Letter to Shareholders

Dear Shareholders

Despite regulatory headwinds we achieved a net profit of CHF 143.7 million in 2016. Shareholders will receive a 33 % increase in dividend of CHF 4.45 per share which includes an extraordinary dividend of CHF 1.00. From a business development standpoint, we made substantial progress with the early extension of the Migros partnership, the addition of Fnac as credit card partner and the acquisition of Swissbilling.

Net revenues increased in 2016 by 1 % to CHF 394.0 million. Net interest income declined 1 % to CHF 297.7 million as a result of the lower interest rate cap. Fee and commission income on the other hand was 11 % higher at CHF 96.3 million mainly due to the strong performance in credit cards fee income. Our prudent risk management approach was reflected in low provisions for losses on financing receivables of CHF 44.6 million, equivalent to an unchanged loss rate of 1.1 % of financing receivables. Operating expenses increased by 4 % to CHF 167.5 million mainly due to higher IT, depreciation and pension costs. Our cost discipline is reflected in the low cost/income ratio of 42.5 %. With a net income of CHF 143.7 million and earnings per share of CHF 5.10 we achieved a very good result similar to last year's level. The return on average equity (ROE) was 17.4 % compared to our medium-term target of 15 %.

Cembra
MoneyBank

Shift towards credit cards

Despite a subdued Swiss consumer credit market, the Bank's net financing receivables increased slightly by CHF 10 million to CHF 4,073 million. Receivables in the Bank's personal loans business decreased by 4 % to CHF 1,720 million. Revenues reduced by 8 % due to lower volumes and due to the introduction of the interest rate caps effective 1 July 2016. After a very strong development in 2015, the Swiss auto market normalised in 2016. While new car registrations slightly regressed, the market for used cars developed positively. The Bank's net financing receivables of the auto leases and loans portfolio decreased by 1 % to CHF 1,641 million. Revenues in the auto business slightly declined due to lower rates offered in the market. Net financing receivables in the credit card business recorded a strong growth of 15 % reaching CHF 711 million by the end of 2016. The number of credit cards issued increased by 11 % to about 727,000. Revenues increased by 13 % as a result of the increased card portfolio, higher average spending and increase in the number of transactions.

Capitalising on low interest rate environment

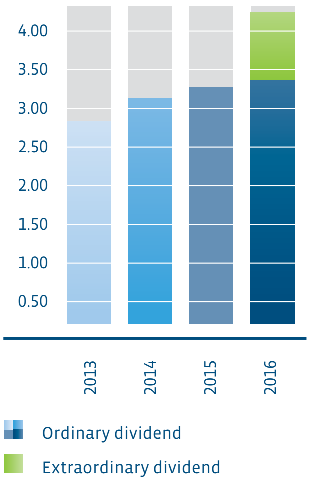
We continued to further optimise our funding profile. The attractive term deposit rate offering enabled us to increase deposits from retail and institutional clients to an aggregate CHF 2,355 million. Deposits now account for 61 % of total funding. The Bank successfully tapped the capital market and raised CHF 200 million through an auto lease asset backed security (ABS) transaction and another CHF 200 million through an unsecured bond, both at favourable conditions. In the course of 2016, the Bank also fully repaid the remaining CHF 250 million term loan from the General Electric Group and is today 100 % independently funded.

Business development sets base for future growth

In 2016, Cembra Money Bank made significant progress in securing the future perspectives of its growing credit card business. The cooperation agreement with the credit card partner Migros was extended prior to expiry for another five-year term until 2022. Additionally, the contract with Conforama was successfully extended and a cooperation with Fnac, a new retail partner, was launched in November 2016. Furthermore, we entered the market for invoice financing through the acquisition of Swissbilling. With Swissbilling we gain access to a best-in-class technology platform that will enable us to provide financing to a broader range of the Swiss consumer base.

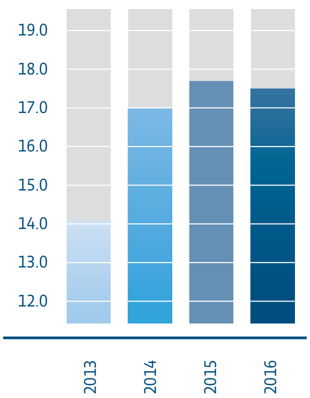
Dividend per Share

in CHF



Return on Equity (ROE)

in %



Refining the capital policy and proposing a total dividend of CHF 4.45 per share

The Board of Directors decided to refine the existing capital policy with regard to the deployment of excess capital. Going forward, we intend to return excess Tier 1 capital above 20 % approximately to shareholders either via extraordinary dividends or share buy-backs unless a more efficient allocation of capital – in particular for internal or external growth – has been identified. The target payout ratio for the ordinary dividend of 60–70 % of net income remains unchanged.

Reflecting on the Bank's solid financial results, the Board of Directors will propose to the Annual General Meeting on 26 April 2017 a 3 %, or 10 cents, higher ordinary dividend per share of CHF 3.45 which equals to a payout ratio of 68 % of net income. The ordinary dividend will be paid out of reserves from capital contributions and, therefore, will not be subject to Swiss withholding tax.

Furthermore, and applying the newly introduced capital policy, the Board of Directors has decided to return excess capital of approximately CHF 28 million to shareholders. The additional distribution is returned to shareholders by means of an extraordinary dividend of CHF 1.00 per share which will be paid from retained earnings (subject to Swiss withholding tax), resulting in a total dividend of CHF 4.45 for the financial year 2016.

Strongly capitalised Bank

Shareholders' equity increased 6 % to CHF 848 million by year end 2016. With a Tier 1 capital ratio of 20.0 % Cembra Money Bank remains very well capitalised. Compared to our self-imposed minimum Tier 1 target of 18 %, excess capital amounts to CHF 76 million.

Outlook for 2017

Overall, 2017 net revenue is expected to slightly decrease due to the reduction in net interest income, following the introduction of the rate caps in July 2016, partially offset by the increase in fee and commission income on the back of the continued growth of the credit card business. Additionally, and whilst keeping a strong focus on the cost discipline, the Bank will continue to further invest in digitalisation of the business leading to a slightly higher cost/income ratio compared to 2016. The loss performance is expected to be in line with prior years. Assuming no major change in the current environment, the Bank is expecting earnings per share of between CHF 4.70 and CHF 5.00 for the financial year of 2017.

Felix Weber
Chairman

Robert Oudmayer
Chief Executive Officer

Key figures

For the years ended 31 December (CHF in millions)	**2016**	**2015**
Net revenues	394.0	388.7
Provision for losses on financing receivables	– 44.6	– 43.6
Total operating expenses	– 167.5	– 161.5
Income tax expense	– 38.2	– 38.5
Net income	**143.7**	**145.0**
Earnings per share (in CHF)	5.10	5.04
Ordinary dividend per share [1] (in CHF)	3.45	3.35
Extraordinary dividend per share [1] (in CHF)	1.00	–
Return on average shareholders' equity (ROE in %)	17.4 %	17.7 %
Cost / income ratio (in %)	42.5 %	41.5 %
Net interest margin (in %)	7.2 %	7.3 %

As at (CHF in millions)	**31 December 2016**	**31 December 2015**
Net financing receivables	4,073	4,063
Personal loans	1,720	1,784
Auto leases and loans	1,641	1,661
Credit cards	711	617
Total shareholders' equity	848	799
Tier 1 capital ratio (in %)	20.0 %	19.8 %
Employees (full-time equivalent)	705	715
Rating (S&P)	A–	A–
Share price (in CHF)	74.20	64.40
Market capitalisation	2,226	1,932

[1] *Proposal to the Annual General Meeting of Shareholders*

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