Your Swiss Bank

Interim Report
2020

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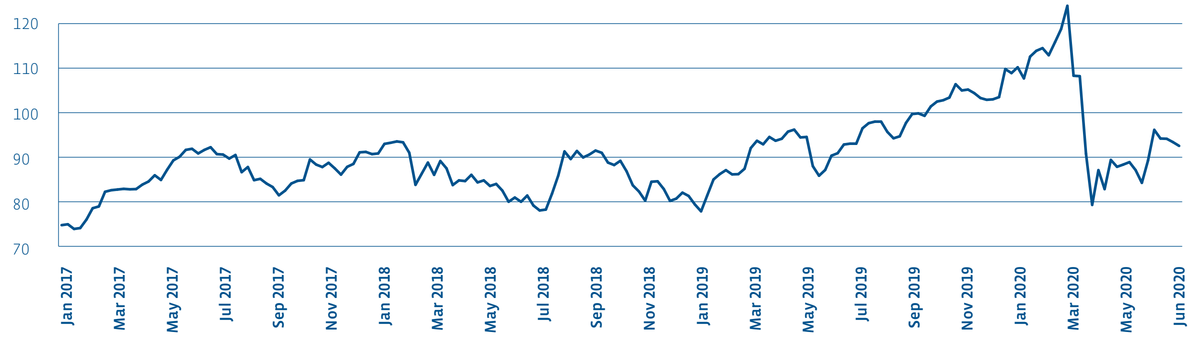
Key facts and figures

Key figures

CHF in millions	H1 2020	H2 2019	H1 2019	H2 2018	H1 2018
Net interest income	**189.4**	176.9	155.1	157.1	152.1
Commission and fee income	**60.0**	80.2	67.6	68.7	60.9
Net revenues	**249.3**	257.1	222.6	225.8	213.0
Provision for losses	**–30.2**	–25.9	–19.2	–26.2	–23.9
Operating expenses	**–125.3**	–128.2	–103.6	–102.4	–90.6
Net income	**74.1**	80.6	78.6	76.4	77.7
Total assets	**7,275**	7,485	5,590	5,440	5,312
Net financing receivables	**6,368**	6,586	5,023	4,807	4,742
Personal loans	**2,531**	2,625	1,913	1,885	1,856
Auto leases and loans	**2,816**	2,915	2,062	1,974	1,979
Credit cards	**983**	1,029	1,036	940	903
Other	**38**	17	11	8	4
Shareholders' equity	**1,055**	1,091	907	933	864
Return on equity (in %, annualised)	**13.8**	16.1	17.1	17.1	17.8
Net interest margin (in %, annualised)	**5.8**	6.0	6.2	6.5	6.5
Cost / income ratio (in %)	**50.3**	49.9	46.5	45.3	42.6
Tier 1 capital ratio (in %)	**17.0**	16.3	18.8	19.2	18.9
Employees (full-time equivalents)	**946**	963	812	783	741
Credit rating (S&P)	**A–**	A–	A–	A–	A–
Basic earnings per share (in CHF)	**2.52**	2.74	2.79	2.71	2.76
Book value per share (in CHF)	**35.2**	36.4	30.2	31.1	28.8
Share price (in CHF)	**92.55**	106.00	94.15	77.85	78.05
Market capitalisation	**2,777**	3,180	2,825	2,336	2,342

Key facts and figures

Share price Cembra



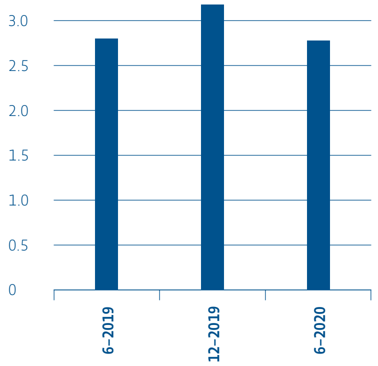
Facts

CHF

2,777,000,000

was the market capitalisation of Cembra by the end of June 2020

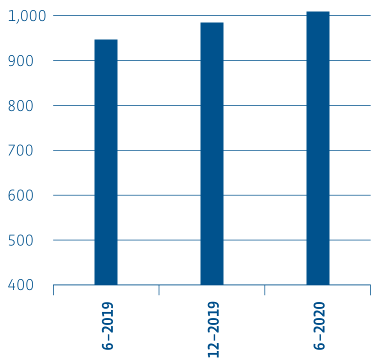
in billion CHF



1,009,000

number of credit cards issued by Cembra

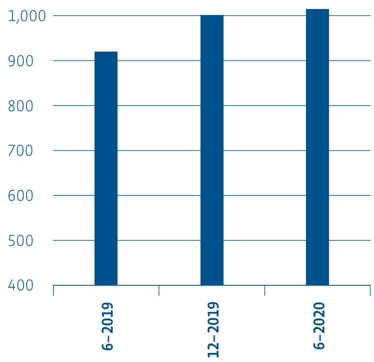
in 1,000



1,014,000

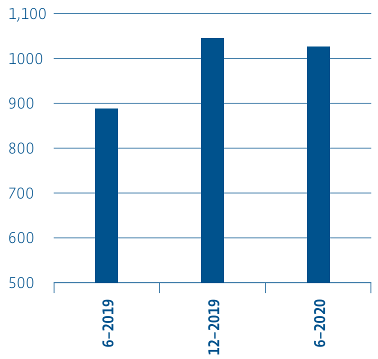
customers trust Cembra as their preferred partner

in 1,000



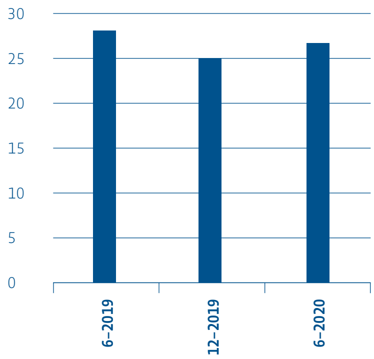
1,026

employees from 40 different nations work for Cembra (946FTE)



27

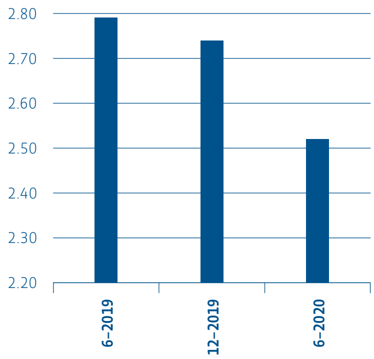
sales area managers serve about 4,000 car dealers



2.52

were the basic earnings per share (EPS) of Cembra as of 30 June 2020

in CHF



Dear Shareholders

It is our pleasure to inform you about a resilient business performance for Cembra in the first six months of 2020 despite the covid-19 lockdown in Switzerland. Our net income decreased by 6% to CHF 74.1 million, or CHF 2.52 per share, compared to the first half of 2019. Net revenues grew by 12%, with interest income increasing by 22% mainly due to the acquisition of cashgate. This was partially offset by an 11% decline in commission and fee income in connection with the covid-19 lockdown. Despite the challenging environment, the loss performance was stable, at 0.9%. As a result, return on equity came in at 13.8%, and the Tier 1 capital ratio stood at 17.0%.

Our business model has proved resilient in the current economic environment, and our conservative risk management approach is paying off. The lockdown in Switzerland had a clear impact on income from credit card fees. At the same time, we observed a sustainable shift towards cards payments and away from cash. Starting in May, credit card transaction volumes began to recover and were above last year's levels already in month June. We are also pleased to have successfully completed the integration of cashgate in just 11 months and can now continue to focus on further developing the business.

Resilient business performance
The Group's total net financing receivables at 30 June 2020 amounted to CHF 6.4 billion, a decline of 3% compared with 31 December 2019, largely attributable to the impact of covid-19 lockdown in Switzerland.

In the personal loans business, receivables declined by 4% to CHF 2.5 billion in the first six months of 2020. Due to the acquisition in the second half of 2019, interest income in that business increased by 23% to CHF 97.2 million, with a yield of 7.4%.

Net financing receivables in auto leases and loans declined by 3% to CHF 2.8 billion in the reporting period. Interest income was 32% higher, at CHF 65.3 million, with a yield of 4.5%.

In the credit cards business, net financing receivables declined by 4% to CHF 1.0 billion. Interest income in the cards business grew by 9% to CHF 41.6 million, with a yield of 8.2%. The number of cards issued continued to increase, up 7% year on year to 1,009,000, while transaction volumes declined by 7% year on year.

Revenue increase driven by acquisition
Total net revenues rose by 12% to CHF 249.3 million. Interest income grew by 22% mainly as a result of the cashgate acquisition. Interest expense was 28% higher, at CHF 13.7 million. This reflects the CHF 1.4 billion increase in funding for the acquisition in the second half of 2019.

Commission and fee income decreased by 11% to CHF 60.0 million as a result of the covid-19 lockdown. The decline was mainly driven by a decrease in income from credit card fees (–27% year on year), which were weighed down by lower spending during the lockdown. This caused the share of net revenues generated from commissions and fees to decrease to 24%, down from 30% at 30 June 2019.

Total operating expenses increased by 21% to CHF 125.3 million. Personnel expenses came in at CHF 65.8 million, up 15% following the addition of 134 FTEs (+17%) after 30 June 2019 predominantly from cashgate. General and administrative expenses rose 28% to CHF 59.6 million mainly due to the acquisition and integration of cashgate. The cost/income ratio increased to 50.3%, compared to 46.5% in the year-earlier period. Adjusted for the integration costs for cashgate, the cost/income ratio stood at 47.9%.

Stable loss performance
The provision for losses increased by CHF 11.0 million or 57% to CHF 30.2 million, primarily due to the higher base of financing receivables following the acquisition. Despite the unfavourable environment, this resulted in a loss rate of 0.9% (H1 2019: 0.8%) and the non-performing-loans (NPL) ratio came to 0.7%. The rate of over-30-days past due financing receivables remained stable at 2.1% (H1 2019: 2.0%).

Integration of cashgate successfully completed
In the reporting period, Cembra continued as planned with the integration of cashgate and completed it in July 2020. The legal merger is planned for 2021. Adapting to the accelerated digital transformation, Cembra further consolidated the branch network and will be operating a network of 13 branches across Switzerland going forward. The invoice financing provider Swissbilling continued to grow, more than doubling its net financing receivables since year-end 2019.

Stable funding
In the first six months of 2020, the Group's funding portfolio declined by 3% to CHF 6.0 billion, in line with the lower asset base. The funding mix remained stable compared to 31 December 2019. The weighted average duration was 2.8 years (31 December 2019: 2.9 years), and the period-end funding cost was 43 basis points (31 December 2019: 44 basis points).

Solid capital position
Cembra remains very well capitalised, with a solid Tier 1 capital ratio of 17.0% (31 December 2019: 16.3%). Shareholders' equity decreased by 3% to CHF 1.055 billion after Cembra had paid out the full dividend in April 2020, amounting to CHF 110 million, for the financial year 2019.

ESG recognition further improved
In the reporting period a number of leading ESG rating agencies upgraded Cembra's sustainability ratings based on Cembra's strong corporate governance and its low ESG risk profile. In April 2020, MSCI ESG® upgraded Cembra to A from BBB. In May 2020, Sustainalytics® upgraded Cembra to "Low ESG Risk", and among all of the 112 consumer finance companies rated worldwide, Cembra ranked first.

Outlook
In 2020, Cembra currently expects to deliver a resilient business performance, with revenues being impacted mainly by lower volumes in credit cards. Cembra expects a solid loss performance for the full year 2020. The costs of integrating cashgate should increasingly be offset by synergies of the acquisition as planned. Assuming an economic recovery in Switzerland in 2021, Cembra confirms its mid-term targets.

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 Group with their expertise, dedication and engagement.

Dr Felix Weber
Chairman

Robert Oudmayer
CEO

Management Report

Significant developments

On 28 February 2020, Cembra Business, a business line of Cembra Money Bank, launched a new online financing product for SMEs. The business loan is tailored to the needs of small Swiss companies. Loan applications are made directly online or through selected partners.

On 16 April 2020, we held our seventh General Meeting of Shareholders as a SIX-listed company, in Zurich. Due to the federal rules related to covid-19 at the time, shareholders did not attend the meeting in person. All agenda items were approved, including a dividend payment of CHF 3.75 per share. All members of the Board of Directors were re-elected for a further one-year term of office. Thomas Buess was newly elected to the Board of Directors.

On 27 April 2020, due to covid-19 we provided an update on the first quarter of 2020 outside of the regular reporting cycle. The Group delivered a strong business performance, with net revenues increasing by 19% year on year (organic growth of 1%) to CHF 128.2 million. We confirmed our mid-term targets, but suspended detailed guidance for 2020 due to the uncertainties concerning the impact of covid-19 on the Swiss economy and related government measures.

Macroeconomic environment

We operate exclusively in Switzerland and our financial position and revenues are strongly influenced by domestic macroeconomic factors, especially gross domestic product, the unemployment rate and interest rates. We have very limited exposure to foreign currencies.

Swiss gross domestic product

Growth in Switzerland's gross domestic product (GDP) is an important indicator for the Group. Swiss GDP decreased by 2.6% in the first quarter of 2020, compared with growth of 0.9% in 2019. Economists expect GDP to decline by 6.2% (SECO 16 June 2020) in the 2020 financial year.

Interest rates

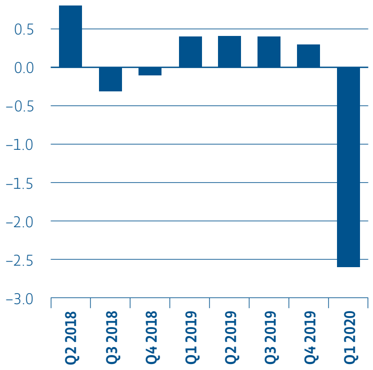
Interest rates are a key indicator for the Group's funding. Swiss-franc interest rates remained in negative territory and continued to decline up to the lockdown in March because of covid-19 and market participants' expectations of rate cuts. Some central banks reduced interest rates considerably, but the Swiss National Bank instead intervened in the FX market in order to counter the rise in the Swiss franc. At the end of the reporting period, Swiss interest rates had moved back up to roughly the same level as at the beginning of the year. The Swiss National Bank kept the interest rate on sight deposits at –0.75%.

Unemployment rate

The unemployment rate serves as an important indicator for the credit risk profile of the Group's customers. The unemployment rate in Switzerland increased to 3.2% in June 2020. This figure was higher than in the previous year, when the unemployment rate was 2.3% on average and 2.5% at year-end.

Quarterly Swiss GDP

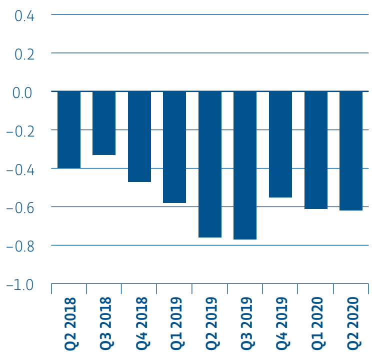
Change versus previous quarter (in %)



Source: SECO

CHF 3-years swap rate

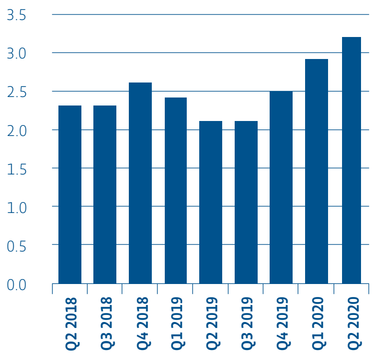
in %



Source: Bloomberg

Unemployment rate in Switzerland

in %



Source: SECO

Product markets

Consumer loan market

In the first six months of 2020, the Swiss consumer loan market contracted for the first time in four years. According to the Swiss central credit information bureau (ZEK), the Swiss consumer loan market decreased by 2%, from CHF 8.113 billion at 31 December 2019 to CHF 7.975 billion in outstanding assets at 30 June 2020. In a competitive environment, the Group had an estimated market share of approximately 44% of outstanding consumer loans.

Auto market

The Swiss auto market significantly contracted in the reporting period due to the effects of covid-19, and more specifically the lockdown in Switzerland and the reduced availability of new cars. According to “auto-schweiz” statistics (the association of official Swiss car importers), about 103,000 new cars were registered in the first six months of 2020, a decline of 34% versus the first half of 2019. 395,000 used cars were sold in Switzerland according to Eurotax Schweiz (an independent provider of automotive market data); this represents a 7% decline compared with the first six months of 2019 (425,000). The Group estimated its auto leasing market share to be about 22% of total leasing volumes outstanding in the first six months of 2020.

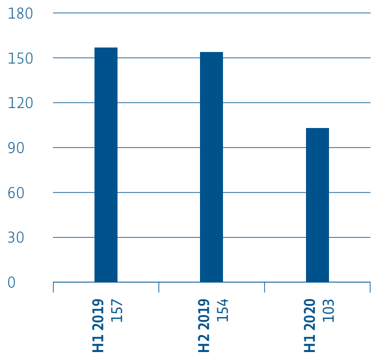
Credit card market

The growth trend continued in the credit card market in 2020. Based on Swiss National Bank statistics, in May 2020 the number of credit cards issued in Switzerland grew by 2% year on year to 7.3 million. The number of transactions decreased by 8% year on year for the first five months of 2020, as a result of the restrictions related to covid-19. Overall, credit card transaction volumes decreased by 19% year on year to CHF 15.1 billion in the first five months of 2020. The number of transactions conducted via near-field communications (NFC) increased by 11% year on year.

The Group’s credit cards business continued to outgrow the market, with the number of cards increasing by about 25,000, or 3%, to about 1,009,000 compared with year-end 2019. The Group’s market share, based on the number of credit cards in circulation, was stable at 14% in May 2020.

New car registrations in Switzerland

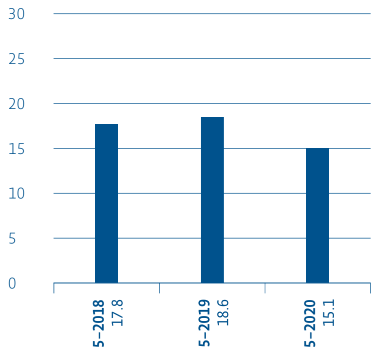
in 1,000



Source: auto-schweiz

Transaction volume Swiss credit cards

CHF in billions



Source: SNB

Balance sheet analysis

CHF in millions	**30 June 2020**	31 December 2019	Variance	in %
Assets				
Cash and cash equivalents	**573**	543	30	6
Net financing receivables	**6,368**	6,586	– 218	– 3
Personal loans	**2,531**	2,625	– 94	– 4
Auto leases and loans	**2,816**	2,915	– 99	– 3
Credit cards	**983**	1,029	– 45	– 4
Other	**38**	17	21	127
Investment securities	**3**	6	– 3	– 47
Other assets	**331**	351	– 20	– 6
Total assets	**7,275**	**7,485**	**– 210**	**– 3**
Liabilities and equity				
Deposits and debt	**5,967**	6,134	– 167	– 3
Deposits	**3,402**	3,495	– 93	– 3
Debt	**2,564**	2,639	– 75	– 3
Other liabilities	**254**	261	– 7	– 3
Total liabilities	**6,220**	**6,395**	**– 174**	**– 3**
Shareholders' equity	**1,055**	1,091	– 36	– 3
Total liabilities and shareholders' equity	**7,275**	**7,485**	**– 210**	**– 3**

On 2 September 2019, Cembra completed the acquisition of cashgate, which has been consolidated since that date.

Net financing receivables amounted to CHF 6,368 million as at 30 June 2020, a decrease of 3%, or CHF 218 million, compared with year-end 2019. The decrease was mainly due to the effects of covid-19 in Switzerland during the reporting period.

At the end of June 2020, the Group's personal loans accounted for 40% of net financing receivables (31 December 2019: 40%), auto leases and loans made up 44% (31 December 2019: 44%), and the credit cards business accounted for 15% (31 December 2019: 16%).

As at 30 June 2020, net financing receivables from personal loans amounted to CHF 2,531 million, 4% lower than at year-end 2019. Auto leases and loans declined by 3% to CHF 2,816 million compared with CHF 2,915 million at the end of 2019. Credit cards declined by 4% from CHF 1,029 million to CHF 983 million in the reporting period. Other net financing receivables stood at CHF 38 million (31 December 2019: CHF 17 million) and included the growing Swissbilling business, which was acquired in February 2017.

Funding

The Group kept its funding diversified in the first half of 2020. The deposit base decreased slightly from CHF 3,495 million at 31 December 2019 to CHF 3,402 million at 30 June 2020, primarily due to a 4% decline in the institutional deposit base. The Group's non-deposit debt decreased by 3% from CHF 2,639 million at 31 December 2019 to CHF 2,564 million at 30 June 2020. In March 2020, the Group issued AAA-rated asset-backed securities amounting to CHF 250 million.

Equity

Total shareholders' equity decreased by CHF 36 million, from CHF 1,091 million to CHF 1,055 million at 30 June 2020. The decrease was mainly attributable to the dividend of CHF 110 million, which was paid in April 2020 and was partly offset by net income of CHF 74.1 million for the first six months of 2020.

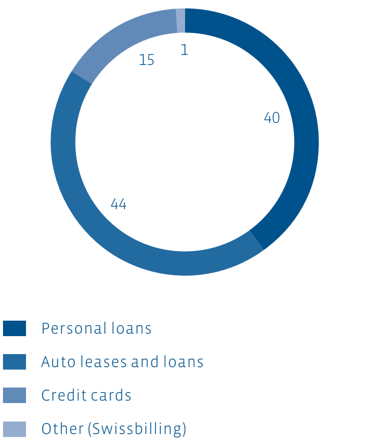
Capital position

CHF in millions	30 June 2020	31 December 2019	Variance	in %
Risk-weighted assets	**5,759**	5,908	– 149	– 3
Tier 1 capital	**980**	962	17	2
Tier 1 ratio	**17.0 %**	16.3 %		

Risk-weighted assets decreased by 3% to CHF 5,759 million at 30 June 2020 compared with CHF 5,908 million at 31 December 2019. This decrease was largely in line with the trend in net financing receivables. Tier 1 capital increased by CHF 17 million, or 2%, to CHF 980 million, mainly as a result of the statutory net income generated in the first six months of 2020, adjusted for the expected future dividend payment. This resulted in a Tier 1 capital ratio of 17.0% at 30 June 2020, which is significantly above the regulatory requirement of 11.2%.

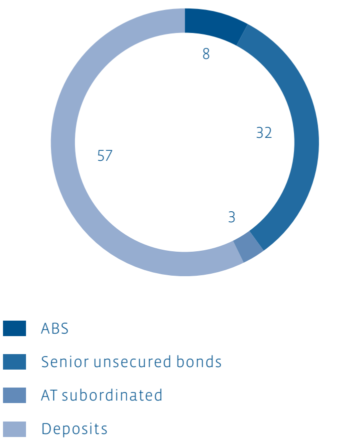
Net financing receivables

in %



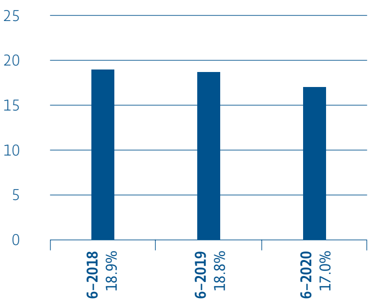
Funding structure

in %



Tier 1 capital ratio

in %

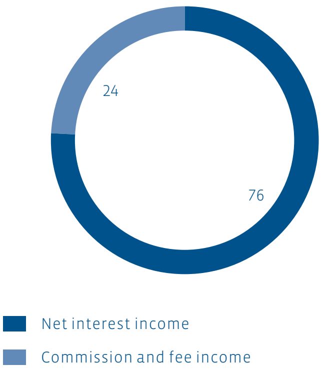


Profit and loss analysis

For the six months ended (CHF in millions)	**30 June 2020**	30 June 2019	Variance	in %
Interest income	**203.0**	165.8	37.3	22
Interest expense	**– 13.7**	– 10.7	3.0	28
Net interest income	**189.4**	**155.1**	**34.3**	**22**
Commission and fee income	**60.0**	67.6	– 7.6	– 11
Net revenues	**249.3**	**222.6**	**26.7**	**12**
Provision for losses on financing receivables	**– 30.2**	**– 19.2**	**11.0**	**57**
Compensation and benefits	**– 65.8**	– 56.9	8.8	15
General and administrative expenses	**– 59.6**	– 46.7	12.9	28
Total operating expenses	**– 125.3**	**– 103.6**	**21.7**	**21**
Income before income taxes	**93.8**	**99.8**	**– 6.0**	**– 6**
Income tax expense	**– 19.7**	– 21.3	– 1.6	– 7
Net income	**74.1**	**78.6**	**– 4.5**	**– 6**
Other comprehensive income / (loss)	**1.6**	1.5	0.1	4
Comprehensive income	**75.7**	**80.1**	**– 4.4**	**– 6**

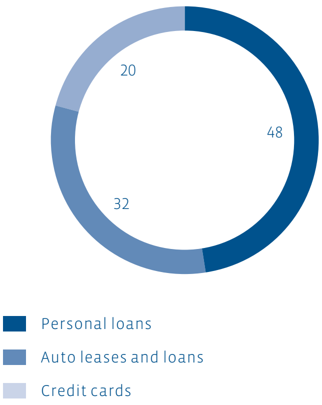
Net revenues

in %



Interest income

in % (excluding “other”)



Interest income

For the six months ended (CHF in millions)	**30 June 2020**	30 June 2019	Variance	in %
Personal loans	**97.2**	79.1	18.2	23
Auto leases and loans	**65.3**	49.5	15.8	32
Credit cards	**41.6**	38.3	3.3	9
Other	**– 1.1**	– 1.2	0.1	– 7
Total	**203.0**	**165.8**	**37.3**	**22**

Overall, the contribution of personal loans to interest income (excluding other interest income) increased to 48% from 47% in the first six months of 2019. The relative weight of auto leases and loans increased to 32% from 30%, whilst the weight of credit cards declined to 20% from 23% in the year-earlier period. The relative contributions changed due to the acquisition of cashgate's personal loans and auto leases and loans portfolios.

Total interest income increased by 22%, or CHF 37.3 million, to CHF 203.0 million in the first half of 2020.

Interest income from personal loans increased by CHF 18.2 million, or 23%, to CHF 97.2 million due to the consolidation of cashgate. The yield declined to 7.4% from 8.2% in the year-earlier reporting period, mainly due to effects of the acquisition on the entire portfolio. Interest income from the auto leases and loans business increased by CHF 15.8 million, or 32%, from CHF 49.5 million to CHF 65.3 million in the first six months of 2020. The yield decreased to 4.5% (30 June 2019: 4.9%), predominantly due to the acquisition. Interest income from credit cards rose by CHF 3.3 million, or 9%, to CHF 41.6 million in the reporting period. This increase was primarily due to higher levels of credit card receivables as a result of the 7% year-on-year rise in the number of credit cards issued. The yield increased from 7.7% in the first half of 2019 to 8.2%. Other interest income included CHF 1.1 million in expenses from the negative interest rate on the cash held with the Swiss National Bank and other institutions.

Cost of funds

For the six months ended (CHF in millions)	**30 June 2020**	30 June 2019	Variance	in %
Interest expense on ABS	**0.8**	0.9	– 0.0	– 5
Interest expense on deposits	**6.5**	6.5	0.0	1
Interest expense on debt	**6.3**	3.3	3.0	91
Total	**13.7**	**10.7**	**3.0**	**28**

The overall cost of funds increased by CHF 3.0 million, or 28%, to CHF 13.7 million in the first six months of 2020. Interest expense on auto lease asset-backed securities (ABS) decreased by 5% to CHF 0.8 million. Interest expense on deposits remained flat at CHF 6.5 million despite a 22% increase in the portfolio compared with the first six months of 2019. Total interest expense on non-deposit debt increased by CHF 3.0 million, or 91%, to CHF 6.3 million in the first half of 2020 due to the issuance of new unsecured bonds and a subordinated additional tier 1 bond in the second half of 2019.

Commission and fee income

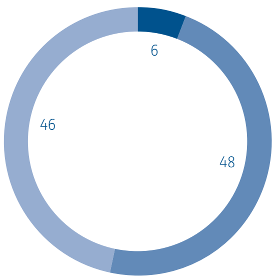
For the six months ended (CHF in millions)	**30 June 2020**	30 June 2019	Variance	in %
Insurance	**12.1**	9.9	2.3	23
Credit cards	**34.9**	48.1	– 13.2	– 27
Loans and leases	**8.2**	6.5	1.7	26
Other	**4.7**	3.1	1.6	53
Total	**60.0**	**67.6**	**– 7.6**	**– 11**

Commission and fee income declined by CHF 7.6 million, or 11%, from CHF 67.6 million in the first six months of 2019 to CHF 60.0 million. The decrease was mainly related to a 27%, or CHF 13.2 million, decline in fee income on credit cards as a result of the decrease in credit card use due to covid-19 in 2020. Other fees increased by CHF 1.6 million to CHF 4.7 million, driven mainly by fee income from Swissbilling.

Insurance income, which consists mainly of revenues from payment protection insurance products, increased by CHF 2.3 million, or 23%, to CHF 12.1 million due to the effect of the acquisition. The 26% increase in fees from loans and leases to CHF 8.2 million was also mainly attributable to the consolidation of cashgate.

Cost of funds

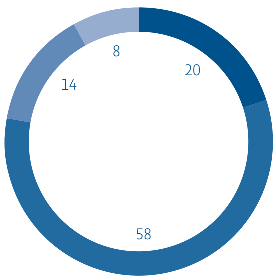
in %



Asset-backed securities (ABS)
Deposits
Debt

Commission and fee income

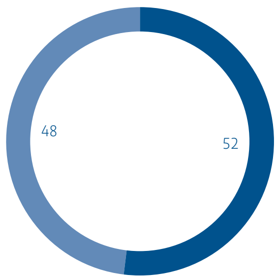
in %



Insurance
Credit cards
Loans and leases
Other

Operating expenses

in %



Compensation and benefits
General and administrative expenses

Provision for losses on financing receivables

For the six months ended (CHF in millions)	**30 June 2020**	30 June 2019	Variance	in %
Provision for losses on personal loans	**17.7**	10.8	6.9	64
Provision for losses on auto leases and loans	**6.5**	3.3	3.2	99
Provision for losses on credit cards	**4.9**	4.5	0.4	9
Provision for losses on other	**1.0**	0.6	0.4	68
Total	**30.2**	**19.2**	**11.0**	**57**

The provision for losses on financing receivables increased by CHF 11.0 million to CHF 30.2 million in the first six months of 2020, compared with CHF 19.2 million in the year-earlier period. This rise was predominantly driven by increased financing receivables resulting from the acquisition. The provision for losses on personal loans increased by CHF 6.9 million to CHF 17.7 million, and on auto leases and loans, the provision for losses rose by CHF 3.2 million to CHF 6.5 million. The Group's loss rate for the first six months of 2020 was 0.9% of financing receivables and hence in line with prior year performances.

Compensation and benefits

For the six months ended (CHF in millions)	30 June 2020	30 June 2019	Variance	in %
Compensation and benefits	**65.8**	**56.9**	**8.8**	**15**

Compensation and benefit expenses increased by CHF 8.8 million, or 15%, to CHF 65.8 million. The increase was driven by a higher headcount following the acquisition of cashgate in September 2019. The Group's average number of employees (FTE) was 955 in the first half of 2020 compared with 873 in the corresponding prior-year period. At 30 June 2020, the number of employees (FTE) stood at 946, a decline of 17 FTEs compared with 963 at year-end 2019.

General and administrative expenses

For the six months ended (CHF in millions)	30 June 2020	30 June 2019	Variance	in %
Professional services	**9.4**	8.8	0.6	7
Marketing	**6.6**	4.7	1.9	40
Collection fees	**5.5**	5.2	0.3	5
Postage and stationery	**5.0**	4.9	0.2	3
Rental expense under operating leases	**4.5**	3.2	1.3	41
Information technology	**17.6**	14.4	3.2	22
Depreciation and amortisation	**13.4**	6.8	6.6	98
Other	**–2.5**	–1.3	–1.2	93
Total	**59.6**	**46.7**	**12.9**	**28**

General and administrative expenses increased by CHF 12.9 million, or 28%, from CHF 46.7 million to CHF 59.6 million in the first six months of 2020, mainly due to the acquisition. Costs from professional services amounted to CHF 9.4 million, up 7% as a result of the acquisition. This was partly offset by lower project spend. Marketing expenses were 40%, or CHF 1.9 million, higher due to the additional costs related to the cashgate online brand and the launch of Cembra Business.

Collection fees increased by 5% to CHF 5.5 million. Increased expenses from cashgate were offset by lower third-party costs and postage fees. Costs for postage and stationery increased by 3% to CHF 5.0 million. Rental expenses increased by 41% to CHF 4.5 million due to additional costs relating to branch closures as well as costs relating to cashgate. Information technology costs amounted to CHF 17.6 million, a rise of 22%. This increase was due to cashgate and strategic investments in the Cembra Business digital platform. Depreciation and amortisation increased to CHF 13.4 million, up 98%, mainly as a result of the depreciation of intangible assets from the cashgate acquisition, as well as a ramp-up in the amortisation of core digital investments. Other costs decreased to CHF –2.5 million, primarily due to lower pension costs and the cancellation of travel and events due to the covid-19 restrictions.

The cost/income ratio was 50.3% compared with 46.5% in the previous reporting period. The increase was predominantly driven by the acquisition of cashgate.

Income tax expense

For the six months ended (CHF in millions)	30 June 2020	30 June 2019	Variance	in %
Income tax expense	**19.7**	**21.3**	**–1.6**	**–7**

The Group's income tax expense declined by CHF 1.6 million, or 7%, to CHF 19.7 million in the first six months of 2020, in line with the decline in income before taxes. The effective tax rate was 21.0%, which was in line with the statutory tax rate resulting from the combination of federal, cantonal and communal corporate taxes in Switzerland.

The numbers published in the tables above are in Swiss francs and rounded; therefore rounding differences may occur.

Outlook

In 2020, Cembra currently expects to deliver a resilient business performance, with revenues being impacted mainly by lower volumes in credit cards. Cembra expects a solid loss performance for the full year 2020. The costs of integrating cashgate should increasingly be offset by synergies of the acquisition as planned. Assuming an economic recovery in Switzerland in 2021, Cembra confirms its mid-term targets.

The Group's mid-term financial targets are as follows:
- Average return on shareholders' equity (ROE) of at least 15%;
- Consolidated Tier-1 capital ratio of at least 17% in the mid term; and
- Ordinary dividend payout of between 60% and 70% of net income.

Your Swiss Bank

Interim Financial Report 2020

Interim Condensed Consolidated Financial Statements (Unaudited)

Interim condensed consolidated statements of income (unaudited)

For the six months ended (CHF in thousands)	Notes	**30 June 2020**	30 June 2019
Interest income	21	**203,044**	165,751
Interest expense	22	**– 13,684**	– 10,666
Net interest income		**189,360**	**155,085**
Commission and fee income	23	**59,964**	67,561
Net revenues		**249,324**	**222,646**
Provision for losses on financing receivables	**4**	**– 30,198**	**– 19,183**
Compensation and benefits		**– 65,758**	– 56,937
General and administrative expenses	24	**– 59,560**	– 46,677
Total operating expenses		**– 125,318**	**– 103,614**
Income before income taxes		**93,808**	**99,849**
Income tax expense	16	**– 19,689**	– 21,253
Net income		**74,119**	**78,595**
Earnings per share			
Basic	14	**2.52**	2.79
Diluted	14	**2.52**	2.79

See accompanying Notes to the Interim Condensed Consolidated Financial Statements

Interim condensed consolidated statements of comprehensive income (unaudited)

For the six months ended (CHF in thousands)	**30 June 2020**	30 June 2019
Net income	**74,119**	78,595
Net prior service cost, net of tax	**– 669**	– 591
Actuarial gain / (loss), net of tax	**2,255**	2,102
Unrealised gains / (losses) on investment securities, net of tax	**– 6**	14
Total other comprehensive gain / (loss), net of tax	**1,581**	1,525
Comprehensive income	**75,700**	**80,120**

See accompanying Notes to the Interim Condensed Consolidated Financial Statements

Interim condensed consolidated statements of financial position (unaudited)

CHF in thousands	Notes	30 June 2020	31 December 2019
Assets			
Cash and cash equivalents		**573,053**	542,579
Financing receivables, net	4	**6,367,975**	6,585,555
Investment securities	5	**3,012**	5,668
Property, plant and equipment, net	6	**23,984**	28,822
Thereof operating lease - right-of-use (ROU) assets	6	**15,636**	19,773
Intangible assets, net	7	**85,336**	93,021
Goodwill	8	**156,828**	156,828
Other assets	9	**65,029**	72,740
Total assets [1]		**7,275,218**	**7,485,213**
Liabilities and equity			
Deposits	10	**3,402,472**	3,495,152
Accrued expenses and other payables		**204,496**	202,158
Short-term debt	11	**50,219**	325,063
Long-term debt	11	**2,513,866**	2,313,541
Other liabilities		**47,384**	57,964
Thereof operating lease - lease liability	6	**16,212**	19,663
Deferred tax liabilities, net	16	**2,058**	788
Total liabilities [1]		**6,220,496**	**6,394,667**
Common shares		**30,000**	30,000
Additional paid in capital (APIC)		**258,738**	259,447
Retained earnings		**823,571**	859,685
Treasury shares		**– 35,843**	– 35,260
Accumulated other comprehensive loss (AOCI)		**– 21,744**	– 23,325
Total shareholders' equity		**1,054,722**	**1,090,547**
Total liabilities and shareholders' equity		**7,275,218**	**7,485,213**

[1] The Group's consolidated assets as at 30 June 2020 and 31 December 2019 include total assets of TCHF 650,190 and TCHF 626,547, respectively, of consolidated variable interest entities (VIEs) that can only be used to settle the liabilities of the VIEs. The Group's consolidated liabilities as at 30 June 2020 and 31 December 2019 include liabilities of the VIEs of TCHF 503,780 and TCHF 455,749, respectively, for which the VIE creditors do not have recourse to Cembra Money Bank AG

See accompanying Notes to the Interim Condensed Consolidated Financial Statements

Interim condensed consolidated statements of changes in shareholders' equity (unaudited)

CHF in thousands	Common shares	APIC	Retained earnings	Treasury shares	AOCI	**Total equity**
Balance at 1 January 2019	**30,000**	**209,590**	**816,069**	**– 100,972**	**– 21,235**	**933,451**
Net income	–	–	78,595	–	–	78,595
Dividends paid	–	–	– 105,734	–	–	– 105,734
Change in APIC due to share-based compensation	–	95	–	– 1,704	–	– 1,609
Treasury shares	–	–	–	757	–	757
Reclassifications from accumulated other comprehensive loss net of deferred tax of –397 [1]	–	–	–	–	1,511	1,511
Unrealised gains / (losses) on available for sale debt securities, net of deferred tax of -4	–	–	–	–	14	14
Other	–	–	– 3	–	–	– 3
Balance at 30 June 2019	**30,000**	**209,685**	**788,928**	**– 101,920**	**– 19,710**	**906,982**
Balance at 1 January 2020	**30,000**	**259,447**	**859,685**	**– 35,260**	**– 23,325**	**1,090,547**
Net income	–	–	74,119	–	–	74,119
Dividends paid	–	–	– 110,233	–	–	– 110,233
Change due to share-based compensation	–	– 710	–	1,600	–	890
Treasury shares	–	–	–	– 2,182	–	– 2,182
Reclassifications from accumulated other comprehensive loss net of deferred tax of -447 [1]	–	–	–	–	1,587	1,587
Unrealised gains / (losses) on available for sale debt securities, net of deferred tax of 1	–	–	–	–	– 6	– 6
Balance at 30 June 2020	**30,000**	**258,738**	**823,571**	**– 35,843**	**– 21,744**	**1,054,722**

[1] Reclassifications from accumulated other comprehensive loss related to the Group's benefit plan obligation are classified in the income statement under general and administrative expenses

See accompanying Notes to the Interim Condensed Consolidated Financial Statements

Interim condensed consolidated statements of cash flows (unaudited)

For the six months ended (CHF in thousands)	Notes	30 June 2020	30 June 2019
Cash flows from operating activities			
Net income		**74,119**	78,595
Adjustments to reconcile net income to cash provided from operating activities:			
Provision for losses on financing receivables		**30,198**	19,183
Deferred income taxes		**824**	475
Depreciation		**1,538**	1,082
Amortisation of intangible assets		**11,904**	5,720
Decrease (–) / Increase in accrued expenses		**2,338**	– 12,281
Decrease / Increase (–) in tax receivables		**– 3,019**	– 13,163
Decrease / Increase (–) in other receivables		**5,248**	8,129
All other operating activities		**– 5,184**	– 3,066
Net cash provided by operating activities		**117,966**	**84,675**
Cash flows from investing activities			
Net change in financing receivables	25	**187,382**	– 235,543
Proceeds from maturity of investment securities		**2,656**	–
Additions to property, plant and equipment		**– 353**	– 1,421
Additions to intangible assets		**– 5,138**	– 6,296
All other investing activities		**919**	54
Net cash used in investing activities		**185,465**	**– 243,206**
Cash flows from financing activities			
Net change in deposits		**– 92,680**	125,463
Issuance of non-recourse long-term borrowings		**250,000**	250,000
Repayments of short-term and long-term debt		**– 325,063**	– 200,000
Dividends paid		**– 110,233**	– 105,734
Purchase of treasury shares		**– 2,182**	– 1,704
All other financing activities		**1,435**	– 284
Net cash used in financing activities		**– 278,723**	**67,741**
Net increase / decrease (–) in cash and cash equivalents		**24,708**	**– 90,791**
Cash and cash equivalents, including restricted cash classified in "Other assets"			
Beginning of the period		**573,546**	528,113
thereof restricted cash		**30,967**	28,790
End of period		**598,254**	**437,322**
thereof restricted cash		**25,201**	23,733
Supplemental disclosure			
Interest paid		**– 11,386**	– 10,821
Income taxes paid		**– 53,352**	– 40,294

See accompanying Notes to the Interim Condensed Consolidated Financial Statements

Notes to the interim condensed consolidated financial statements (unaudited)

1. Basis of presentation and summary of significant accounting policies

Cembra Money Bank, which is headquartered in Zurich, Switzerland, comprises of Cembra Money Bank AG ("the Bank" or the parent company) and its subsidiaries Swiss Auto Lease 2015-1 GmbH in Liquidation, Swiss Auto Lease 2016-1 GmbH, Swiss Auto Lease 2019-1 GmbH, Swiss Auto Lease 2020-1 GmbH, Swissbilling SA, eny Credit GmbH, cashgate AG and Fastcap AG (collectively "the Group"). The Group is a leading provider of financing solutions and services in Switzerland. The main products comprise consumer finance products such as personal loans, auto leases and loans, credit cards as well as saving products.

The accompanying unaudited Interim Condensed Consolidated Financial Statements reflect the Group's financial position, results of operations, shareholders' equity and cash flows and have been prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF).

Certain financial information, which is shown in the annual consolidated financial statements prepared according to US GAAP, is not required to be disclosed for interim reporting purposes. These statements include all adjustments (consisting of normal recurring accruals) that the Group considers necessary to present a fair statement of the Group's financial position, results of operations, shareholders' equity and cash flows. The results reported in these Interim Condensed Consolidated Financial Statements should not be regarded as indicative of results that may be expected for the entire year. They should be read in combination with the Consolidated Financial Statements and notes thereto included in the Consolidated Financial Statements as of and for the years ended 31 December 2019 and 2018.

Preparing financial statements in conformity with US GAAP requires the management to make estimates based on assumptions about future economic and market conditions that affect reported amounts and related disclosures in the financial statements. Although the Group's current estimates take into account current conditions and how management expects them to change in the future, as appropriate, it is reasonably possible that in the reporting period and beyond actual conditions could alter, which could materially affect the Group's results of operations and financial position.

The abbreviation TCHF within these financial statements refers to thousands of Swiss francs. The numbers published in the notes are rounded in thousands of Swiss francs, therefore rounding differences can occur.

2. Accounting changes

Recently adopted accounting standards

On 28 August 2018, the FASB issued ASU 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement", which simplifies required fair value disclosures. Under the new guidance, the disclosure requirements on fair value measurements are modified. Certain disclosure requirements regarding transfers between Level 1 and 2, as well as the valuation processes for Level 3 measurements, are removed. Other modifications relate to the Level 3 disclosures or specific disclosures on investments in assets using net asset values. New disclosures will also be required for unrealised gains or losses and unobservable inputs related to Level 3 assets. The guidance is effective for fiscal years beginning after 15 December 2019, including interim periods therein. The adoption of this standard did not have a material impact on the fair value measurement and related disclosures.

Recently issued accounting standards to be effective in future periods

On 16 June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which amends the guidance on the impairment of financial instruments. The ASU adds to US GAAP an impairment model, known as the current expected credit loss (CECL) model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognises as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The ASU is also intended to reduce the complexity of US GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments.

Subsequently, the FASB has issued several additional amendments to ASU 2016-13, which affect certain aspects related to clarification and updates to a variety of topics, as well as allowing for an irrevocable election of the fair value option for certain financial assets previously measured on an amortised cost basis upon transition. Additionally, the amendments also deferred the effective date to annual periods beginning after 15 December 2022, and interim periods therein. The Group is evaluating the effect of adoption of the new standard on its financial statements.

On 26 January 2017, the FASB issued ASU 2017-4 "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment", which amends goodwill impairment test by eliminating step two that measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Instead, under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The guidance is effective for fiscal years beginning after 15 December 2020, including interim periods therein. The Group does not expect there to be a material impact from the adoption of the new standard on its financial statements.

On 25 April 2019, the FASB issued ASU 2019-04 "Codification Improvements to Topic 326, Financial Instruments – Credit-Losses, Topic 815, Derivatives and hedging, and Topic 825, Financial Instruments", which affects certain aspects of the guidance issued in the amendments in the ASU 2016-13 related to clarification and updates to a variety of topics. The effective date and transition requirements issued in this update will be the same as the effective date and transition requirements in Topic 326 (ASU 2016-13). The Group is evaluating the impact of this ASU on its financial statements.

On 18 December 2019, the FASB issued ASU 2019-12 "Simplifying the Accounting for Income Taxes". The amendments in the update simplify the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify GAAP for other areas of ASC 740 by clarifying and amending existing guidance. The new guidance is effective for the Group starting in fiscal years beginning after December 2020, including interim periods within those fiscal years. The Group plans to adopt the guidance as of 1 January 2021 and is currently assessing the impact of this guidance on its financial statements.

3. Business developments

In February 2020, the liquidation process for Swiss Auto Lease 2013-1 GmbH in Liquidation was completed with the cancellation of the company from the register of commerce of Zurich.

On 3 March 2020, the Group launched its sixth auto lease asset-backed security (ABS) transaction and issued fixed-rate senior notes of TCHF 250,000 on the Swiss capital market with a contractual maturity of ten years and an optional redemption date of four years from the date of issuance. Most of the proceeds from this issuance were used to refinance the forth ABS issued in 2016. On 23 March 2020, the TCHF 200,000 outstanding senior notes issued in 2016 were fully repaid with no further amounts due to noteholders.

In May 2020, the Group decided to close four branches in Aarau, Chur, Neuchâtel and Solothurn during 2020 reducing the number of branches to 13.

In June 2020, Swiss SME Loans 2018-1 GmbH was merged with the Bank.

4. Financing receivables and allowance for losses

The Group's credit risk appetite and strategy have been consistent over many years. This has assisted it to remain resilient through economic turbulences, including the 2009 downturn and in the current covid-19 pandemic. In light of the prevailing economic uncertainty, the credit risk strategy continues to be cautious. The Group reacted swiftly and continuously assesses the potential impact of various macroeconomic scenarios.

As part of this response, additional resources were allocated to support collections strategies, and new tools, such as repayment plans and payment holidays, were introduced to affected customers on an individual basis. It should be noted that the utilisation of these tools did not change the original contractual payments terms, and therefore the reported values regarding the over 30 days past due receivables and nonaccrual receivables are not affected.

Additionally, the underwriting processes were reviewed and adjusted to limit unexpected credit losses. Lastly, an environmental reserve of CHF 2.3 million was recorded on the unsecured closed end instalment loans to further strengthen the allowance for losses of the personal loan portfolio, and to proactively reflect the changing economic environment under the existing incurred loss model.

As at 30 June 2020, the Group's financing receivables included lending to private customers, vehicle lease financing and credit card financing as follows:

CHF in thousands	**30 June 2020**	31 December 2019
Loans	**3,852,055**	4,021,306
Deferred costs, net	**43,833**	46,500
Total loans, including deferred costs, net	**3,895,888**	**4,067,806**
Investment in financing leases, net of deferred income	**2,516,987**	2,580,392
Other [1]	**39,156**	17,631
Financing receivables before allowance for losses	**6,452,031**	**6,665,829**
Less allowance for losses [2]	**–84,057**	–80,274
Financing receivables, net	**6,367,975**	**6,585,555**

1 Other includes Swissbilling SA
2 Includes covid-19 environmental reserve of TCHF 2,257

The majority of the investment in financing leases is related to auto leases. Components of the Group's net investment in financing leases, which are included in financing receivables above, are shown below:

CHF in thousands	30 June 2020	31 December 2019
Total minimum lease payments receivable	**2,712,435**	2,785,042
Deferred income [1]	**– 195,447**	– 204,650
Investment in direct financing leases	**2,516,987**	**2,580,392**
Less allowance for losses	**– 9,398**	– 9,140
Net investment in direct financing leases	**2,507,589**	**2,571,252**

1 Includes TCHF 25,403 and TCHF 25,298 of initial direct costs on direct financing leases as at 30 June 2020 and 31 December 2019, respectively

The subsidiaries held TCHF 624,989 and TCHF 595,581 of net financing receivables as at 30 June 2020 and 31 December 2019, respectively, as collateral to secure third-party debt in securitisations. See note 19 for further details of securitisations.

The following table provides further information about financing receivables:

CHF in thousands	30 June 2020	31 December 2019
Personal loans	**2,594,354**	2,685,349
Auto leases and loans	**2,828,004**	2,927,204
Credit cards	**990,517**	1,035,645
Other [1]	**39,156**	17,631
Financing receivables, before allowance for losses	**6,452,031**	**6,665,829**
Allowance for losses [2]	**– 84,057**	– 80,274
Financing receivables, net	**6,367,975**	**6,585,555**

1 Other includes Swissbilling SA
2 Includes covid-19 environmental reserve of TCHF 2,257

A summary of activity in the allowance for losses is shown below:

CHF in thousands	Balance at 1 January 2020	Provision for losses	Amounts written off	Recoveries	Other	Balance at 30 June 2020
Personal loans [1]	**60,532**	**17,732**	**– 37,211**	22,731	–	**63,784**
Auto leases and loans	**11,800**	**6,525**	**– 15,486**	**9,117**	–	**11,956**
Credit cards	**7,051**	**4,948**	**– 9,652**	**4,951**	–	**7,299**
Other [2]	**891**	**991**	**– 1,076**	**211**	–	**1,017**
Total [1]	**80,274**	**30,198**	**– 63,425**	**37,010**	–	**84,057**
As a % of total financing receivables, net						**1.3 %**

1 Includes covid-19 environmental reserve of TCHF 2,257
2 Other includes Swissbilling SA

CHF in thousands	Balance at 1 January 2019	Provision for losses	Amounts written off	Recoveries	Other	Balance at 30 June 2019
Personal loans	33,779	10,783	– 26,001	20,659	–	39,220
Auto leases and loans	10,262	3,281	– 11,884	7,805	–	9,464
Credit cards	7,342	4,529	– 9,659	5,079	–	7,291
Other [1]	629	590	– 293	–	–	926
Total	**52,013**	**19,183**	**– 47,837**	**33,543**	**–**	**56,902**
As a % of total financing receivables, net						**1.1 %**

[1] Other includes Swissbilling SA

Credit quality of financing receivables

The Group describes the characteristics of the financing receivables and provides information about payment performance, credit quality indicators and impairment. The Group manages these portfolios using delinquency and nonaccrual data as key performance indicators. The categories used within this section such as nonaccrual financing receivables are defined by the authoritative guidance, and the Group bases the categorisation on the related scope and definitions contained in the related standards. The category of delinquent customer accounts is defined by the Group and is used in the process of managing the financing receivables. Definitions of these categories are provided in note 1 of the Consolidated Financial Statements as of and for the years ended 31 December 2019 and 2018.

Past due financing receivables

The following table displays payment performance of the financing receivables as a percentage of loans and investment in direct financing leases:

	30 June 2020		31 December 2019	
	Over 30 days past due	**Over 90 days past due**	Over 30 days past due	Over 90 days past due
Personal loans	**3.7 %**	**1.3 %**	3.0 %	1.2 %
Auto leases and loans	**0.9 %**	**0.1 %**	0.9 %	0.2 %
Credit cards	**1.2 %**	**0.5 %**	1.1 %	0.4 %
Total [1]	**2.1 %**	**0.7 %**	**1.8 %**	**0.6 %**

[1] Does not include Swissbilling SA. There is no material impact on the Group’s past due financing receivables

Nonaccrual financing receivables

The following table provides further information about financing receivables that are classified as nonaccrual:

CHF in thousands	30 June 2020	31 December 2019
Personal loans	**34,490**	32,804
Auto leases and loans	**3,620**	4,497
Credit cards	**4,631**	4,228
Total [1]	**42,741**	**41,530**
Nonperforming loan coverage [2]	**196.7 %**	193.3 %

1 Does not include Swissbilling SA. There is no material impact on the Group's nonaccrual financing receivables
2 Calculated as allowance for losses divided by nonaccrual financing receivables

Credit quality indicators

For its lending products, the Group uses consumer ratings (CR) to assess overall credit quality. There are five consumer ratings, each having an implied probability of default based on historical default experience, with a default definition of 90 days past due. The five ratings and their associated probabilities of default are:
a. CR1 0.00% – 1.20%;
b. CR2 1.21% – 2.97%;
c. CR3 2.98% – 6.99%;
d. CR4 7.00% – 13.16%; and
e. CR5 13.17% and greater.

For private customers, the consumer rating is derived from an application credit score that is calculated through one of the Group's internal scorecards. Each credit score translates into one of the consumer ratings. For commercial customers, an obligor rating (OR) is assigned. The obligor rating is translated into the grades of the consumer rating.

In addition to regular scorecard monitoring, a parity test is run at portfolio level on a quarterly basis to monitor whether the consumer ratings adequately reflect the credit quality. As a response to the covid-19 pandemic, the consumer ratings were reviewed and adjusted in order to adequately reflect the most recent portfolio credit quality.

	30 June 2020				
CHF in thousands	CR1	CR2	CR3	CR4	CR5
Personal loans	**1,097,544**	**808,996**	**435,365**	**122,839**	**44,454**
Auto leases and loans	**1,432,724**	**889,453**	**402,649**	**71,242**	**31,937**
Credit cards	**689,430**	**208,278**	**79,355**	**12,104**	**1,351**
Total [1]	**3,219,698**	**1,906,726**	**917,369**	**206,185**	**77,742**
As a % of total financing receivables before allowance for losses [1]	**50.9 %**	**30.1 %**	**14.5 %**	**3.3 %**	**1.2 %**

1 Does not include eny Credit GmbH and Swissbilling SA. There is no material impact on the Group's consumer ratings

CHF in thousands	31 December 2019				
	CR1	CR2	CR3	CR4	CR5
Personal loans	1,243,149	802,966	404,483	120,161	7,915
Auto leases and loans	1,485,086	920,142	412,579	72,980	36,418
Credit cards	761,584	196,319	70,194	7,509	39
Total [1]	3,489,818	1,919,427	887,255	200,650	44,373
As a % of total financing receivables before allowance for losses [1]	53.3 %	29.3 %	13.6 %	3.1 %	0.7 %

[1] Does not include eny Credit GmbH, Swissbilling SA and Swiss SME Loans 2018-1 GmbH. There is no material impact on the Group's consumer ratings

5. Investment securities

Investment securities are comprised of debt securities available for sale.

CHF in thousands	30 June 2020	31 December 2019
Debt securities available for sale	3,012	5,668
Total investment securities	3,012	5,668

The following table summarises amortised cost, fair value and unrealised gains and losses of debt securities available for sale by category.

CHF in thousands	30 June 2020				31 December 2019			
	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value
Debt securities issued by Swiss cantons	–	–	–	–	–	25	– 25	–
Debt securities issued by Swiss mortgage institutions	3,011	147	– 146	3,012	5,659	177	– 168	5,668
Debt securities available for sale	3,011	147	– 146	3,012	5,659	202	– 193	5,668

The maturity of debt securities available for sale is presented in the table below:

	Amortised cost	Fair value
CHF in thousands	30 June 2020	30 June 2020
Within 1 year	3,011	3,012
Total debt securities	3,011	3,012

Due to the nature of the investment securities, the covid-19 pandemic has no significant impact on the fair value measurement at this point in time.

6. Property, plant and equipment

The following table provides further information about property, plant and equipment, excluding operating leases which are shown separately further below.

CHF in thousands	Estimated useful lives (years)	30 June 2020	31 December 2019
Original cost			
Buildings and improvements	(5-40)	**9,242**	8,847
Office equipment	(3-10)	**15,512**	15,553
Total		**24,754**	**24,400**
Accumulated depreciation			
Buildings and improvements		**– 5,944**	– 5,565
Office equipment		**– 10,462**	– 9,786
Total		**– 16,406**	**– 15,351**
Net carrying value			
Buildings and improvements		**3,298**	3,282
Office equipment		5,050	5,767
Total		**8,348**	**9,049**

Depreciation expense was TCHF 1,538 and TCHF 1,082 for the periods ended 30 June 2020 and 30 June 2019, respectively. The Group did not recognise any impairment losses in both periods.

The Group holds operating leases primarily related to real estate and automobiles.

CHF in thousands	30 June 2020	31 December 2019
Components of the lease liability		
Operating lease - ROU assets	**15,636**	19,773
Operating lease - lease liability	**16,212**	19,663
Short-term classification	**6,907**	7,006
Long-term classification	**9,305**	12,658
Supplemental information		
ROU assets obtained for new lease liabilities	**–**	2,743
Weighted average remaining lease term (in years)	**3.14**	3.48
Weighted average discount rate	**0.23 %**	0.23 %

For the six months ended (CHF in thousands)	30 June 2020	30 June 2019
Components of the lease expense		
Operating lease expense[1]	**4,357**	3,172
Supplemental information		
Operating cash flows paid for operating leases	**3,636**	2,829
Operating cash flows paid for short-term	**333**	240

[1] Includes impairment loss of TCHF 575 on operating leases

CHF in thousands	30 June 2020	31 December 2019
Maturities table		
2020	**3,543**	7,522
2021	**6,274**	6,168
2022	**3,130**	3,122
2023	**2,148**	2,059
Thereafter	**1,344**	1,352
Total lease payments	**16,439**	**20,222**
Less: imputed interest	**– 56**	– 77
Total	**16,383**	**20,145**

The Group recognised an impairment loss of TCHF 575 on operating leases under ASC Topic 842 for the period ended 30 June 2020 due to the planned closure of various branches. No lease concessions were granted to the Group, due to the covid-19 pandemic.

7. Intangible assets

CHF in thousands	Estimated useful lives (years)	30 June 2020	31 December 2019
Original cost			
Capitalised software	(1-5)	**83,284**	79,168
Customer relationships	(5 - 5.5)	**48,087**	48,087
Trademarks	(5)	**10,964**	10,964
Total		**142,335**	**138,220**
Accumulated amortisation			
Capitalised software		**– 47,731**	– 41,401
Customer relationships		**– 7,441**	– 3,066
Trademarks		**– 1,827**	– 731
Total		**– 56,999**	**– 45,199**
Net carrying value			
Capitalised software		**35,553**	37,767
Customer relationships		**40,647**	45,021
Trademarks		**9,137**	10,233
Total		**85,336**	**93,021**

Amortisation expense related to intangible assets was TCHF 11,904 and TCHF 5,720 for the periods ended 30 June 2020 and 30 June 2019.

8. Goodwill

On 16 February 2017, the Group acquired 100% of the shares of Swissbilling SA, a Swiss invoice financing company with operations mainly in the French-speaking region of Switzerland. On 30 November 2017, the Group acquired 100% of outstanding shares of EFL Autoleasing AG, a Swiss auto leasing company domiciled in Winterthur. On 2 September 2019, the Group acquired 100% of the shares of cashgate AG, a leading consumer finance provider in Switzerland, for total consideration of CHF 277 million. Goodwill related to these acquisitions is presented below.

CHF in thousands	Balance at 1 January 2020	Goodwill acquired during the period	Other	Balance at 30 June 2020
Gross amount of goodwill	**156,828**	–	–	**156,828**
Accumulated impairment	–	–	–	–
Net book value	**156,828**	–	–	**156,828**

The Group continually assesses whether or not there has been a triggering event requiring a review of goodwill, for which both a qualitative and quantitative assessment may be performed. For the quantitative assessment, the Group applied the income approach. This approach is based on a discount rate which reflects the relevant risks and projected cash flows determined from the Group's updated five-year strategic business plan that included significant management assumptions and estimates based on its view of current and future economic conditions.

The current economic environment was considered to be a triggering event, and a goodwill impairment analysis was therefore carried out as of 30 June 2020. Based on this analysis, which also considered the impact of various adverse scenarios, the Group concluded that the assessed fair value for all the reporting units with goodwill substantially exceeded their related carrying values and no impairment was necessary at 30 June 2020. There are no deferred taxes booked related to goodwill.

9. Other assets

CHF in thousands	30 June 2020	31 December 2019
Restricted cash	**25,201**	30,967
Tax receivables	**27,656**	24,637
Other receivables	**6,621**	11,869
Deferred expenses	**4,019**	3,403
Other	**1,533**	1,865
Total other assets	**65,029**	**72,740**

Restricted cash is not available for use in the ordinary course of operations and is restricted in terms of withdrawal or usage. The Group had TCHF 25,201 and TCHF 30,967 of restricted cash related to the consolidated VIEs (see note 19) as at 30 June 2020 and 31 December 2019, respectively.

The tax receivables as per 30 June 2020 consisted of VAT input tax and income tax receivables.

10. Deposits

The following table shows the maturities of the Group's customers' saving deposits, term deposits and prepaid cards as at 30 June 2020 and 31 December 2019, respectively:

CHF in thousands	**30 June 2020**	31 December 2019
On demand	**154,915**	158,755
Less than 3 months	**606,534**	443,843
3 to less than 6 months	**488,567**	306,284
6 to less than 12 months	**490,397**	856,601
12 months plus, thereof	**1,662,059**	1,729,669
due in 2021	**292,251**	518,143
due in 2022	**476,395**	412,346
due in 2023	**330,057**	312,718
due in 2024	**283,231**	247,620
due in 2025	**86,768**	69,733
due in 2026 and later	**193,358**	169,110
Total	**3,402,472**	**3,495,152**

There is no term maturity for on-demand saving deposits. All deposits are denominated in CHF. The weighted average interest rate on all deposits was approximately 0.39% and comparable to that of the prior period.

11. Short-term and long-term debt

Short-term and long-term debt is shown below:

CHF in thousands	Maturity	30 June 2020 Amount	30 June 2020 Contractual interest rate [2]	31 December 2019 Amount	31 December 2019 Contractual interest rate [2]
Short-term portion					
Non-recourse borrowings (Auto ABS) [1]	2020	–	–	200,000	0.22 %
External debt (floating rate note)	2020	–	–	50,063	0.00 %
External debt (bridge facility)	2020	–	–	75,000	
External debt (senior unsecured floating rate notes)	2021	**50,219**	**0.00 %**	–	–
Long-term portion					
External debt (unsecured bond)	2021	**175,000**	**0.50 %**	175,000	0.50 %
External debt (senior unsecured floating rate notes)	2021	–	–	50,383	0.00 %
External debt (senior unsecured floating rate notes)	2021	**50,249**	**0.00 %**	50,337	0.00 %
Non-recourse borrowings (Auto ABS) [1]	2022	**250,000**	**0.15 %**	250,000	0.15 %
External debt (unsecured bond)	2022	**99,984**	**1.25 %**	99,980	1.25 %
External debt (unsecured bond)	2023	**200,000**	**0.18 %**	200,000	0.18 %
External debt (unsecured bond)	2023	**250,000**	**0.00 %**	250,000	0.00 %
Non-recourse borrowings (Auto ABS) [1]	2024	**250,000**	**0.00 %**	–	–
External debt (unsecured bond)	2024	**200,155**	**0.25 %**	200,175	0.25 %
External debt (perpetual tier 1 capital bond)	2024	**150,000**	**2.50 %**	150,000	2.50 %
External debt (unsecured bond)	2025	**150,593**	**0.38 %**	150,652	0.38 %
External debt (unsecured bond)	2026	**125,196**	**0.88 %**	125,213	0.88 %
External debt (senior convertible bond)	2026	**248,278**	**0.00 %**	247,978	0.00 %
External debt (unsecured bond)	2026	**200,000**	**0.15 %**	200,000	0.15 %
External debt (unsecured bond)	2027	**175,000**	**0.29 %**	175,000	0.29 %
Debt issuance costs		**– 10,588**		– 11,178	
Total short-term and long-term debt		**2,564,086**		**2,638,604**	

1 Related to consolidated VIEs, refer to note 19 for further details
2 Rounded to two decimal places

The contractual rate represents the interest due on the relevant debt at the reporting date, whereas the effective interest (all-in) rate reflects, in addition to the contractual interest rate, fees and debt issuance costs that are amortised over the expected life of the instrument. As per 30 June 2020, the Group had mostly fixed rate funding, except of two floating rate notes over TCHF 50,000 each, which were issued in August 2019 and November 2019.

The Group defers the debt issuance costs and amortises them over the expected lifetime of the relevant debt instrument. As per 30 June 2020 and 31 December 2019, unamortised debt issuance costs amounted to TCHF 10,588 and TCHF 11,178, respectively. Commitment fees are recognised as incurred over the commitment period.

On 23 January 2019, the Group signed a revolving credit facility with an international bank with a committed term until 2022. The facility consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

On 22 November 2018, the Group signed a revolving credit facility with a Swiss bank with a committed term until 2022. The facility consists of a TCHF 50,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.20% per annum.

In July 2018, the Group signed a revolving credit facility with a Swiss bank for a three-year term. The facility matures in 2021 and consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

On 4 December 2017, the Group signed a revolving credit facility with a Swiss bank with a committed term until end of 2020. The facility consists of a TCHF 100,000 unsecured commitment. The facility has an applicable contractual commitment fee of 0.25% per annum.

As at 30 June 2020 and 31 December 2019, the Group maintained TCHF 350,000 of undrawn committed facilities. The weighted average contractual commitment fee for all facilities was 0.24% at 30 June 2020 and 31 December 2019, respectively.

On 30 June 2019, the Group signed a bridge facility and term facility with a bank syndicate of three banks with committed terms of up to three years. The facilities consisted of a TCHF 1,450,000 respectively of a TCHF 150,000 unsecured commitment. As at 31 December 2019 the bridge facility was canceled and the term facility of TCHF 75,000 was repaid in January 2020.

On 14 November 2019, the Group issued a TCHF 50,000 floating rate note at 100.70% with a maturity of two years and a quarterly coupon of 0.0% floored respectively 0.05% capped for the entire period depending on the Libor fixings.

On 14 August 2019, the Group issued a TCHF 50,000 floating rate note at 100.99% with a maturity of one and half years and a quarterly coupon of 0.0% floored for the entire period depending on the Libor fixings.

On 1 October 2019, the Group issued a TCHF 200,000 senior unsecured bond at 100% with a maturity of seven years and a coupon of 0.15%.

On 8 July 2019, the Group issued a TCHF 250,000 senior unsecured bond at 100% with maturity of three and three quarter years and a coupon of 0.0% and a TCHF 175,000 senior unsecured bond at 100% with a maturity of eight years and a coupon of 0.29%.

On 4 July 2019, the Group issued a TCHF 150,000 additional tier1 bond at 100% with perpetual maturity (earliest call in November 2024) and a coupon of 2.5%. The bond is eligible for tier1 capital, and will be written-off if a pre-specified trigger event occurs in relation to the regulatory capital adequacy ratio (>5.125% Common Equity Tier 1). If capital triggering occurs, the investor receives a write-down of the outstanding amount of the debt, which may be defined as either fixed or variable (depending upon the point of conversion). Given the extremely low likelihood of conversion, no separate derivative was recorded related to the value of the conversion option.

On 2 July 2019, the Group issued a TCHF 250,000 convertible bond at 100.88% with a maturity of seven years and a coupon of 0.0%. The conversion right allows the bondholders to convert their bonds any time 41 days after settlement up to and including 40 days before maturity. When conversion rights are exercised, holders who convert their bonds will receive a) if the conversion value is lower than or equal to the aggregate principal amount of the bonds converted by the same holder at any one time, the cash conversion amount; or b) if the conversion value is greater than the aggregate principal amount of the bonds converted by the same holder at any one time the cash conversion amount and the net shares. Upon conversion, it is at the discretion of Cembra Money Bank AG to deliver net shares or its equivalent in cash. The convertible bond has an initial conversion price of CHF 122.20. The embedded conversion option met the criteria for a cash conversion option via ASC Topic 470 and is measured separately via equity at TCHF 4,200.

On 3 March 2020, the Group launched its sixth auto lease asset backed security (“ABS”) transaction and issued a fixed-rate senior notes of TCHF 250,000 on the Swiss capital market with a contractual maturity of ten years and an optional redemption date of four years from the date of issuance. Most of the proceeds from this issuance were used to refinance the third ABS issued in 2016. On 23 March 2020, the TCHF 200,000 outstanding senior notes issued in 2016 were fully repaid with no further amounts due to noteholders.

The Group has a total outstanding of TCHF 2,425,000 of senior unsecured bonds (including ABS and convertible) and TCHF 150,000 subordinated additional tier 1 bond issued as at 30 June 2020. These bonds have been issued in 2014 (maturing in 2022), 2015 (maturing in 2021), 2016 (maturing in 2023), 2017 (maturing in 2024 and 2025), 2018 (maturing in 2026), 2019 (maturing in 2021, 2022, 2023, 2026 and 2027) and 2020 (maturing in 2024). All debt instruments are repayable at full at maturity or at the earliest possible redemption date.

12. Pension plans

The cost of the pension plans is presented below:

For the six months ended (CHF in thousands)	Consolidated statements of income line item	30 June 2020	30 June 2019
Service cost for benefits earned	Compensation and benefits	**4,339**	3,189
Prior service credit amortisation	General and administrative expenses	**–829**	–750
Expected return on plan assets	General and administrative expenses	**–3,644**	–2,935
Interest cost on benefit obligations	General and administrative expenses	**321**	950
Net actuarial loss amortisation	General and administrative expenses	**2,863**	2,658
Pension plan cost		**3,051**	**3,111**

13. Capital adequacy

The Group is subject to FINMA regulations. The capital levels of the Group are subject to quantitative requirements and qualitative judgements by the regulators, including FINMA, about the components of capital, risk weightings and other factors.

The Group is applying the definite Basel III rules effective since 1 January 2013. Under Basel III, a variety of basic approaches are available to banks for the calculation of capital adequacy requirements for credit, market and operational risks. The Group uses the International standard approach ("SA-BIS" approach) to calculate the minimum requirement for covering credit risk. It is entitled to use a standardised approach to calculate the capital charge for market risk. The Group also applies a standardised approach to calculate the capital charge for operational risk management. Thus it fulfils the qualitative and quantitative requirements of the Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO, SR 952.03).

The total eligible regulatory capital of the Group comprises Tier 1, Common Equity Tier 1 (CET1), additional Tier 1 capital (AT1) and consists of shareholders' equity including net income for the current year. Deductions from Tier 1 include, among other items, anticipated but non-declared dividends, own shares, goodwill and deferred tax assets. Risk-weighted assets include consolidated balance sheet assets, off-balance sheet transactions converted into credit equivalents, non-counterparty risk, market risk and operational risk from processes, people, systems and external events.

As of 30 June 2020, the Group adheres to the applicable regulatory requirements for a category 4 bank set by FINMA. The Group aims to consistently operate with a capital base that is well above this mark. The Group was adequately capitalised under the regulatory provisions outlined by FINMA and the Bank for International Settlements.

Further information on capital adequacy is contained in the separate document "Basel III Pillar 3 disclosures 2019" published on the Cembra website (www.cembra.ch/financialreports).

CHF in thousands	30 June 2020	31 December 2019
Eligible regulatory capital		
Tier 1 capital	**979,678**	962,297
of which CET1 capital	**829,678**	812,297
of which additional Tier 1 capital	**150,000**	150,000
Total eligible capital	**979,678**	**962,297**
Risk-weighted assets		
Credit risk	**4,932,067**	5,100,663
Non counterparty risk	**41,578**	56,642
Market risk	**537**	5,482
Operational risk	**784,967**	745,326
Total risk-weighted assets	**5,759,149**	**5,908,114**
Capital ratios		
CET1 ratio	**14.4 %**	13.7 %
Tier 1 ratio	**17.0 %**	16.3 %
Total capital ratio	**17.0 %**	**16.3 %**

14. Earnings per share and additional share information

For the six months ended (CHF in thousands)	30 June 2020	30 June 2019
Net income attributable to shareholders for basic earnings per share (CHF in thousands)	**74,119**	78,595
Net income attributable to shareholders for diluted earnings per share (CHF in thousands)	**74,119**	78,595
Weighted-average number of common shares		
Weighted-average number of common shares issued	**30,000,000**	30,000,000
Less weighted-average number of treasury shares	**618,946**	1,813,838
Weighted-average numbers of common shares outstanding for basic earnings per share	**29,381,054**	**28,186,162**
Dilution effect number of shares	**21,667**	22,393
Weighted-average numbers of common shares outstanding for diluted earnings per share	**29,402,721**	**28,208,555**
Basic earnings per share (in CHF)	**2.52**	**2.79**
Diluted earnings per share (in CHF)	**2.52**	**2.79**

The amount of common shares outstanding has changed as follows:

	30 June 2020	31 December 2019
Common shares issued		
Balance at beginning of period	**30,000,000**	**30,000,000**
Issuance of common shares	–	–
Balance at end of period	**30,000,000**	**30,000,000**
Treasury shares		
Balance at beginning of period	**621,644**	**1,813,249**
Sale	–	– 1,200,000
Share-based compensation	**– 17,109**	– 9,605
Purchase	**25,000**	18,000
Balance at end of period	**629,535**	**621,644**
Common shares outstanding	**29,370,465**	**29,378,356**

15. Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Group from a customer, are excluded from revenue. The Group recognises revenue when it satisfies a contractual performance obligation.

These performance obligations are typically satisfied as the services in the contract are rendered. The contract terms are generally such that they do not result in any contract assets. The contracts generally do not include a significant financing component or obligations for refunds or other similar obligations. The contracts generally do not include variable consideration, therefore there is no significant judgement required in this respect.

Nature of services

The Group provides finance solutions to its customers. The main revenue streams of the Group arise from personal loans, leases and credit cards as well as from insurance products. Certain credit card related fees and insurance commissions are in the scope of ASC 606.

Commission and fee income related to credit cards include certain transaction-based and service fees. Those fees are recognised as the services are rendered, which is when the transaction happens and is processed. In case of credit cards, the Group additionally earns interchange fees calculated as a percentage of total credit card transaction volume. Those fees are recognised when the transactions are processed.

The Group also offers insurance products to its customers. Those products are complementary to the Group's lending products and the Group acts as an agent to insurance companies. For arranging between the customer and the insurer, the Group is entitled to keep a part of the insurance premium as its commission, which is recognised on a net basis as the services are rendered.

Disaggregation of revenues

For the six months ended (CHF in thousands)	**30 June 2020**	30 June 2019
Insurance	**12,135**	9,884
Credit cards	**34,903**	48,070
Total	**47,039**	**57,954**

The table above differs from note 23 – Commissions and fee income as it includes only contracts with customers that are in scope of ASC Topic 606 – Revenue from Contracts with Customers.

16. Income tax expense

The provision for income taxes is summarised in the table below:

For the six months ended (CHF in thousands)	**30 June 2020**	30 June 2019
Current tax expense	**18,865**	20,778
Deferred tax expense / benefit (-) from temporary differences	**824**	475
Income tax expense	**19,689**	**21,253**

Deferred income tax balances reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the carrying amounts for income tax purposes.

Under Swiss law, a resident company is subject to income tax at the federal, cantonal and communal levels. The federal statutory tax rate is 8.5%. The cantonal and communal corporation tax rates vary. The Group's effective tax rates for the both periods ended 30 June 2020 and 2019 were approximately 21%.

Net deferred tax liabilities amounted to TCHF 2,058 as of 30 June 2020 and TCHF 788 as of 31 December 2019, respectively.

Management believes that the realisation of the recognised deferred tax assets is more likely than not, based on expectations regarding future taxable income. In assessing the realisability of deferred tax assets, the management considers whether it is more likely than not that a portion or all of the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realise the benefits of these deductible differences. The amount of the deferred tax assets is considered realisable, however, it could be reduced in the near term if estimates of future taxable income during the carry-forward period are significantly reduced.

The Group has no unrecognised tax benefits. Management believes that there are no uncertain tax positions that would require a reserve.

17. Commitments and guarantees

The Group's guarantees are provided in the ordinary course of business and are underwritten by considering the economic, liquidity and credit risk of the counterparty.

Swiss banking law and the deposit insurance system require Swiss banks and securities dealers to jointly guarantee an amount of up to CHF 6 billion for privileged client deposits in the event that a Swiss bank or securities dealer becomes insolvent. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate, the Group's share in the deposit insurance guarantee programme was TCHF 6,838 as at 30 June 2020. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 30 June 2020, the Group considers the probability of a material loss from this obligation to be remote.

The Bank has issued a comfort letter (guarantee) towards Swisscom Directories AG as part of a factoring agreement between the subsidiary Swissbilling SA and Swisscom Directories AG. The guarantee covers the net financial obligations of Swissbilling SA to Swisscom Directories AG up to a maximum amount of TCHF 35,000, in the event Swissbilling SA is not able to meet its financial obligations. The commitment is irrevocable until all net financial obligations have been settled with Swisscom Directories AG. Exposure as at 30 June 2020 amounts to TCHF 21,713 and management assesses that the probability of payout is remote.

For details on rental commitments under non-cancellable operating leases refer to note 6.

18. Financial instruments

The following table provides information about the assets and liabilities not carried at fair value in the Statement of Financial Position.

The table excludes finance leases and nonfinancial assets and liabilities. For the most part, the assets and liabilities discussed below are considered to be Level 3 (for the definition see note 1 of the Consolidated Financial Statements in the Annual Report 2019).

	30 June 2020		31 December 2019	
CHF in thousands	**Carrying amount net**	**Estimated fair value**	Carrying amount net	Estimated fair value
Assets				
Loans	**3,819,764**	**3,898,166**	3,995,022	4,080,186
Liabilities				
Deposits	**– 3,402,472**	**– 3,438,155**	– 3,495,152	– 3,535,302
Borrowings	**– 2,564,086**	**– 2,313,600**	– 2,638,604	– 2,423,790

Due to the nature of the financial instruments, the covid-19 pandemic has no significant impact on the estimated fair value measurement. Fair values are estimated as follows:

Loans
Fair value calculation is based on a discounted future cash flows methodology, using current market interest rate data adjusted for inherent credit risk or quoted market prices and recent transactions, if available.

Deposits and borrowings
If no market quotes are available, the fair value calculation is based on a discounted future cash flows methodology, using current effective interest rate data or current market interest rate data that is available to the Group for similar financial instruments.

Assets and liabilities that are reflected in the accompanying financial statements at a carrying value deemed to represent fair value are not included in the above disclosures; such items include cash and equivalents, investment securities, other assets, accrued expenses and other liabilities.

19. Variable interest entities

The Group primarily uses variable interest entities (VIEs) to securitise auto lease financing receivables. The financing receivables are originated by the Bank in the ordinary course of business and transferred to the VIEs. The financing receivables in the VIEs have similar risks and characteristics to the Bank's other lease financing receivables and were underwritten to the same standard. Accordingly, the performance of these assets has been similar to the Bank's other lease financing receivables.

The Group has undertaken six securitisations in the past years, all through consolidated VIEs, to obtain funding backed by its auto lease receivables.

In June 2016, the Group launched its fourth securitisation transaction (structured through Swiss Auto Lease 2016-1 GmbH) and issued fixed-rate senior notes of TCHF 200,000 with a coupon of 0.22% per annum and an optional redemption date of 3¾ years from the date of issuance. The proceeds from this issuance were used to refinance the securitisation structured through Swiss Auto Lease 2013-1 GmbH.

In March 2019, the Group launched its fifth securitisation transaction (structured through Swiss Auto Lease 2019-1 GmbH) and issued fixed-rate senior notes of TCHF 250,000 with a coupon of 0.15% per annum and an optional redemption date of three years from the date of issuance. Most of the proceeds from this issuance were used to refinance the securitisation structured through Swiss Auto Lease 2015-1 GmbH.

In March 2020, the Group launched its sixth securitisation transaction (structured through Swiss Auto Lease 2020-1 GmbH) and issued fixed-rate senior notes of TCHF 250,000 with a coupon of 0% per annum and an optional redemption date of four years from the date of issuance. Most of the proceeds from this issuance were used to refinance the securitisation structured through Swiss Auto Lease 2016-1 GmbH.

Third-party holders of the debt issued by the VIEs only have recourse to the financing receivables owned by the VIEs and not to the Bank's general credit. Contractually, the cash flows from these financing receivables must first be used to pay third-party debt holders and other expenses of the VIEs. Excess cash flows are available to the Bank.

The Bank is the servicer of the VIEs and holds the subordinated interests issued by the VIEs. The Bank is considered primary beneficiary of the VIEs as it has both the power to direct the activities that most significantly impact the VIEs' economic performance and an obligation to absorb losses, or a right to receive benefits from the VIEs. Hence, the VIEs are being consolidated.

In July 2017, the Group signed an agreement to refinance a CHF 42 million personal loan portfolio from eny Finance AG, a Swiss online personal loan provider. The Group has also agreed to partially refinance future personal loan volume from this provider. The deal was structured through a VIE, eny Credit GmbH, that is fully owned, controlled and consolidated by the Group. The Bank is the co-servicer of the VIE and holds the subordinated interests issued by the VIE that were used to refinance the loan portfolio from eny Finance AG. The Bank is considered the primary beneficiary of the VIE as it has both the power to direct the activities that most significantly impact the VIE's economic performance and an obligation to absorb losses, or a right to receive benefits from the VIE.

The table below summarises the assets and liabilities of the consolidated VIEs described above:

CHF in thousands	**30 June 2020**	31 December 2019
Assets		
Financing receivables, net	**624,989**	595,581
Financing leases	**549,457**	497,869
Loans	**75,532**	97,712
Other assets	**25,201**	30,967
Total assets	**650,190**	**626,547**
Liabilities		
Accrued expenses and other payables	**5,516**	6,738
Non-recourse borrowings	**498,265**	449,010
Total liabilities	**503,780**	**455,749**

Revenues from the consolidated VIEs amounted to TCHF 15,226 and TCHF 14,220 for the periods ended 30 June 2020 and 30 June 2019, respectively. Related expenses consisted primarily of provisions for losses of TCHF 1,566 and TCHF 2,459 and interest expense of TCHF 727 and TCHF 781 for the periods ended 30 June 2020 and TCHF 30 June 2019, respectively. These amounts do not include intercompany revenues and costs, principally fees and interest between the Bank and the VIEs, which are eliminated for consolidation purposes.

20. Related-party transactions

The Group had no related-party transactions in the first half-year of 2020 besides the ordinary business.

21. Interest income

The details of interest income are shown below:

For the six months ended (CHF in thousands)	**30 June 2020**	30 June 2019
Personal loans	**97,247**	79,096
Auto leases and loans	**65,275**	49,521
Credit cards	**41,607**	38,297
Other	**– 1,085**	– 1,163
Total	**203,044**	**165,751**

22. Interest expense

The details of interest expense are shown below:

For the six months ended (CHF in thousands)	**30 June 2020**	30 June 2019
Interest expense on ABS	**828**	868
Interest expense on deposits	**6,513**	6,477
Interest expense on debt	**6,344**	3,321
Total	**13,684**	**10,666**

23. Commission and fee income

The details of commission and fee income are shown below:

For the six months ended (CHF in thousands)	**30 June 2020**	30 June 2019
Insurance	**12,135**	9,884
Credit cards	**34,903**	48,070
Loans and leases	**8,211**	6,523
Other	**4,714**	3,084
Total	**59,964**	**67,561**

24. General and administrative expenses

The details of general and administrative expenses are shown below:

For the six months ended (CHF in thousands)	30 June 2020	30 June 2019
Professional services	**9,449**	8,821
Marketing [1]	**6,599**	4,714
Collection fees	**5,470**	5,185
Postage and stationery	**5,050**	4,890
Rental expense under operating leases	**4,466**	3,172
Information technology	**17,614**	14,406
Depreciation and amortisation	**13,442**	6,802
Other	**– 2,529**	– 1,313
Total	**59,560**	**46,677**

[1] Marketing includes advertising costs, which are expensed as incurred

For the period ended 30 June 2020, depreciation and amortisation include amortisation expenses related to intangible assets of TCHF 11,904, whereof TCHF 5,819 were applicable to cashgate intangible assets. In the prior period the amortisation expenses for intangible assets amounted to TCHF 5,720. For further information, please refer to note 7. Intangible assets.

25. Supplemental cash flow information

Certain supplemental information related to cash flows is shown below:

For the six months ended (CHF in thousands)	30 June 2020	30 June 2019
Increase in loans to customers	**– 877,800**	– 836,266
Principal collections from customers – loans	**988,659**	792,527
Investment in equipment for financing leases	**– 566,621**	– 546,796
Principal collections from customers – financing leases	**625,108**	460,026
Net change in credit card receivables and other	**18,037**	– 105,033
Net change in financing receivables	**187,382**	**– 235,543**

26. Off-balance sheet arrangements

At 30 June 2020 and 31 December 2019, the Group was party to the following off-balance sheet financial instruments. The balances represent the Group's maximum contractual exposure to credit risk resulting from off-balance sheet arrangements:

CHF in thousands	**30 June 2020**	31 December 2019
Ordinary course of business lending commitments	**97,327**	99,422
Unused revolving loan facilities	**83,913**	68,684
Unused credit card facilities	**3,626,757**	3,453,582

Commitments to extend credit lines are agreements to lend to a customer as long as there is no violation of conditions-established in the contract. Commitments generally have fixed expiration dates, or other termination clauses. Loan commitments are most often uncollateralised and may be drawn upon up to the total amounts to which the Group is committed. Total commitment amounts do not necessarily represent future cash requirements as the lines of credit may expire or be terminated without being fully drawn upon. No additional allowance for losses was deemed necessary for these unused commitments since the Group can terminate the lines of credit at any time unilaterally.

27. Subsequent events

The Group has evaluated subsequent events from the financial position date through 22 July 2020, the date at which the financial statements were available to be issued.

There have been no changes in the market or economic environment as of the date of the issuance of this report that would affect the assumptions used regarding the impacts of covid-19 on the financial statements

Besides that, there were no other subsequent events at that date.

Information for Shareholders

Cembra Money Bank AG registered shares

Stock exchange listing	SIX Swiss Exchange
ISIN	CH0225173167
Security number	22517316
Par value	CHF 1.00
Number of shares	30,000,000
Selected indices	SPI®, SMIM® (from September 2020 on), STOXX® Europe 600, SPI Select Dividend 20

Ticker symbols

Bloomberg	CMBN SW
Reuters	CMBN.S

Credit ratings

Standard & Poor's	A– (long-term)
Standard & Poor's	A–2 (short-term)
Zürcher Kantonalbank	A–

ESG ratings

MSCI ESG®	A
Sustainalytics®	Low ESG risk

Financial calendar

Publication of full-year 2020 results	19 February 2021
Publication of Annual Report 2020	18 March 2021
Annual General Meeting 2021	22 April 2021

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This interim report is available in English only at www.cembra.ch/financialreports.