Cembra Money Bank again reports record full-year results

- **Very good performance across all businesses, with net income of CHF 159.2 million (+3%)**
- **Cembra now serves more than one million customers in Switzerland**
- **Net financing receivables up 37% driven by acquisition and organic growth in auto financing and credit cards**
- **Integration of cashgate well on track, with bridge financing of CHF 1.5 billion fully paid back**
- **Return on equity at 15.7%, with Tier 1 capital ratio at a solid 16.3%**
- **Dividend of CHF 3.75 per share for 2019 proposed, EPS guidance 2020 CHF 5.75–6.05**
- **Thomas Buess proposed for election to the Board of Directors**

Zurich – Cembra's net income increased by 3% to CHF 159.2 million, or CHF 5.53 per share, in 2019. Net financing receivables rose by 37% to a record CHF 6.6 billion mainly due to the acquisition of cashgate. Return on equity came in at 15.7% and the Tier 1 capital ratio stood at 16.3%, which is within the indicated 16–17% range for 2019.

Robert Oudmayer, Chief Executive Officer, commented: "2019 was another very successful year for Cembra. We are very pleased that we gained more than 130'000 new customers in 2019 and that we now serve over one million customers in Switzerland. We are looking forward to further digitising our businesses, developing our new partnerships in the cards business, and rolling out our new online financing product for small companies."

Following the completion of the acquisition of cashgate on 2 September 2019, cashgate's figures have been included in Cembra's full-year results for the last four months of the year.

Profitable growth across all business lines
The Group's net financing receivables rose by 37% to a record CHF 6.6 billion as a result of the consolidation of cashgate. Despite strong competition in all businesses, Cembra's organic asset growth, excluding cashgate, stood at 6%.

In the personal loans business, receivables increased by 39% to CHF 2.6 billion (+2% excluding cashgate). Interest income in the personal loans business increased by 7% to CHF 172.6 million with a yield of 7.5%.

Net financing receivables in auto leases and loans grew by 48% to CHF 2.9 billion in the reporting period (+7% excluding cashgate). Interest income was 12% higher, at CHF 110.6 million, with a yield of 4.5% for the auto financing business.

The solid performance in the credit cards business was driven by the higher number of cards issued (up 10% year on year to 984,000) and the further increase in transaction volumes (up 10% year on year). Net financing receivables grew 9% to CHF 1.0 billion. Interest income in the cards business grew by 11% to CHF 79.4 million, with an 8.0% yield.

Steady revenue increase

Net revenues rose by 9% to CHF 479.7 million (+4% excluding cashgate). Interest income grew by 9% as a result of the acquisition and higher credit card volumes. Interest expense was 34% higher at CHF 27.8 million, reflecting the CHF 1.8 billion increase in funding.

Commission and fee income increased by 14% to CHF 147.7 million, influenced by the acquisition and thanks to strong credit card fee income, as well as other income mainly relating to the invoice finance provider Swissbilling. The share of net revenues generated from commissions and fees increased to 31%, compared with 30% in 2018.

Total operating expenses increased by 20% to CHF 231.8 million. Personnel expenses came in at CHF 120.5 million, up 14% following the addition of 180 FTEs (+23%) in 2019, including 134 employees from cashgate. General and administrative expenses rose 28% to CHF 111.3 million, mainly as a result of the integration of cashgate, together with continued investments in technology and growth initiatives. The cost/income ratio increased to 48.3%. Excluding the acquisition – the cost of integrating cashgate amounted to around CHF 8 million in 2019 – the cost/income ratio was 45.5% (2018: 44.0%).

Favourable loss performance

The provision for losses decreased by CHF 5.0 million, or 10%, to CHF 45.1 million, despite the expanding loan portfolio. This decline was due to the continued favourable macro environment and a one-off effect due to better synchronisation of write-off and collection procedures. This resulted in a loss rate of 0.8% (2018: 1.1%) and a higher non-performing-loans (NPL) ratio of 0.6% (2018: 0.4%) resulting from the synchronisation process. The rate of over-30-days past due financing receivables remained stable at 1.8% (2018: 1.8%).

Timely integration of cashgate well on track

Since the completion of the acquisition on 2 September 2019, Cembra is executing on the integration as planned. In December 2019, all employees at cashgate's headquarters moved to their new offices at Cembra headquarters in Zurich-Altstetten. Since 1 January 2020, Cembra's auto business has been operating on a single system, and the cashgate brand will be maintained for online offering for personal loans. By April 2020, Cembra Money Bank expects to have consolidated all cashgate branches and will then be operating a network of 17 branches across Switzerland. Robert Oudmayer said: "We are very pleased to see the new teams working together successfully, and the progress being made. The integration is well on track and our business is in good shape to continue to deliver profitable growth."

Progress in new businesses

In Q4 2019, the Group expanded its product portfolio as planned, with an online financing product for small companies in Switzerland under the new Cembra Business brand. The commercial roll-out of the new product started on 17 February 2020. Swissbilling more than doubled its revenues in 2019 compared to 2018.

Bridge loan facility fully paid back

Since the announcement of the acquisition of cashgate on 1 July, Cembra Money Bank has fully paid off the transaction through various capital market instruments and deposits. The bridge loan facility amounting to CHF 1.5 billion was paid back in full by November 2019, with Cembra's funding portfolio rising by 42% to CHF 6.1 billion at year-end. The weighted average remaining maturity was 2.9 years and the period-end funding cost declined from 49 to 44 basis points.

Solid capital position and stable dividend

Cembra remains very well capitalised, with a solid Tier 1 capital ratio of 16.3%, which is within the 16–17% range indicated for 2019. The leverage ratio amounted to 12.5%. Shareholders' equity increased by 17% to CHF 1.091 billion, predominantly relating to the sale of treasury shares in July 2019.

Given Cembra's solid financial performance, the Board of Directors will recommend a dividend of CHF 3.75 per share (representing a payout ratio of 68%) at the next Annual General Meeting on 16 April 2020. Given that organic growth was stronger than expected in the second half of the year, and in order to maintain flexibility for further growth, Cembra does not propose that the remaining treasury shares be cancelled at the upcoming Annual General Meeting.

Thomas Buess proposed for election to the Board of Directors

The Board of Directors of Cembra will propose to the shareholders at the next Annual General Meeting on 16 April 2020 the election of Thomas Buess as a new member to the Board of Directors. He will replace Ben Tellings, who stepped down as of 31 December 2019.

Thomas Buess, Swiss citizen, has spent over thirty years of his career in the financial services and insurance sector in several roles for companies such as Elvia, Zurich Insurance Group and Allianz Group. From 2009 until 2019 he served as Group Chief Financial Officer at Swiss Life Group. Since 2019, he is member of the Board of Directors of Swiss Life Group.

Outlook

In 2020, Cembra expects to continue to deliver profitable growth across all business lines. The costs of integrating cashgate should be partly offset by synergies from the acquisition. The loss performance in 2020 is expected to be in line with prior years. Assuming no major change in the economic environment, Cembra expects earnings per share for the 2020 financial year to increase to between CHF 5.75 and CHF 6.05. From 2021 on, Cembra continues to expect growth in profits to pick up pace, with net annual incremental net income from the acquisition by CHF 25–30 million.

All documents (investor presentation and this media release) are available at www.cembra.ch/investors.

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Key dates

19 March 2020:	Publication of the Annual Report 2019
16 April 2020:	Annual General Meeting 2020
20 April 2020:	Ex-Dividend date
23 July 2020:	Publication of half-year 2020 results and publication of the interim report

Audio webcast and telephone conference for investors and analysts (in English)

Date and time:	21 February 2020 at 09.00 a.m. CET		
Speakers:	Robert Oudmayer (CEO), Pascal Perritaz (CFO) and Volker Gloe (CRO)		
Audio webcast:	www.cembra.ch/investors		
Telephone:	Europe:	+41	(0) 58 310 50 00
	UK:	+44	(0) 203 059 58 62
	US:	+1	(1) 631 570 5613

Q&A session: Following the presentation participants will have the opportunity to ask questions via the telephone conference.

Please dial in 10–15 minutes before the start of the presentation and ask for “Cembra’s full-year 2019 results”.

About Cembra Money Bank

Cembra is a leading Swiss provider of consumer finance products and services. Our product range includes personal loans, auto leases and loans, credit cards and the insurance sold with these products, as well as invoice financing and deposit and savings products.

We have our headquarters in Zurich-Altstetten and operate across Switzerland through our network of branches and alternative sales channels, which include online distribution, credit card partners, independent intermediaries and car dealers.

We have over 1 million customers in Switzerland and employ more than 1,000 people from 36 different countries. In September 2019, we successfully completed our takeover of consumer credit provider cashgate. We have been listed as an independent Swiss bank on the SIX Swiss Exchange since October 2013.

Consolidated statements of income (unaudited)

For the years ended 31 December (CHF in millions)	**2019**	**2018**	**Change in %**
Interest income	359.8	330.0	9
Personal loans	172.6	161.3	7
Auto leases and loans	110.6	98.4	12
Credit cards	79.4	71.7	11
Other	– 2.9	– 1.5	99
Interest expense	– 27.8	– 20.8	34
Net interest income	**332.0**	**309.2**	**7**
Commission and fee income	**147.7**	**129.6**	**14**
Insurance	21.6	20.5	6
Credit cards	101.1	92.6	9
Loans and leases	14.5	13.4	9
Other	10.4	3.2	n/a
Net revenues	**479.7**	**438.8**	9
Provision for losses on financing receivables	**– 45.1**	**– 50.1**	**– 10**
Compensation and benefits	– 120.5	– 105.8	14
General and administrative expenses	– 111.3	– 87.2	28
Professional services	– 22.4	– 18.6	20
Marketing	– 11.8	– 8.5	39
Collection fees	– 10.9	– 10.9	– 1
Postage and stationery	– 11.2	– 9.9	14
Rental expense under operating leases	– 7.2	– 4.9	47
Information technology	– 31.4	– 24.9	26
Depreciation and amortisation	– 19.5	– 13.0	50
Other	+2.9	+ 3.5	– 17
Total operating expenses	**– 231.8**	**– 193.0**	**20**
Income before income taxes	**202.9**	**195.7**	**4**
Income tax expense	– 43.7	– 41.6	5
Net income	**159.2**	**154.1**	**3**

For the years ended 31 December (CHF)	**2019**	**2018**
Earnings per share		
Basic	5.53	5.47
Diluted	5.53	5.46

Balance sheet (unaudited)

At 31 December (CHF in millions)	2019	2018	Change in %
Assets			
Cash and cash equivalents	543	499	9
Financing receivables, net	6,586	4,807	37
Personal loans	2,625	1,885	39
Auto leases and loans	2,915	1,974	48
Credit cards	1,029	940	9
Other	17	8	117
Financial investments	6	11	– 46
Property, plant and equipment, net	29	7	n/a
Intangible assets, net	93	33	181
Goodwill	157	16	n/a
Other assets	73	63	13
Deferred tax assets, net	–[1]	5	n/a
Total assets	**7,485**	**5,440**	**38**
Liabilities and equity			
Deposits	3,495	2,827	24
Accrued expenses and other payables	202	157	29
Short-term debt	325	300	8
Long-term debt	2,314	1,198	93
Other liabilities	58	25	130
Deferred tax liabilities, net	1[2]	–	n/a
Total liabilities	**6,394**	**4,507**	**42**
Common shares	30	30	0
Additional paid in capital (APIC)	259	210	24
Retained earnings	860	816	5
Treasury shares	– 35	– 101	– 65
Accumulated other comprehensive income (AOCI)	– 23	– 21	10
Total shareholders' equity	**1,091**	**933**	**17**
Total liabilities and shareholders' equity	**7,485**	**5,440**	**38**

[1] Corrigendum 25 February 2020: Originally erroneously stated as 1

[2] Corrigendum 25 February 2020: Originally erroneously stated as 788

Key Figures (unaudited)

For the years ended 31 December	**2019**	**2018**
Earnings per share		
Net income attributable to shareholders (CHF in millions)	159.2	154.1
Weighted-average number of common shares outstanding for basic earnings per share	28,780,504	28,187,984
Weighted-average number of common shares outstanding for diluted earnings per share	28,802,977	28,207,754
Basic earnings per share (in CHF)	5.53	5.47
Diluted earnings per share (in CHF)	5.53	5.46
Ratios		
Return on average shareholders' equity (ROE)	15.7 %	16.9 %
Return on average assets (ROA)	2.5 %	2.9 %
Cost / income ratio	48.3 %	44.0 %
Net interest margin	5.8 %	6.5 %
Loss rate	0.8 %	1.1 %

At 31 December	**2019**	**2018**
Capital adequacy[1]		
Risk-weighted assets (CHF in millions)	5,908	4,346
Tier 1 capital[2] (CHF in millions)	962	834
Tier 1 capital ratio (in %)	16.3%	19.2%
Share and dividend		
Share price (in CHF)	106.00	77.85
Market capitalisation (CHF in millions)	3,180	2,336
Dividend per share[3] (in CHF)	3.75	3.75
Dividend payout ratio (in %)	68%	69%
Employees and credit rating		
Employees (full-time equivalent)	963	783
Credit rating (S&P)	A–	A–

1 Derived from the Bank’s statutory consolidated financial statements which were prepared in accordance with FINMA circular 2015/1 – Accounting for Banks

2 Includes net income adjusted for expected dividend distribution

3 Proposal to the Annual General Meeting 2020

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This media release 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 Bank's 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 media release 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.