Letter to Shareholders

Dear Shareholders

It is our pleasure to inform you about another successful first half-year for Cembra Money Bank. With a 3 % higher net income of CHF 71.8 million we achieved the best first half-year result since being a listed company. In a challenging economic environment we have been able to expand net financing receivables by 1 %. With a Tier 1 capital ratio of 20.1 % we remain strongly capitalised and expect another set of solid results for full-year 2016.

Net revenues increased by 4 % to CHF 197.4 million compared to first half 2015 with both interest and commission and fee income contributing to the growth. Net interest income was up 2 % to CHF 150.3 million driven by lower funding rates. Commission and fee income was 10 % higher at CHF 47.1 million mainly due to the strong performance in credit cards fee income. Our prudent risk management approach was reflected in low provisions for losses on financing receivables of CHF 21.7 million, equivalent to a loss rate of 1.1 % of financing receivables. Delinquency metrics in our portfolio remained stable with a non-performing loan ratio of 0.4 %. Operating expenses increased by 4 % to CHF 84.8 million mainly due to higher IT, depreciation and pension costs. With a stable cost/income ratio of 42.9 % we remained very competitive. Net income increased by 3 % to CHF 71.8 million and EPS grew by 8 % to CHF 2.55, making it the best first half-year result since our IPO. The annualised return on average equity (ROE) reached a record 18.2 % and was considerably above our 15 % medium-term target.

Continued growth in credit cards

With net financing receivables increasing by 1 % to CHF 4,100 million, the Bank was able to outperform Swiss GDP growth in the first six months of 2016.

Despite resilient private consumption in Switzerland, the consumer loan market continued to decline in the first half-year 2016. Receivables in the Bank's personal loan business decreased by 2 % to CHF 1,756 million. Revenues reduced in line with the receivables development while pricing was stable.

After a very strong development in 2015, the Swiss auto market stabilised in the first six months of 2016. While new car registrations slightly regressed, the market for used cars developed positively. Our net financing receivables of the auto leases and loans portfolio increased by 1 % to CHF 1,670 million. Revenues in the auto business slightly declined due to lower rates offered in the market.

Cards again recorded excellent growth with net financing receivables increasing by 9 % to CHF 673 million compared to year-end 2015. All card programmes contributed to the 6 % growth in the number of issued credit cards to 693,000 in the first six months 2016. Revenues in the cards business increased supported by higher cross-border transactions and the overall growing portfolio. The partnership with Conforama was renewed and FNAC, a retailer of entertainment and leisure products and consumer electronics, was signed as new credit card partner.

Fully independently funded

We continued to further diversify our funding. Owing to our attractive term deposit rate offering we have been able to increase deposits from both retail (up 8 %) and institutional clients (up 1 %) to an aggregate CHF 2,324 million. Deposits now account for 62 % of our funding. In June 2016, the Bank successfully executed its fourth auto lease asset backed security (ABS) transaction of CHF 200 million at favorable conditions. The Bank also fully repaid the remaining CHF 250 million term loan from the General Electric Group in two steps during January and July. With that the Bank is now 100 % independently funded.

Strongly capitalised Bank

Shareholders' equity decreased slightly to CHF 779 million by end of June 2016 as a result of the CHF 94.5 million dividend payment in May. With a Tier 1 capital ratio of 20.1 % we remain very well capitalised. Compared to our minimum Tier 1 target of 18 %, we have CHF 78 million of excess capital. The Bank would like to use that capital for acquisitions in the consumer finance space which support the growth of our business.

New interest rates for consumer loans

Since 1 July 2016, the lower maximum interest rates on consumer loans offered under the Consumer Credit Act are in place. The maximum interest rate on personal loans has been reduced to 10 %. The respective maximum interest rate for credit card overdrafts has been reduced to 12 %. The Bank has adapted the pricing of its loan products accordingly and offers personal loans starting from 7.95 %. Also the pricing for some of the credit card programmes has been adjusted. In order to mitigate the negative impact on revenues we have initiated several measures and, amongst others, we closed four smaller branches as of 1 May 2016.

Guidance for full-year 2016

Assuming no major change in the economic environment we expect earnings per share (EPS) at the higher end of the guided range of between CHF 4.80 and CHF 5.10. For 2016 we expect declining interest income in the personal loans business as a result of the lower interest rate cap effective since July 2016. On the other hand, lower refinancing costs and continued growth in the credit card business should be supportive to revenues. For loan loss provisions we foresee a stable development and expect the loss rate to be in line with prior years' performance. Costs are expected to increase slightly for 2016.

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 Bank with their expertise, dedication and loyalty.

Dr. Felix A. Weber
Chairman of the Board of Directors

Robert Oudmayer
Chief Executive Officer

Key figures

For six months ended (CHF in millions)	**30 June 2016**	**30 June 2015**
Net revenues	197.4	190.3
Provision for losses on financing receivables	– 21.7	– 20.8
Total operating expenses	– 84.8	– 81.4
Income tax expense	– 19.1	– 18.5
Net income	**71.8**	**69.6**
Earnings per share (in CHF)	2.55	2.37
Annualised return on average shareholders' equity (ROE in %)	18.2 %	17.7 %
Cost / income ratio (in %)	42.9 %	42.8 %
Net interest margin (in %)	7.3 %	7.1 %

As at (CHF in millions)	**30 June 2016**	**31 December 2015**
Total assets	4,649	4,745
Net financing receivables	4,100	4,063
Personal loans	1,756	1,784
Auto leases and loans	1,670	1,661
Credit cards	673	617
Total shareholders' equity	779	799
Tier 1 capital ratio (in %)	20.1 %	19.8 %
Employees (full-time equivalent)	702	715
Credit rating (S&P)	A–	A–
Share price (in CHF)	68.15	64.40
Market capitalisation	2,045	1,932

Cembra Money Bank AG
Bändliweg 20
CH-8048 Zurich
Telephone: +41 44 439 81 11
investor.relations@cembra.ch
www.cembra.ch

#CembraMoneyBank