Cembra

Cembra reports resilient half-year results

- Strong business performance during the covid-19 pandemic, with net income of CHF 74.1 million (–6%) and net financing receivables of CHF 6.4 billion (–3%)
- 22% increase in interest income driven by the acquisition of cashgate, and 11% decrease in commission and fee income due to lower cards spend as a result of the lockdown in Switzerland
- Stable loss performance (0.9%), in line with prior years
- Integration of cashgate successfully completed
- Return on equity at 13.8%, with Tier 1 capital ratio of 17.0%
- Cembra expects its business performance to be resilient overall in 2020

Zurich – Cembra's net income decreased by 6% to CHF 74.1 million, or CHF 2.52 per share, compared to the first six months 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%.

Chief Executive Officer Robert Oudmayer commented: "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."

Following the completion of the acquisition of cashgate on 2 September 2019, cashgate's figures have been included in Cembra's half-year results.

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 operational 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[1].

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

[1] Mid-term targets ROE > 15%, Tier 1 capital ratio of at least 17% and dividend pay-out ratio 60-70%

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Key dates

19 February 2021:	Publication of full-year 2020 results
22 April 2021:	2021 Annual General Meeting

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

Date and time:	23 July 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 conference call.

Please dial in 10–15 minutes before the start of the presentation and ask for “Cembra’s half-year 2020 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 40 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 six months ended 30 June (CHF in millions)	H1 2020	H1 2019	Change in %
Interest income	203.0	165.8	22
Personal loans	97.2	79.1	23
Auto leases and loans	65.3	49.5	32
Credit cards	41.6	38.3	9
Other	– 1.1	– 1.2	– 7
Interest expense	–13.7	– 10.7	28
Net interest income	**189.4**	**155.1**	**22**
Commission and fee income	**60.0**	**67.6**	**– 11**
Insurance	12.1	9.9	23
Credit cards	34.9	48.1	– 27
Loans and leases	8.2	6.5	26
Other	4.7	3.1	53
Net revenues	**249.3**	**222.6**	**12**
Provision for losses on financing receivables	**–30.2**	**– 19.2**	**57**
Compensation and benefits	– 65.8	– 56.9	15
General and administrative expenses	– 59.6	– 46.7	28
Professional services	– 9.4	– 8.8	7
Marketing	– 6.6	– 4.7	40
Collection fees	– 5.5	– 5.2	5
Postage and stationery	– 5.0	– 4.9	3
Rental expense under operating leases	– 4.5	– 3.2	41
Information technology	– 17.6	– 14.4	22
Depreciation and amortisation	– 13.4	– 6.8	98
Other	2.5	1.3	93
Total operating expenses	**–125.3**	**– 103.6**	**21**
Income before income taxes	**93.8**	**99.8**	**– 6**
Income tax expense	–19.7	– 21.3	– 7
Net income	**74.1**	**78.6**	**– 6**

For six months ended 30 June (CHF)	H1 2020	H1 2019
Earnings per share		
Basic	2.52	2.79
Diluted	2.52	2.79

Balance sheet (unaudited)

(CHF in millions)	30 Jun 2020	31 Dec 2019	Change in %
Assets			
Cash and cash equivalents	573	543	6
Financing receivables, net	6,368	6,586	– 3
Personal loans	2,531	2,625	– 4
Auto leases and loans	2,816	2,915	– 3
Credit cards	983	1,029	– 4
Other	38	17	>100
Investment securities	3	6	– 47
Property, plant and equipment, net	24	29	– 17
Intangible assets, net	85	93	– 8
Goodwill	157	157	0
Other assets	65	73	– 11
Total assets	**7,275**	**7,485**	**– 3**
Liabilities and equity			
Deposits	3,402	3,495	– 3
Accrued expenses and other payables	204	202	1
Short-term debt	50	325	– 85
Long-term debt	2,514	2,314	9
Other liabilities	47	58	– 18
Deferred tax liabilities, net	2	1	>100
Total liabilities	**6,220**	**6,394**	**– 3**
Common shares	30	30	0
Additional paid in capital (APIC)	259	259	– 0
Retained earnings	824	860	– 4
Treasury shares	– 36	– 35	– 2
Accumulated other comprehensive loss (AOCI)	– 22	– 23	7
Total shareholders' equity	**1,055**	**1,091**	**– 3**
Total liabilities and shareholders' equity	**7,275**	**7,485**	**– 3**

Key figures (unaudited)

For six months ended 30 June	H1 2020	H1 2019
Earnings per share		
Net income attributable to shareholders (CHF in millions)	74.1	78.6
Weighted-average numbers of common shares outstanding for basic earnings per share	29,381,054	28,186,162
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
Ratios		
Return on equity (annualised, in %)	13.8	17.1
Return on average assets (annualised, in %)	2.0	2.9
Cost/income ratio (in %)	50.3	46.5
Net interest margin (annualised, in %)	5.8	6.2
Loss rate (annualised, in %)	0.9	0.8

As at	30 Jun 2020	31 Dec 2019
Capital adequacy[1]		
Risk-weighted assets (CHF in millions)	5,759	5,908
Tier 1 capital (CHF in millions)	980	962
Tier 1 capital ratio (in %)	17.0	16.3
Share		
Share price (in CHF)	92.55	106.00
Market capitalisation (CHF in millions)	2,777	3,180
Headcount and credit rating		
Employees (full-time equivalent)	946	963
Credit rating (S&P)	A–	A–

1 Derived from the Bank's statutory consolidated financial statements, which were prepared in accordance with FINMA circular 2020/1 – Accounting for Banks

Disclaimer regarding forward-looking statements

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.