Cembra

Cembra reports resilient 2020 full-year results

- Resilient business performance during the Covid-19 pandemic, with net income of CHF 152.9 million (–4%), net financing receivables of CHF 6.3 billion (–4%) and net revenues of CHF 497.2 million (+4%)
- Loss performance (0.9%) in line with prior years despite Covid-19 impact on economy
- Return on equity at 13.8%, with strong Tier 1 capital ratio of 17.7%
- Unchanged dividend of CHF 3.75 per share to be recommended for 2020
- Assuming the Swiss economy recovers in 2021, Cembra confirms its targets for the mid term

Zurich – Net revenues grew by 4%, with net interest income increasing by 13% mainly due to the acquisition of cashgate. This rise in interest income was partially offset by a 17% decline in commission and fee income as a result of the Covid-19 restrictions. Despite the challenging environment, the loss performance was solid, at 0.9%. This translated into a 4% lower net income to CHF 152.9 million, or CHF 5.21 per share in 2020. Return on equity came in at 13.8%, and the Tier 1 capital ratio stood at 17.7%.

Chief Executive Officer Robert Oudmayer commented: “In 2020, our business model proved resilient, and our conservative risk management approach paid off. The lockdown in Switzerland had a clear impact on income from credit card fees. At the same time, we observed a sustainable shift to card payments and away from cash. Credit card transaction volumes were almost back at 2019 levels in the second half of the year. After successfully completing the integration of cashgate in just 11 months, we are now focusing on our new credit card for IKEA.”

Resilient business performance

The Group’s total net financing receivables at 31 December 2020 amounted to CHF 6.3 billion, a decline of 4% compared with year-end 2019, largely attributable to the impact of Covid-19 on the Swiss economy.

In the personal loans business, receivables declined by 8% to CHF 2.4 billion, also due to the market development. Interest income in that business increased by 10% to CHF 190.7 million, due to the acquisition of cashgate in the second half of 2019. The yield remained stable at 7.4% (2019: 7.5%).

Net financing receivables in auto leases and loans rebounded in the second half, ending the year down 2%, to CHF 2.9 billion. Interest income was 17% higher, at CHF 129.4 million, with a stable yield of 4.5% (2019: 4.5%).

In the credit cards business, net financing receivables declined by 6% to CHF 1.0 billion as a result of Covid-19 restrictions in the second quarter and in the final weeks of 2020. Interest income in the cards business grew by 5% to CHF 83.6 million, with a yield of 8.3% (2019: 8.0%). The number of cards issued continued to rise, up 5% year on year to 1,030,000.

Revenue increase

Total net revenues rose by 4% to CHF 497.2 million. Net interest income grew by 13%, mainly as a result of the cashgate acquisition. Interest expense was 3% lower, at CHF 26.9 million.

Commission and fee income decreased by 17% to CHF 122.3 million, as a result of the Covid-19 restrictions in 2020. The decline was mainly driven by a decrease in income from credit card fees (–29% year on year), which were weighed down by lower spending abroad. This caused the share of net revenues generated from commissions and fees to drop to 25%, down from 30% at 31 December 2019.

Total operating expenses increased by 7% to CHF 247.4 million. Personnel expenses came in at CHF 129.5 million, rising 8% following the addition of employees in the year under review, predominantly from cashgate. General and administrative expenses rose 6% to CHF 117.9 million, mainly due to the acquisition and integration of cashgate. The cost/income ratio increased to 49.8%, compared with 48.3% in 2019.

Consistent loss performance despite Covid-19 impact on economy

The provision for losses increased by CHF 11.3 million, or 25%, to CHF 56.4 million, primarily due to higher financing receivables following the acquisition. Despite the macroeconomic impact of the Covid-19 pandemic, the loss rate remained steady at 0.9% (2019: 0.8%) and the non-performing-loans (NPL) ratio came to 0.7% (2019: 0.6%). The rate of over-30-days-past-due financing receivables came in at 1.8% (2019: 1.8%).

Operational progress

In 2020, Cembra successfully completed the operational integration of cashgate within 11 months, and invoice financing provider Swissbilling more than tripled its net financing receivables, to CHF 62 million. Cembra stepped up its digital transformation by successfully developing its online personal loans business, investing in enhanced cards propositions and further consolidating the branch network. The new partnership with IKEA Switzerland, which will provide IKEA Family members with a new credit card with no annual fee, is on track. The credit card is scheduled for launch in March 2021.

Stable funding

In 2020, the Group’s funding portfolio declined by 5% to CHF 5.8 billion, in line with the lower asset base. The funding mix remained stable compared with 31 December 2019. The weighted average duration was 2.7 years (31 December 2019: 2.9 years), and the period-end funding cost was 45 basis points (31 December 2019: 44 basis points).

Strong capital position and unchanged, attractive dividend

Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 17.7% (31 December 2019: 16.3%). Shareholders’ equity increased by 3% to CHF 1.127 billion after Cembra paid out the full 2019 dividend of CHF 110 million in April 2020.

Given Cembra’s resilient financial performance, the Board of Directors will recommend a dividend of CHF 3.75 per share (representing a payout ratio of 72%) at the next Annual General Meeting on 22 April 2021.

Sustainability performance considerably improved

In 2020, a number of leading ESG rating agencies upgraded their ratings based on Cembra’s sustainability performance. Cembra was also included in the SXI Switzerland Sustainability 25 Index and the Bloomberg Gender Equality Index 2021, and received a “We Pay Fair” recognition based on Swiss federal standards.

Outlook

Assuming the Swiss economy recovers in 2021, Cembra currently expects to deliver a resilient business performance in 2021, with revenues expected to recover in line with the economic development. Cembra expects a solid loss performance for 2021 and confirms its targets for the mid-term.[1]

All documents (investor presentation 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 44 439 85 12; media@cembra.ch
Investor Relations:	Marcus Händel; +41 44 439 85 72; investor.relations@cembra.ch

Key dates

18 March 2021:	Publication of Annual Report 2020
22 April 2021:	2021 Annual General Meeting
26 April 2021:	Ex-Dividend date
22 July 2021:	Publication of half-year 2021 results and interim report

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

Date and time:	19 February 2021 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 full-year 2020 results”.

About Cembra Money Bank

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

We have over 1 million customers in Switzerland and employ more than 1,000 people from 39 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 the years ended 31 December (CHF in millions)	**2020**	**2019**	**Change in %**
Interest income	401.8	359.8	12
Personal loans	190.7	172.6	10
Auto leases and loans	129.4	110.6	17
Credit cards	83.6	79.4	5
Other	– 1.9	– 2.9	– 36
Interest expense	– 26.9	– 27.8	– 3
Net interest income	**375.0**	**332.0**	**13**
Commission and fee income	**122.3**	**147.7**	**– 17**
Insurance	24.0	21.6	11
Credit cards	71.4	101.1	– 29
Loans and leases	15.7	14.5	8
Other	11.2	10.4	8
Net revenues	**497.2**	**479.7**	**4**
Provision for losses on financing receivables	**– 56.4**	**– 45.1**	**25**
Compensation and benefits	– 129.5	– 120.5	8
General and administrative expenses	– 117.9	– 111.3	6
Professional services	– 17.8	– 22.4	– 20
Marketing	– 10.9	– 11.8	– 8
Collection fees	– 11.7	– 10.9	7
Postage and stationery	– 10.1	– 11.2	– 10
Rental expense under operating leases	– 7.9	– 7.2	10
Information technology	– 39.1	– 31.4	25
Depreciation and amortisation	– 26.5	– 19.5	36
Other	+6.1	+2.9	108
Total operating expenses	**– 247.4**	**– 231.8**	**7**
Income before income taxes	**193.4**	**202.9**	**– 5**
Income tax expense	– 40.5	– 43.7	7
Net income	**152.9**	**159.2**	**– 4**

For the years ended 31 December (CHF)	**2020**	**2019**
Earnings per share		
Basic	5.21	5.53
Diluted	5.20	5.53

Balance sheet (unaudited)

At 31 December (CHF in millions)	**2020**	**2019**	**Change in %**
Assets			
Cash and cash equivalents	599	543	10
Financing receivables, net	6,293	6,586	– 4
Personal loans	2,408	2,625	– 8
Auto leases and loans	2,853	2,915	– 2
Credit cards	970	1,029	– 6
Other	62	17	n/a
Financial investments	0	6	n/a
Property, plant and equipment, net	35	29	23
Intangible assets, net	82	93	– 12
Goodwill	157	157	0
Other assets	79	73	8
Total assets	**7,244**	**7,485**	**– 3**
Liabilities and equity			
Deposits	3,275	3,495	– 6
Accrued expenses and other payables	210	202	4
Short-term debt	275	325	– 15
Long-term debt	2,290	2,314	– 1
Other liabilities	67	58	15
Deferred tax liabilities, net	1	1	– 0
Total liabilities	**6,117**	**6,394**	**– 4**
Common shares	30	30	0
Additional paid in capital (APIC)	259	259	0
Retained earnings	902	860	5
Treasury shares	– 36	– 35	2
Accumulated other comprehensive loss (AOCI)	– 29	– 23	22
Total shareholders' equity	**1,127**	**1,091**	**3**
Total liabilities and shareholders' equity	**7,244**	**7,485**	**– 3**

Key Figures
(unaudited)

For the years ended 31 December	2020	2019
Earnings per share		
Net income attributable to shareholders (CHF in millions)	152.9	159.2
Weighted-average number of common shares outstanding for basic earnings per share	29,375,730	28,780,504
Weighted-average number of common shares outstanding for diluted earnings per share	29,396,470	28,802,977
Basic earnings per share (in CHF)	5.21	5.53
Diluted earnings per share (in CHF)	5.20	5.53
Ratios		
Return on average shareholders' equity (ROE)	13.8 %	15.7 %
Return on average assets (ROA)	2.1 %	2.5 %
Cost / income ratio	49.8 %	48.3 %
Net interest margin	5.7 %	5.8 %
Loss rate	0.9 %	0.8 %

At 31 December	2020	2019
Capital adequacy[1]		
Risk-weighted assets (CHF in millions)	5,662	5,908
Tier 1 capital[2] (CHF in millions)	1,000	962
Tier 1 capital ratio (in %)	17.7%	16.3%
Share and dividend		
Share price (in CHF)	107.20	106.00
Market capitalisation (CHF in millions)	3,216	3,180
Dividend per share[3] (in CHF)	3.75	3.75
Dividend payout ratio (in %)	72%	68%
Employees and credit rating		
Employees (full-time equivalent)	928	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

2 Includes net income adjusted for expected dividend distribution

3 Proposal to the Annual General Meeting

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.