

# Letter to Shareholders



## Dear Shareholders

It is our pleasure to inform you about a successful first half-year 2015 for Cembra Money Bank. With a reported net income of CHF 69.6 million we showed excellent growth of 8%. Despite the challenging economic environment in Switzerland we have been able to increase net financing receivables. For full-year 2015 we remain confident and expect earnings per share to be above the previous year.

### Growing commission and fee income

Compared to first half 2014, net revenues increased by 2% to CHF 190.3 million. Net interest income was barely changed at CHF 147.3 million. The positive effect from lower funding rates on the market was offset by the charge for negative rates paid to the SNB. Commission and fee income was 15% higher at CHF 43.0 million mainly due to a 26% increase in credit cards fee income. Our prudent risk management approach was reflected in low and stable provisions for losses on financing receivables of CHF 20.8 million, or 1.0% of financing receivables. Delinquency metrics in our portfolio also remained stable at low levels with a non-performing loan ratio of 0.5%. We

kept tight control of total expenses which were down 2% to CHF 81.4 million, mainly as a result of lower general and administrative expenses. Our rigorous cost management resulted in a solid cost / income ratio of 42.8%. Net income was CHF 69.6 million, an increase of 8% compared to first half 2014. Earnings per share increased by 10% to CHF 2.37.

With net financing receivables increasing by 1% to CHF 4,102 million, the Bank was able to outperform Swiss GDP growth in the first six months of 2015. We continued to further diversify our funding. Owing to our attractive term deposit rate offering we recorded sizeable inflows from

institutional and retail clients, which led to an 11% increase in deposits to CHF 2,163 million. In March 2015, the Bank successfully executed its third auto lease asset backed security (ABS) transaction of CHF 200 million at favorable conditions.

Shareholders' equity was reduced to CHF 736 million by end June 2015 as a result of the dividend payment and the share buyback both executed in May 2015. The annualised return on average equity (ROE) for the first six months reached 17.7% and was therefore considerably above our 15% medium-term target. This was achieved while maintaining a solid capital base with a Tier 1 capital ratio of 18.7%.

#### **Credit cards drive growth in net financing receivables**

Again, in a slightly decreasing Swiss consumer finance market, the personal loan product line was able to consolidate its market position keeping receivables almost flat at CHF 1,840 million. As of 1 July 2015 we have reorganised the branch and agent businesses into regions to serve clients more efficiently.

The appreciation of the Swiss Franc had a significant impact on the Swiss auto market. While new car registrations benefited from lower import prices, used car transactions were flat in the first six months of 2015. Net financing receivables of the auto leases and loans portfolio increased slightly to CHF 1,668 million.

Cards again recorded strong growth with net financing receivables increasing by 7% to CHF 595 million compared to year-end 2014. All card programmes contributed to the 3% growth of the number of issued credit cards to 626,000 in the first six months 2015.

#### **Share buyback concluded**

At the beginning of May, the former major shareholder, General Electric Company, sold all its remaining 9.5 million Cembra Money Bank shares (equivalent to 31.5% of the capital). In an accelerated book-building process the shares were placed with various institutional investors at a price of CHF 55.50 per share. In this process Cembra Money Bank bought back 1.8 million of its own shares for a total consideration of CHF 100 million. The buyback followed the intention communicated earlier this year to use excess capital for share acquisition in case of a liquidity event by a major shareholder. The Board of Directors of Cembra Money Bank will evaluate in due course on the use of the shares which will be held as treasury shares for the time being. The share buyback does not negatively affect the Bank's future ability to pay dividends.

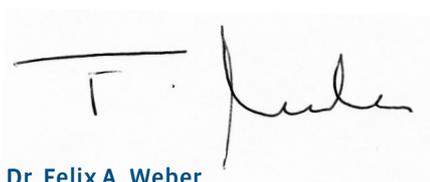
#### **Resignation from the Board of Directors**

After the General Electric Company had sold its remaining shares, Richard Laxer, who serves as representative of the General Electric Company on our Board of Directors, has announced his resignation from the Board of Directors effective 1 September 2015. Denis Hall, who also represented the General Electric Company, will remain on the Board of Directors as an independent member and continue to provide his vast expertise in risk management to the Board. Prof. Dr. Peter Athanas, member of the Board of Directors and Chairman of the Audit Committee, has been elected by the Board of Directors as a member of the Compensation and Nomination Committee. He will replace Richard Laxer, who has announced his retirement from the Board of Directors.

#### **Increasing full-year 2015 guidance**

The last milestone in our transition to a stand-alone Bank is the migration of the IT infrastructure from the General Electric Group platform to a stand-alone solution. This major project made significant progress in the first half-year 2015 with about 82% of all items successfully completed and we foresee completion of the transition by year-end 2015.

Given the seasonality in Cembra Money Bank's business and assuming no major change in the economic environment, net revenue for the second half-year 2015 should exceed first half-year net revenue. Funding costs are expected to benefit from the repayment of loans signed at the time of the IPO and the low interest rate environment.



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

At the same time, due to the scheduled completion of the business transition, IT related operating expenses will increase compared to the first half of the year. Based on these factors, Cembra Money Bank increases its full-year 2015 guidance and is expecting reported earnings per share of between CHF 4.70 and CHF 4.90.



**Robert Oudmayer**  
Chief Executive Officer

## Key figures

<i>For the six months ended (CHF in millions)</i>	<b>30-06-2015</b>	<b>30-06-2014</b>
Net revenues	190.3	185.9
Provision for losses on financing receivables	- 20.8	- 21.0
Total operating expenses	- 81.4	- 82.6
Income tax expense	- 18.5	- 17.6
Net income	69.6	64.7
Earnings per share (in CHF)	2.37	2.16
Annualised return on average equity (ROE in %)	17.7%	16.4%
Annualised return on average assets (ROA in %)	2.9%	2.8%
Cost/ income ratio (in %)	42.8%	44.5%
<i>As at (CHF in millions)</i>	<b>30-06-2015</b>	<b>31-12-2014</b>
Total assets	4,772	4,812
Net financing receivables	4,102	4,074
Personal loans	1,840	1,855
Auto leases and loans	1,668	1,662
Credit cards	595	556
Total shareholders' equity	736	842
Tier 1 capital ratio (in %)	18.7%	20.6%
Employees (full-time equivalent)	708	702
Rating (S&P)	A -	A -
Share price (in CHF)	57.00	55.00
Market capitalisation	1,710	1,650

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