of non-accrual financing receivables (at period-end) divided by the financing receivables

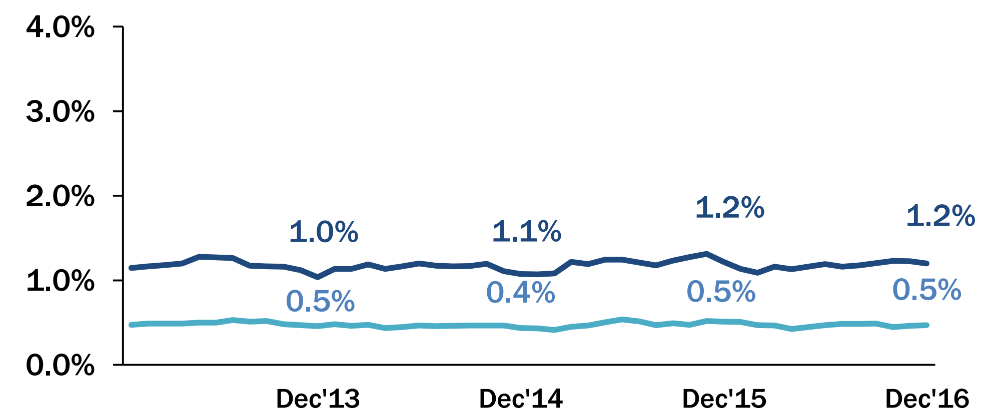
Personal loans



Auto loans and leasing

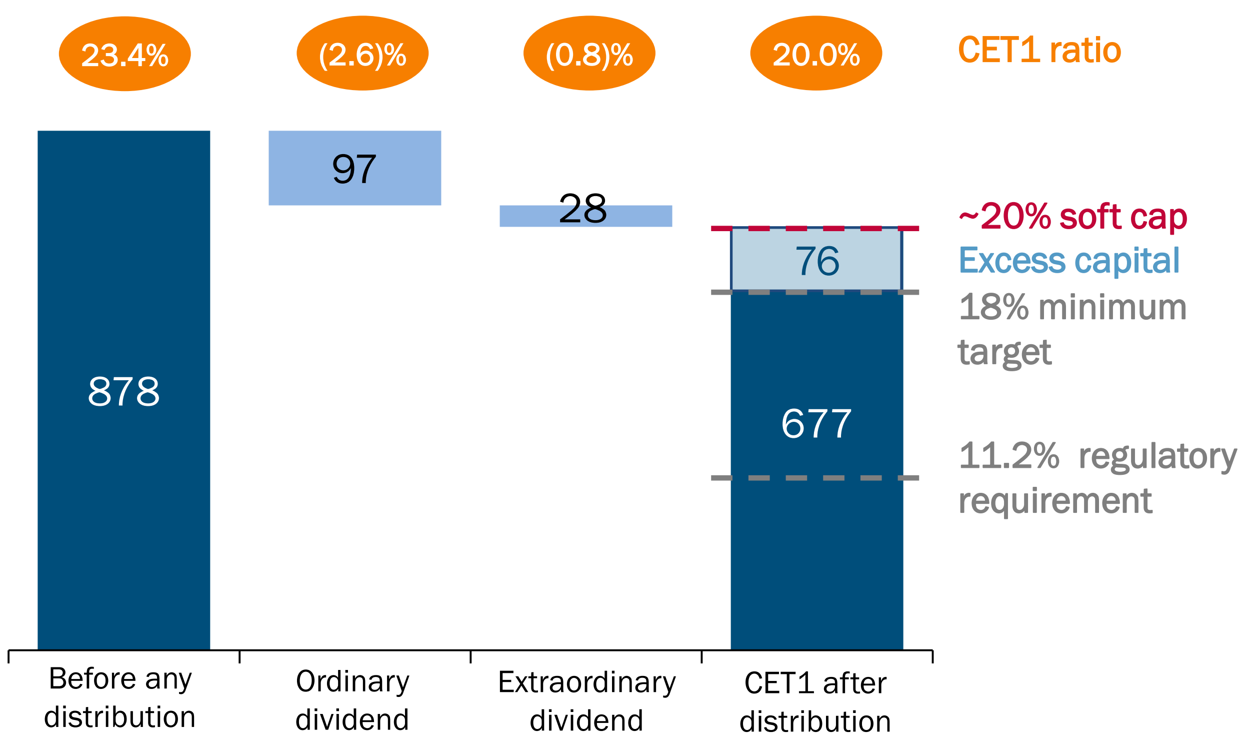


Credit cards



Refined Capital Policy

CET 1 capital (in CHF mn)[1]



Refined capital policy addressing excess capital

- Cembra Money Bank intends to return excess Tier 1 capital above c.20 % to shareholders either via extraordinary dividends or share buybacks unless there is a more efficient allocation of capital - in particular for internal or external growth
- Ordinary dividend of CHF 3.45 and additional extra-ordinary dividend of CHF 1.00 per share proposed to AGM
- Excess capital stands at CHF 76mn as of 31 Dec. 2016
- Reserves from capital contributions of CHF 182.0mn (Dec. 2016) designated for future ordinary dividend payments (Swiss withholding tax exempt)
- 1.8mn treasury shares to be kept until further notice

RWA and capital (in CHF mn)	**31-12-15**	**31-12-16**
Risk-weighted assets (RWA)	3,703	3,758
Tier 1 capital[2]	733	753
Tier 1 capital ratio	19.8%	20.0%

Per share data	**2015**	**2016**
Basic earnings per share (EPS)[3]	5.04	5.10
Ordinary dividend per share[4/5]	3.35	3.45
Payout ratio	66%	68%
Extraordinary dividend per share[4/6]	-	1.00
Number of shares	30,000,000	30,000,000
Treasury shares	1,803,627	1,807,627
Shares outstanding	28,196,373	28,192,373
Weighted-average numbers of shares outstanding	28,795,227	28,196,182

[1] Derived from the Bank's statutory consolidated financial statements which were prepared in accordance with Swiss GAAP
[2] Includes full-year net income adjusted for expected dividend distribution
[3] Based on weighted-average numbers of common shares outstanding
[4] Proposal of the Board of Directors to the AGM on 26 April 2017
[5] To be paid out of reserves from capital contributions of the Head Office
[6] To be paid out from retained earnings reserves of the Head Office

Outlook and Guidance for 2017

Medium-term targets

Medium-term targets		2016	
Asset growth	Net customer loan growth to be moderate and in line with Swiss GDP growth	0.2%	✗
Profitability	RoE target of at least 15%	17.4%	✓
Capitalisation	Target Tier 1 capital ratio of minimum 18%	20.0%	✓
Dividend payout	Target payout ratio for ordinary dividend between 60% and 70% of net income	68%[1]	✓

Outlook for 2017

Revenues

- Lower interest income from personal loans due to the introduction of the rate cap for new business since 1 July 2016
- Continued growth in credit cards and new card generation (from mid-2017) with positive impact on revenues

Cost base

- Continued cost discipline with investments in digitization leading to slightly higher cost/income ratio

Guidance for 2017

Earnings per share

- EPS in the range between CHF 4.70 –5.00

Provision for losses

- In line with prior years’ performance

[1] Proposal to the Annual General Meeting of Shareholders on 26 April 2017

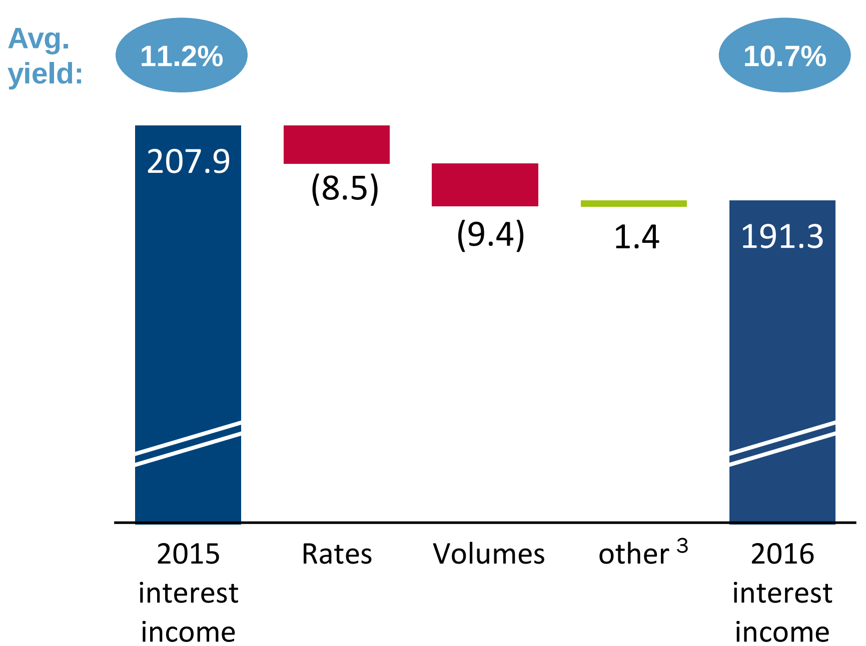
Appendix

Interest Income by Product Lines

Average financing receivables[1] (in CHF mn)	2016	2015	V%
Personal loans	1,784	1,853	*(4)*
Auto loans and leasing	1,658	1,669	*(1)*
Credit cards	670	591	*13*
Total financing receivables	**4,113**	**4,113**	

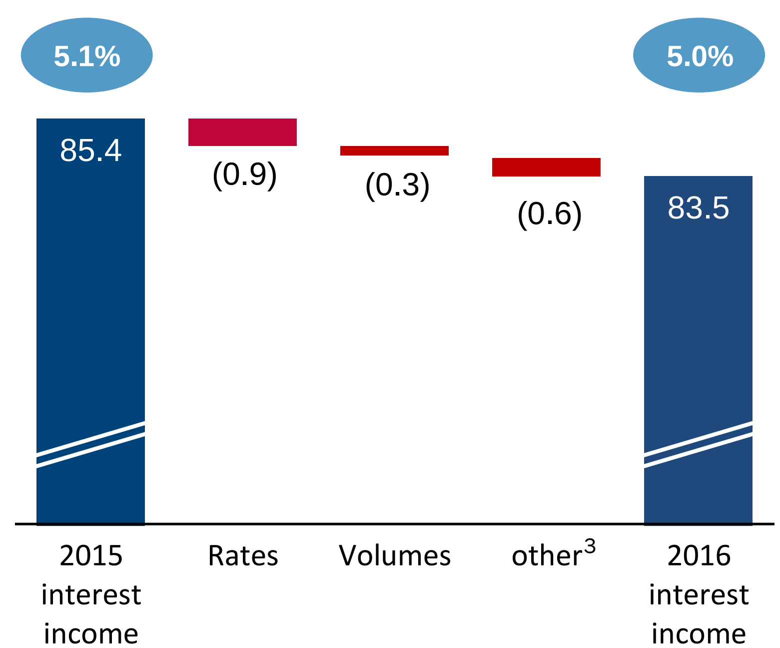
Interest income (in CHF mn)	2016	2015	V%
Personal loans	191.3	207.9	*(5)*
Auto loans and leasing	83.5	85.4	*(3)*
Credit cards	51.6	45.7	*14*
Total interest income[2]	**326.6**	**339.0**	

Change in personal loans interest income



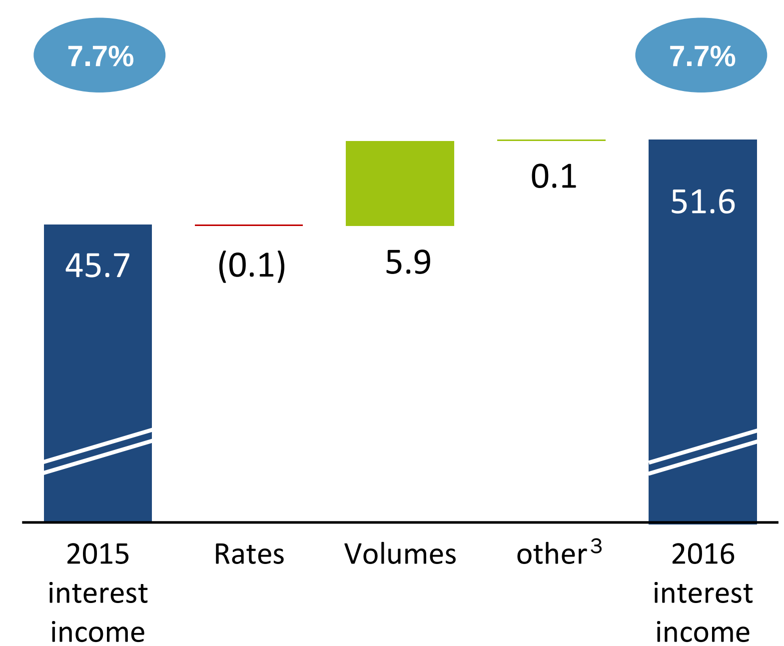
- Lower average receivables (-4%)
- Reduced pricing since June 2016

Change in auto loan/leasing interest income



- Slightly lower receivables

Change in credit cards interest income

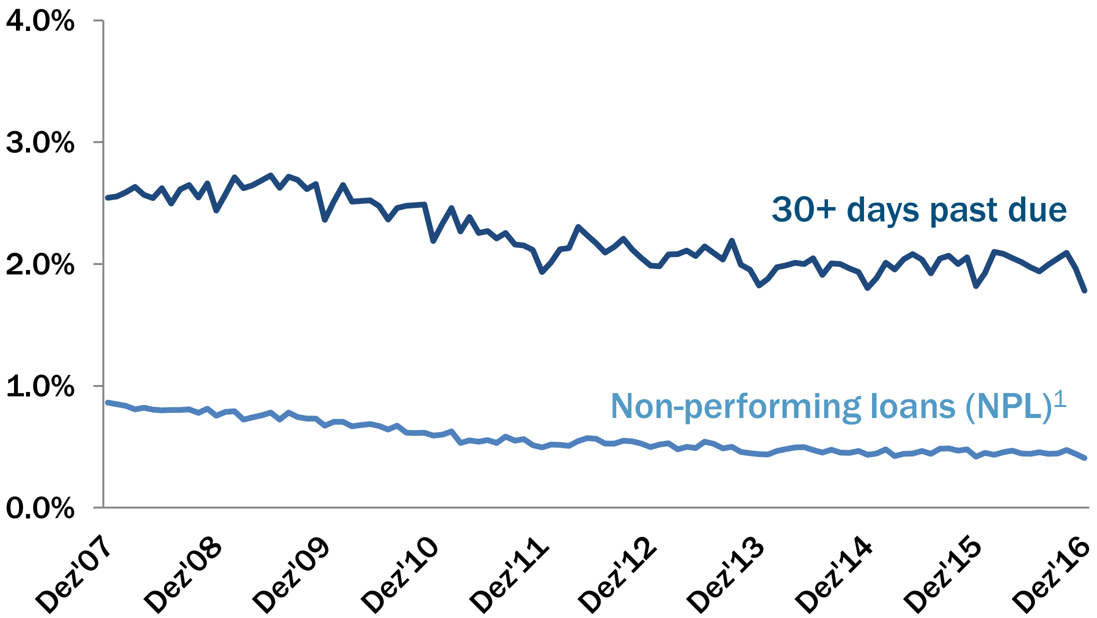


- Higher average receivables (+13%)
- Increasing revolve rate

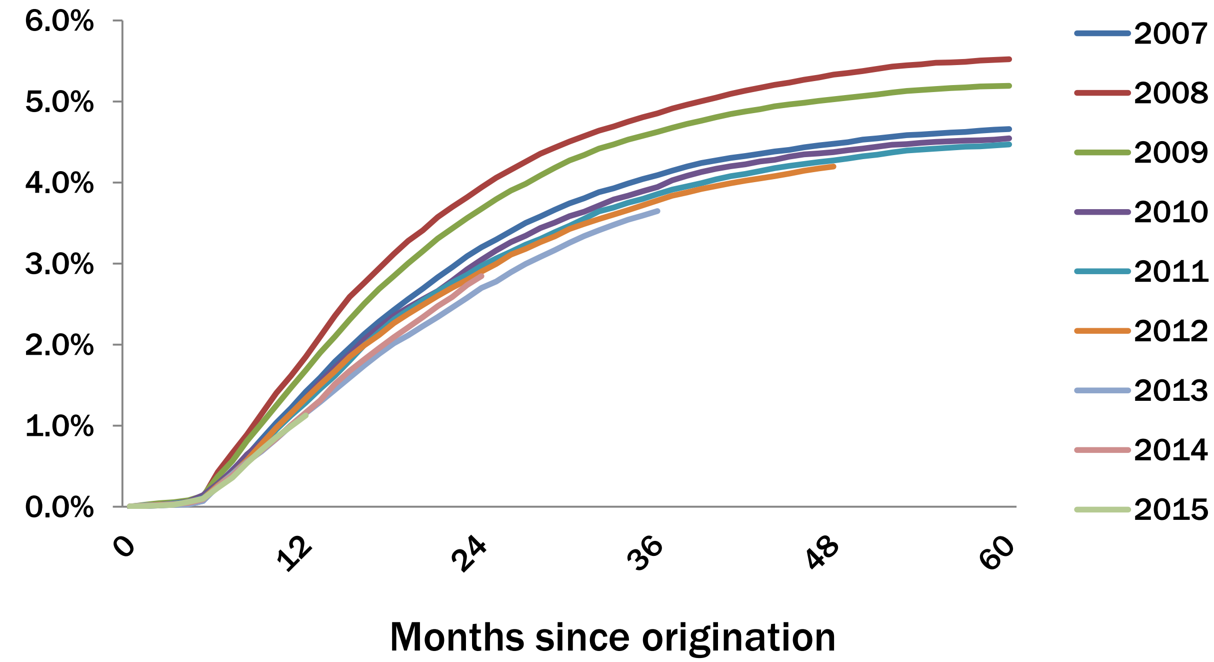
[1] Average receivables calculated on a yearly basis (2-point average)
[2] Excludes interest income from 'Other' of CHF (0.7)mn in 2015 and CHF (2.3)mn in 2016 (which is included in total interest income in the Interim Condensed Consolidated Statements of Income)
[3] 'Other' includes deferred income and excess recoveries

Stable Asset Quality

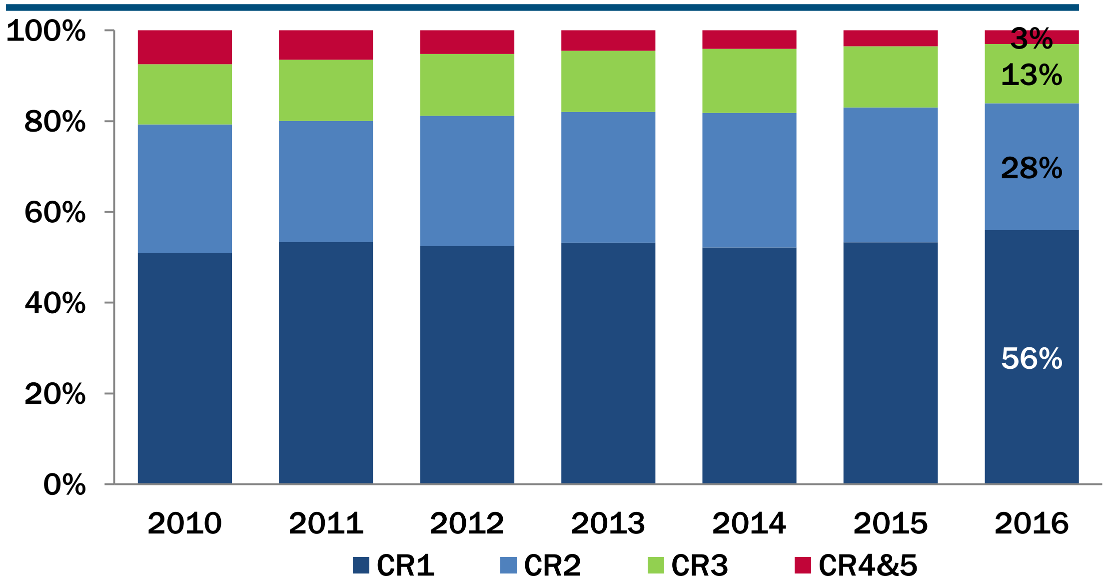
Delinquencies



Write-Off Performance by Year of Origination[2]



Credit Grade



Comments

- Stable risk appetite and customer profile
- Strong underlying asset quality
- Steady write-off performance in recent years

Note: The five consumer ratings (CR) and their associated probabilities of default are: CR1: 0.00%–1.20%; CR2: 1.21%–2.97%; CR3: 2.98%–6.99%; CR4: 7.00%–13.16%; CR5: 13.17% and greater

[1] Non-performing loans (NPL) ratio is defined as the ratio of non-accrual financing receivables (at period-end) divided by the financing receivables

[2] Based on Personal Loans and Auto Loan and Leasing portfolios

Cost of Funding Drivers

Funding balance at period end (in CHF mn)	**31-12-16**	**31-12-15**	***V%***
Deposits	2,353	2,246	*5*
Bank loans	300	300	*0*
ABS	400	400	*0*
Senior unsecured	825	625	*32*
GE funding	-	250	*(100)*
Total funding*	3,878	3,821	*1*

Interest expense (in CHF mn)	**2016**	**2015**	***V%***
Deposits	15.0	16.3	*(7)*
Bank loans	3.1	5.0	*(38)*
ABS	2.2	3.0	*(27)*
Senior unsecured	6.5	5.7	*14*
GE funding	(0.3)	6.4	*–*
Total interest expense	26.5	36.4	*(27)*

* Excluding deferred debt issuance costs

Strategy Update

Cembra MoneyBank

1 Defend the core business

- **Asset growth** through strategic initiatives
  - Invoice Finance
  - Cross sell / upsell
- **Grow fee-based income**
  - New card partners
  - More services
- **Cost management**
  - Digitize the business
  - Simplify IT

2 Build the future

- **3 year IT investment plan**
  - Simplify customer onboarding
  - New CRM & Servicing
  - Digitization
- **Customer centric organization**
  - B2B/B2C framework
- **Smart follower for new technologies**

3 Gain size through external growth & diversify

- **M&A transactions**
  - SWISSBILLING
- **Partnerships / Joint Ventures**

Focus on consumer finance or consumer finance related areas primarily in Switzerland is key