



Your Swiss Bank

Letter to Shareholders

Dear Shareholders

It is our pleasure to inform you about Cembra's 2021 full-year results. While the termination of the partnership with Migros is a setback, we achieved a resilient performance with a record income of CHF 161.5 million. This translated into a 13.9% return on shareholders' equity coupled with a strong Tier 1 capital ratio of 18.9%. An increased dividend per share of CHF 3.85 (+ CHF 0.10) will be recommended to the Annual General Meeting on 21 April 2022.

The robust performance in all our businesses and our excellent loss performance enabled us to deliver record net income in a challenging environment. While the termination of the partnership with Migros is a setback which is reflected in the disappointing share price development in 2021, we successfully onboarded new partners in the credit card and in the buy now pay later businesses. We are now focusing on delivering on our updated strategy.

Resilient business performance

The Group's total net financing receivables amounted to CHF 6.2 billion at 31 December 2021, a decline of 1% on year-end 2020.

In the personal loans business, receivables stabilised in the second half of the year. The decrease by 5% to CHF 2.3 billion in the full year was mainly attributable to lower market demand and cautious underwriting strategies for new business in response to the Covid-19 pandemic and its impact on the economy. As a result of the lower asset base, interest income in the personal loans business decreased by 11% to CHF 169.4 million, with a yield of 7.0%.

Net financing receivables in auto leases and loans declined by 1% to CHF 2.8 billion in the reporting period. Interest income edged up by 1% to CHF 130.1 million, with a yield of 4.6%.

In the credit cards business, net financing receivables increased by 6% to CHF 1.0 billion as a result of the recovery that began in the second quarter. Interest income in the cards business increased slightly, up 1% to CHF 84.5 million, with a yield of 8.4%. Transaction volumes increased by 13% year on year, mainly due to higher domestic card spending. The number of cards continued to rise, up 4% to 1,068,000 at 31 December 2021.

New partners and profitable growth for Swissbilling

In 2021, Cembra's subsidiary Swissbilling continued to deliver profitable growth and successfully implemented initial buy now pay later (BNPL) solutions for IKEA and other business partners. Swissbilling recorded a 23% rise in fee income, which stood at CHF 11 million.

Impact of Covid-19-related restrictions on revenues

Total net revenues declined by 2% to CHF 487.0 million. Interest income declined by 5% due to the lower asset base in personal loans. Interest expense was 3% lower, at CHF 26.0 million.

Commission and fee income increased by 7% to CHF 130.3 million. Following the rebound that began in May 2021, income from credit card fees increased by 13%. The share of net revenues generated from commissions and fees increased from 25% to 27% at 31 December 2021.

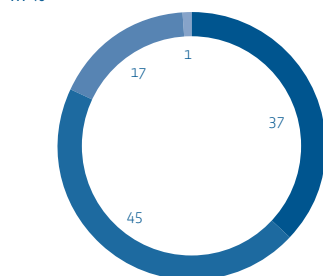
Total operating expenses declined slightly, from CHF 247.4 million to CHF 246.3 million. Personnel expenses increased by 2% to CHF 132.2 million. General and administrative expenses declined by 3% to CHF 114.0 million. The cost/income ratio increased to 50.6% due to lower revenues (2020: 49.8%).

Excellent underlying loss performance

The provision for losses decreased by CHF 16.1 million, or 29%, to CHF 40.3 million, due to an excellent underlying loss performance as well as the one-time sale of previously written-off financing receivables. This resulted in a loss rate of 0.6%. Adjusted for the one-off amount of CHF 8.2 million, the loss rate came to 0.8% (2020: 0.9%). The non-performing-loans (NPL) ratio decreased slightly to 0.6% (2020: 0.7%). The rate of over-30-days past due financing receivables declined to 1.6% (2020: 1.8%).

Net financing receivables

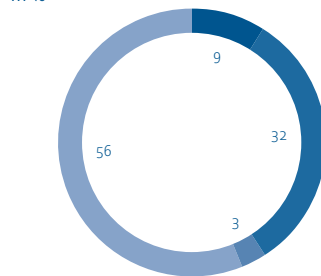
in %



- Personal loans
- Auto leases and loans
- Credit cards
- Other

Funding structure

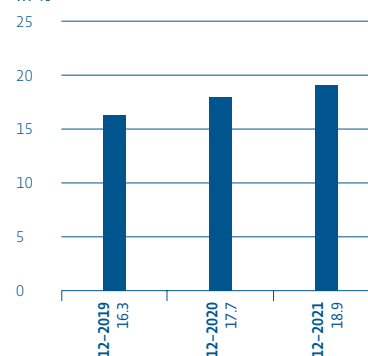
in %



- ABS
- Senior unsecured bonds
- AT subordinated
- Deposits

Tier 1 capital ratio

in %



Stable funding

In 2021, the Group's funding portfolio declined by 3% to CHF 5.7 billion, largely in line with the lower asset base and lower cash. Overall, the funding mix remained largely stable, with 56% deposits and 44% non-deposits. The weighted average duration decreased slightly to 2.5 years (2020: 2.7 years) and the period-end funding cost amounted to 44 basis points (2020: 45 basis points).

Increased dividend

Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 18.9% (31 December 2020: 17.7%). Shareholders' equity increased by 6% to CHF 1.200 billion, with Cembra paying out a dividend of CHF 110 million in April 2021.

Given Cembra's robust financial performance, the Board of Directors will propose a CHF 3.85 dividend per share (a 70% pay-out ratio) at the next General Meeting on 21 April 2022 translating into a 3%, or CHF 0.10, increase compared to last year.

Sustainability performance

In 2021, a number of leading ESG rating agencies reaffirmed Cembra's ratings based on the Bank's sustainability performance. Cembra was also one of nine Swiss companies to be included in Bloomberg's Gender Equality Index 2022; this is the second year in a row that the Bank has been included in the index. Cembra's Sustainability Report has obtained an external review for the first time.

Outlook

Cembra currently expects to deliver a resilient business performance in 2022, with revenues recovering in line with economic growth. Cembra expects a solid loss performance for 2022 and confirms its outlook for return on equity of 13-14% for 2022 and 2023 and above 15% from 2024 on.

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)	2021	2020
Net interest income	356.7	375.0
Commission and fee income	130.3	122.3
Net revenues	487.0	497.2
Provision for losses	-40.3	-56.4
Total operating expenses	-246.3	-247.4
Net income	161.5	152.9
Total assets	7,095	7,244
Net financing receivables	6,207	6,293
Personal loans	2,292	2,408
Auto leases and loans	2,820	2,853
Credit cards	1,030	970
Others	65	62
Shareholders' equity	1,200	1,127
Return on shareholders' equity (ROE)	13.9%	13.8%
Net interest margin	5.6%	5.7%
Cost/income ratio	50.6%	49.8%
Tier 1 capital ratio	18.9%	17.7%
Employees (full-time equivalents)	916	928
Credit rating (S&P)	A-	A-
Basic earnings per share (in CHF)	5.50	5.21
Dividend per share (in CHF)	3.85	3.75
Book value per share (in CHF)	40.00	37.57
Share price (in CHF)	66.45	107.20
Market capitalisation	1,993	3,216

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