

# Half-year 2018 Financial Results

Robert Oudmayer, CEO

Rémy Schimmel, CFO

Volker Gloe, CRO

24 July 2018



# Cautionary statement regarding forward-looking statements

This presentation by Cembra Money Bank AG (“the Group”) includes forward-looking statements that reflect the Group’s intentions, beliefs or current expectations and projections about the Group’s future results of operations, financial condition, liquidity, performance, prospects, strategies, opportunities and the industries in which it operates. Forward-looking statements involve matters that are not historical facts. The Group has tried to identify those forward-looking statements by using the words “may”, “will”, “would”, “should”, “expect”, “intend”, “estimate”, “anticipate”, “project”, “believe”, “seek”, “plan”, “predict”, “continue” and similar expressions. Such statements are made on the basis of assumptions and expectations which, although the Group believes them to be reasonable at this time, may prove to be erroneous.

These forward-looking statements are subject to risks, uncertainties and assumptions and other factors that could cause the Group’s actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets it serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. Important factors that could cause those differences include, but are not limited to: changing business or other market conditions; legislative, fiscal and regulatory developments; general economic conditions in Switzerland, the European Union and elsewhere; and the Group’s ability to respond to trends in the financial services industry. Additional factors could cause actual results, performance or achievements to differ materially. In view of these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements. The Group, its directors, officers and employees expressly disclaim any obligation or undertaking to release any update of or revisions to any forward-looking statements in this presentation and these materials and any change in the Groups’ expectations or any change in events, conditions or circumstances on which these forward-looking statements are based, except as required by applicable laws or regulations.

This presentation contains unaudited financial information. While the published numbers are rounded, they have been calculated based on effective values. All figures are derived from US GAAP financial information unless otherwise stated. This information is presented for illustrative purposes only and, because of its nature, may not give a true picture of the financial position or results of operations of the Group. Furthermore, it is not indicative of the financial position or results of operations of the Group for any future date or period. By attending this presentation or by accepting any copy of the materials presented, you agree to be bound by the foregoing limitations.

# Excellent H1 results, raising full-year guidance

## Environment

- Low interest rate environment continued into H1 2018
- Consumer loan market stable; recovery continued
- Aggressive competition remains in Auto and Personal Loans

## Managing business

- Asset growth of 4% ... all business lines performing
- Personal loan assets up 4% (core and Eny cooperation)
- Auto assets up 2%; EFL Autoleasing AG successfully integrated in H1 2018
- Cards performing very well; 11% growth in number of cards, 8% on assets and 25% on fees
- Cost income ratio 42.6%; influenced by a CHF 3.6mn one-off item
- Stable loss performance: NPL at 0.5% – loss rate 1.0%<sup>1</sup>

## Strong results

- Net income of CHF 77.7mn or CHF 2.76 per share
- Acquisitions and initiatives in 2017 delivering year-on-year revenue growth
- Return on equity (ROE) of 17.8%<sup>1</sup>
- Raising full-year EPS guidance to between CHF 5.20 and CHF 5.50 (from CHF 4.80 – CHF 5.10)

## Strongly capitalised

- Tier 1 capital ratio of 18.9%<sup>2</sup> within target range
- Excess capital of CHF 39mn above Tier 1 target of 18%

<sup>1</sup> Annualised

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

# Consumer finance 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

**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 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

# 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 cards                                | <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<br>■ 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 (in CHF mn)</b>           | <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 (in CHF mn)</b>      |                 |                 |           |
| 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>  |

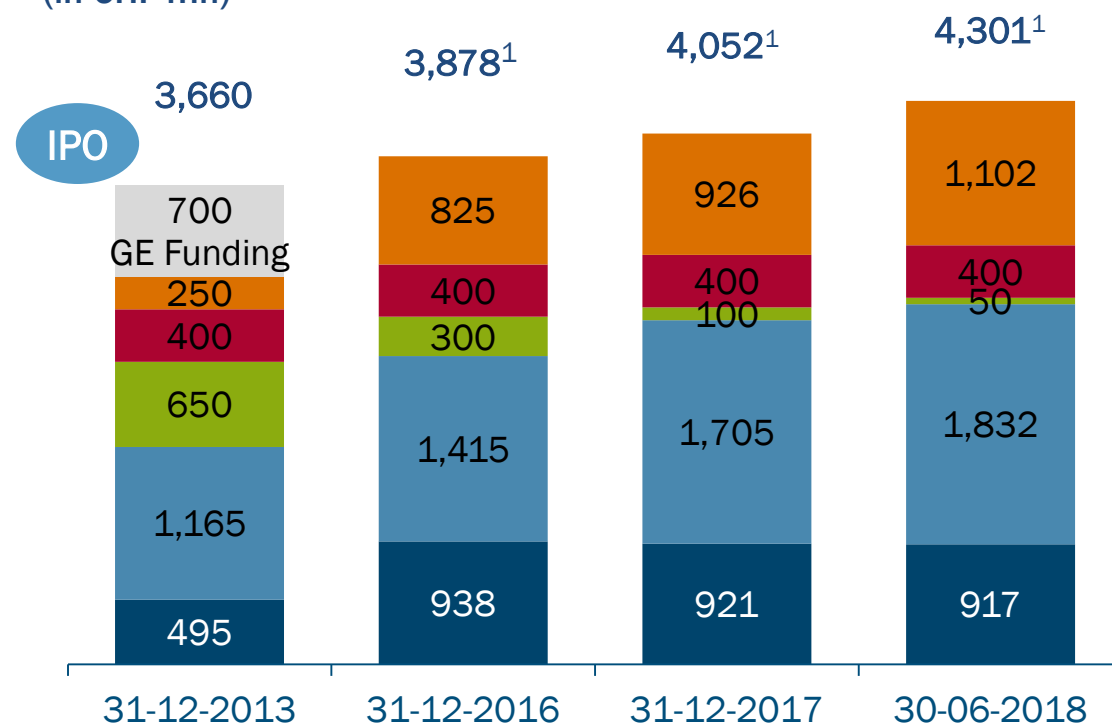
## Comments

- 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 May 2018 partially offset by H1 2018 net income (CHF +77.7mn) & OCI (CHF +1.1mn)

# 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 |

## 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> |

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

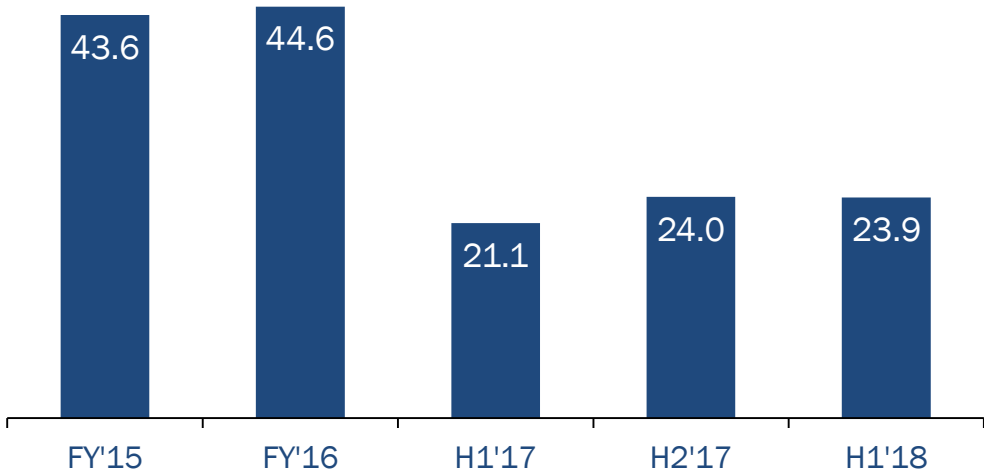
<sup>2</sup> Based on the revised NSFR framework published by the Basel Committee on Banking Supervision in January 2014

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



# 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

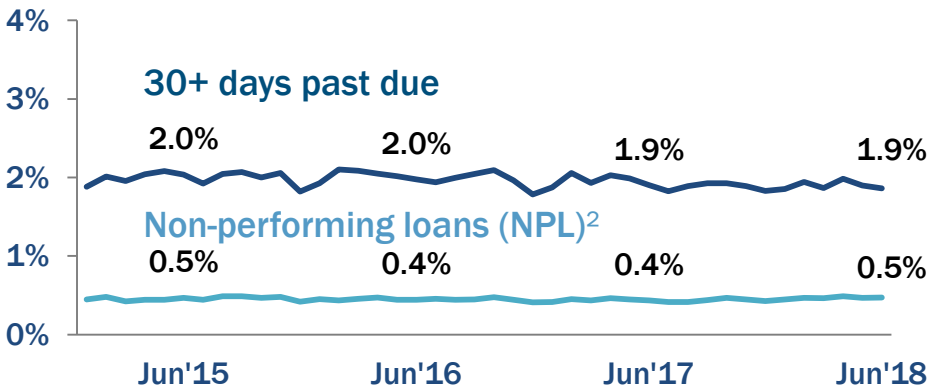
<sup>1</sup> Loss rate is defined as the ratio of provisions for losses on financing receivables to average financing receivables (net of deferred income and before allowance for losses)

<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

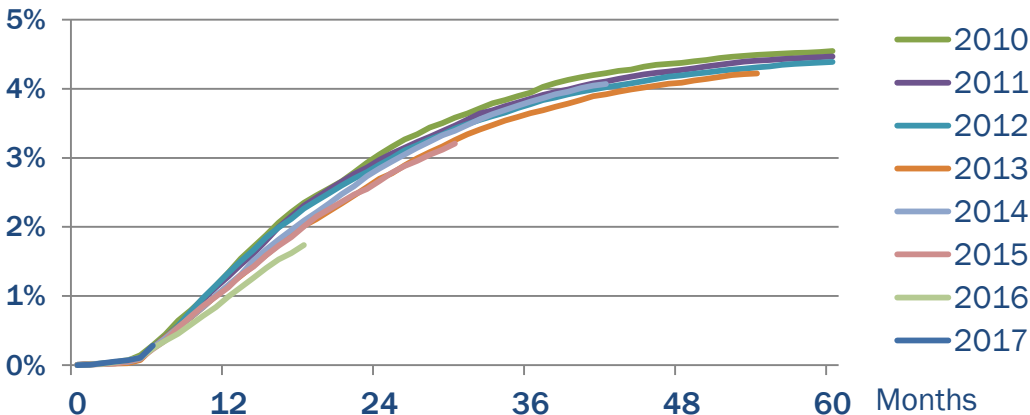
<sup>3</sup> Based on Personal Loans and Auto Leases & Loans originated by the Bank

<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)

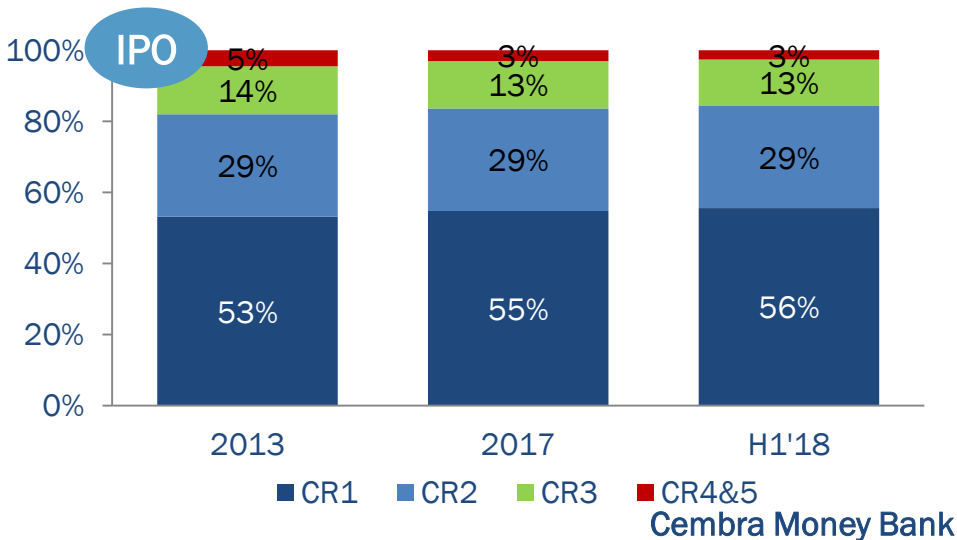
## 30+ days past due / NPL



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

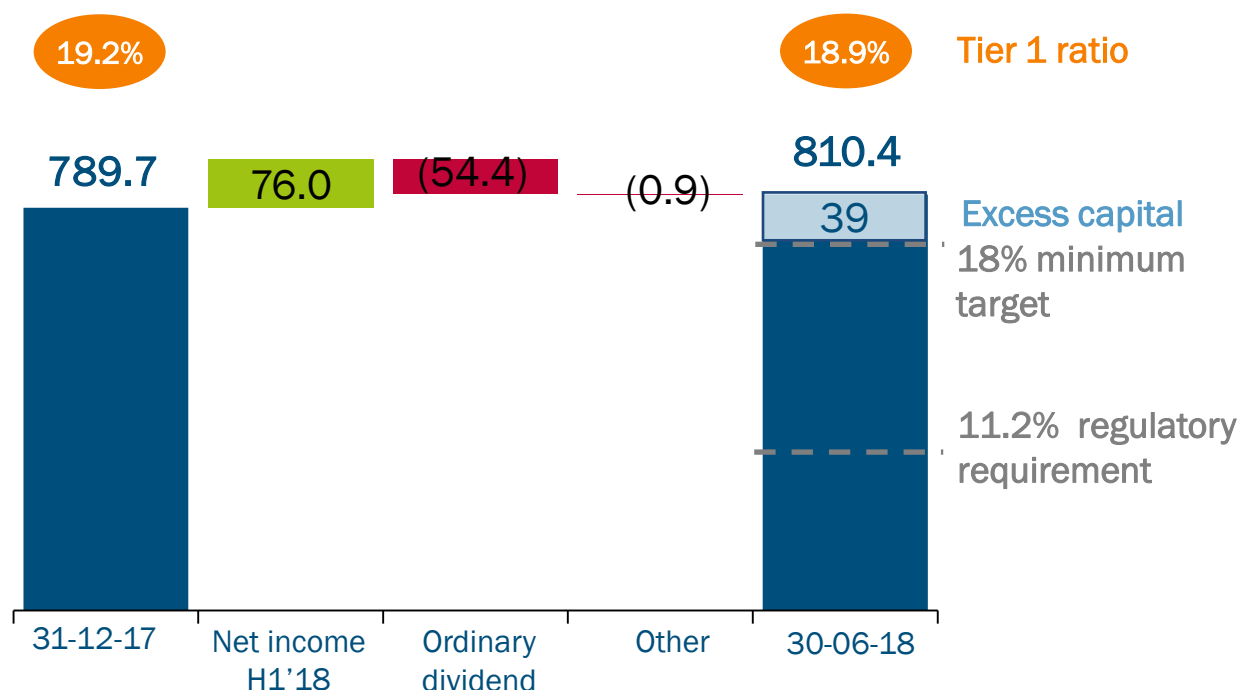


## Credit grades<sup>4</sup>



# 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> <b>Earnings per share</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> </li> </ul>   |

<sup>1</sup> Annualised

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