Cembra

Your Swiss Bank

Letter to Shareholders

Dear Shareholders

It is our pleasure to inform you about a robust business performance for Cembra in the first six months of 2021. Our net income increased by 6% to CHF 78.7 million, or CHF 2.68 per share, compared to the first six months of 2020. Net revenues declined by 5%, and commission and fee income declined by 3% in connection with the Covid-19 restrictions. Despite the challenging environment, the loss performance was very strong at 0.5%. As a result, return on equity came in at 14.2%, and the Tier 1 capital ratio stood at 18.3%.

Our business model continued to demonstrate a resilient performance in the first six months. The economic restrictions had a clear impact on our performance. At the same time, we observed a gradual recovery of credit card transaction volumes since May, and we benefitted from actions taken in the personal loan business to better serve our customers in the current market environment. We are now focusing on further developing the business.

Resilient business performance

The Group's total net financing receivables at 30 June 2021 amounted to CHF 6.2 billion, a decline of 1% compared with 31 December 2020. Since May 2021, net financing receivables increased following the easing of restrictions.

In the personal loans business, receivables declined by 4% to CHF 2.3 billion in the first six months of 2021, partially attributable to tightened underwriting in the context of the Covid-19 impact on the economy. As a consequence, interest income in the personal loans business decreased by 12% to CHF 85.6 million, with a yield of 7.1%.

Net financing receivables in auto leases and loans declined by 1% to CHF 2.8 billion in the reporting period. Interest income was stable at CHF 65.1 million, with a yield of 4.6%.

In the credit cards business, net financing receivables increased by 6% to CHF 1.0 billion. Interest income in the cards business decreased slightly by 1% to CHF 41.3 million, with a yield of 8.2%. Transaction volumes in the first six months increased by 11% year on year, mainly due to higher domestic card spending. The number of cards issued was up 4% year on year, to 1,050,000 at 30 June 2021.

Restrictions with impact on revenues

Total net revenues declined by 5% to CHF 235.9 million. Interest income declined by 6% as a consequence of the lower asset base in personal loans. Interest expense was 4% lower, at CHF 13.2 million.

Commission and fee income decreased by 3% to CHF 57.9 million as a result of the continued Covid-19-related restrictions in the first six months. Income from credit card fees declined by 4% year on year, and picking up since May. The share of net revenues generated from commissions and fees increased to 25%, up from 24% at 30 June 2020.

Total operating expenses decreased by 1% to CHF 124.1 mainly as result of the successfully completed integration of cashgate in 2020, offset by higher expenses for information technology and compensation and benefits. Personnel expenses increased by 4% to CHF 68.5 million. General and administrative expenses declined by 7% to CHF 55.6 million. The cost/income ratio increased to 52.6%, compared to 50.3% in the year-earlier period.

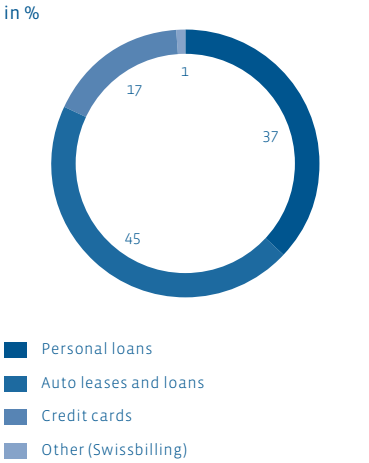
Excellent underlying loss performance

The provision for losses decreased by CHF 15.8 million or 52% to CHF 14.4 million, due to an excellent underlying loss performance as well as an one-time sale of previously written off financing receivables. These effects resulted in a loss rate of 0.5% for the first six months of 2021. Adjusted for the one-off effect amounting to CHF 8.2 million, the loss rate came to 0.7% (H1 2020: 0.9%). The non-performing-loans (NPL) ratio remained stable at 0.7%. The rate of over-30-days past due financing receivables declined to 1.8% (H1 2020: 2.1%).

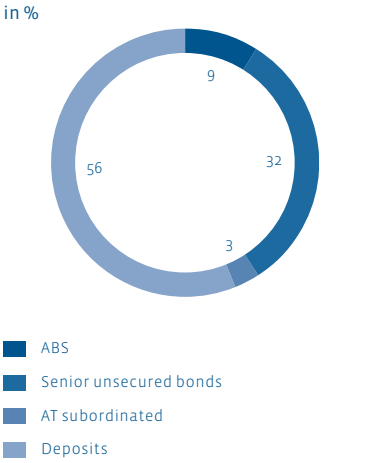
Stable funding

In the first six months of 2021, the Group's funding portfolio remained stable at CHF 5.8 billion, largely in line with the lower asset base. Overall, the funding mix with 57% deposits and 43% non-deposits remained stable. The weighted average duration decreased slightly to 2.5 years and the period-end funding cost amounted to 44 basis points (31 December 2020: 45 basis points).

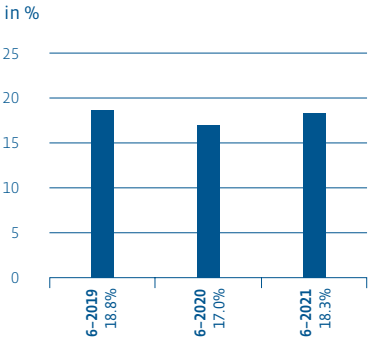
Net financing receivables



Funding structure



Tier 1 capital ratio



Strong capital position

Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 18.3% (31 December 2020: 17.7%). Shareholders' equity decreased by 3% to CHF 1.098 billion after Cembra had paid out the dividend in April 2021, amounting to CHF 110 million, for the financial year 2020.

Outlook

In 2021, Cembra currently expects to deliver a resilient business performance, with revenues to gradually recover mainly by higher volumes in credit cards. Cembra expects a solid loss performance for the full year 2021. Assuming a continued economic recovery in Switzerland, Cembra confirms its targets in the mid term.

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

Holger Laubenthal
CEO

Key figures

Key figures

At 31 December (in CHF millions)	H1 2021	H2 2020
Net interest income	**178.0**	185.6
Commission and fee income	**57.9**	62.3
Net revenues	**235.9**	247.9
Provision for losses	**–14.4**	–26.2
Operating expenses	**–124.1**	–122.1
Net income	**78.7**	78.8
Total assets	**7,124**	7,244
Net financing receivables	**6,206**	6,293
Personal loans	**2,303**	2,408
Auto leases and loans	**2,823**	2,853
Credit cards	**1,025**	970
Others	**55**	62
Shareholders' equity	**1,098**	1,127
Return on equity (in %, annualised)	**14.2**	14.4
Net interest margin (in %, annualised)	**5.6**	5.8
Cost/income ratio (in %)	**52.6**	49.2
Tier 1 capital ratio (in %)	**18.3**	17.7
Employees (full-time equivalents)	**934**	928
Credit rating (S&P)	**A–**	A–
Basic earnings per share (in CHF)	**2.68**	2.69
Book value per share (in CHF)	**36.60**	37.6
Share price (in CHF)	**103.70**	107.20
Market capitalisation	**3,111**	3,216

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