

# Cembra Money Bank

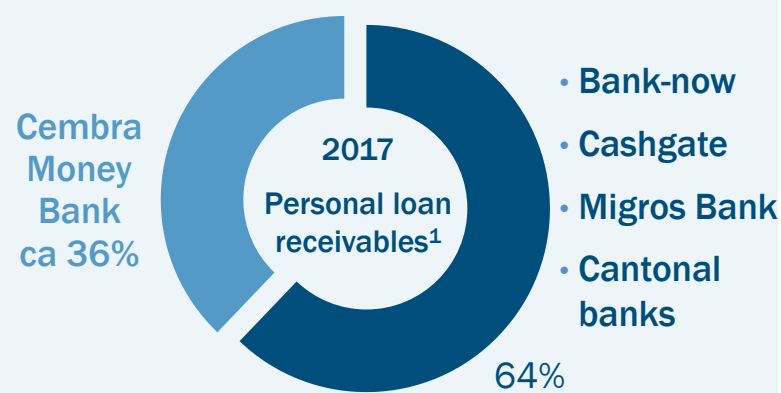
Credit Suisse Mid-Cap Conference, 15 November 2018



# A leading player in consumer finance in Switzerland

## Personal loans

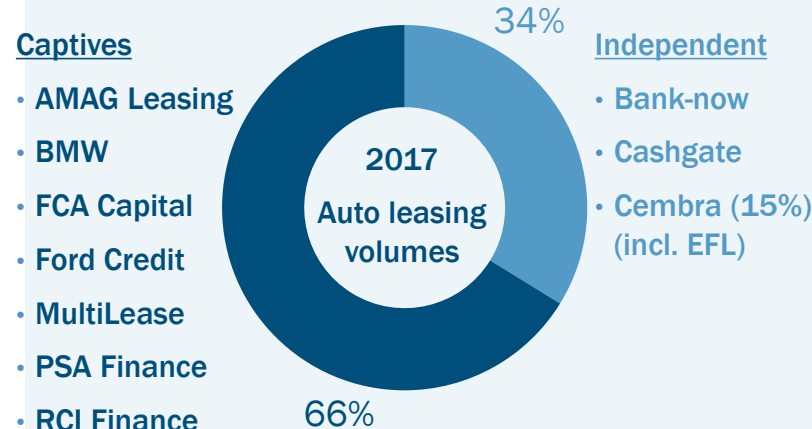
Market (Dec'17)



- Stable market share in a challenging market (interest rate cap)
- Diverse distribution model with 18 branches, 200 agents and an efficient internet channel
- Premium price supported by superior service and fast and easy service
- Strong market presence

## Auto leases & loans

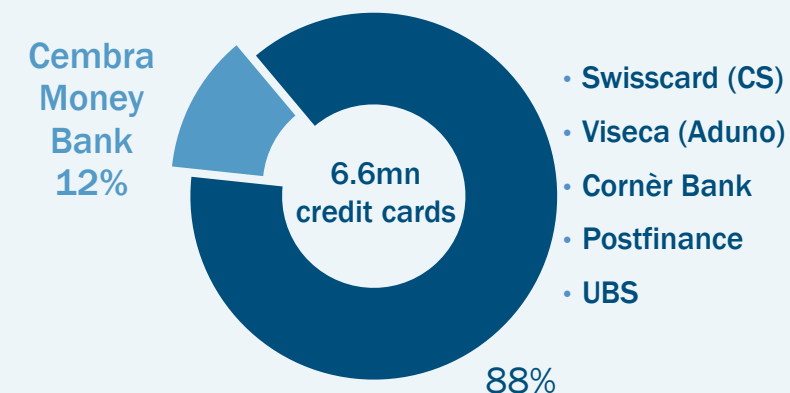
Market (Dec'17)



- Strong independent player, no brand concentration
- Offering products through 3000 larger, medium and small dealers
- Premium service through dedicated sales force and regional service centres
- Agreement with Honda, Hyundai, Tesla and Harley Davidson

## Credit cards

Market (Dec'17)



- 14% annual average growth rate since 2008
- Credit card solutions for major retailers and organisations in Switzerland
- Long-term relationship with major retailer Migros
- A track record of innovation with tailored 'dual cards' and attractive loyalty programs

# A proven track record of performance

IPO targets (Oct. 2013)		2014	2015	2016	2017	H1'18
<b>Asset growth</b>	Net customer loan growth to be moderate and in line with Swiss GDP growth	2.1%	(0.3)%	0.9%	12.0% <i>Organic:</i> 4.0%	4.0%
<b>Profitability</b>	RoE target of at least 15%	17.0%	17.7%	17.4%	16.7%	17.8%
<b>Capitalisation</b>	Target Tier 1 capital ratio of minimum 18%	20.6%	19.8%	20.0%	19.2%	18.9%
<b>Dividend payout</b>	Target payout ratio for ordinary dividend between 60% and 70% of net income	66%	66%	68%	69%	na
<b>Earnings per share (EPS)</b>		4.67	5.04	5.10	5.13	2.76
<b>Dividend yield</b>		5.6%	5.2%	6.0% <sup>1</sup>	3.9%	na

<sup>1</sup> Including extraordinary dividend of CHF 1.00 per share

# A clear strategy

## Cembra MoneyBank

### 1 Defend the core business

- **Asset growth through**
  - Strong performance
  - Cross sell / upsell
- **Grow fee-based income**
- **Efficient cost management**
- **Rigorous risk management**

### 2 Build the future

- **Robust IT investment plan**
  - Simplify customer onboarding
  - New CRM & Servicing
  - Digitization
- **Customer centric organization**
  - B2B/B2C framework
- **Smart follower for new technologies**

### 3 Gain size through external growth & diversification

- **M&A transactions**
  - Swissbilling
  - EFL Autoleasing
- **Partnerships / Joint Ventures**
  - Eny Finance
  - Lendico
- **Focus on consumer finance and consumer finance related markets primarily in Switzerland**

# A strong value proposition

- **Independent** consumer finance specialist
- **Diversified distribution** through own branches, independent credit agents, car dealers and retailers combined with a strong online presence
- Premium price supported by superior **personalized** and **flexible service** in personal loans, auto leasing and credit cards
- Highly **process driven** organization, **digitized** where needed and with strong **risk domain expertise**
- Long-term **experience** in the Swiss consumer market with stable and consistent management



# H1 2018 market update

## Markets

**Personal loan** market turned positive in 2017 (+2%)

## Cembra's performance

- Volumes in line with H1 2017... maintaining market share
- Vast majority of the book repriced
- 4% increase of assets – lower attrition
- Eny cooperation performing well

**Credit card** market up 3% vs H1 2017 (based on number of cards) <sup>1</sup>

- Continued momentum on cards (number of cards +11%, volumes +16%)
- Not only Migros; Cembra performance and TCS relaunch
- Credit card fees up 25% year on year
- Cembra outperforming market and winning share

**Auto** market flat at 158K new car registrations (-0.6% vs H1 2017) <sup>2</sup>

- Auto assets growing 2% in H1 2018 due to new partnerships and core performance
- Cembra winning market share despite strong captive competition
- EFL Autoleasing AG acquisition successfully integrated in H1 2018

## Other

- Swissbilling showing momentum; 190'000 invoices financed YTD & launched invoice finance at POS – healthy pipeline
- Lendico pilot started – early days
- Cembra leading in NFC – 19% market share<sup>1</sup>
- Cembra sticks to 'smart follower' strategy in payment technology

<sup>1</sup> Source: SNB Monthly Banking Statistics, Apr'18 YTD

<sup>2</sup> Sources: auto-schweiz; Eurotax

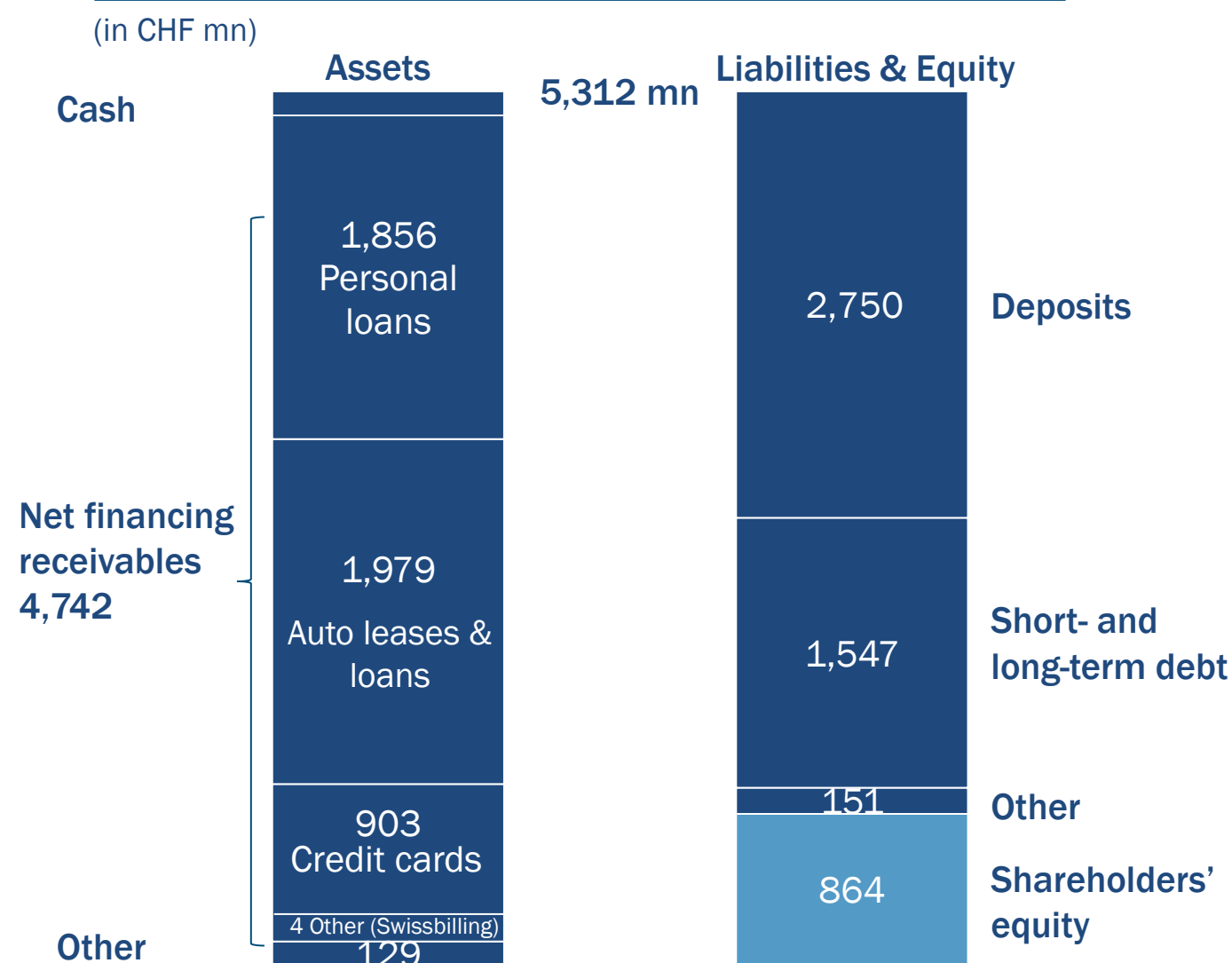
# Key financials

P&L (in CHF mn)	H1'18	H1'17
Interest income	162.2	151.1
Interest expense	(10.1)	(12.6)
Net interest income	152.1	138.6
Insurance	9.8	11.9
Credit card fees	43.2	34.5
Loans and leases	6.7	6.0
Other	1.2	1.4
Commission and fee income	60.9	53.8
<b>Total income</b>	<b>213.0</b>	<b>192.3</b>
Provision for losses	(23.9)	(21.1)
Operating expense	(90.6)	(83.3)
<b>Income before taxes</b>	<b>98.5</b>	<b>87.9</b>
Taxes	(20.8)	(18.5)
<b>Net income</b>	<b>77.7</b>	<b>69.4</b>
<b>Basic earnings per share (EPS)</b>	<b>2.76</b>	<b>2.46</b>

## Ratios

Net interest margin (NIM)	6.5%	6.7%
Cost/income ratio	42.6%	43.3%
Return on average equity (ROE)	17.8%	16.9%
Return on average assets (ROA)	3.0%	2.8%

## Balance sheet as per 30 June 2018

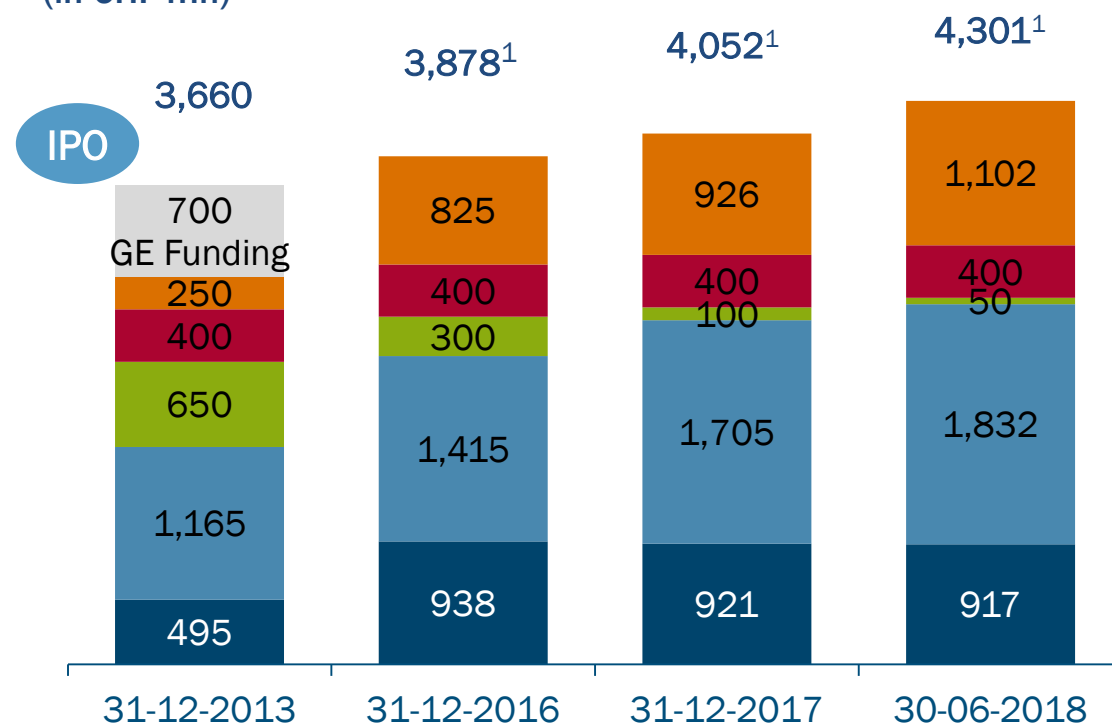


- Easy to understand balance sheet
- No derivatives
- Cash at SNB

# Diversified funding

## Diversified, local funding sources

(in CHF mn)



<b>End of period funding cost</b>	1.70%	0.66%	0.52%	0.49%
<b>Avg. remaining term (yrs)</b>	2.0	2.7	2.9	2.8
<b>LCR</b>	985%	1908%	916%	1112%
<b>NSFR<sup>2</sup></b>	>100%	>100%	>100%	>100%
<b>Leverage ratio</b>	-	14.8%	14.8%	14.5%
<b>Undrawn credit lines</b>	300mn	350mn	350mn	350mn

<sup>1</sup> Excludes deferred debt issuance costs on long & short-term debt

<sup>2</sup> Based on the revised NSFR framework published by the Basel Committee on Banking Supervision in January 2014

<sup>3</sup> Additional charges apply related to fees and debt issuance costs

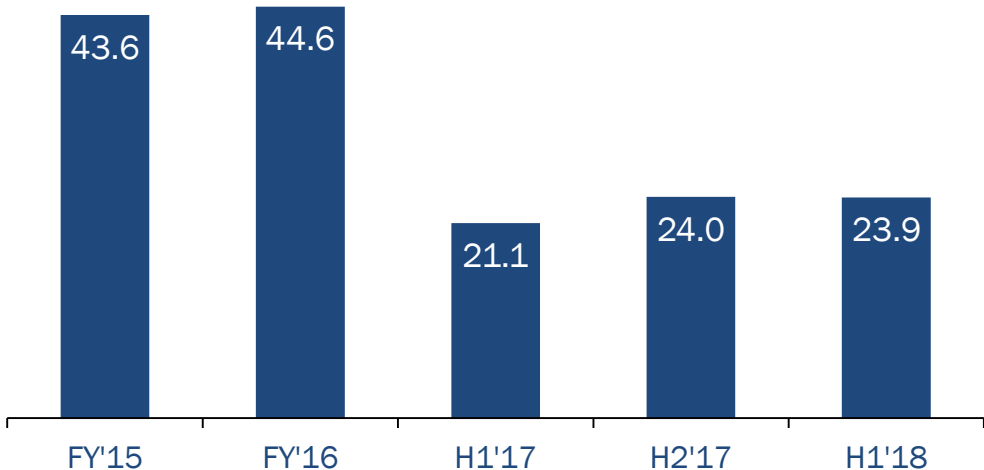
## Funding programs

<b>Non-Deposits – 36%</b>	<b>Senior unsecured</b>	<ul style="list-style-type: none"> <li>Eight issuances of between CHF 50mn to CHF 200mn each</li> <li>Avg. remaining term of 5.1 yrs / avg. rate of 0.49%<sup>3</sup></li> </ul>
	<b>ABS</b>	<ul style="list-style-type: none"> <li>Two AAA-rated issuances of CHF 200mn each</li> <li>Avg. remaining term of 1.3 yrs / avg. rate of 0.23%<sup>3</sup></li> </ul>
	<b>Bank loans</b>	<ul style="list-style-type: none"> <li>Term loan of CHF 50mn from one bank</li> <li>Avg. remaining term of 0.3 yrs / avg. rate of 0.10%</li> </ul>
<b>Deposits – 64%</b>	<b>Institutional term deposits</b>	<ul style="list-style-type: none"> <li>Diversified portfolio across sectors and maturities</li> <li>Book of circa 120 investors</li> </ul>
	<b>Retail term deposits and saving accounts</b>	<ul style="list-style-type: none"> <li>Circa 28,000 depositors</li> <li>Fixed term offerings of 2–8 yrs</li> <li>Saving accounts are on-demand deposits</li> </ul>
		Avg. rate of 0.45% / avg. remaining term of 2.2 yrs
<b>Off-BS</b>	<b>Committed revolving credit lines</b>	<ul style="list-style-type: none"> <li>Four facilities between CHF 50mn to CHF 100mn each</li> <li>Avg. remaining term of 1 yr / avg. rate of 0.24%<sup>3</sup></li> <li>CHF 100mn existing RCF renewed for another 3 yrs starting July 2018</li> </ul>



# Stable loss performance

## Provision for losses (in CHF mn)



Period	Loss rate <sup>1</sup>	30+ days past due	Non-performing loans (NPL) <sup>2</sup>
FY'15	1.1%	1.8%	0.4%
FY'16	1.1%	1.8%	0.4%
H1'17	1.0%	1.9%	0.4%
H2'17	1.0%	1.8%	0.4%
H1'18	1.0%	1.9%	0.5%

## Comments

- Loss rate stable year over year
- Delinquencies continue prior years' trend, reflecting robust asset quality and stable processes
- Loss performance in 2018 expected to be in line with prior years

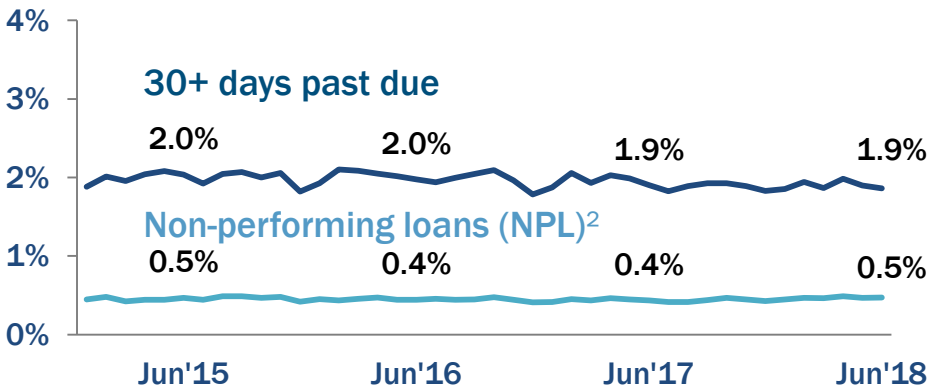
<sup>1</sup> Loss rate is defined as the ratio of provisions for losses on financing receivables to average financing receivables (net of deferred income and before allowance for losses)

<sup>2</sup> Non-performing loans (NPL) ratio is defined as the ratio of non-accrual financing receivables (at period-end) divided by the financing receivables

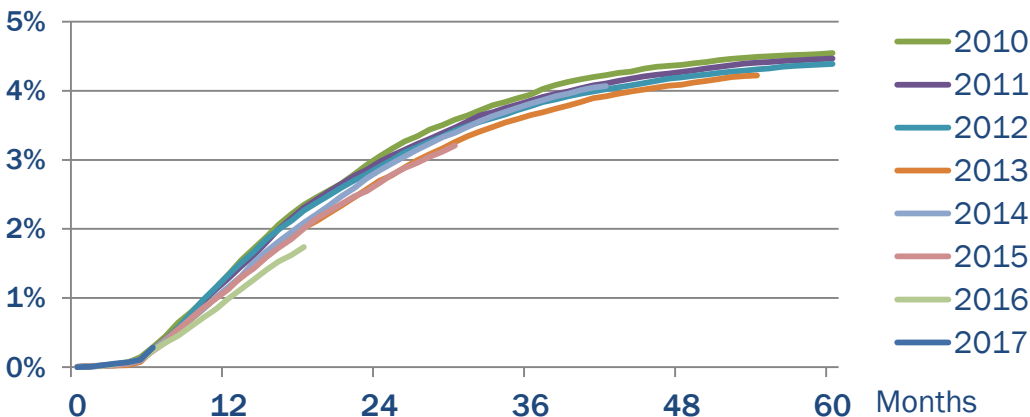
<sup>3</sup> Based on Personal Loans and Auto Leases & Loans originated by the Bank

<sup>4</sup> Consumer Ratings (CR) reflect associated probabilities of default for material portfolios originated by the Bank (CR1 with probability of default ranging between 0.00%-1.20% to CR5 13.17% and greater)

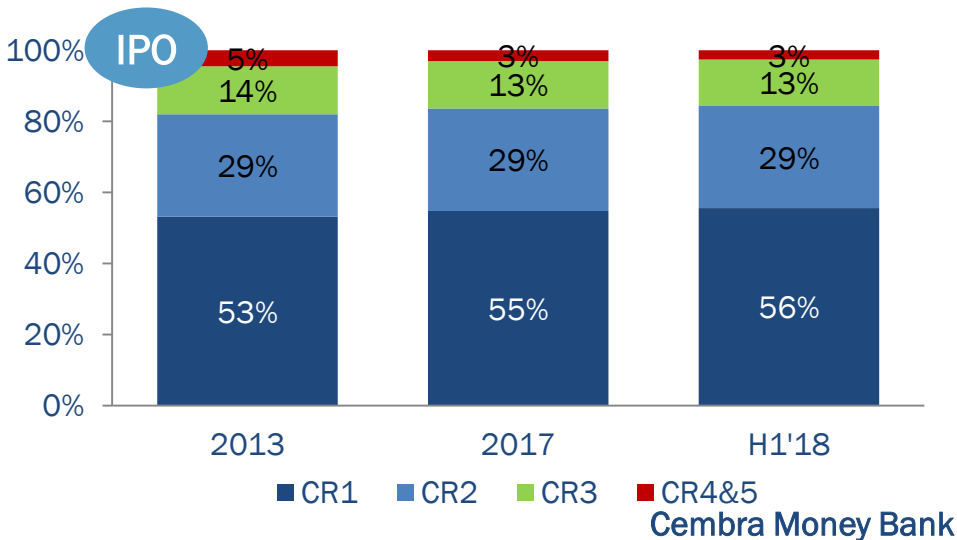
## 30+ days past due / NPL



## Write-off performance<sup>3</sup>

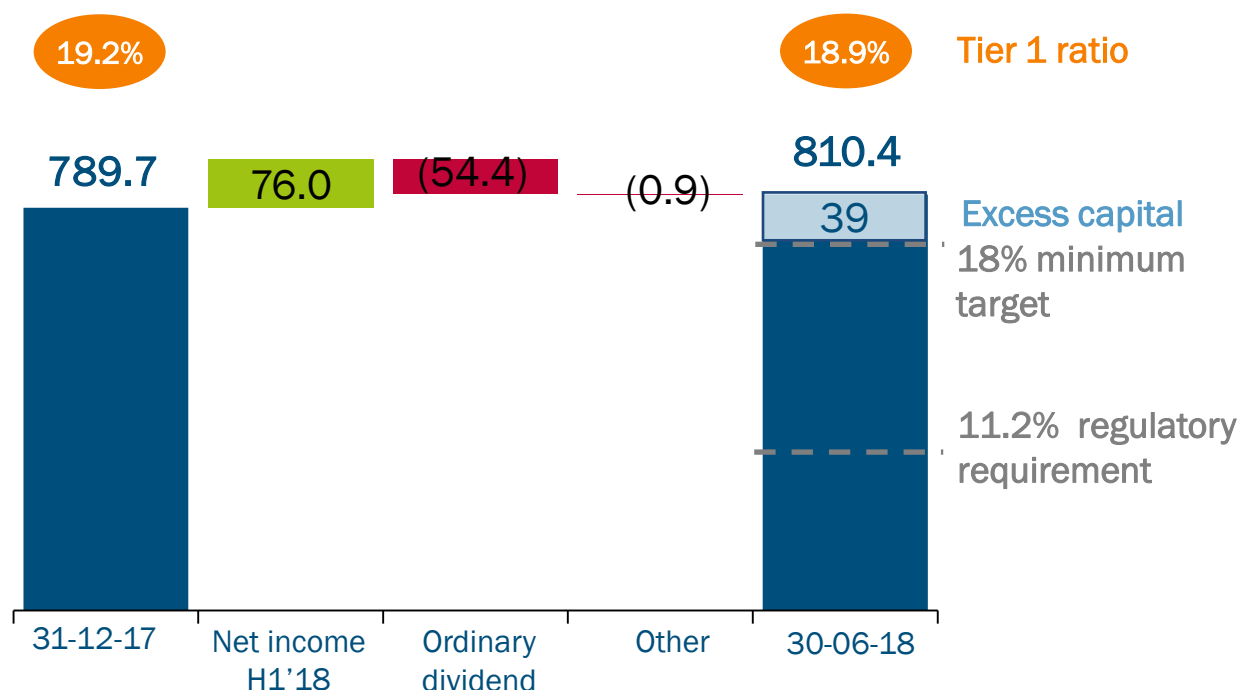


## Credit grades<sup>4</sup>



# Strong capital position

## Tier 1 capital walk (in CHF mn)<sup>1</sup>



## Comments

- Excess capital stood at CHF 39mn as of 30 June 2018
- RWA increased by 4% in line with net financing receivables growth

RWA and capital (in CHF mn)	31-12-17	30-06-18
Risk-weighted assets (RWA)	4,114.0	4,285.8
Tier 1 capital <sup>2</sup>	789.7	810.4
Tier 1 capital ratio	19.2%	18.9%

Per share data	H1'17	H1'18
Basic earnings per share (EPS) <sup>3</sup>	2.46	2.76
Number of shares	30,000,000	30,000,000
Treasury shares	1,814,170	1,813,531
Shares outstanding	28,185,830	28,186,469
Weighted-average numbers of shares outstanding	28,191,458	28,189,382

<sup>1</sup> Derived from the Bank's statutory consolidated financial statements which were prepared in accordance with FINMA Circular 2015/1 Accounting for Banks

<sup>2</sup> Includes net income adjusted for expected dividend distribution

<sup>3</sup> Based on net income as per US GAAP and weighted-average numbers of common shares outstanding

# Outlook and guidance for 2018

Medium-term targets		H1'18	Outlook for full-year 2018
<b>Asset growth</b>	Net customer loan growth to be moderate and in line with Swiss GDP growth	4.0%	<b>Revenues</b> <ul style="list-style-type: none"> <li>■ Additional revenues from credit cards growth and acquisitions expected to be partially offset by lower interest income from personal loans following the implementation of the rate cap in July 2016</li> </ul>
<b>Profitability</b>	RoE target of at least 15%	17.8% <sup>1</sup>	<b>Provision for losses</b> <ul style="list-style-type: none"> <li>■ Loss performance expected to be in line with prior years' performance</li> </ul>
<b>Capitalisation</b>	Target Tier 1 capital ratio of minimum 18%	18.9%	<b>Operating expenses</b> <ul style="list-style-type: none"> <li>■ Continued cost discipline with investments in digitisation leading to slightly higher cost/income ratio</li> </ul>
<b>Dividend payout</b>	Target payout ratio for ordinary dividend between 60% and 70% of net income	70% <sup>2</sup>	<b>Guidance for full-year 2018</b> <ul style="list-style-type: none"> <li>■ EPS anticipated to be in the range between CHF 5.20 to CHF 5.50 (raised from CHF 4.80 – CHF 5.10)</li> </ul>

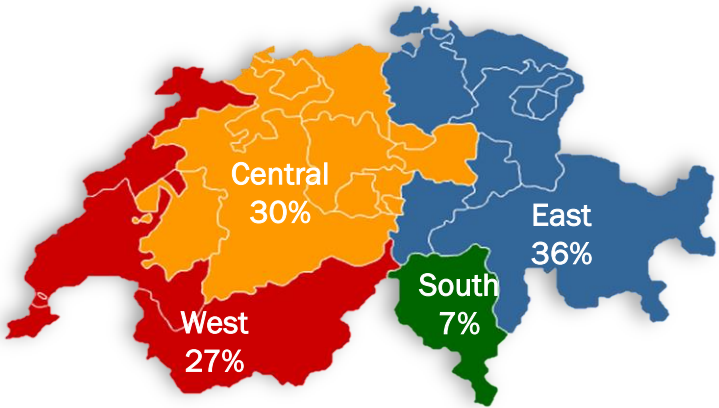
<sup>1</sup> Annualised

<sup>2</sup> Assumed distribution to determine Tier 1 capital; to be revisited at year-end 2018

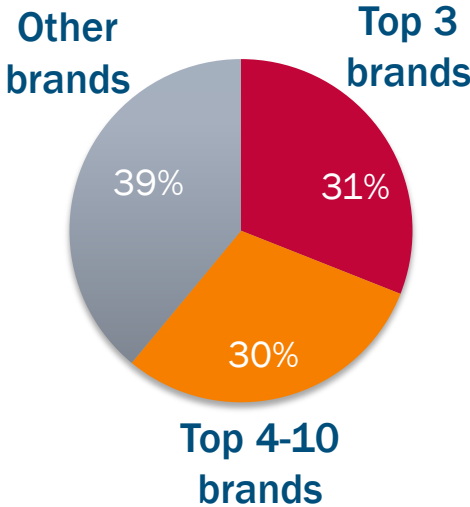
# Appendix

# Auto leases & loans: Prudent risk approach

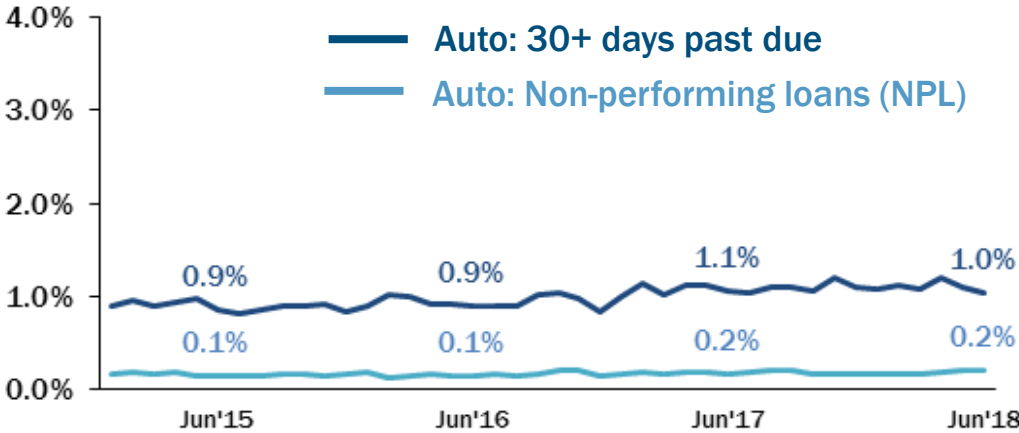
## Geographical diversification



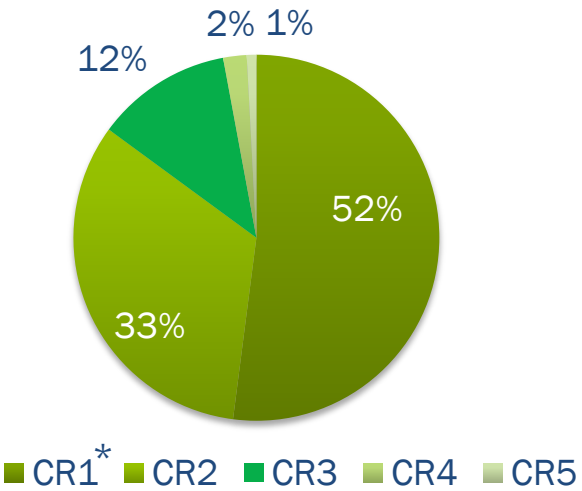
## No brand concentration



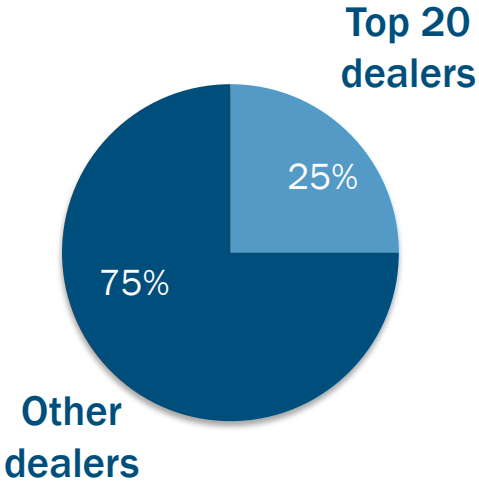
## High quality assets



## Premium customer base



## No dealer concentration



## Prudent Residual Value (RV) setting

- Lease metrics at origination:
  - Vehicle price CHF 30-35k
  - Vehicle age ~2 years
  - Contract term: 4-5 years
  - Loan-to-value: 80-85%
  - RV: 25-30%
- Annual verification of RV setting
  - Based on Eurotax
  - 20-25% trade surplus (wholesale)
  - Additional retail margin
- Dealer buy back obligation at contract end: >99% taken by dealer/customer

\* CR (Consumer Rating) reflect categories of default probabilities, e.g. CR1 <1,2%

All figures as per H1 2018

# P&L

Income statement (in CHF mn)	H1'18	H1'17	V%
Interest income	162.2	151.1	7
Interest expense	(10.1)	(12.6)	(20)
Net interest income	<b>1</b> 152.1	138.6	10
Insurance	<b>2</b> 9.8	11.9	(18)
Credit card	<b>3</b> 43.2	34.5	25
Loans and leases	<b>4</b> 6.7	6.0	12
Other	1.2	1.4	(14)
Commission and fee income	60.9	53.8	13
<b>Net revenues</b>	<b>213.0</b>	<b>192.3</b>	<b>11</b>
Provision for losses	<b>5</b> (23.9)	(21.1)	13
Operating expense	<b>6</b> (90.6)	(83.3)	9
<b>Income before taxes</b>	<b>98.5</b>	<b>87.9</b>	<b>12</b>
Taxes	(20.8)	(18.5)	12
<b>Net income</b>	<b>77.7</b>	<b>69.4</b>	<b>12</b>
<b>Basic earnings per share (EPS)</b>	<b>2.76</b>	<b>2.46</b>	<b>12</b>
<b>Key ratios</b>			
Net interest income / financing receivables	6.5%	6.7%	
Cost/income	42.6%	43.3%	
Effective tax rate	21.1%	21.0%	
Return on average equity (ROE)	17.8%	16.9%	
Return on average assets (ROA)	3.0%	2.8%	

## Comments

- 1**
  - Higher interest income driven by 2017 initiatives partially offset by the repricing of the personal loan back book
  - Lower interest expense primarily driven by lower debt financing costs
- 2**
  - Driven by the termination of partnership with CSS
- 3**
  - Credit cards performance driven by the increase in the number of cards (+11%) and by the increase in transaction volume (+19%) partially offset by the reduction of domestic interchange (from 70bp to 44bp) that came into effect 1 August 2017
  - CHF 2.5mn reclass from operating expenses (see note)
- 4**
  - CHF 0.7mn reclass from operating expenses (see note)
- 5**
  - Loss rate of 1.0% reflecting the continued risk management discipline
- 6**
  - CHF 3.6mn reimbursement received for the cancellation of the data centre outsourcing project primarily offset by an increase in FTE, increased business development activities and IT investments
  - CHF 3.2mn reclass to commission and fee income (see note)

*Note: With the adoption of ASC 606 revenue recognition standard as of 1 Jan 2018 regarding gross vs net presentation of fee income, H1 2018 commission & fee income includes CHF 3.2mn of revenues that would have previously been reported as operating expenses (thereof CHF 1.6mn Marketing, CHF 1.6mn Collection fees).*

# Operating expenses

Income statement (in CHF mn)	H1'18	H1'17	V%	Comments
Compensation and benefits	1 52.8	49.2	7	1 ■ Increase in FTE driven by the acquisition of EFL Autoleasing AG and Swissbilling growth
Professional services	2 7.4	5.3	40	2 ■ Professional services increased due to several initiatives
Marketing	3 4.4	3.3	33	3 ■ Driven by CHF 1.6mn increase due to ASC 606 (see note) offset by CHF 0.5mn reduction of various marketing activities
Collection fees	4 5.4	2.9	86	4 ■ Driven by CHF 1.6mn increase due to ASC 606 (see note) and CHF 1.0mn primarily due to increased activities with third party collection services
Postage and stationery	4.3	4.3	0	5 ■ CHF 3.6mn reimbursement received for the cancellation of the data centre outsourcing project partially offset by investments in IT
Rental expenses under operating leases	2.3	2.2	5	6 ■ Driven by CHF 1.4mn increase due to asset write-offs and CHF 0.9mn increase due to investments in IT
Information technology	5 9.6	10.8	(11)	7 ■ Primarily driven by CHF 2.4mn lower pension costs and CHF 0.8mn due to the reduction of a provision
Depreciation and amortisation	6 6.6	4.2	57	8 ■ The Bank's FTE increased following the merger of EFL Autoleasing AG ■ Swissbilling FTE increased to support business growth
Other	7 (2.2)	1.0	n/a	
<b>Total operating expenses</b>	<b>90.6</b>	<b>83.3</b>	<b>9</b>	
<b>Cost/income ratio</b>	<b>42.6%</b>	<b>43.3%</b>		
<b>Full-time equivalent employees</b>	<b>8 741</b>	<b>715</b>	<b>4</b>	
<i>Cembra Money Bank</i>	721	701	3	
<i>Swissbilling</i>	20	14	43	

*Note: With the adoption of ASC 606 revenue recognition standard as of 1 Jan 2018 regarding gross vs net presentation of fee income, H1 2018 commission & fee income includes CHF 3.2mn of revenues that would have previously been reported as operating expenses (thereof CHF 1.6mn Marketing, CHF 1.6mn Collection fees).*

# Balance sheet

<b>Assets</b> (in CHF mn)	<b>30-06-18</b>	<b>31-12-17</b>	<b>V%</b>
Cash and equivalents	<b>1</b> 440	418	5
Net financing receivables	<b>2</b> 4,742	4,562	4
Personal loans	1,856	1,782	4
Auto leases and loans	1,979	1,942	2
Credit cards	903	833	8
Other (Swissbilling)	4	5	(20)
Other assets	129	119	8
<b>Total Assets</b>	<b>5,312</b>	<b>5,099</b>	<b>4</b>
<b>Liabilities</b> (in CHF mn)			
Funding	<b>3</b> 4,297	4,048	6
Deposits	2,750	2,627	5
Short- & long-term debt	1,547	1,421	9
Other liabilities	151	166	(9)
<b>Total liabilities</b>	<b>4,448</b>	<b>4,214</b>	<b>6</b>
Shareholders' equity	<b>4</b> 864	885	(2)
<b>Total liabilities and equity</b>	<b>5,312</b>	<b>5,099</b>	<b>4</b>

## Comments

- 1** ■ Stable cash level to manage upcoming maturities
- 2** ■ Strong originations across all products in H1 2018 driving financing receivables growth
- 3** ■ Increase in funding to support asset growth
- 4** ■ Equity was down as a result of the dividend payment (CHF -100.1mn) in April 2018 partially offset by H1 2018 net income (CHF +77.7mn) & OCI (CHF +1.1mn)



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# Calendar and further information

## Calendar

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10 January 2019	Baader Swiss Equities Conference, Bad Ragaz
18 January 2019	Octavian Seminar, Flims
21 February 2019	2018 full-year results
22 February 2019	Roadshow Zürich
26 February 2019	Roadshow Frankfurt
27 February 2019	Roadshow London

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