# Letter to Shareholders

## Dear Shareholders

Zurich – Net income of Cembra Money Bank in the first half of 2019 increased by 1% to CHF 78.6 million or CHF 2.79 per share. The good momentum in auto financing and the continued growth in credit cards contributed to a 5% growth in net revenues. This translated into a 17.1% return on equity coupled with a strong Tier 1 capital ratio of 18.8%.

**Profitable growth across all products**

The Group's net financing receivables rose by 4% to a record CHF 5,023 million, driven by organic growth across all products and a timing effect at the end of the reporting period (net financial receivables grew 2.1% by end of May 2019). In the personal loan business, receivables increased by 1% to CHF 1,913 million. Interest income in personal loans was stable at CHF 79.1 million, despite of the lower yield of the personal loan business which amounted to 8.2%.

Net financing receivables in auto leases and loans grew by 4% to CHF 2,062 million in the reporting period. Interest income was 1% higher at CHF 49.5 million with a yield of 4.9% for the auto financing business.

The performance of the credit card business was driven by a higher number of cards issued (up 11% year-on-year to 946,000) and a continued increase in volume (up 9% year-on-year). Net financing receivables recorded a 10% growth reaching CHF 1,036 million. Interest income in the cards business grew by 11% to CHF 38.3 million with a 7.7% yield.

### Steady revenue increase

Net revenues rose by 5% to CHF 222.6 million. Net interest income grew by 2%, largely driven by higher credit card volumes. Interest expense was 6% higher at CHF 10.7 million, in line with the year-on-year receivables growth.

Commissions and fee income increased by 11% to CHF 67.6 million, mainly due to strong credit card fee income. 30% of net revenues were generated from commissions and fees compared to 29% in H1 2018.

Total operating expenses increased by 14% to CHF 103.6 million. Personnel expenses of CHF 56.9 million rose by 8% driven by 71 additional FTE (+10%) since June 2018. General and administrative expenses of CHF 46.7 million were 24% higher, mainly due to continued investments in technology and growth initiatives as well as pre-transaction costs relating to the acquisition of cashgate. These effects translated into a cost/income ratio of 46.5% (H1 2018: 42.6%).

### Solid loss performance

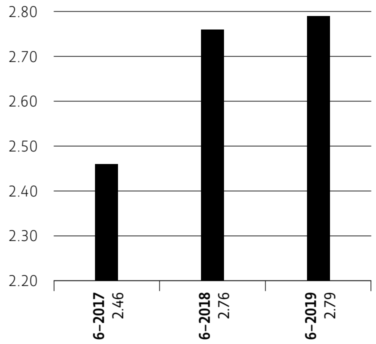
Provision for losses of CHF 19.2 million was 20% lower, affected by the continued favourable macro environment and a one-off effect due to better synchronisation of write-off and collection procedures. This translated in a loss rate of 0.8% (FY 2018: 1.1%).

### Balanced funding of cashgate acquisition

In the first six months of 2019, the Group further grew its funding portfolio to CHF 4,499 million with a stable funding mix. The average duration remained at 2.7 years and the period-end funding cost was 48 basis points (31. December 2018: 49 basis points).

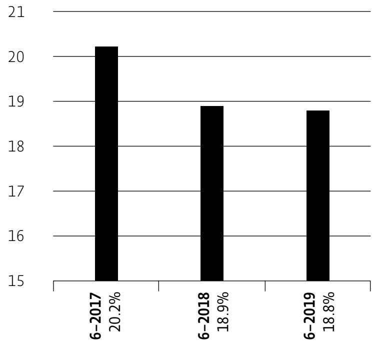
**Basic earnings per share (EPS)**

in CHF



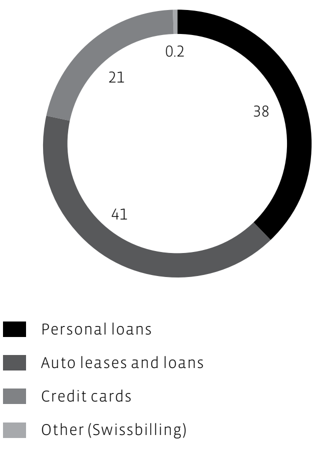

**Tier 1 Capital Ratio**

in %




**Net Financing Receivables**

in %



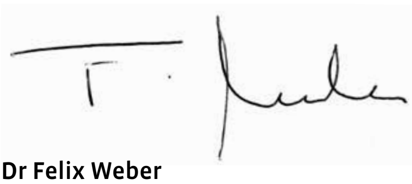
Since the announcement of the acquisition of cashgate on 1 July 2019, Cembra successfully placed a balanced mix of deposits, senior debt, hybrid and equity instruments amounting to more than CHF 1.0 billion. With these transactions, about 70% of a committed bridge financing has been replaced.

Cembra Money Bank remains very well capitalised with a strong Tier 1 capital ratio of 18.8% and a leverage ratio of 14.6% as per 30 June 2019.

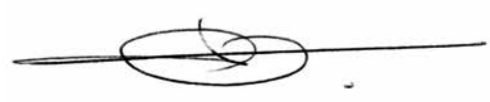
**Online financing for small enterprises**
The Group plans to expand its product portfolio with an online financing product for small companies in Switzerland. Cembra has entered a co-operation with Berlin-based Spotcap Global Services GmbH to provide the technology platform for the planned offering. The launch is scheduled for the fourth quarter of 2019.

**Outlook for 2019**
For the existing business, Cembra confirms the earnings per share (EPS) range previously indicated for 2019. Including the acquisition of cashgate announced on 1 July 2019, Cembra expects a FY 2019 EPS (diluted, US GAAP) of CHF 5.20–5.50. For 2019, Cembra aims to pay a dividend at least at the level of the previous year (CHF 3.75 per share).

On behalf of the Board of Directors and Management, we would like to thank our customers, shareholders and business partners for the trust they have placed in us. We would also like to express our particular gratitude to our employees, who shape the success of our Group with their expertise, dedication and engagement.



**Dr Felix Weber**
Chairman



**Robert Oudmayer**
Chief Executive Officer

# Key Figures

| CHF in millions | **H1 2019** | H1 2018 |
|---|---|---|
| Net interest income | **155.1** | 152.1 |
| Commission and fee income | **67.6** | 60.9 |
| Net revenues | **222.6** | 213.0 |
| Provision for losses | **–19.2** | –23.9 |
| **Total operating expenses** | **–103.6** | –90.6 |
| **Net income** | **78.6** | 77.7 |
| **Total assets** | **5,590** | 5,312 |
| Net financing receivables | **5,023** | 4,742 |
| Personal loans | **1,913** | 1,856 |
| Auto leases and loans | **2,062** | 1,979 |
| Credit cards | **1,036** | 903 |
| Others | **11** | 4 |
| Shareholders' equity | **907** | 864 |
| Return on equity (in %, annualised) | **17.1%** | 17.8% |
| Net interest margin (in %, annualised) | **6.2%** | 6.5% |
| Cost / income ratio (in %) | **46.5%** | 42.6% |
| Tier 1 capital ratio (in %) | **18.8%** | 18.9% |
| Employees (full-time equivalent) | **812** | 741 |
| Credit rating (S&P) | **A–** | A– |
| Basic earnings per share (in CHF) | **2.79** | 2.76 |
| Book value per share (in CHF) | **30.20** | 28.80 |
| Share price (in CHF) | **94.15** | 78.05 |
| Market capitalisation | **2,825** | 2,342 |

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