Cembra

Media release
22 July 2021

Ad hoc announcement pursuant to Art. 53 LR

Cembra reports robust half-year results

- **Continued resilient business performance during the Covid-19 pandemic, with net income of CHF 78.7 million (+6%)**
- **Net financing receivables of CHF 6.2 billion (–1%) and net revenues of CHF 235.9 million (-5%) mainly due to impact from pandemic restrictions, and picking up since May**
- **Excellent loss performance with loss rate at 0.5%**
- **Return on equity at 14.2%, with Tier 1 capital ratio of 18.3%**
- **Continued resilient business performance for 2021 expected**

Zurich – Cembra's net income increased by 6% to CHF 78.7 million, or CHF 2.68 per share, compared to the first six months of 2020. Net revenues declined by 5%, and commission and fee income declined by 3% in connection with the Covid-19 restrictions. Despite the challenging environment, the loss performance was very strong at 0.5%, or 0.7% adjusted for a sale of loss certificates. As a result, return on equity came in at 14.2%, and the Tier 1 capital ratio stood at 18.3%.

Holger Laubenthal, Cembra's new Chief Executive Officer since March 2021, commented: "Our business model continued to demonstrate a robust performance in the first six months. The economic restrictions had a clear impact on our performance. At the same time, we observed a gradual recovery of credit card transaction volumes since May, and we benefitted from actions taken in the personal loan business to better serve our customers in the current market environment. We are now focusing on further developing the business."

Resilient business performance

The Group's total net financing receivables at 30 June 2021 amounted to CHF 6.2 billion, a decline of 1% compared with 31 December 2020. Since May 2021, net financing receivables increased following the easing of restrictions.

In the personal loans business, receivables declined by 4% to CHF 2.3 billion in the first six months of 2021, partially attributable to tightened underwriting in the context of the Covid-19 impact on the economy. As a consequence, interest income in the personal loans business decreased by 12% to CHF 85.6 million, with a yield of 7.1%.

Net financing receivables in auto leases and loans declined by 1% to CHF 2.8 billion in the reporting period. Interest income was stable at CHF 65.1 million, with a yield of 4.6%.

In the credit cards business, net financing receivables increased by 6% to CHF 1.0 billion. Interest income in the cards business decreased slightly by 1% to CHF 41.3 million, with a yield of 8.2%. Transaction volumes in the first six months increased by 11% year on year, mainly due to higher domestic card spending. The number of cards issued was up 4% year on year, to 1,050,000 at 30 June 2021.

Restrictions with impact on revenues

Total net revenues declined by 5% to CHF 235.9 million. Interest income declined by 6% as a consequence of the lower asset base in personal loans. Interest expense was 4% lower, at CHF 13.2 million.

Commission and fee income decreased by 3% to CHF 57.9 million as a result of the continued Covid-19-related restrictions in the first six months. Income from credit card fees declined by 4% year on year, and picking up since May. The share of net revenues generated from commissions and fees increased to 25%, up from 24% at 30 June 2020.

Total operating expenses decreased by 1% to CHF 124.1 mainly as result of the successfully completed integration of cashgate in 2020, offset by higher expenses for information technology and compensation and benefits. Personnel expenses increased by 4% to CHF 68.5 million. General and administrative expenses declined by 7% to CHF 55.6 million. The cost/income ratio increased to 52.6%, compared to 50.3% in the year-earlier period.

Excellent underlying loss performance

The provision for losses decreased by CHF 15.8 million or 52% to CHF 14.4 million, due to an excellent underlying loss performance as well as an one-time sale of previously written off financing receivables. These effects resulted in a loss rate of 0.5% for the first six months of 2021. Adjusted for the one-off effect amounting to CHF 8.2 million, the loss rate came to 0.7% (H1 2020: 0.9%). The non-performing-loans (NPL) ratio remained stable at 0.7%. The rate of over-30-days past due financing receivables declined to 1.8% (H1 2020: 2.1%).

Stable funding

In the first six months of 2021, the Group’s funding portfolio remained stable at CHF 5.8 billion, largely in line with the lower asset base. Overall, the funding mix with 57% deposits and 43% non-deposits remained stable. The weighted average duration decreased slightly to 2.5 years and the period-end funding cost amounted to 44 basis points (31 December 2020: 45 basis points).

Strong capital position

Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 18.3% (31 December 2020: 17.7%). Shareholders’ equity decreased by 3% to CHF 1.098 billion after Cembra had paid out the dividend in April 2021, amounting to CHF 110 million, for the financial year 2020.

Outlook

In 2021, Cembra currently expects to deliver a resilient business performance, with revenues gradually recovering, mainly driven by anticipated higher volumes in credit cards. Cembra expects a solid loss performance for the full year 2021. Assuming a continued economic recovery in Switzerland, Cembra confirms its targets in the mid term[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%

Contacts

Media:	Karin Broger; +41 79 773 68 89; media@cembra.ch
Investor Relations:	Marcus Händel; +41 44 439 85 72; investor.relations@cembra.ch

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

Date and time:	22 July 2021 at 09.00 a.m. CET
Speakers:	Holger Laubenthal (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 6313
Q&A session:	Following the presentation, participants will have the opportunity to ask questions.

Please dial in before the start of the presentation and ask for “Cembra’s half-year 2021 results”.

About Cembra Money Bank

Cembra is a leading Swiss provider of financing solutions and services. Our product range includes consumer credit products such as personal loans and auto leases and loans, credit cards, the insurance sold in this context, invoice financing, and deposits and savings products.

We have over 1 million customers in Switzerland and employ more than 1,000 people from 41 different countries. We have our headquarters in Zurich and operate across Switzerland through our network of branches and our online distribution channels, as well as our credit card partners, independent intermediaries and car dealers.

We have been listed as an independent Swiss bank on the SIX Swiss Exchange since October 2013. Cembra is rated A– by Standard & Poor’s and is included in the SXI Switzerland Sustainability 25 Index and in the 2021 Bloomberg Gender Equality Index.

Consolidated statements of income (unaudited)

For six months ended 30 June (CHF in millions)	H1 2021	H1 2020	Change in %
Interest income	191.2	203.0	-6%
Personal loans	85.6	97.2	-12%
Auto leases and loans	65.1	65.3	0%
Credit cards	41.3	41.6	-1%
Other	-0.7	-1.1	-33%
Interest expense	-13.2	-13.7	-4%
Net interest income	**178.0**	**189.4**	**-6%**
Commission and fee income	**57.9**	**60.0**	**-3%**
Insurance	11.9	12.1	-2%
Credit cards	33.4	34.9	-4%
Loans and leases	7.5	8.2	-8%
Other	5.0	4.7	7%
Net revenues	**235.9**	**249.3**	**-5%**
Provision for losses on financing receivables	**-14.4**	**-30.2**	**-52%**
Compensation and benefits	-68.5	-65.8	4%
General and administrative expenses	-55.6	-59.6	-7%
Professional services	-7.9	-9.4	-17%
Marketing	-3.9	-6.6	-41%
Collection fees	-5.3	-5.5	-2%
Postage and stationery	-4.7	-5.0	-6%
Rental expense under operating leases	-3.4	-4.5	-25%
Information technology	-20.2	-17.6	15%
Depreciation and amortisation	-12.5	-13.4	-7%
Other	2.4	2.5	-5%
Total operating expenses	**-124.1**	**-125.3**	**-1%**
Income before income taxes	**97.4**	**93.8**	**4%**
Income tax expense	-18.7	-19.7	-5%
Net income	**78.7**	**74.1**	**6%**

For six months ended 30 June (CHF)	H1 2021	H1 2020
Earnings per share		
Basic	2.68	2.52
Diluted	2.68	2.52

Balance sheet (unaudited)

(CHF in millions)	30 Jun 2021	31 Dec 2020	Change in %
Assets			
Cash and cash equivalents	553	599	-8
Financing receivables, net	6,206	6,293	-1
Personal loans	2,303	2,408	-4
Auto leases and loans	2,823	2,853	-1
Credit cards	1,025	970	6
Other	55	62	-11
Property, plant and equipment, net	31	35	-12
Intangible assets, net	75	82	-8
Goodwill	157	157	0
Other assets	102	79	29
Total assets	**7,124**	**7,244**	**-2**
Liabilities and equity			
Deposits	3,284	3,275	0
Accrued expenses and other payables	166	210	-21
Short-term debt	475	275	73
Long-term debt	2,041	2,290	-11
Other liabilities	59	67	-12
Deferred tax liabilities, net	1	1	49
Total liabilities	**6,027**	**6,117**	**-1**
Common shares	30	30	0
Additional paid in capital (APIC)	259	259	0
Retained earnings	871	902	-3
Treasury shares	-35	- 36	-1
Accumulated other comprehensive loss (AOCI)	-27	- 29	-7
Total shareholders' equity	**1,098**	**1,127**	**-3**
Total liabilities and shareholders, equity	**7,124**	**7,244**	**-2**

Key figures (unaudited)

For six months ended 30 June	H1 2021	H1 2020
Earnings per share		
Net income attributable to shareholders (CHF in millions)	78.7	74.1
Weighted-average numbers of common shares outstanding for basic earnings per share	29,377,613	29,381,054
Weighted-average numbers of common shares outstanding for diluted earnings per share	29,396,198	29,402,721
Basic earnings per share (in CHF)	2.68	2.52
Diluted earnings per share (in CHF)	2.68	2.52
Ratios		
Return on equity (annualised, in %)	14.2	13.8
Return on assets (annualised, in %)	2.2	2.0
Cost/income ratio (in %)	52.6	50.3
Net interest margin (annualised, in %)	5.6	5.8
Loss rate (annualised, in %)	0.5	0.9

As at	30 Jun 2021	31 Dec 2020
Capital adequacy[1]		
Risk-weighted assets (CHF in millions)	5,620	5,662
Tier 1 capital (CHF in millions)	1,028	1,000
Tier 1 capital ratio (in %)	18.3	17.7
Share		
Share price (in CHF)	103.70	107.20
Market capitalisation (CHF in millions)	3,110	3,216
Headcount and credit rating		
Employees (full-time equivalent)	934	928
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

Figures are rounded and rounding differences may occur. For a glossary of financial indicators including alternative performance measures please see www.cembra.ch/financialreports.

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.