

# Letter to Shareholders



## Dear Shareholders

This is the first time that we are publishing our half-year results as a listed bank. We are pleased to inform you that Cembra Money Bank had a successful start to the 2014 business year. This is reflected in our net profit of CHF 64.7 million as well as in the growth of net financing receivables.

In May 2014 we successfully held our Annual General Meeting. Those shareholders who attended in person represented about 65% of all shares and votes. All agenda items were approved including a dividend per share of CHF 2.85, paid from reserves of capital contributions by end of May 2014. We very much enjoyed the personal interaction with our shareholders and are looking forward to next year's General Meeting.

Before we provide you with an overview of our business activities we would like to mention that the feedback on our new name and logo was very positive and helped to

attract new customers. According to latest brand research results, Cembra Money Bank gained already important consumer top-of-mind awareness and the highest advertising recognition compared to its competitors in the Swiss market.

One of the most important operational projects, which started in November 2013 and will continue over the coming two years, is the transition of our IT infrastructure from the General Electric platform to a stand-alone solution. Several milestones have already been successfully reached and the project is on track.

### Net income of CHF 64.7 million

Cembra Money Bank recorded a net income of CHF 64.7 million in the first six months of 2014. Net revenues increased by 8% compared to the corresponding period in the previous year to CHF 185.9 million. Net interest income contributed CHF 148.4 million (or 80%) to net revenues, while commissions and fees accounted for CHF 37.5 million (or 20%). Our prudent risk management approach was reflected in low provisions for losses of CHF 21.0 million or annualized 1.0% of financing receivables. Delinquency metrics on our portfolio remained at low levels with a nonperforming loan ratio of 0.5%. Costs remained well under control with operating expenses at CHF 82.6 million. This includes a FINMA-related one-off provision of CHF 3.0 million to cover potential financial consequences and costs of the pending investigation. The cost/income ratio was at 44.5%, which is a slight improvement compared to the corresponding period in 2013.

Net financing receivables increased by 3% to CHF 4.1 billion compared to year-end 2013. In all three product lines our business was growing above the rate of the underlying market and we were able to gain market share. In the first half of 2014 we have further diversified the funding of the Bank, with stand-alone funding now accounting for 87% of the overall mix. This was primarily due to an increase in our deposit base from both institutional and retail clients, which was up 14%, helping the overall deposit balance to reach CHF 1,898 million. Our competitive rates for term deposits of 2–8 years led to a high customer demand. The Bank also successfully renegotiated a funding facility from a syndicate of Swiss banks.

By 30 June 2014 Cembra Money Bank's shareholders' equity amounted to CHF 780 million and the annualized return on average equity (ROE) was 16.4%. This was achieved while retaining a very solid capital base with a Tier 1 capital ratio of 19.8%.

### Product lines

Personal loans had a good start in the first six months, although the personal loan market was slightly declining. Receivables reached CHF 1,888 million, 1% higher than at year-end 2013.

Despite the negative performance of the Swiss auto market with new car registrations down by 4% in the first six months of 2014, auto leases and loans were able to grow its receivables base and therefore gained market share. Receivables at period end stood at CHF 1,688 million representing a growth of 2% compared to year-end 2013.

Cards again recorded strong growth of 11% of its receivables portfolio, reaching CHF 536 million. The number of cards issued from the different programmes (Cumulus-MasterCard, TCS MasterCard, Cosy MasterCard Conforama and own Bank card) increased from 553,000 by year-end 2013 to 581,000 as at 30 June 2014.

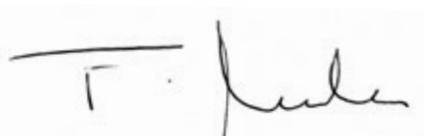
### Corporate social responsibility

Voluntary engagement of our staff is very important for us and our Bank's culture. We kicked off the year with numerous volunteering activities like blood donation (in cooperation with Blutspende SRK Schweiz), sponsoring, organisation and support of the Schweizerischer Schulsporttag as well as additional activities with Young Enterprise Switzerland (YES). Volunteering activities with Kinderkrebshilfe Schweiz and other Swiss charitable organisations are planned in the second half of the year.

## Outlook

For the second half-year of 2014, Cembra Money Bank is expecting funding rates to stay broadly unchanged at historically low levels and therefore pricing pressure to remain, in particular in auto and personal loans. In cards we expect the growth trend to continue. Cembra Money Bank confirms its full-year 2014 guidance given in March 2014 and is

expecting reported earnings per share in the range of CHF 4.40 to CHF 4.60. Given the seasonality in Cembra Money Bank's business, net profit for the second half-year of 2014 is expected to exceed first half net profit. Medium-term targets remain unchanged including a dividend pay-out ratio of 60–70% of net income.



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



**Robert Oudmayer**  
Chief Executive Officer

## Key Figures

<i>For the six months ended (CHF in millions)</i>	<b>30 June 2014</b>	<b>30 June 2013</b>
Net revenues	185.9	172.8
Net interest income	148.4	138.3
Commission and fee income	37.5	34.6
Total operating expenses	- 82.6	- 79.3
Net income	64.7	87.7
Earnings per share (in CHF)	2.16	2.92
Annualized return on average equity (ROE in %)	16.4 %	17.7 %
Annualized return on average assets (ROA in %)	2.8 %	4.0 %
Cost/income ratio (in %)	44.5 %	45.9 %
Net interest margin (in %)	7.2 %	6.8 %
<i>As at (CHF in millions)</i>	<b>30 June 2014</b>	<b>31 December 2013</b>
Total assets	4,628	4,590
Net financing receivables	4,112	3,993
Personal loans	1,888	1,861
Auto leases and loans	1,688	1,647
Credit cards	536	485
Total shareholders' equity	780	799
Tier 1 capital ratio (in %)	19.8 %	19.7 %
Employees (FTEs)	703	700
Rating (S&P)	A-	A-
Share price (in CHF)	56.00	58.55
Market capitalization	1,680	1,757

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