

H1 2014 results

29.08.14



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Cembra Money Bank highlights H1 2014

Environment

- Interest rates remained at historically low levels and are expected to stay low
- Swiss economy grew around 2% in H1'14 ... Consumer loan market and auto market slightly decreasing

Financials

- Net income of CHF 64.7mn (incl. CHF 3.0mn pre-tax FINMA-related provision) compared CHF to 61.6mn (excl. gain from debt sale) in H1'13 (up 5% yoy)
- All product lines report growth ... net financing receivables up 3%... gaining market share
- Cost under control ... cost/income ratio at 44.5% (adjusted for FINMA-related provision: 42.8%)
- Return on average equity of 16.4% on strong capital base

Operational

- Achieved 87% stand-alone funding ... deposits grew by 14% since year-end 2013
- IT transition scope and approach completed ... on schedule to be executed by year-end 2015
- Continued good loss performance: delinquencies 30+ at 2.0% and NPL at 0.5% ... loss rate @ 1% as guided

Capital allocation

- Strong liquidity position with CHF 395mn cash and solid Tier 1 capital ratio¹ of 19.8% as of June 2014
- Excess capital of CHF 67mn above 18% minimum Tier 1 target

¹ Includes half-year net income adjusted for expected dividend distribution

Product line update

Personal Loans

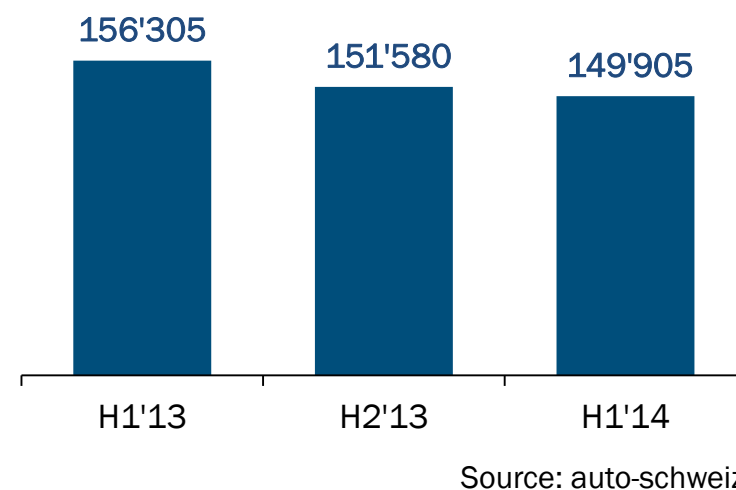
Cembra online presence



- Slightly decreasing personal loan market in Switzerland in H1'14
- Stable origination mix: branch, agent, online
- Successful rebranding supporting new business
- Significant increase of loan leads via mobile site

Auto

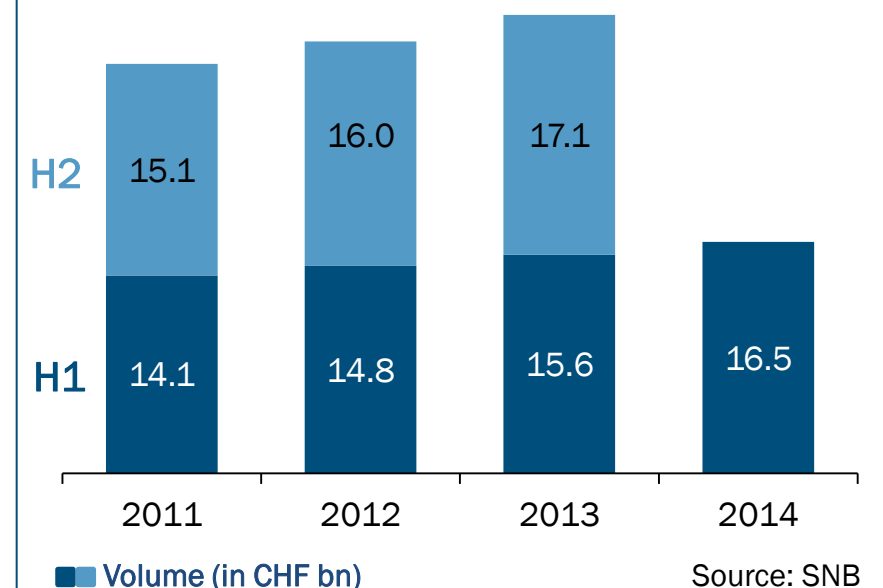
New car registrations in Switzerland



- New car registrations in Switzerland decreased by 4% yoy in H1'14
- Cembra outperforming market ... winning ca 2 points market share
- Positive impact from rebranding with our historical dealer base
- Excellent service levels supporting growth

Credit Cards

Swiss credit card transaction volume¹



- Continued strong organic growth with number of credit cards up 5% sequentially to 581,000 (+10% yoy)
- H2 expected to be stronger due to seasonality
- Digitization: SMS service live and new eService launch planned in H2'14
- Cumulus MasterCard rated best-value standard credit card²

¹ Payments with Swiss credit cards

² See www.moneyland.ch report dated 9 July 2014

General business update

Agent case

- Terminated cooperation in 2011
- Civil litigation lacks proper legal basis (opinion Cembra)
- Received FINMA report; Cembra provides comment
- Provision of CHF 3.0mn (pre-tax) recorded in H1'14
- State prosecutor initiated preliminary examinations

Rebranding

- Successfully finalised in Q1'14; just re-carding left
- >1/3 of Swiss population is aware that GE Money Bank has been rebranded
- Consumer credit top-of-mind is raising quickly and close to #1
- Cembra Family-visual advertising recognized best in consumer finance market

Business transition

- Renewing the majority of our IT landscape within 2 year period
- IT transformation on plan
- 23 items completed; another 23 to be completed by end 2014
- 13 items left for 2015
- Simplifying our world outside GE

Balance sheet

| Assets - US GAAP (in CHF mn) | 30-06-14 | 31-12-13 |
|------------------------------|--------------|--------------|
| Cash and equivalents | 1 395 | 492 |
| Net financing receivables | 2 4,112 | 3,993 |
| Personal loans | 1,888 | 1,861 |
| Auto loans and leases | 1,688 | 1,647 |
| Credit cards | 536 | 485 |
| Other assets | 121 | 105 |
| Total Assets | 4,628 | 4,590 |

| Liabilities (in CHF mn) | | |
|-------------------------------------|--------------|--------------|
| 3rd party funding | 3 3,223 | 2,960 |
| Deposits | 1,898 | 1,660 |
| Short-term debt | 75 | - |
| Long-term debt | 1,250 | 1,300 |
| Due to Affiliates - GE funding | 500 | 700 |
| Other liabilities | 125 | 131 |
| Total liabilities | 3,848 | 3,790 |
| Shareholders' equity | 4 780 | 799 |
| Total liabilities and equity | 4,628 | 4,590 |

Risk-weighted assets 3,697 3,596

Ratio analysis

| | | |
|-----------------------------------|-------|-------|
| 3rd party funding / total funding | 87% | 81% |
| Tier 1 capital ratio ¹ | 19.8% | 19.7% |

Comments

1 ■ Lower Cash balance driven by seasonality and growth in financing receivables

2 ■ Financing receivables growing 3% driven by continuous development in Cards (up 11%) while Auto and Personal loans are outperforming their respective markets which are down

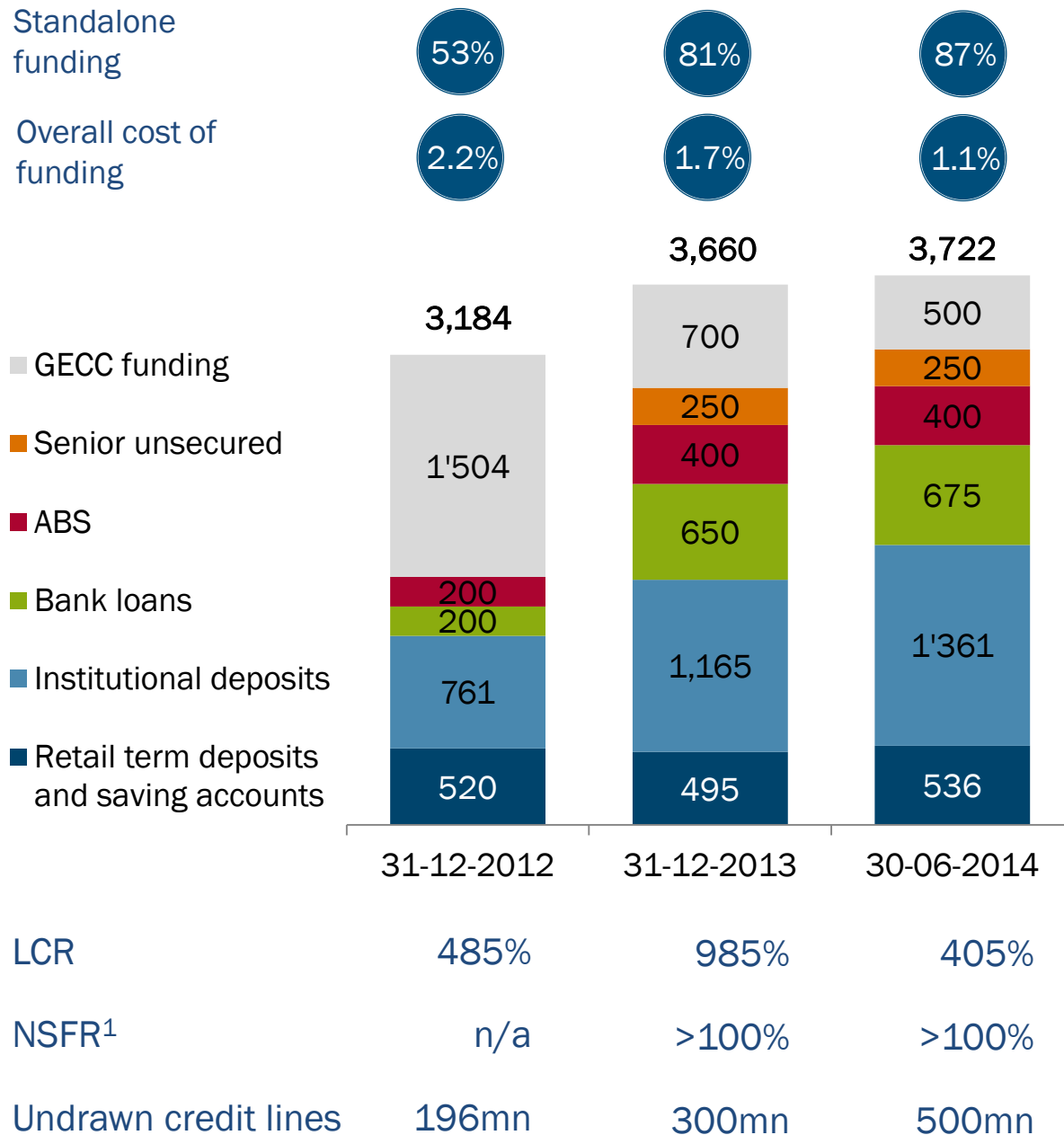
3 ■ Continued growth in deposits, reaching now 51% of total funding, driven by Institutional up CHF 196mn and Retail up CHF 41mn
 ■ Swiss banks loan expiring in 2014 has been renegotiated
 ■ GE funding now reduced to CHF 500mn (term loan only)

4 ■ Equity down versus year-end 2013 driven by CHF 85.5mn dividend payment in May partially offset by first half retained earnings

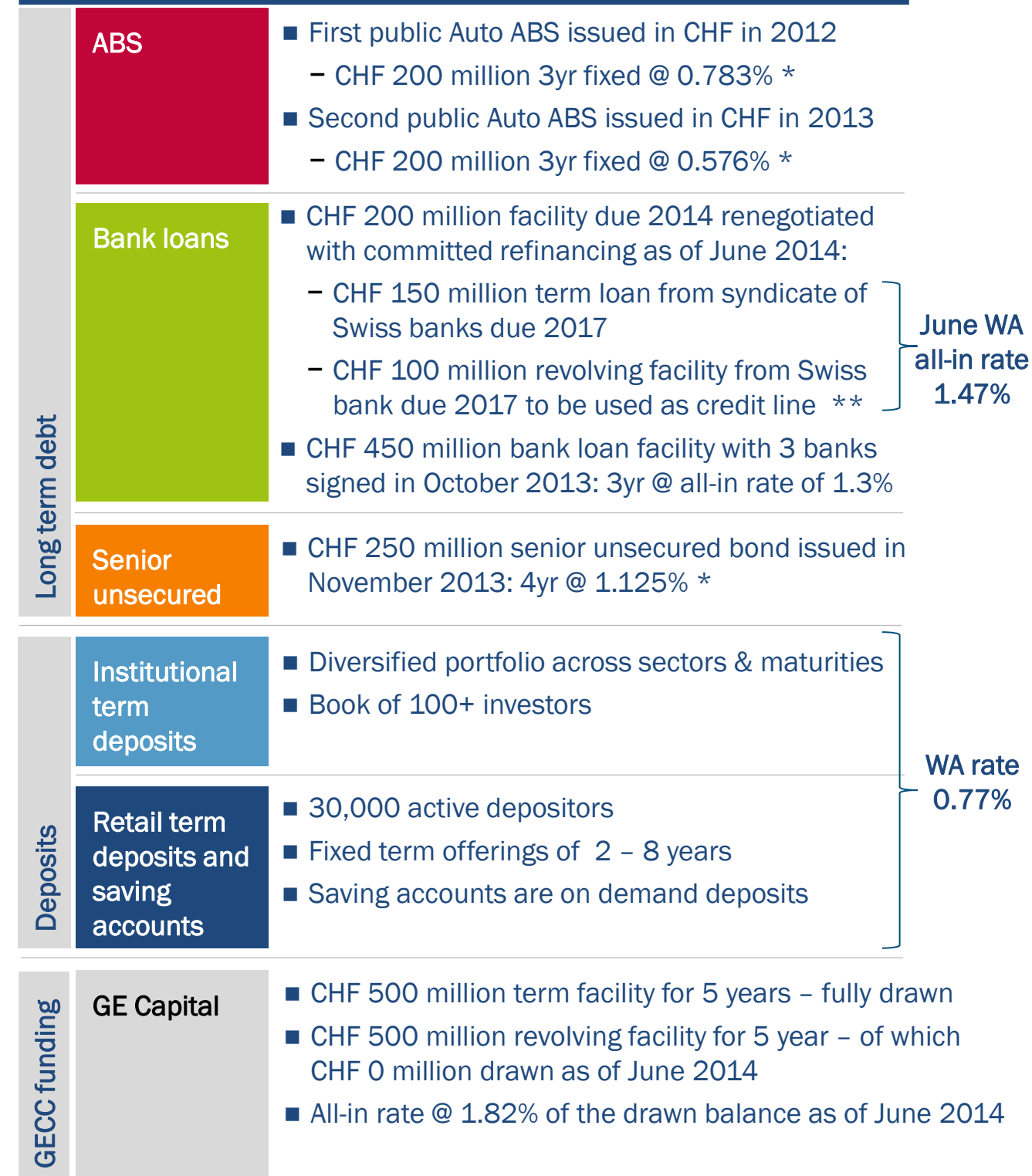
Funding

Diversified, local funding sources

(in CHF mn)



Existing funding programs



¹ Based on the revised NSFR framework published by the Basel Committee on Banking Supervision in January 2014

* Additional charges apply related to fees and debt issuance costs

** Will become available in December 2014

P&L

| Income statement - US GAAP (in CHF mn) | H1'14 | H1'13 | V% |
|--|--------------|--------------|-------------|
| Interest income | 168.9 | 171.5 | (2) |
| Interest expense | (20.5) | (33.2) | (38) |
| Net interest income | 148.4 | 138.3 | 7 |
| Insurance | 10.7 | 10.1 | 6 |
| Credit card fees | 21.5 | 17.4 | 24 |
| other | 5.4 | 7.1 | (24) |
| Commission and fee income | 37.5 | 34.6 | 9 |
| Total income | 185.9 | 172.8 | 8 |
| Provisions for losses | (21.0) | 18.9 | nm |
| Operating expense | (82.6) | (79.3) | 4 |
| Income before taxes | 82.3 | 112.5 | (27) |
| Taxes | (17.6) | (24.8) | (29) |
| Net income | 64.7 | 87.7 | (26) |
| Adjusted net income ¹ | 64.7 | 61.6 | 5 |
| Basic earnings per share (EPS) | 2.16 | 2.92 | (26) |
| Adjusted EPS ¹ | 2.16 | 2.08 | 5 |

Key ratios

| | | |
|---|-------|-------|
| Net interest income / financing receivables | 7.2% | 6.8% |
| Cost/income | 44.5% | 45.9% |
| Effective tax rate | 21.4% | 22.0% |
| Return on average equity (ROE) | 16.4% | 17.7% |
| Return on average assets (ROA) | 2.8% | 4.0% |

Comments

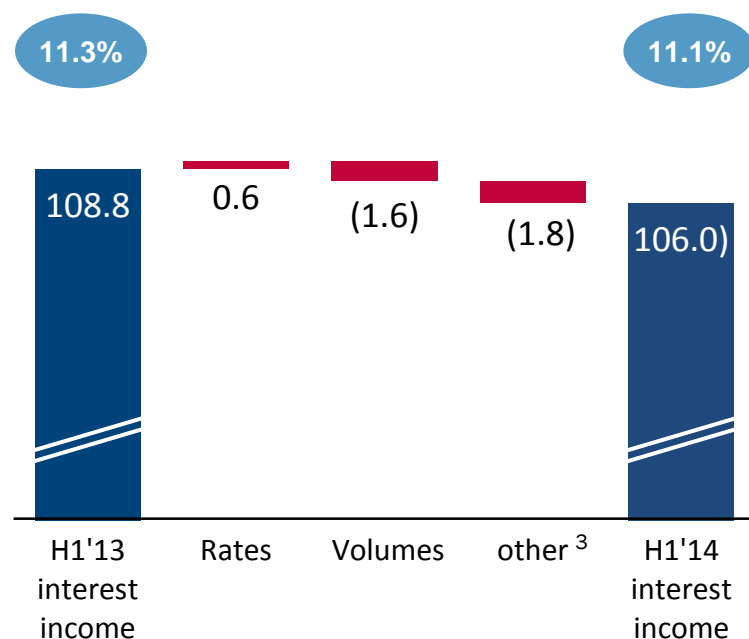
- 1 ■ Net interest income up 7% driven by continued change in funding mix driving lower interest expense
- 2 ■ Insurance stabilizing ... slightly higher profit share
■ Consistent growth in Credit Cards with fees up 24%
■ Revolving loan product run-off impacting other fees
- 3 ■ Non repeat of H1'13 sale of loss certificates (CHF 33.1mn pre-tax gain) ... Loss rate @ 1% driven by lower recoveries
- 4 ■ Opex up CHF 3.3mn driven by FINMA provision & operationally flat year over year driven by pension & headcount productivity offset by IT transition
- 5 ■ Net income up 5% versus adjusted H1'13 net income (adjusted for sale of loss certificates)
- 6 ■ Annualized return on equity @ 16.4% based on normalized equity level versus 2013

Interest income by product lines

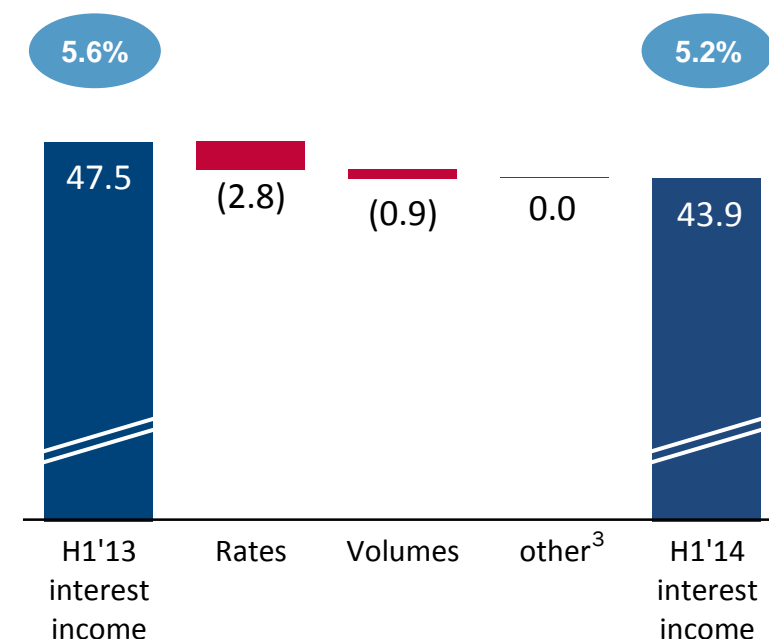
| Average financing receivables ¹ (in CHF mn) | H1'14 | H1'13 | Interest income (in CHF mn) | H1'14 | H1'13 |
|--|--------------|--------------|--|--------------|--------------|
| Personal loans | 1,912 | 1,939 | Personal loans | 106.0 | 108.8 |
| Auto loans and leasing | 1,675 | 1,703 | Auto loans and leasing | 43.9 | 47.5 |
| Credit cards | 514 | 437 | Credit cards | 18.7 | 15.2 |
| Total financing receivables | 4,101 | 4,079 | Total interest income² | 168.6 | 171.5 |

Change in personal loans interest income

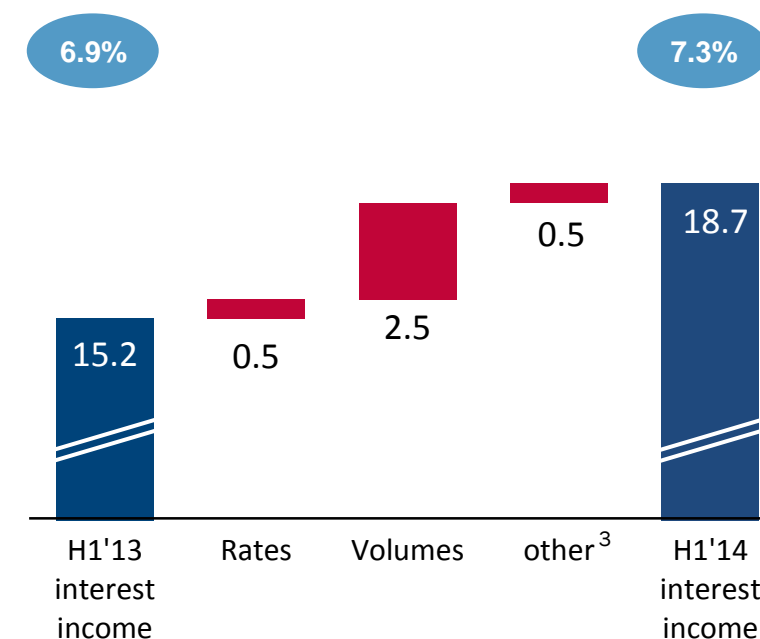
Avg. rate:



Change in auto loan/leasing interest income



Change in credit cards interest income



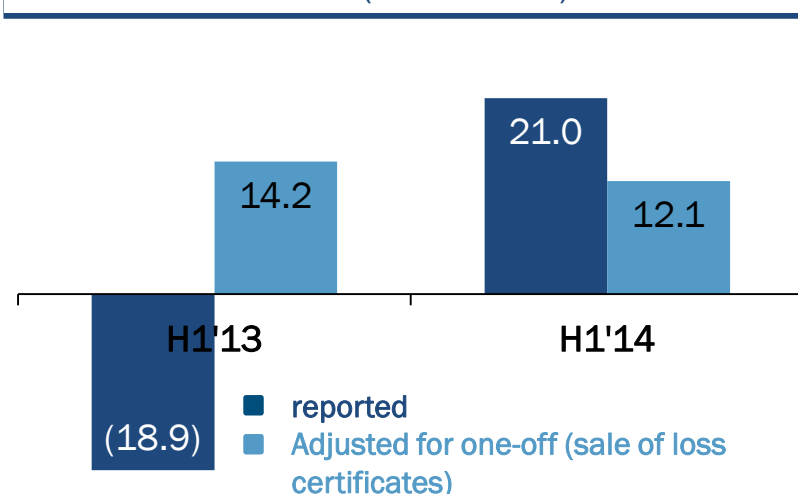
¹ Average receivables calculated on a half-yearly basis

² Excludes interest income from 'Other' of CHF 0.2mn and CHF 0.0mn in H1'14 and H1'13, respectively

³ 'Other' includes deferred income and other interest

Provisions for losses

Provision for losses (in CHF mn)



| | | |
|---|--------|------|
| Loss rate ¹ | (0.9%) | 1.0% |
| Adjusted loss rate ² | 0.7% | 0.6% |
| 30+ days past due | 2.1% | 2.0% |
| Non-performing loans (NPL) ³ | 0.5% | 0.5% |

Comments

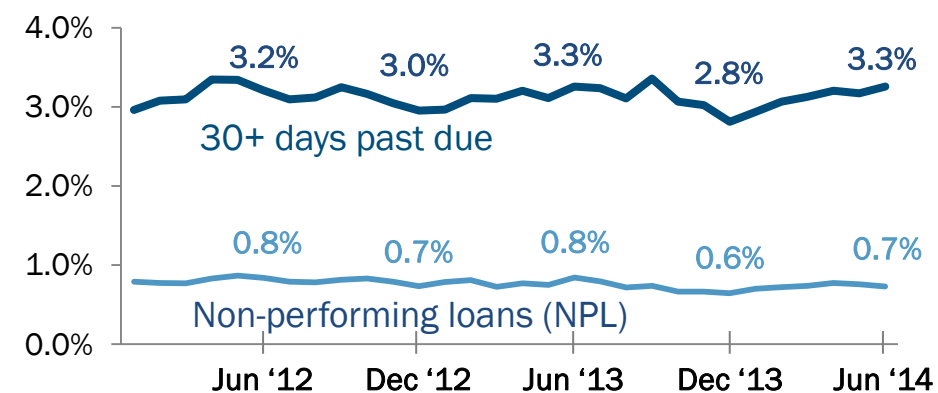
- Loss performance in line with guidance of 1%
- Sale of loss certificates in H1'13 affecting recovery flow
- Seasonal increase in delinquencies but in line with prior years trends

¹ Loss rate is defined as the ratio of provisions for losses on financing receivables to average financing receivables (net of deferred income and before allowance for losses)

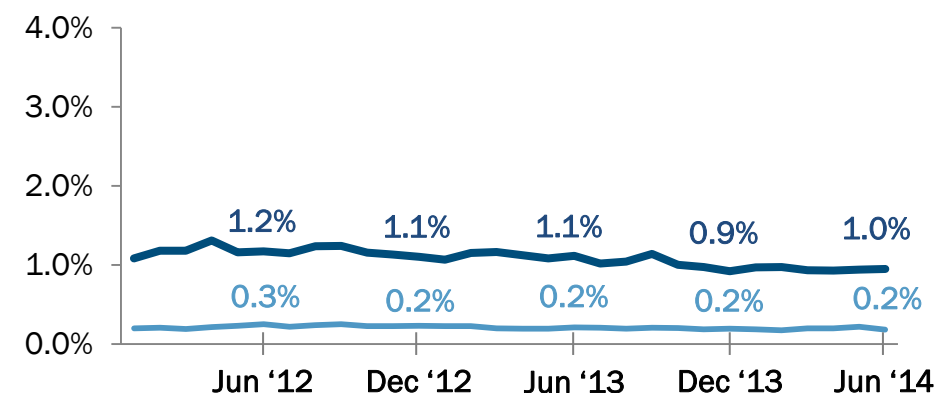
² Adjusted for CHF 33.1mn pre-tax gain from sale of loss certificates in H1'13 and estimated CHF 8.9mn lower recoveries in H1'14 because of debt sale.

³ Non-performing loans (NPL) ratio is defined as the ratio of non-accrual financing receivables (at period-end) divided by the interest bearing assets

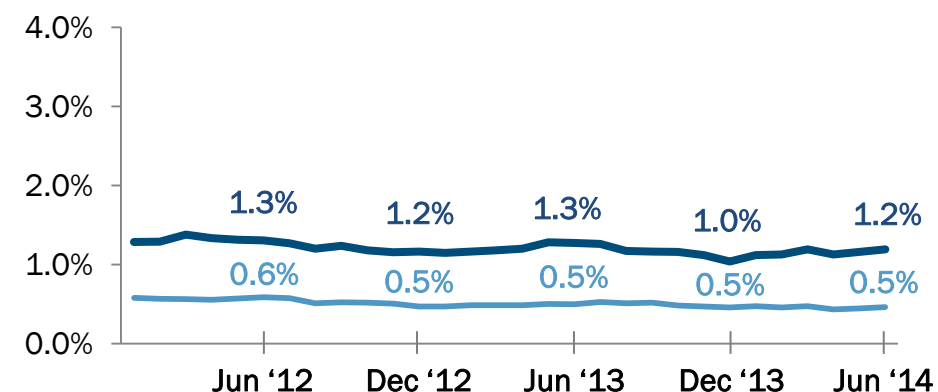
Personal loans



Auto



Cards



Operating expense

| Income statement (in million CHF) | H1'14 | H1'13 |
|---|--------------|--------------|
| Compensation and benefits | 1 47.9 | 51.3 |
| GE Capital assessments / TSA ¹ | 2 3.4 | 4.2 |
| Professional services | 3 8.3 | 4.3 |
| Marketing | 4 2.9 | 4.5 |
| Collection fees | 5 3.1 | 3.8 |
| Postage and stationery | 4.3 | 3.6 |
| Rental expenses under operating leases | 2.9 | 2.9 |
| Depreciations and amortization | 1.1 | 1.5 |
| Other | 6 8.7 | 3.1 |
| Total operating expenses | 82.6 | 79.3 |
| Adjusted operating expense ² | 79.6 | 79.3 |
| Cost/income ratio (reported) | 44.5% | 45.9% |
| Cost/income ratio (adjusted) | 42.8% | 45.9% |
| Full-time equivalent employees (FTE) | 703 | 700 |

Comments

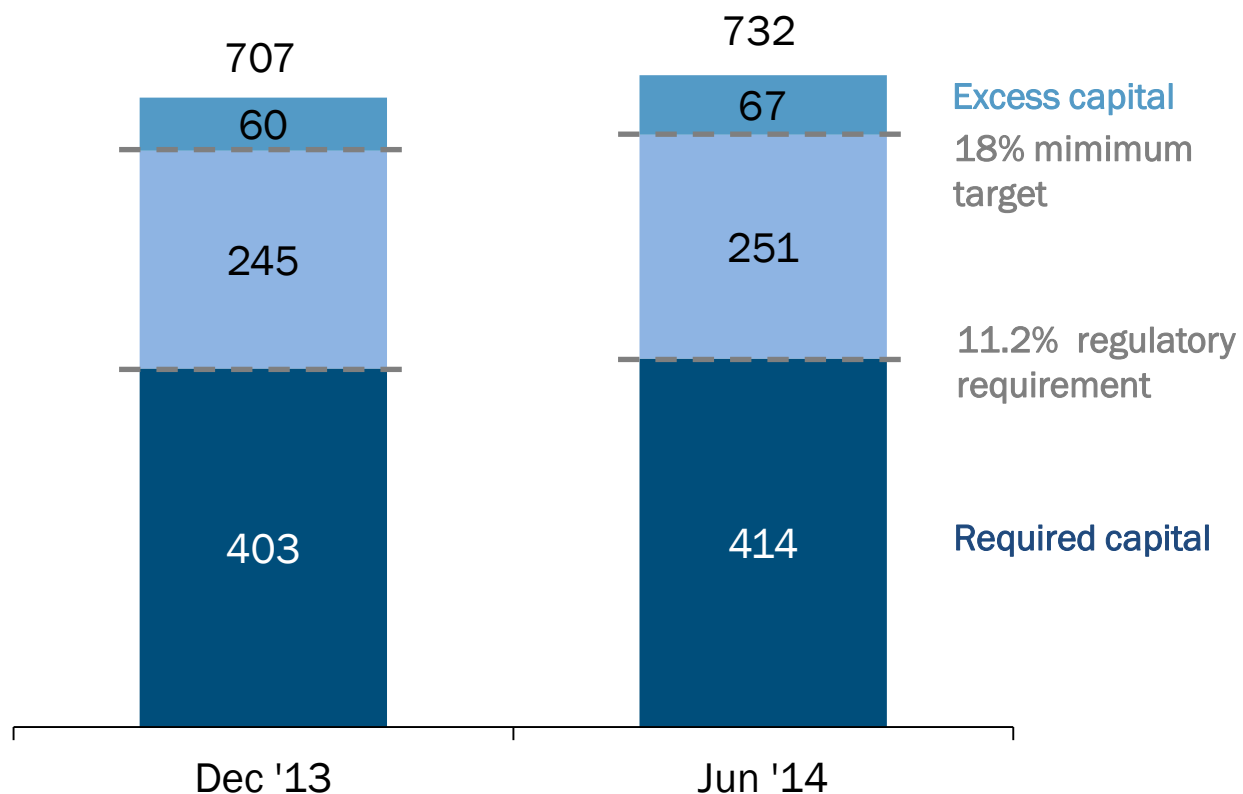
- 1 ■ C&B driven by lower pension cost following strong pension assets performance in 2013 and continuous headcount productivity
- 2 ■ 2014 TSA in line with guidance for the year
- 3 ■ Increase in professional services driven by overall costs of being listed and IT business transition
- 4 ■ H1'14 marketing spending adjusted following strong rebranding campaign in Q4'13. Increase in mailing campaigns shown in Postage & Stationery
- 5 ■ Lower collection costs primarily driven by 2013 debt sale
- 6 ■ FINMA-related provision (CHF 3.0mn) and IT transition related costs such as hosting & licenses

¹ Transactional Service Agreement (TSA) from November 2013

² Adjusted for FINMA-related provision of CHF 3.0mn accounted for in 'Other'

Capital

Required and excess capital (CHF mn)¹



Contemplated future allocation of excess capital

We will use excess capital in an accretive, shareholder-friendly manner:

- Bolt-on acquisition of portfolios (opportunistic)
- Return to shareholders:
 - Extra dividends
 - Share buyback

RWA and capital (in CHF mn)

| | Jun '13 | Dec '13 | Jun '14 |
|-----------------------------|---------|---------|---------|
| Risk-weighted assets (RWA) | 3,668 | 3,596 | 3,697 |
| Tier 1 capital ² | 825 | 707 | 732 |
| Tier 1 capital ratio | 22.5% | 19.7% | 19.8% |

¹ Derived from the Bank's statutory consolidated financial statements which were prepared in accordance with Swiss GAAP

² Includes half-year net income adjusted for expected dividend distribution

Outlook / Guidance

Medium-term targets

Asset growth

- Net customer loan growth to be moderate and in line with Swiss GDP growth

Profitability

- RoE target of at least 15%

Capitalisation

- Target consolidated Tier 1 capital ratio of minimum 18%

Dividend payout

- Target payout ratio between 60% and 70% of consolidated net profit

H1'14

+3.0%



16.4%¹



19.8%



65%²

Outlook for H2'14

Business transition

- Executing on our funding and IT transition

Legacy agent case

- Expecting FINMA to issue its final position in Q4'14

Cost

- Continuously reviewing and optimizing cost structure

Confirming full-year 2014 guidance

Earnings per share (reported)

- EPS in the range of CHF 4.40 – 4.60

¹ Annualized

² Assumed distribution to determine Tier 1 capital; to be revisited at year-end 2014

Appendix

Full balance sheet details

| Assets (in CHF mn) - US GAAP | 30-06-14 | 31-12-13 |
|---|-----------------|-----------------|
| Cash and cash equivalents | 394.8 | 491.7 |
| Net financing receivables, net | 4,111.9 | 3,992.9 |
| Property, plant and equipment, net | 4.3 | 4.1 |
| Intangible assets, net | 5.5 | 2.3 |
| Other assets | 99.0 | 82.0 |
| Deferred income taxes | 12.4 | 16.5 |
| Total Assets | 4627.9 | 4,589.6 |
| Liabilities and Equity (in CHF mn) | | |
| Deposits | 1,898.1 | 1,660.0 |
| Accrued expenses and other payables | 115.7 | 119.4 |
| Due to affiliates | 500.0 | 700.0 |
| Short-term debt | 75.0 | - |
| Long-term debt | 1249.6 | 1,299.5 |
| Other liabilities | 9.5 | 11.2 |
| Total liabilities | 3,848.0 | 3,790.2 |
| Common shares | 30.0 | 30.0 |
| Additional paid in capital | 563.1 | 647.9 |
| Treasury shares | (2.0) | (2.0) |
| Retained earnings | 198.5 | 133.8 |
| Accumulated other comprehensive loss | (9.6) | (10.3) |
| Total shareholders' equity | 779.9 | 799.3 |
| Total liabilities and shareholders' equity | 4,627.9 | 4,589.6 |

Cost of funding drivers

| Funding balance at period end (in CHF mn) - US GAAP | 30-06-14 | 30-06-13 |
|--|-----------------|-----------------|
| Deposits | 1,897 | 1,512 |
| Bank loans | 675 | 200 |
| ABS | 400 | 400 |
| Senior unsecured | 250 | - |
| GE funding | 500 | 1,254 |
| Interest expense (in CHF mn) | H1'14 | H1'13 |
| Deposits | 7.1 | 7.0 |
| Bank loans | 4.9 | 1.3 |
| ABS | 2.2 | 1.4 |
| Senior unsecured | 1.6 | - |
| GE funding | 4.7 | 23.5 |