Cembra

Ad hoc announcement pursuant to Art. 53 LR

Cembra reports solid half-year results

- **Net income of CHF 75.1 million, 17% lower than the record result in the prior-year period due to the normalisation of loss performance towards expected levels, and strategic investments in operational excellence**
- **Net financing receivables up 2% and net revenues up 1% to CHF 253.0 million, with a 12% increase in fee income**
- **Continued strong loss performance, with a loss rate at 0.7%; cost/income ratio of 53.2%, mainly driven by investments in operational excellence**
- **Return on equity at 12.2%, with Tier 1 capital ratio of 17.6%**
- **Further progress in the strategic transformation, including the continued successful card migration, and the strengthening of the BNPL business**
- **Outlook: resilient business performance expected for 2023**

Zurich – In a challenging environment Cembra achieved a solid result and continued to advance its strategic transformation. Cembra's net income in the first six months amounted to CHF 75.1 million, or CHF 2.56 per share, a decrease of 17% compared to the record results in the first six months of 2022 due to the normalisation of the loss performance towards expected levels after the Covid-19 pandemic, as well as continued strategic investments in operational excellence. Net revenues increased by 1%, with commission and fee income compensating for lower net interest income. The loss performance remained strong at 0.7%. As a result, return on equity came in at 12.2%, and the Tier 1 capital ratio stood at 17.6%.

CEO Holger Laubenthal said: "In the first half of the year, we achieved a solid result, and further advanced our strategic transformation. In the context of the changed interest rate environment, we put a particular focus on selective growth while continuing the repricing measures started in mid-2022. I am particularly pleased with the successful continuation of the migration of our cards portfolio and the strengthening of our position in the attractive BNPL market by bundling Swissbilling and Byjuno into CembraPay."

Robust business performance

The Group's total net financing receivables at 30 June 2023 amounted to CHF 6.6 billion, an increase of 2% compared with 31 December 2022. Adjusted for the effect of the adoption of CECL (current expected credit losses) in US GAAP, the underlying growth amounted to 3%.

In the personal loans business, net financing receivables increased by 1% to CHF 2.4 billion in the first six months of 2023. Interest income in personal loans increased by 2% to CHF 82.5 million, with a yield of 6.6%.

Net financing receivables in auto leases and loans increased by 3% to CHF 3.1 billion in the reporting period. Interest income increased by 11% to CHF 71.8 million, with a yield of 4.7%.

Following the successful launch of the credit card family Certo! in July 2022, the credit cards business delivered a resilient performance in the first six months of 2023. Net financing receivables declined by 3% to CHF 1.0 billion at 30 June 2023. Interest income in the cards business declined by 4% to CHF 42.1 million, with a yield of 8.0%. The number of cards issued amounted to 1,039,000 at 30 June 2023, a decline of 1% since 31 December 2022. By mid-July 2023, about 60% of the previous Cumulus card portfolio has been migrated to the new proprietary offering Certo!. Cembra also continued to successfully grow its portfolio of co-branding card partnerships (excluding Cumulus) by 7% in the first six months of the year.

In the buy now pay later (BNPL) business, the billing volumes more than doubled to CHF 446 million in the first half of 2023 (H1 2022: CHF 197 million), driven both by the consolidation of Byjuno and organic growth. As a result, the commissions and fee income from BNPL increased to CHF 19.0 million, up from CHF 6.5 million in the first half of 2022.

Fee business drives up revenues

Net revenues increased by 1% to CHF 253.0 million in the first six months of 2023.

Net interest income declined by 3% to CHF 170.6 million (H1 2022: CHF 176.7 million) as interest expense reflected the changed interest rate environment since mid-2022 and increased to CHF 30.3 million (H1 2022: CHF 12.3 million).

The lower net interest income was more than compensated by a 12% increase of commission and fee income to CHF 82.4 million, mainly driven by growth in BNPL. The share of net revenues generated from commissions and fees amounted to 33%, up from 29% in the first six months of 2022.

Total operating expenses increased by 10% to CHF 134.5 million. Personnel expenses increased by 4% to CHF 69.7 million, reflecting the acquisition of Byjuno. General and administrative expenses amounted to CHF 64.8 million, an increase of 18% due to significant investments in strategic initiatives, integration costs and the enhanced organisation. As a consequence the cost/income ratio increased to 53.2% (H1 2022: 48.8%). For the 2023 financial year, Cembra continues to expect a stable cost/income ratio compared to 2022 (50.6%).

Continued strong loss performance

The provision for losses increased to CHF 25.1 million (H1 2022: CHF 15.0 million), reflecting a continued strong underlying loss performance on the level of the second half of last year (H2 2022: CHF 25.9 million). This resulted in a loss rate of 0.7% in the first six months of 2023 compared to 0.5% in the same period in 2022 in which loss provisions benefitted from certain items relating back to the Covid-19 pandemic. The non-performing-loans (NPL) ratio amounted to 0.7% (H1 2022: 0.6%). The rate of over-30-days past due financing receivables stood at 2.0% (H1 2022: 1.6%). Cembra continues to expect the loss rate to gradually normalise and confirms its mid-term target for a loss rate of below or at 1%.

Balanced funding mix
In the first six months of 2023, the Group's diversified funding portfolio increased by 3% to CHF 6.340 billion, with a funding mix of 51% deposits and 49% non-deposits. The weighted average duration increased to 2.5 years from 2.1 years at year-end 2022. The end-of-period funding cost amounted to 1.25% (31 December 2022: 0.79%). The average funding costs in the first half of 2023 amounted to 0.97%, compared to 0.50% in the 2022 financial year.

Strategic transformation further advanced
Cembra continued to execute on its key strategic initiatives Operational Excellence, Business Acceleration, New Growth Opportunities and Cultural Transformation. The credit card app was enhanced to improve the customer experience and to increase efficiency. The new IT platform for the leasing business has been further developed and is planned to be launched in 2023. In April 2023, Cembra also introduced the new business area CembraPay, bundling its subsidiaries Swissbilling and Byjuno. This was a further step in the successful expansion of its position and activities in the attractive and growing BNPL market.

Strong capital position
Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 17.6% (31 December 2022: 17.8%). Shareholders' equity decreased by 8% to CHF 1.179 billion, after Cembra paid out the dividend of CHF 116 million in April 2023 and including the effect of CHF 54 million from the adoption of CECL in US GAAP. Cembra expects the capital ratio to be slightly above 17% at year-end, including effects from the adoption of US GAAP.

Outlook
Cembra currently expects to deliver a resilient business performance in 2023 with net revenues at least in line with GDP growth, a continued solid loss performance, and a stable cost/income ratio for 2023 compared to the 2022 financial year. The return on equity is expected to come in at the lower end of the targeted range of 13-14% due to the time lag of the implemented repricing of new business and some shifts in the realisation of benefits from the strategic initiatives which also means that the ROE target of 15% for 2024 is expected to be challenging. The company maintains its financial targets until 2026; including a dividend of at least CHF 3.95 for 2023 and growing thereafter based on earnings growth.[1]

All documents (investor presentation, interim report 2023, and this media release) are available at www.cembra.ch/investors.

[1] ROE of >15% from 2024 on; dividend of at least CHF 3.95 for 2023, and growing thereafter based on earnings growth; Tier 1 capital ratio target of above 17%

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

Date and time:	20 July 2023 at 9.00 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 2023 results”.

About Cembra

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 about 1,000 people from more than 40 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 2013. Cembra is rated A- by Standard & Poor’s and is included in the MSCI ESG Leaders Index and in the 2023 Bloomberg Gender-Equality Index.

Consolidated statements of income (unaudited)

For six months ended 30 June (CHF in millions)	H1 2023	H1 2022	Change in %
Interest income	200.9	188.9	6
Personal loans	82.5	80.7	2
Auto leases and loans	71.8	64.9	11
Credit cards	42.1	43.7	-4
Other	4.6	-0.4	N/A
Interest expense	-30.3	-12.3	147
Net interest income	**170.6**	**176.7**	**-3**
Commission and fee income	**82.4**	**73.3**	**12**
Insurance	12.2	11.9	2
Credit cards	43.3	47.5	-9
Loans and leases	7.2	6.9	5
BNPL	19.0	6.5	194
Other	0.7	0.6	19
Net revenues	**253.0**	**250.0**	**1**
Provision for losses on financing receivables	**-25.1**	**-15.0**	**67**
Compensation and benefits	-69.7	-67.1	4
General and administrative expenses	-64.8	-54.9	18
Professional services	-11.0	-8.7	26
Marketing	-6.5	-6.2	5
Collection fees	-7.6	-5.0	51
Postage and stationery	-5.3	-6.1	-13
Rental expense under operating leases	-3.2	-3.6	-12
Information technology	-25.4	-20.0	27
Depreciation and amortisation	-13.8	-12.3	12
Other	7.9	6.9	15
Total operating expenses	**-134.5**	**-122.0**	**10**
Income before income taxes	**93.4**	**113.0**	**-17**
Income tax expense	-18.4	-22.4	-18
Net income	**75.1**	**90.6**	**-17**

For six months ended 30 June (CHF)	H1 2023	H1 2022
Earnings per share		
Basic	2.56	3.09
Diluted	2.55	3.08

Balance sheet (unaudited)

(CHF in millions)	30 Jun 2023	31 Dec 2022	Change in %
Assets			
Cash and cash equivalents	600	633	-5
Financing receivables, net	6,620	6,520	2
Personal loans	2,411	2,387	1
Auto leases and loans	3,068	2,975	3
Credit cards	1,014	1,045	-3
BNPL	128	114	13
Investment securities	97	97	0
Property, plant and equipment, net	23	25	-8
Intangible assets, net	68	78	-12
Goodwill	190	190	0
Other assets	137	110	24
Total assets	**7,736**	**7,653**	**1**
Liabilities and equity			
Deposits	3,250	3,513	-7
Accrued expenses and other payables	187	204	-8
Short-term debt	650	450	44
Long-term debt	2,432	2,163	12
Other liabilities	25	23	7
Deferred tax liabilities, net	13	26	-49
Total liabilities	**6,557**	**6,379**	**3**
Common shares	30	30	0
Additional paid in capital (APIC)	259	258	0
Retained earnings	915	1,010	-9
Treasury shares	-37	-37	1
Accumulated other comprehensive income (loss) (AOCI)	13	13	-5
Total shareholders' equity	**1,179**	**1,274**	**-8**
Total liabilities and shareholders' equity	**7,736**	**7,653**	**1**

Key Figures (unaudited)

For six months ended 30 June	H1 2023	H1 2022
Earnings per share		
Net income attributable to shareholders (CHF in millions)	75.1	90.6
Weighted-average number of common shares outstanding for basic earnings per share	29,342,739	29,361,176
Weighted-average number of common shares outstanding for diluted earnings per share	29,378,884	29,374,899
Basic earnings per share (in CHF)	2.56	3.09
Diluted earnings per share (in CHF)	2.55	3.08
Ratios		
Return on equity (annualised, in %)	12.2	15.3
Return on assets (annualised, in %)	2.0	2.5
Cost / income ratio (in %)	53.2	48.8
Net interest margin (annualised, in %)	5.1	5.5
Loss rate (annualised, in %)	0.7	0.5

As at	30 Jun 2023	31 Dec 2022
Capital adequacy[1]		
Risk-weighted assets (CHF in millions)	6,080	5,938
Tier 1 capital[2] (CHF in millions)	1,068	1,055
Tier 1 capital ratio (in %)	17.6	17.8
Share and dividend		
Share price (in CHF)	74.20	76.90
Market capitalisation (CHF in millions)	2,226	2,307
Employees and credit rating		
Employees (full-time equivalent)	950	929
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

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

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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.

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