Your Swiss Bank

Letter to Shareholders

Dear Shareholders

2022 was a successful year for Cembra, as we grew profitably in all business areas in a challenging environment. This underlines that our financing solutions are attractive and well appreciated by customers. We are also making good progress in implementing our strategy. The launch of our own credit card family Certo! is a success, and by deepening and broadening our partnerships we are laying the foundations for further growth. With the acquisition of Byjuno, we have also significantly strengthened our leading position in the rapidly growing BNPL business.

Strong business performance

The Group's total net financing receivables at 31 December 2022 amounted to CHF 6.5 billion, an increase of 5% compared with 31 December 2021.

In the personal loans business, the growth continued in the second half and receivables increased by 4% to CHF 2.4 billion by 31 December 2022. As a result of the lower opening balance of net financing receivables compared to 2021 and the continued competitive environment, interest income in the personal loans business decreased by 4% to CHF 163.1 million, with a yield of 6.8%.

Net financing receivables in auto leases and loans increased by 6% to CHF 3.0 billion in the reporting period. Interest income edged up by 2% to CHF 133.1 million, with a yield of 4.6%.

In the credit cards business, net financing receivables rose by 1% to CHF 1.0 billion. Interest income in the cards business rose by 5% to CHF 89.1 million, with a yield of 8.5%. Transaction volumes increased by 5% year on year. The number of cards issued amounted to 1,051,000 at 31 December 2022, a decline of 2%.

In the buy now pay later (BNPL) business, Cembra recorded an increase of billing volumes by 51% to CHF 477.4 million in 2022. The 'BNPL and other' fee income amounted to CHF 19.5 million (+58%). The acquisition of Byjuno was completed on 1 November 2022 and the business has been consolidated from that date.

Fee business drives up revenues

Total net revenues increased by 4% to CHF 508.9 million in 2022, and net interest income remained stable at CHF 356.2 million (FY 2021: CHF 356.7 million). Interest expense increased by 13% to CHF 29.4 million, reflecting the changed interest rate environment in the second half of the reporting period.

Commission and fee income increased by 17% to CHF 152.7 million, mainly driven by higher income from credit card fees (+18%) as Covid-19-related restrictions were lifted as well as by growth in BNPL. The share of net revenues generated from commissions and fees increased from 27% to 30% in 2022.

Total operating expenses increased by 5% to CHF 257.5 million. Personnel expenses increased by 2% to CHF 135.5 million. General and administrative expenses increased by 7% to CHF 122.0 million, mainly due to investments into strategic initiatives and the launch of the proprietary card proposition in the second half of 2022. The cost/income ratio remained stable at 50.6% (2021: 50.6%).

Continued very strong loss performance

The provision for losses increased by 2% to CHF 40.9 million, reflecting a continued very strong underlying loss performance. This resulted in a stable loss rate of 0.6% in 2022 (2021: 0.6%, and 0.8% adjusted for a loan sale). The non-performing-loans (NPL) ratio increased slightly to 0.7% (2021: 0.6%). The rate of over-30-days past due financing receivables increased to 2.0% (2021: 1.6%).

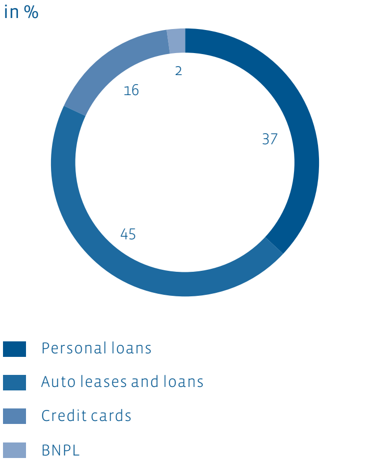
Stable and balanced funding mix

In line with the growth in financing receivables and liquid assets, the Group's diversified funding portfolio increased by 8% to CHF 6.1 billion at 31 December 2022. Overall, the funding mix remained largely stable with 57% deposits and 43% non-deposits. The weighted average duration amounted to 2.1 years (2021: 2.5 years), the period-end funding cost increased to 79 basis points (2021: 44 basis points) and the average funding costs in 2022 amounted to 0.50% (2021: 0.45%)

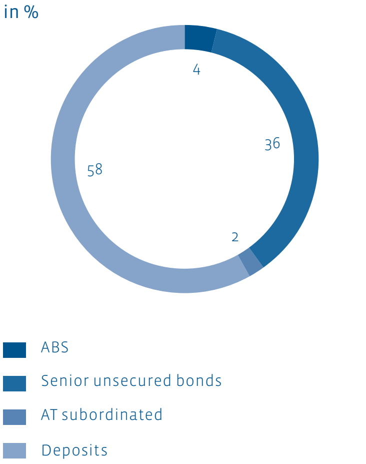
Strategy execution progressing well – successful transition to proprietary card offering

The implementation of Cembra's key strategic initiatives – Operational Excellence, Business Acceleration, New Growth Opportunities and Cultural Transformation – is progressing well.

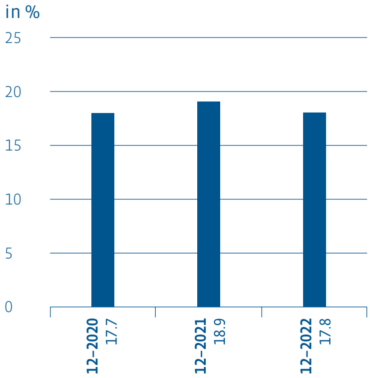
Net financing receivables



Funding structure



Tier 1 capital ratio



As part of the strategic initiative Operational Excellence, Cembra launched the new credit card app in April 2022 to strengthen its customer relationships and increase efficiency. It had about 320,000 active users by the end of the year. The company's data centers have been consolidated and moved, and the foundation for a cloud infrastructure was established. The new IT platform for the leasing business is being tested and the first release will be launched in 2023.

The successful launch of the new credit card range Certo! was another key step in the strategy implementation. Following the successful rollout of the proprietary Certo! card family in July 2022, about half of the previous Cumulus card portfolio has been migrated to the new proprietary offering. In addition, Cembra continued to extend and strengthen its co-branding partnerships for credit cards.

The acquisition of Byjuno and its combination with Swissbilling will enable Cembra to create compelling solutions in online and POS checkouts for pay-by-invoice services in Switzerland and to accelerate profitable growth in the BNPL business.

Focus on sustainability performance
In May 2022, MSCI ESG upgraded Cembra's rating to AAA, and Sustainalytics reaffirmed Cembra's "Low ESG Risk" rating based on the Bank's sustainability performance and an externally verified Sustainability Report. In January 2023, Cembra was included in Bloomberg's Gender Equality Index 2023 for the third time.

Strong capital and increased dividend
Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 17.8% (31 December 2021: 18.9%). Shareholders' equity increased by 6% to CHF 1.274 billion, after Cembra paid out the dividend of CHF 113 million in April 2022.

Given Cembra's robust financial performance, the Board of Directors will propose a CHF 3.95 dividend per share (a 68% payout ratio) at the next General Meeting on 21 April 2023 translating into a 3%, or CHF 0.10, increase compared to last year.

Outlook
Cembra currently expects to deliver a resilient business performance in 2023, with net revenues to develop at least in line with Swiss GDP and a continued solid loss performance. Cembra is reiterating its ROE target of 13–14% for 2023 and confirms its mid-term targets.

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)	2022	2021
Net interest income	**356.2**	356.7
Commission and fee income	**152.7**	130.3
Net revenues	**508.9**	487.0
Provision for losses	**–40.9**	–40.3
Total operating expenses	**–257.5**	–246.3
Net income	**169.3**	161.5
Total assets	**7,653**	7,095
Net financing receivables	**6,520**	6,207
Personal loans	**2,387**	2,292
Auto leases and loans	**2,975**	2,820
Credit cards	**1,045**	1,030
BNPL	**114**	65
Shareholders' equity	**1,274**	1,200
Return on shareholders' equity (ROE)	**13.7%**	13.9%
Net interest margin	**5.5%**	5.6%
Cost/income ratio	**50.6%**	50.6%
Tier 1 capital ratio	**17.8%**	18.9%
Employees (full-time equivalents)	**929**	916
Credit rating (S&P)	**A–**	A–
Basic earnings per share (in CHF)	**5.77**	5.50
Dividend per share (in CHF)	**3.95**	3.85
Book value per share (in CHF)	**42.47**	40.00
Share price (in CHF)	**76.90**	66.45
Market capitalisation	**2,307**	1,993

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