Your Swiss Bank

Letter to Shareholders

Dear Shareholders

It is our pleasure to inform you about Cembra's 2020 full-year results. Despite the Covid-19 pandemic situation, we are proud having achieved a resilient performance with an only slight decrease of net income by 4% to CHF 152.9 million. This translated into a 13.8% return on shareholders' equity coupled with a strong Tier 1 capital ratio of 17.7%. A dividend per share of CHF 3.75 will be recommended to the Annual General Meeting on 22 April 2021 in Zurich.

In 2020, our business model proved resilient, and our conservative risk management approach paid off. The lockdown in Switzerland had a clear impact on income from credit card fees. At the same time, we observed a sustainable shift to card payments and away from cash. Credit card transaction volumes were almost back at 2019 levels in the second half of the year. After successfully completing the integration of cashgate in just 11 months, we are now focusing on our new credit card for IKEA.

Resilient business performance

The Group's total net financing receivables at 31 December 2020 amounted to CHF 6.3 billion, a decline of 4% compared with year-end 2019, largely attributable to the impact of Covid-19 on the Swiss economy.

In the personal loans business, receivables declined by 8% to CHF 2.4 billion, also due to the market development. Interest income in that business increased by 10% to CHF 190.7 million, due to the acquisition of cashgate in the second half of 2019. The yield remained stable at 7.4% (2019: 7.5%).

Net financing receivables in auto leases and loans rebounded in the second half, ending the year down 2%, to CHF 2.9 billion. Interest income was 17% higher, at CHF 129.4 million, with a stable yield of 4.5% (2019: 4.5%).

In the credit cards business, net financing receivables declined by 6% to CHF 1.0 billion as a result of Covid-19 restrictions in the second quarter and in the final weeks of 2020. Interest income in the cards business grew by 5% to CHF 83.6 million, with a yield of 8.3% (2019: 8.0%). The number of cards issued continued to rise, up 5% year on year to 1,030,000.

Revenue increase

Total net revenues rose by 4% to CHF 497.2 million. Net interest income grew by 13%, mainly as a result of the cashgate acquisition. Interest expense was 3% lower, at CHF 26.9 million.

Commission and fee income decreased by 17% to CHF 122.3 million, as a result of the Covid-19 restrictions in 2020. The decline was mainly driven by a decrease in income from credit card fees (–29% year on year), which were weighed down by lower spending abroad. This caused the share of net revenues generated from commissions and fees to drop to 25%, down from 30% at 31 December 2019.

Total operating expenses increased by 7% to CHF 247.4 million. Personnel expenses came in at CHF 129.5 million, rising 8% following the addition of employees in the year under review, predominantly from cashgate. General and administrative expenses rose 6% to CHF 117.9 million, mainly due to the acquisition and integration of cashgate. The cost/income ratio increased to 49.8%, compared with 48.3% in 2019.

Consistent loss performance despite Covid-19 impact on economy

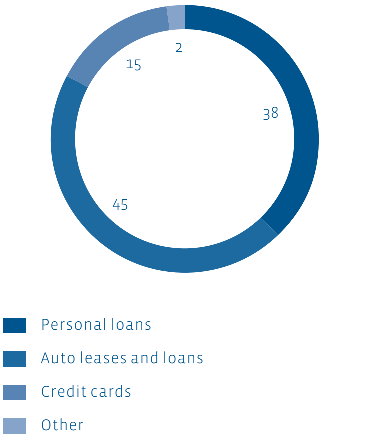
The provision for losses increased by CHF 11.3 million, or 25%, to CHF 56.4 million, primarily due to higher financing receivables following the acquisition. Despite the macroeconomic impact of the Covid-19 pandemic, the loss rate remained steady at 0.9% (2019: 0.8%) and the non-performing-loans (NPL) ratio came to 0.7% (2019: 0.6%). The rate of over-30-days-past-due financing receivables came in at 1.8% (2019: 1.8%).

Operational progress

In 2020, Cembra successfully completed the operational integration of cashgate within 11 months, and invoice financing provider Swissbilling more than tripled its net financing receivables, to CHF 62 million. Cembra stepped up its digital transformation by successfully developing its online personal loans business, investing in enhanced cards propositions and further consolidating the branch network. The new partnership with IKEA Switzerland, which will provide IKEA Family members with a new credit card with no annual fee, is on track. The credit card is scheduled for launch in March 2021.

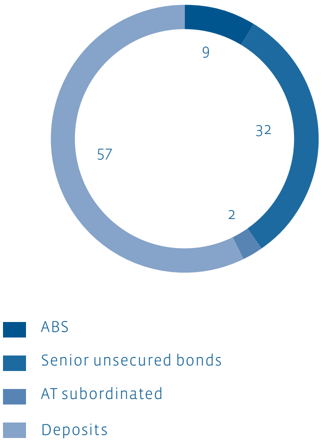
Net financing receivables

in %



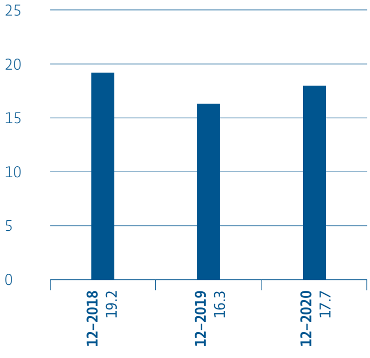
Funding structure

in %



Tier 1 capital ratio

in %



Stable funding

In 2020, the Group's funding portfolio declined by 5% to CHF 5.8 billion, in line with the lower asset base. The funding mix remained stable compared with 31 December 2019. The weighted average duration was 2.7 years (31 December 2019: 2.9 years), and the period-end funding cost was 45 basis points (31 December 2019: 44 basis points).

Strong capital position and unchanged, attractive dividend

Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 17.7% (31 December 2019: 16.3%). Shareholders' equity increased by 3% to CHF 1.127 billion after Cembra paid out the full 2019 dividend of CHF 110 million in April 2020.

Given Cembra's resilient financial performance, the Board of Directors will recommend a dividend of CHF 3.75 per share (representing a payout ratio of 72%) at the next Annual General Meeting on 22 April 2021.

Sustainability performance considerably improved

In 2020, a number of leading ESG rating agencies upgraded their ratings based on Cembra's sustainability performance. Cembra was also included in the SXI Switzerland Sustainability 25 Index and the Bloomberg Gender Equality Index 2021, and received a "We Pay Fair" recognition based on Swiss federal standards.

Outlook

Assuming the Swiss economy recovers in 2021, Cembra currently expects to deliver a resilient business performance in 2021, with revenues expected to recover in line with the economic development. Cembra expects as well a solid loss performance for 2021 and confirms its targets for the mid-term.

After having served almost twelve years as CEO of Cembra, Robert Oudmayer has been handing over his roles to his successor Holger Laubenthal since 1 March 2021. On behalf of the Board of Directors, I sincerely thank Robert for his outstanding contribution to the development of Cembra. He has been the driving force to position Cembra as a leading Swiss provider of financial solutions and services, led the IPO of the company in 2013, and built since then the strong position Cembra has today through organic growth and selected acquisitions.

On behalf of the Board of Directors and Management, I would like to thank our customers, shareholders and business partners for the trust they have placed in us. I 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

Key figures

Key figures

At 31 December (in CHF millions)	2020	2019
Net interest income	**375.0**	332.0
Commission and fee income	**122.3**	147.7
Net revenues	**497.2**	479.7
Provision for losses	**–56.4**	–45.1
Total operating expenses	**–247.4**	–231.8
Net income	**152.9**	159.2
Total assets	**7,244**	7,485
Net financing receivables	**6,293**	6,586
Personal loans	**2,408**	2,625
Auto leases and loans	**2,853**	2,915
Credit cards	**970**	1,029
Others	**62**	17
Shareholders' equity	**1,127**	1,091
Return on shareholders' equity (ROE)	**13.8%**	15.7%
Net interest margin	**5.7%**	5.8%
Cost/income ratio	**49.8%**	48.3%
Tier 1 capital ratio	**17.7%**	16.3%
Employees (full-time equivalents)	**928**	963
Credit rating (S&P)	**A–**	A–
Basic earnings per share (in CHF)	**5.21**	5.53
Dividend per share (in CHF)	**3.75**	3.75
Book value per share (in CHF)	**37.57**	36.35
Share price (in CHF)	**107.20**	106.00
Market capitalisation	**3,216**	3,180

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