

Full-year 2014 financial results

26 February 2015



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Cembra Money Bank highlights 2014

Environment

- Interest rates reached historically low levels, turning negative, creating a unique funding environment
- Swiss economy grew around 1.7% in 2014 and is expected to only moderately grow in 2015

Financials

- Cembra delivered a net income of CHF 139.9mn or CHF 4.67 a share, up 5% compared to 2013
- Financing receivables grew 2% exceeding Swiss GDP growth, driven by strong Cards & Auto performance
- Cost/income ratio reached 42.5% vs 43.9% in 2013 (adjusted for IPO related costs)
- Return on average equity of 17.0% on strong capital base with Tier 1 capital ratio¹ of 20.6%

Operational

- Achieved 87% stand-alone funding ... deposits grew by 17% since year-end 2013
- IT transition under way with 70% TSA completed ... on schedule to be completed by year-end 2015
- Continued good loss performance: delinquencies 30+ at 1.8% / NPL at 0.4% ... loss rate @ 1% as guided
- Digitization progress with introduction of a new eService platform in October 2014

Capital allocation

- Proposed 2014 cash dividend of CHF 3.10 per share (up 9% vs 2013), to be paid out of reserves from capital contributions and free of Swiss withholding tax
- Authorisation to use up to CHF 100mn excess capital to buy back shares in case of a liquidity event by major shareholder

¹ Includes net income adjusted for expected dividend distribution

Product line update

Personal Loans

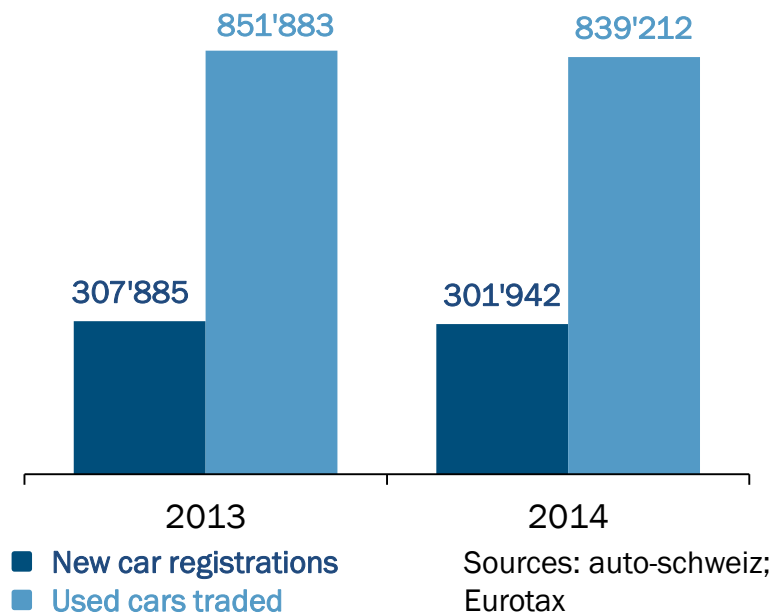
Cembra online presence



- Slightly decreasing personal loan market in Switzerland in 2014
- Stabilised asset base through strong distribution through branches, agents and online
- Increase of loan leads via mobile site
- Successful rebranding finalised and supporting business

Auto

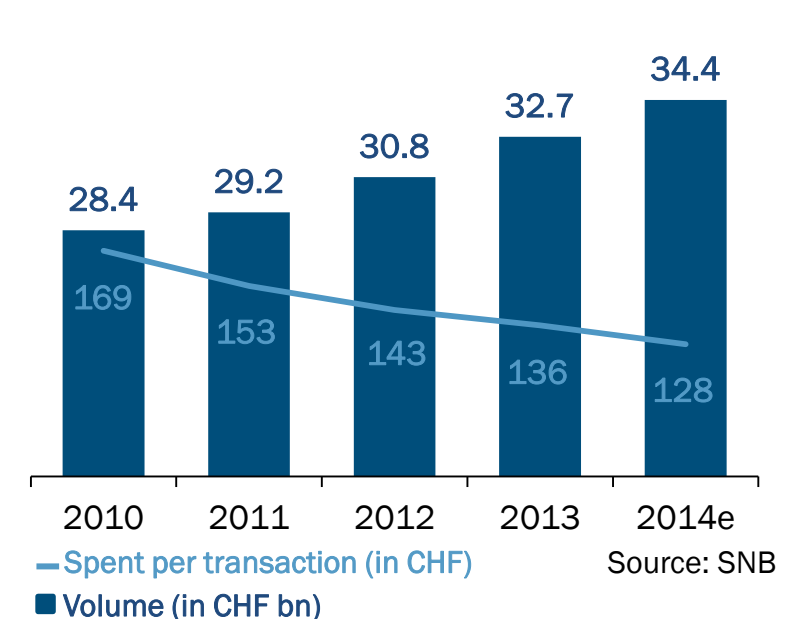
Swiss car market



- New and used car market declined about 2% in 2014
- Cembra outperformed the market through excellent service levels (two new regional centers) and strong sales support
- Solid distribution mix between new and used cars, brands and small/large dealers

Credit Cards

Swiss credit card transaction volume¹



- Continued strong organic growth with number of credit cards up 10% to 606,000
- Successful launch of new eService platform in October driving 24% increase in registrations
- 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

Regulatory

- FINMA investigation closed: no financial and business implications
- Lower domestic interchange fee with non-significant impact:
 - Does not apply to international & Migros in-store transactions
 - Mitigating measures
- Proposed interest rate cap at 10% would affect mainly Personal loans business:
 - Consultation period until end of March 2015
 - Cembra challenging proposal & providing feedback through Banking association
- No participation in US tax program

Stronger Swiss Franc

- Limited impact: Switzerland based only and all revenues and almost all costs in CHF
- Cards: Positive trend on usage of cards abroad
- Auto: New and used car prices expected lower, but:
 - Little impact on ticket size
 - Limited impact on losses due to strong residual value surplus (ca 25%)
- Funding:
 - SNB charging negative rates
 - Overall cost of funding expected flat to lower with increased duration
- Growth: Overall impact on Swiss economy and unemployment to be seen

Business transition

- Renewing the majority of our IT landscape within 2 year period
- 70% TSA items completed; on plan to be completed by end 2015
- Simplifying our world outside GE
- Upgrading platforms as we transition

Balance sheet

Assets (in CHF mn; US GAAP)	31-12-14	31-12-13	V%
Cash and equivalents	1 622	492	27
Net financing receivables	2 4,074	3,993	2
Personal loans	1,855	1,861	0
Auto loans and leases	1,662	1,647	1
Credit cards	556	485	15
Other assets	116	105	10
Total Assets	4,812	4,590	5

Liabilities (in CHF mn)

3rd party funding	3 3,341	2,960	13
Deposits	1,941	1,660	17
Long-term debt	1,400	1,300	8
Due to Affiliates - GE funding	500	700	(29)
Other liabilities	129	131	(2)
Total liabilities	3,970	3,790	5
Shareholders' equity	4 842	799	5
Total liabilities and equity	4,812	4,590	5

Risk-weighted assets 3,689 3,596 3

Ratio analysis

3rd party funding / total funding	87%	81%
Tier 1 capital ratio ¹	20.6%	19.7%

Comments

1 ■ Higher cash balance driven by seasonality and upcoming maturities

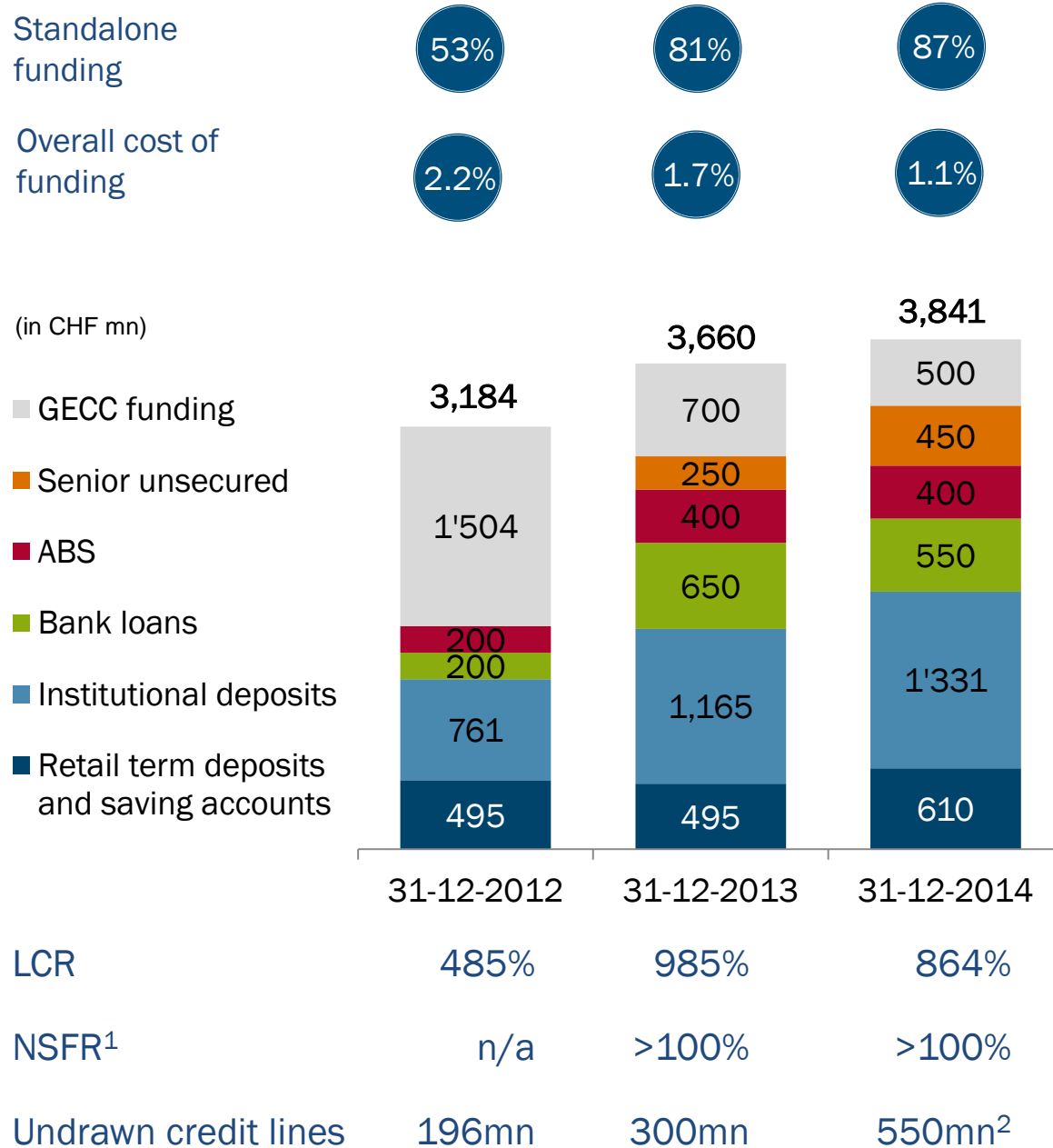
2 ■ Financing receivables growing 2% driven by continuous development in Cards (up 15%) while Auto and Personal loans are outperforming their respective markets which are down

3 ■ Continued growth in deposits, reaching now 51% of total funding, driven by Institutional up 14% and retail up 23%
 ■ Swiss banks loan expiring in 2014 has been renegotiated
 ■ New International Bank facilities signed, continuing to rebalance overall banks loan exposure
 ■ GE funding reduced to CHF 500mn (term loan only)

4 ■ Equity up in line with 2014 net income accumulation

Funding

Diversified, local funding sources



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

² Excludes undrawn committed term facilities

Existing funding programs

Long term debt	ABS	<ul style="list-style-type: none"> First public Auto ABS issued in CHF in 2012 <ul style="list-style-type: none"> – CHF 200mn 3yr fixed @ 0.783%* Second public Auto ABS issued in CHF in 2013 <ul style="list-style-type: none"> – CHF 200mn 3yr fixed @ 0.576%* 	
	Bank loans & committed credit lines	<ul style="list-style-type: none"> CHF 150mn term loan from syndicate of Swiss banks due 2017 CHF 100mn revolving facility from Swiss bank due 2017 (CHF 50mn drawn in 2014) CHF 150mn facility from international bank due 2018 (CHF 50mn drawn @ 0.87%* in 2014) CHF 300mn outstanding of IPO loan (prepaid CHF 150mn in 2014) @ all-in rate of 1.46% 	} WA all-in rate 1.00%
	Senior unsecured	<ul style="list-style-type: none"> November 2013: CHF 250mn 4yr @ 1.125%* October 2014: CHF 100mn 5yr @ 0.75%* October 2014: CHF 100mn 8yr @ 1.25%* 	
Deposits	Institutional term deposits	<ul style="list-style-type: none"> Diversified portfolio across sectors & maturities Book of 100+ investors 	} WA rate 0.80%
	Retail term deposits and saving accounts	<ul style="list-style-type: none"> 30,000 active depositors Fixed term offerings of 2 – 8 years Saving accounts are on demand deposits 	
GECC funding	GE Capital	<ul style="list-style-type: none"> CHF 500mn term facility for 5 years – fully drawn CHF 500mn revolving facility for 5 year – of which CHF 0mn drawn as of December 2014 All-in rate @ 1.85% of the drawn balance as of December 2014 	

* Additional charges apply related to fees and debt issuance costs

P&L

Income statement (in CHF mn; US GAAP)	2014	2013	V%
Interest income	342.7	343.7	(0)
Interest expense	(41.6)	(61.1)	(32)
Net interest income	301.0	282.6	7
Insurance	21.4	19.8	8
Credit card fees	46.9	38.9	21
other	10.1	13.2	(24)
Commission and fee income	78.4	71.9	9
Total income	379.4	354.5	7
Provision for losses	(40.9)	(7.0)	484
Operating expense	(161.4)	(178.9)	(10)
Income before taxes	177.2	168.6	(5)
Taxes	(37.3)	(35.7)	4
Net income	139.9	132.9	5
Basic earnings per share (EPS)	4.67	4.43	5

Key ratios

Net interest income / financing receivables	7.4%	7.0%
Cost/income	42.5%	50.5%
Effective tax rate	21.1%	21.2%
Return on average equity (ROE)	17.0%	14.1%
Return on average assets (ROA)	3.0%	2.9%

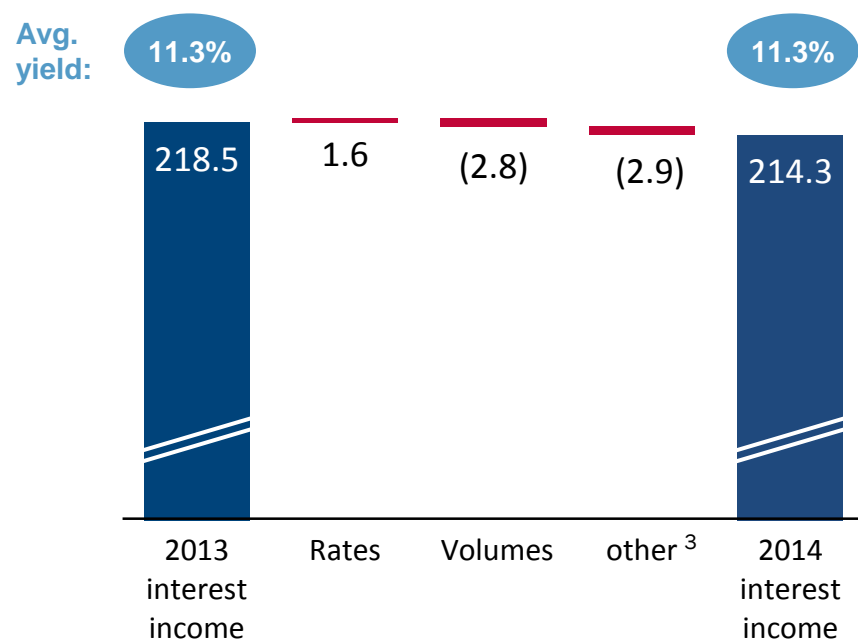
Comments

- 1** ■ Net interest income up 7% driven by continued change in funding mix driving lower interest expense
- 2** ■ Insurance normalizing ... slightly higher profit share
■ Consistent growth in Credit Cards with fees up 21%
■ Revolving loan product run-off impacting other fees
- 3** ■ Losses at 1% as guided; driven by recoveries flow impact from June 2013 debt sale
- 4** ■ Operating expenses lower driven by non repeat of CHF 23mn 2013 IPO costs partially offset by IT business transition, public company costs and FINMA examination
- 5** ■ EPS up 5% versus reported 2013
- 6** ■ Strong improvement in RoE at 17.0% driven by earnings growth and equity normalisation

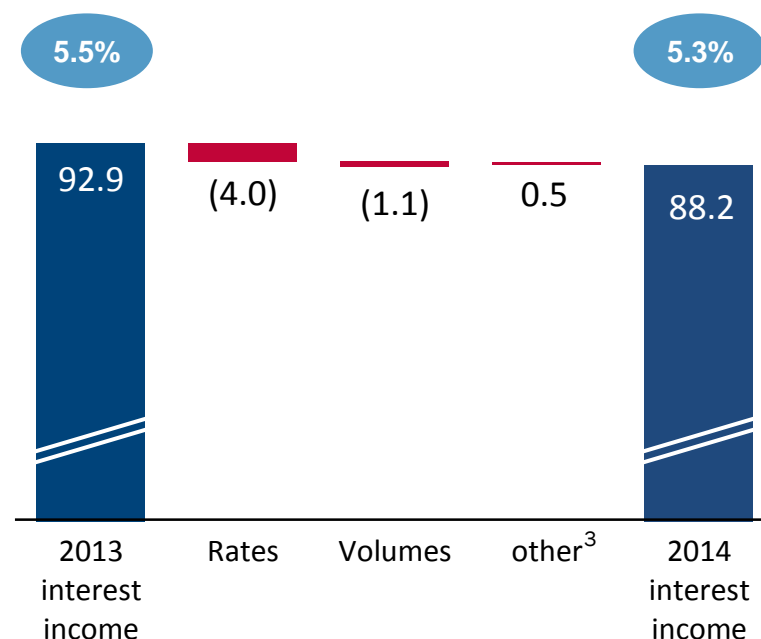
Interest income by product lines

Average financing receivables ¹ (in CHF mn)	2014	2013	Interest income (in CHF mn)	2014	2013
Personal loans	1,895	1,929	Personal loans	214.3	218.5
Auto loans and leasing	1,673	1,684	Auto loans and leasing	88.2	92.9
Credit cards	529	458	Credit cards	39.7	32.3
Total financing receivables	4,097	4,071	Total interest income²	342.2	343.7

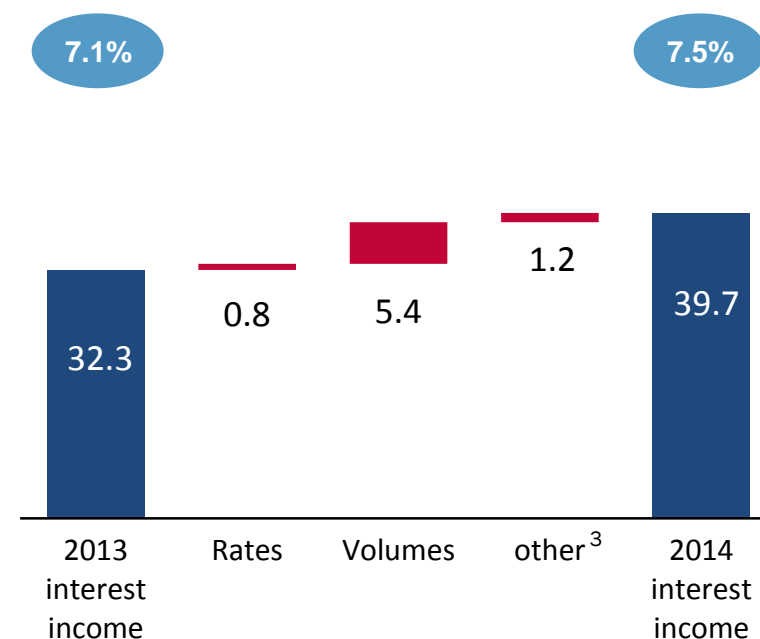
Change in personal loans interest income



Change in auto loan/leasing interest income



Change in credit cards interest income



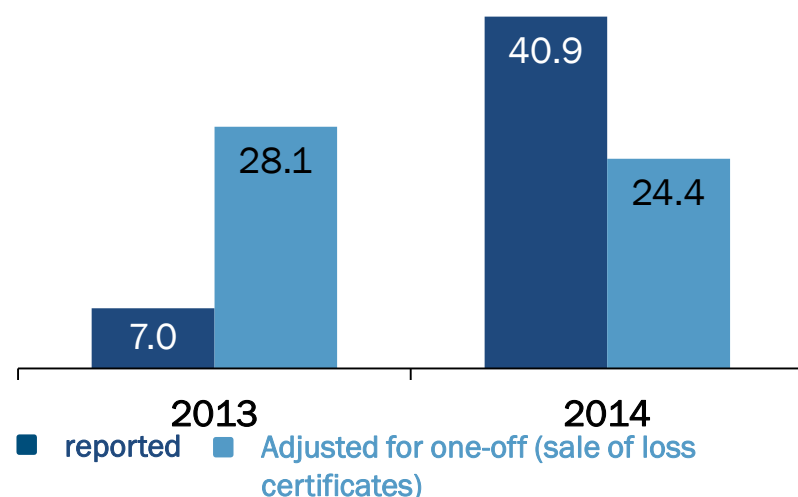
¹ Average receivables calculated on quarterly basis

² Excludes interest income from 'Other' of CHF 0.5mn

³ 'Other' includes deferred income and other interest

Provision for losses

Provision for losses (in CHF mn)



Loss rate ¹	0.2%	1.0%
Adjusted loss rate ²	0.7%	0.6%
30+ days past due	1.8%	1.8%
Non-performing loans (NPL) ³	0.4%	0.4%

Comments

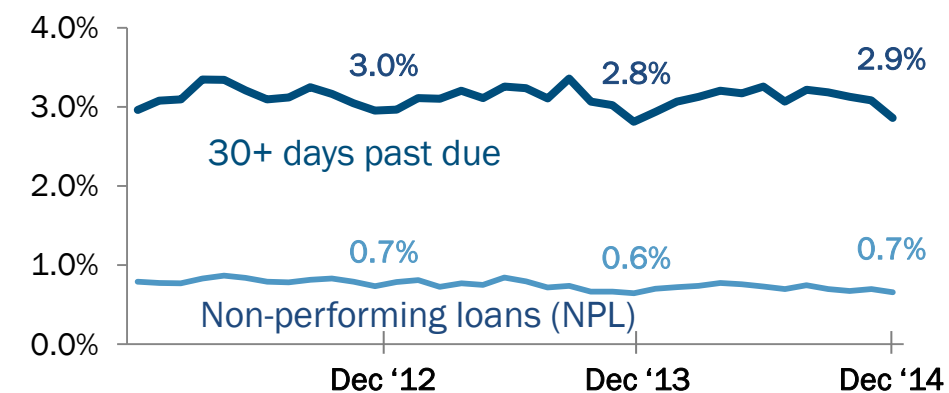
- Loss performance in line with guidance of 1%
- Sale of loss certificates in June 2013 still affecting recovery flow
- Stable delinquencies on all products and in line with prior year trends

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)

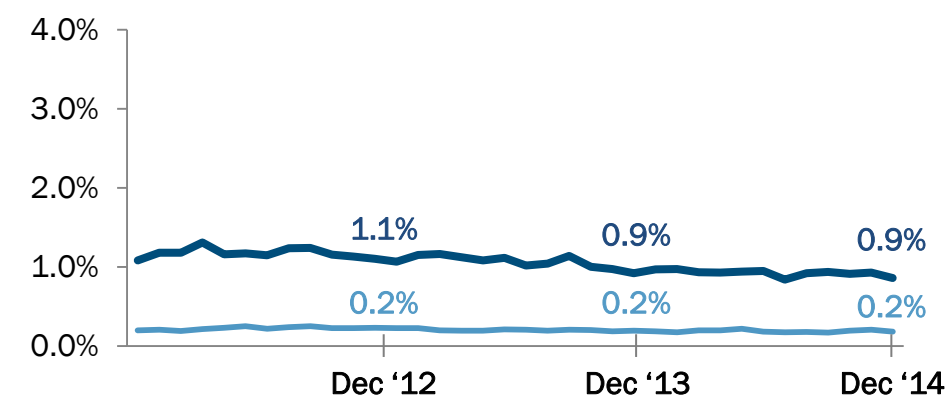
² Adjusted for CHF 33.1mn pre-tax gain from sale of loss certificates in June 2013 and estimated CHF 16.5mn lower recoveries in 2014 because of June 2013 debt sale.

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

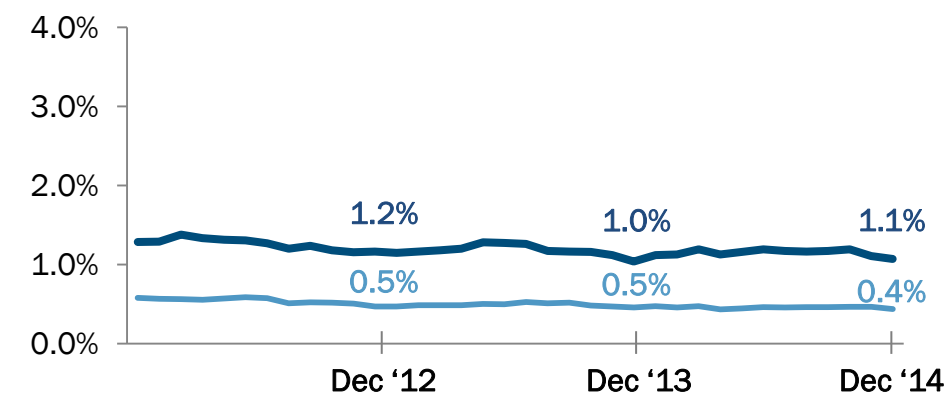
Personal loans



Auto



Cards



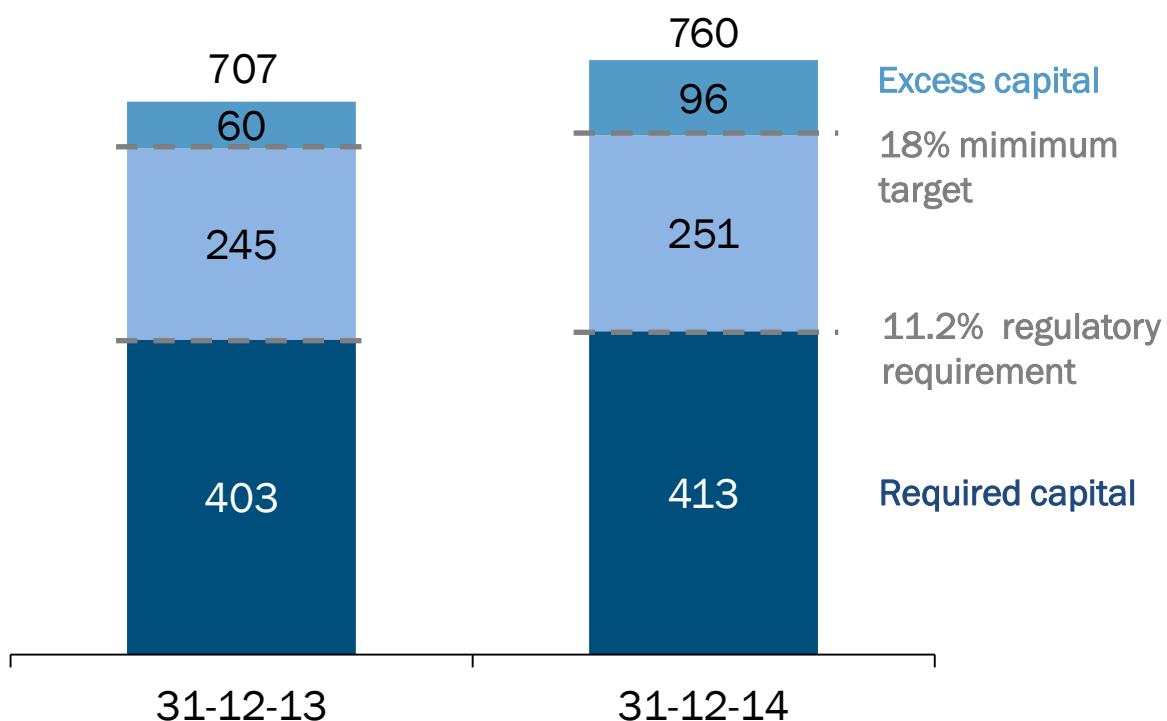
Operating expense

Income statement (in CHF mn)	2014	2013	V%	Comments
Compensation and benefits	1 95.9	100.3	(4)	1 ■ C&B lower due to reduced pension expense and continuous productivity through bank reorganization
GE Capital assessments / TSA ¹	2 6.1	8.9	(31)	2 ■ TSA replaces GE Capital MSA and assessments ■ 2013 included CHF 4.0mn GE royalty
Professional services	3 17.5	15.2	15	3 ■ Professional services included CHF 3.4mn business transition costs and CHF 1.5mn for a FINMA examination partly offset by a reduction in IPO transaction costs in 2013
Marketing	4 6.8	13.3	(49)	4 ■ Marketing included CHF 7.6mn rebranding costs in 2013
Collection fees	5 6.5	7.2	(9)	5 ■ Collections lower driven by June 2013 debt sale
Postage and stationery	6 8.7	10.1	(14)	6 ■ Postage & stationery included CHF 2.4mn of rebranding costs in 2013 partly offset by growth in Cards business
Rental expenses under operating leases	5.9	6.0	(2)	
Depreciation and amortization	7 2.5	3.2	(23)	7 ■ Investments in IT transition began amortizing in Q4 2014
Other	8 11.6	14.7	(22)	8 ■ Other includes business transitions costs of CHF 2.8mn ■ 2013 included CHF 7.3mn one-off share issuance costs
Total operating expenses	161.4	178.9	(10)	
Adjusted operating expenses	161.4	155.6	4	
Cost/income ratio (reported)	42.5%	50.5%		
Cost/income ratio (adjusted)	42.5%	43.9%		
Full-time equivalent employees (FTE)	702	700		

¹ Transational Service Agreement (TSA) from November 2013

Capital and Dividend

Required and excess capital (in CHF mn)¹



Contemplated allocation of excess capital

- Authorisation to use up to CHF 100mn excess capital to buy back shares in case of a liquidity event by major shareholder
- Reserves from capital contribution of CHF 370mn³ (Dec. 2014) designated for future dividend payments (Swiss withholding tax exempt)
- Opportunistic bolt-on acquisition of portfolios still a possibility in the future

RWA and capital (in CHF mn)	31-12-13	31-12-14
Risk-weighted assets (RWA)	3,596	3,689
Tier 1 capital ²	707	760
Tier 1 capital ratio	19.7%	20.6%

Per share data	2013	2014
Basic earnings per share (EPS) ⁴	4.43	4.67
Dividend per share (DPS) ^{5/6}	2.85	3.10
Payout ratio	64%	66%
Number of shares	30,000,000	30,000,000
Treasury shares	39,215	38,277
Shares outstanding	29,960,785	29,961,723
Weighted-average numbers of shares outstanding	29,993,464	29,960,813

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

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

³ Including CHF 93.0mn contemplated 2015 dividend

⁴ Based on weighted-average numbers of common shares outstanding

⁵ Proposal of the Board of Directors to the AGM on 29 April 2015

⁶ To be paid out of reserves from capital contributions of the Head Office

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

2014

+2.0%



17.0%



20.6%



66%¹



Outlook for 2015

Business transition

- Optimize funding strategy and complete IT transition

Regulatory changes

- Continuously adapt business to changes in regulatory environment

Cost

- Drive digitization and organisation simplification

Guidance for 2015

Earnings per share²

- EPS in the range of CHF 4.50 – 4.70

Provision for losses

- Expected at 1%

¹ Proposal to the Annual General Meeting of Shareholders on 29 April 2015

² Based on number of shares outstanding as of 31 December 2014

Appendix

Full balance sheet details

Assets (in CHF mn; US GAAP)	31-12-14	31-12-13
Cash and cash equivalents	622.3	491.7
Net financing receivables, net	4,073.6	3,992.9
Property, plant and equipment, net	4.9	4.1
Intangible assets, net	17.1	2.3
Other assets	81.8	82.0
Deferred income taxes	12.4	16.5
Total Assets	4,812.1	4,589.6

Liabilities and Equity (in CHF mn)

Deposits	1,941.0	1,660.0
Accrued expenses and other payables	103.2	119.4
Due to affiliates	500.0	700.0
Long-term debt	1,399.7	1,299.5
Other liabilities	25.8	11.2
Total liabilities	3,969.7	3,790.2
Common shares	30.0	30.0
Additional paid in capital	563.6	647.9
Treasury shares	(2.0)	(2.0)
Retained earnings	273.6	133.8
Accumulated other comprehensive loss	(22.9)	(10.3)
Total shareholders' equity	842.4	799.3
Total liabilities and shareholders' equity	4,812.1	4,589.6

Cost of funding drivers

Funding balance (in CHF mn; US GAAP)	31-12-14	31-12-13
Deposits	1,941	1,660
Bank loans	550	650
ABS	400	400
Senior unsecured	450	250
GE funding	500	700
Interest expense (in CHF mn)	2014	2013
Deposits	14.7	14.3
Bank loans	9.3	3.9
ABS	4.5	3.7
Senior unsecured	3.7	0.3
GE funding	9.5	38.9