Letter to Shareholders

Dear Shareholders

The 2024 results demonstrate that we are making good progress with our strategic transformation. We are driving the digitalisation of our products and services to increase customer value and enhance our productivity. By building on this momentum, we will make further progress this year and are confident that we will achieve our 2026 financial targets.

Net revenues up 7% and net interest margin improved to 5.6%
Net financing receivables came in at CHF 6.6 billion. This 1% decrease was mainly due to a 4% drop in net financing receivables to CHF 2.3 billion in the personal loans business, reflecting continued selective underwriting and disciplined pricing in a softened economic environment. Net financing receivables grew by 1% to CHF 3.2 billion in the auto leases and loans business, decreased by 2% to CHF 1.0 billion in credit cards and increased by 12% to CHF 0.2 billion in BNPL.

Net revenues increased by 7% to CHF 550.5 million. Net interest income contributed CHF 380.5 million (+10%) with an increase in the net interest margin to 5.6% (2023: 5.2%). Successful repricing measures led to 15% increase in interest income to CHF 485.7 million, and interest expense rose to CHF 105.3 million (2023: CHF 74.9 million) following the continued rolling of the funding portfolio. Commission and fee income amounted to CHF 170.0 million, up 1%, with the largest contribution coming from the credit cards business, which accounted for CHF 91.6 million (+3%), while BNPL contributed CHF 39.9 million (+1%). The share of net revenues generated from commission and fee income stood at 31% (2023: 33%).

Cost/income ratio improved
Total operating expenses increased by 1% to CHF 264.5 million (2023: 262.6 million), with cost savings offset by restructuring costs and continued investments in strategic initiatives. Personnel expenses declined by 2% to CHF 134.8 million, reflecting the ongoing streamlining of the organisation. General and administrative expenses increased by 3% to CHF 129.7 million. This resulted in a significant decrease in the cost/income ratio to 48.1% (2023: 50.9%). Cembra expects to achieve a cost/income ratio of ≤ 45% for the full year 2025 and has a clear plan to progress towards the target of below 39% in 2026.

Continued solid loss performance

The Group's provision for losses increased by CHF 17.2 million to CHF 74.2 million (2023: CHF 56.9 million) reflecting the maturing of post-Covid asset growth in a slightly more adverse macro environment in which exposed customer segments are facing a higher cost-of-living. This resulted in a loss rate of 1.1% in line with the long-term trend. The rate of over-30-days past due financing receivables stood at 2.7% (2023: 2.1%) and the non-performing loans (NPL) ratio increased to 1.2% (2023: 0.8%). The portfolio is consistently managed with a view to striking the right balance between risk and reward. Going forward, Cembra expects there to be no material change in its loss performance from current levels.

Further diversified funding portfolio

The Group's funding portfolio decreased by 3% to CHF 6.4 billion in 2024, reflecting the trend in receivables. The share of deposits continued to increase, coming in at 55% (2023: 53%). The weighted average duration increased slightly to 2.5 years (2023: 2.4 years). The end-of-period funding cost was 1.53% (31 December 2023: 1.47%).

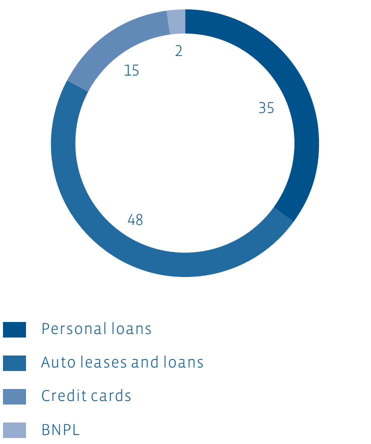
Strong capital base and dividend increase to CHF 4.25

Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 17.9% (31 December 2023: 17.2%). As expected, the final Basel III standards have a negative impact of 0.5 percentage points on the capital ratio from 1 January 2025 onwards. Shareholders' equity increased by 3% to CHF 1.285 billion.

Given Cembra's solid financial performance, the Board of Directors will recommend a dividend of CHF 4.25 per share at the General Meeting on 24 April 2025, representing a payout ratio of 73% and an increase of CHF 0.25, or 6%, on the previous year.

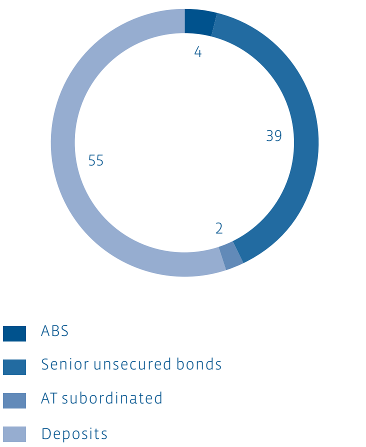
Net financing receivables

in %



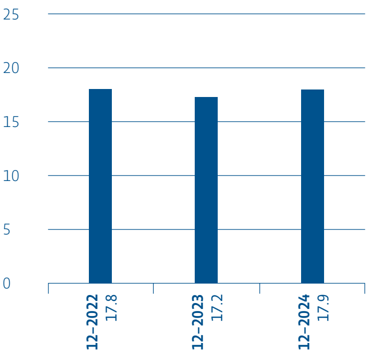
Funding structure

in %



Tier 1 capital ratio

in %



Strategic transformation progressing

In 2024, Cembra consistently pressed ahead with its strategic transformation enhancing customer value and productivity. The successful launch of the new IT platform for the leasing business strengthened Cembra's relationships with its partners, improved its value proposition, boosted efficiency and has the potential to further increase productivity. Cembra also grew its portfolio of own cards and co-branded partnerships, which drove up interest income and commissions. Additional services, including insurance products, were added to the credit card offering and the Cembra App was enhanced with more self-service functions. Cembra also continued to streamline the organisation and further expanded its technology and services hub in Riga, Latvia. Other developments during the reporting period included the new digital savings offering, the outsourcing of certain customer service processes and the full roll-out of the TWINT pay later feature for all partner banks.

Outlook

For the 2025 financial year, Cembra expects to grow net revenues at least in line with Swiss GDP growth, a continued solid loss performance and a cost/income ratio ≤ 45%. As a result, Cembra expects an increase in net income and a ROE of 14-15% (previously ≥ 15%) for 2025 and confirms its financial targets for 2026.

On behalf of the Board of Directors and management, we would like to thank our customers, shareholders and business partners for the trust they have placed in us. We would also like to express our particular gratitude to our employees, who shape the success of our Group with their expertise, dedication and engagement.

Franco Morra
Chairman

Holger Laubenthal
CEO

Key figures

Key figures

At 31 December (in CHF millions)	2024	2023
Net interest income	**380.5**	347.2
Commission and fee income	**170.0**	168.5
Net revenues	**550.5**	515.7
Provision for losses	**-74.2**	-56.9
Total operating expenses	**-264.5**	-262.6
Net income	**170.4**	158.0
Total assets	**7,949**	8,088
Net financing receivables	**6,625**	6,687
Personal loans	**2,273**	2,370
Auto leases and loans	**3,182**	3,147
Credit cards	**1,011**	1,028
BNPL	**159**	141
Shareholders’ equity	**1,285**	1,250
Return on shareholders’ equity (ROE)	**13.4%**	12.5%
Net interest margin	**5.6%**	5.2%
Cost/income ratio	**48.1%**	50.9%
Tier 1 capital ratio	**17.9%**	17.2%
Employees (full-time equivalents)	**812**	902
Credit rating (S&P)	**A–**	A–
Basic earnings per share (in CHF)	**5.81**	5.39
Dividend per share (in CHF)	**4.25**	4.00
Book value per share (in CHF)	**43.00**	41.67
Share price (in CHF)	**82.00**	65.60
Market capitalisation	**2,460**	1,961

The Annual Report 2024 and Business Review 2024 are available at www.cembra.ch/investors. Subscribe to our news alert service: https://www.cembra.ch/en/investor/news-media/alert-service/

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