Cembra

Your Swiss Bank

Interim Report 2023

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Key facts and figures

Key figures

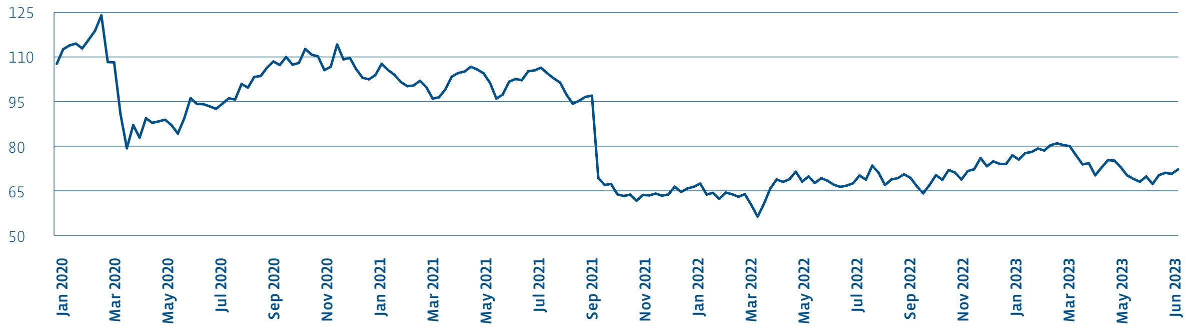
CHF in millions	**H1 2023**	H2 2022	**H1 2022**	H2 2021	H1 2021
Net interest income	**170.6**	179.5	176.7	178.7	178.0
Commission and fee income	**82.4**	79.4	73.3	72.5	57.9
Net revenues	**253.0**	258.9	250.0	251.1	235.9
Provision for losses	**–25.1**	**–25.9**	–15.0	–25.9	–14.4
Total operating expenses	**–134.5**	–135.5	–122.0	–122.2	–124.1
Net income	**75.1**	78.6	90.6	82.8	78.7
Total assets	**7,736**	7,653	7,247	7,095	7,124
Net financing receivables	**6,620**	6,520	6,434	6,207	6,206
Personal loans	**2,411**	2,387	2,338	2,292	2,303
Auto leases and loans	**3,068**	2,975	2,920	2,820	2,823
Credit cards	**1,014**	1,045	1,110	1,030	1,025
BNPL	**128**	114	66	65	55
Shareholders' equity	**1,179**	1,274	1,176	1,200	1,098
Return on equity (in %, annualised)	**12.2**	12.8	15.3	14.4	14.2
Net interest margin (in %, annualised)	**5.1**	5.5	5.5	5.7	5.6
Cost / income ratio (in %)	**53.2**	52.3	48.8	48.6	52.6
Tier 1 capital ratio (in %)	**17.6**	17.8	18.8	18.9	18.3
Employees (full-time equivalents)	**950**	929	916	916	934
Credit rating (S&P)	**A–**	**A–**	A–	A–	A–
Basic earnings per share (in CHF)	**2.56**	2.41	3.09	2.82	2.68
Book value per share (in CHF)	**39.30**	42.47	39.20	40.00	36.60
Share price (in CHF)	**74.20**	76.90	68.20	66.45	103.70
Market capitalisation	**2,226**	2,307	2,046	1,993	3,111

For a glossary of key financial indicators including alternative performance measures please see www.cembra.ch/financialreports.

Key facts and figures

Share price Cembra

CHF



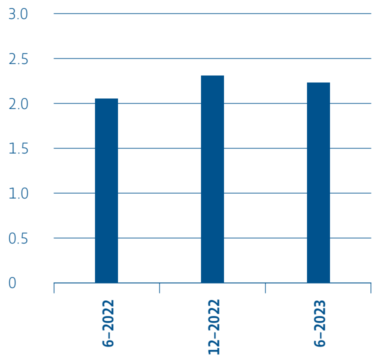
Facts

CHF

2,226,000,000

was the market capitalisation of Cembra by the end of June 2023

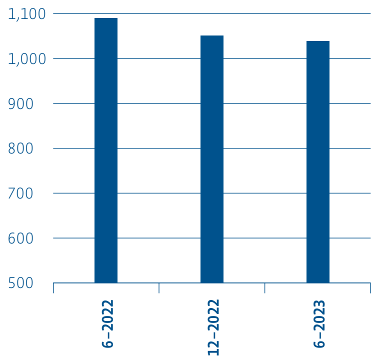
in billion CHF



1,039,000

number of credit cards issued by Cembra

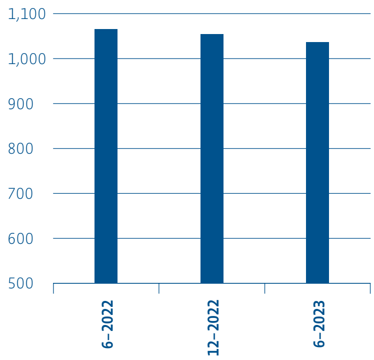
in 1,000



1,036,000

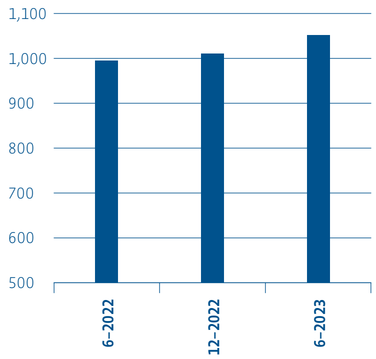
customers trust Cembra as their preferred partner (excl. BNPL customers)

in 1,000



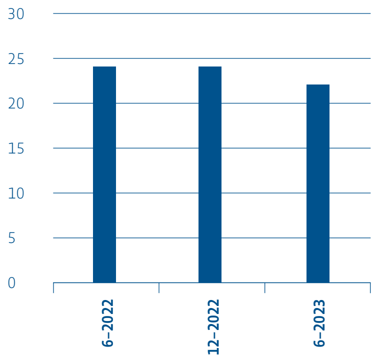
1,023

employees from 44 different nations work for Cembra (950 FTE)



22

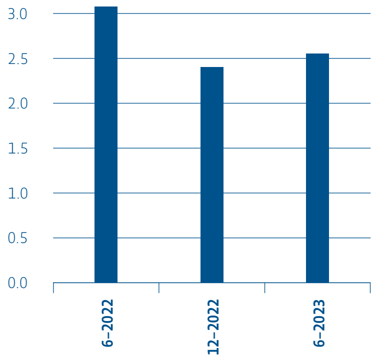
sales area managers serve about 3,700 car dealers



2.56

were the earnings per share (EPS) of Cembra in the first half of 2023

in CHF



Dear Shareholders

It is our pleasure to inform you about a solid result in the first six months of 2023. Our net income 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%, and commission and fee income increased by 12%. 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%.

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 operational 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.

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

Management Report

Significant developments

On 19 April 2023, Cembra launched the new business area CembraPay, bundling its subsidiaries Swissbilling and Byjuno. The launch of the new brand was a further step in the expansion of our activities in the growing Buy Now Pay Later (BNPL) market.

On 21 April 2023, Cembra held its Annual General Meeting in Zurich. The shareholders approved all proposals of the Board of Directors. Franco Morra was elected as Chairman of the Board of Directors. He succeeded Felix Weber, who after ten years in office, decided not to stand for re-election. All other members of the Board of Directors were re-elected for a further one-year term of office: Jörg Behrens, Marc Berg, Thomas Buess, Alex Finn, Susanne Klöss-Braekler and Monica Mächler.

Macroeconomic environment

We operate exclusively in Switzerland and our financial position and revenues are strongly influenced by domestic macroeconomic factors, especially gross domestic product, the unemployment rate and interest rates. We have very limited exposure to foreign currencies.

Swiss gross domestic product

Growth in Switzerland's gross domestic product (GDP) is an important indicator for the Group. Swiss GDP increased by 0.5% in the first quarter of 2023. Economists expect GDP to increase by 1.1% (Seco June 2023) in the 2023 financial year.

Interest rates

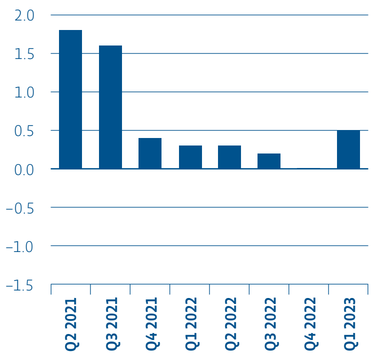
Interest rates are a key indicator for the Group's funding. In the first half of 2023, Swiss-franc interest rates increased further in a volatile capital market environment. The main reasons for higher interest rates were the persistent inflation and more interest rate hikes by various central banks worldwide. Between June 2022 and June 2023, the Swiss National Bank (SNB) raised its SNB policy rate by 250 basis points, from -0.75% to 1.75%.

Unemployment rate

The unemployment rate serves as an important indicator for the credit risk profile of the Group's customers. The unemployment rate in Switzerland decreased to 1.9% in June 2023 (December 2022: 2.1%).

Quarterly Swiss GDP

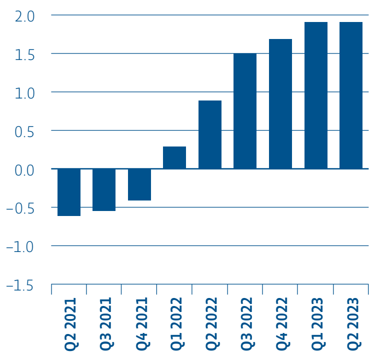
Change versus previous quarter (in %)



Source: SECO

CHF 3-years swap rate

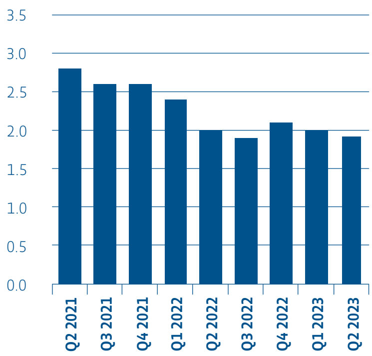
in %



Source: Bloomberg

Unemployment rate in Switzerland

in %



Source: SECO

Product markets

Consumer loan market

In the first six months of 2023, the Swiss consumer loan market continued to grow. According to the Swiss central credit information bureau (ZEK), the Swiss consumer loan market increased by 5%, from CHF 8.414 billion at 31 December 2022 to CHF 8.833 billion in outstanding assets at 30 June 2023. In a competitive environment, the Group had an estimated market share of approximately 39% of outstanding consumer loans.

Auto market

The Swiss auto market continued to normalise with a higher availability of new cars. According to "auto-schweiz" statistics (the association of official Swiss car importers), about 124,000 new cars were registered in the first six months of 2023, an increase of 13% compared to the first half of 2022. About 345,000 used cars were sold in Switzerland according to auto-i-dat AG (an independent provider of automotive market data); this represents a 6% decrease compared with the first six months of 2021 (366,000). The Group estimated its auto leasing market share to be about 21% of total leasing assets outstanding as of June 2023.

Credit card market

The growth trend continued in the credit card market in 2023. Based on Swiss National Bank statistics from April 2023, the number of credit cards issued in Switzerland grew by 2% year-on-year to 8.6 million. The number of transactions increased by 11% year-on-year for the first four months of 2023. Overall, credit card transaction volumes increased by 8% year-on-year to CHF 17.9 billion in the first four months of 2023.

The Group's number of credit cards issued decreased by 1% since 31 December 2022, to about 1,039,000 at 30 June 2023. The market share, based on the number of credit cards issued , was 12%.

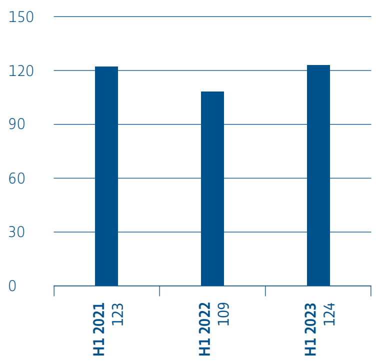
Buy now pay later market

E-commerce sales in Switzerland remained flat at CHF 15 billion estimated in 2023 with buy now pay later (BNPL) representing 8 - 11% of total e-commerce sales.

Cembra has a market share of 30 - 40% of the BNPL market. E-commerce (online) volume doubled in the first six months of 2023, driven by the acquisition of Byjuno (consolidated since November 2022) and growth at Swissbilling. Billing volume increased by 134% to CHF 446 million.

New car registrations in Switzerland

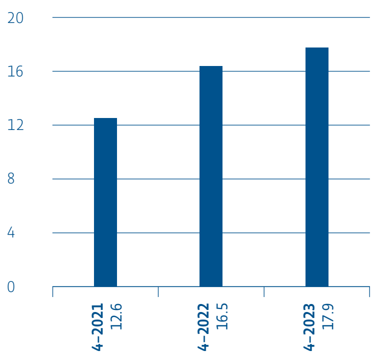
in 1,000



Source: auto-schweiz

Transaction volume Swiss credit cards

CHF in billions



Source: SNB

Balance sheet analysis

CHF in millions	30 June 2023	31 December 2022	Change	as %
Assets				
Cash and cash equivalents	**600**	633	– 33	– 5
Net financing receivables	**6,620**	6,520	100	2
Personal loans	**2,411**	2,387	24	1
Auto leases and loans	**3,068**	2,975	93	3
Credit cards	**1,014**	1,045	– 31	– 3
BNPL	**128**	114	15	13
Investment securities	**97**	97	0	0
Other assets	**418**	403	15	4
Total assets	**7,736**	**7,653**	**82**	**1**
Liabilities and equity				
Deposits and debt	**6,333**	6,126	206	3
Deposits	**3,250**	3,513	– 263	– 7
Debt	**3,082**	2,613	469	18
Other liabilities	**225**	253	– 28	– 11
Total liabilities	**6,557**	**6,379**	**178**	**3**
Shareholders' equity	**1,179**	1,274	– 96	– 8
Total liabilities and shareholders' equity	**7,736**	**7,653**	**82**	**1**

Net financing receivables amounted to CHF 6,620 million as at 30 June 2023, an increase of 2% compared with year-end 2022. The increase was mainly driven by the strong demand for consumer financing products, offset by higher allowances for losses related to the adoption of the CECL accounting standard (see consolidated financial statements notes 2 and 4).

At the end of June 2023, the Group's personal loans accounted for 37% of net financing receivables (31 December 2022: 37%), auto leases and loans made up 46% (31 December 2022: 45%), the credit cards business accounted for 15% (31 December 2022: 16%) and the BNPL business remained stable at 2% (31 December 2022: 2%).

As at 30 June 2023, net financing receivables from personal loans amounted to CHF 2,411 million, 1% higher than at year-end 2022. Auto leases and loans increased by 3% to CHF 3,068 million compared with CHF 2,975 million at the end of 2022. Credit cards net financing receivables decreased by 3% to CHF 1,014 million from CHF 1,045 million in the previous reporting period. BNPL net financing receivables stood at CHF 128 million (31 December 2022: CHF 114 million).

Funding

The Group maintained its funding diversification in the reporting period. The deposit base decreased from CHF 3,513 million at 31 December 2022 to CHF 3,250 million at 30 June 2023, primarily due to a 14% decrease in the institutional deposit base and 6% increase in the retail deposit base. The Group's non-deposit debt increased by 18% from CHF 2,613 million at 31 December 2022 to CHF 3,082 million at 30 June 2023. In May 2023, the Group paid back a CHF 250 million unsecured bond. In January and May 2023, the Group issued two unsecured bonds of CHF 235 and CHF 210 million, respectively. In May 2023, the Group issued an auto lease asset backed note (ABS) of CHF 275 million.

Equity

Total shareholders' equity decreased by CHF 96 million, or 8%, from CHF 1,274 million to CHF 1,179 million at 30 June 2023. The decrease was mainly attributable to the dividend of CHF 116 million, which was paid in April 2023 and was partly offset by net income of CHF 75.1 million for the first six months of 2023. In addition, the adoption of the CECL standard resulted in a decrease of CHF 54 million in retained earnings.

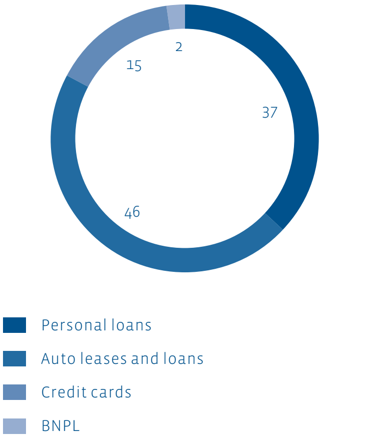
Capital position

CHF in millions	30 June 2023	31 December 2022	Change	as %
Risk-weighted assets	**6,080**	5,938	142	2
Tier 1 capital	**1,068**	1,055	13	1
Tier 1 ratio	**17.6 %**	**17.8 %**		

Risk-weighted assets increased by 2% to CHF 6,080 million at 30 June 2023 compared with CHF 5,938 million at 31 December 2022. This increase was in line with the trend in net financing receivables. Tier 1 capital increased by CHF 13 million, or 1%, to CHF 1,068 million, mainly due the statutory net income generated in the first six months of 2023 as well as lower capital deductions resulting from the amortisation of goodwill and intangible assets under statutory accounts, offset by the expected future dividend payment. This resulted in a Tier 1 capital ratio of 17.6% at 30 June 2023, which is significantly above the regulatory requirement of 11.2%.

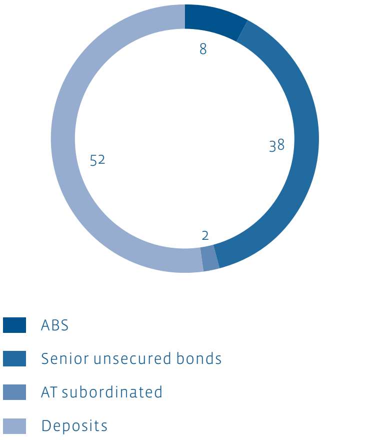
Net financing receivables

in %



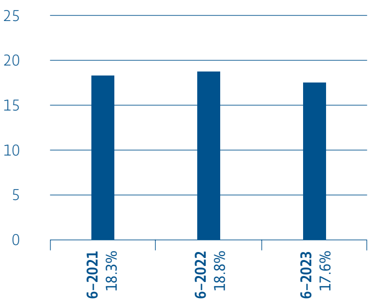
Funding structure

in %



Tier 1 capital ratio

in %

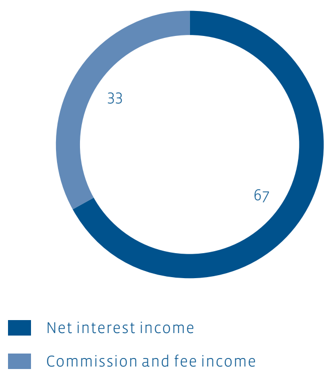


Profit and loss analysis

For the six months ended (CHF in millions)	**30 June 2023**	30 June 2022	Change	as %
Interest income	**200.9**	188.9	12.0	6
Interest expense	**– 30.3**	– 12.3	18.0	147
Net interest income	**170.6**	**176.7**	**– 6.0**	**– 3**
Commission and fee income	**82.4**	73.3	9.1	12
Net revenues	**253.0**	**250.0**	**3.1**	**1**
Provision for losses on financing receivables	**– 25.1**	**– 15.0**	**10.1**	**67**
Compensation and benefits	**– 69.7**	– 67.1	2.7	4
General and administrative expenses	**– 64.8**	– 54.9	9.8	18
Total operating expenses	**– 134.5**	**– 122.0**	**12.5**	**10**
Income before income taxes	**93.4**	**113.0**	**– 19.5**	**– 17**
Income tax expense	**– 18.4**	– 22.4	– 4.0	– 18
Net income	**75.1**	**90.6**	**– 15.5**	**– 17**
Other comprehensive income / (loss)	**– 0.6**	0.2	– 0.8	n / a
Comprehensive income	**74.4**	**90.8**	**– 16.3**	**– 18**

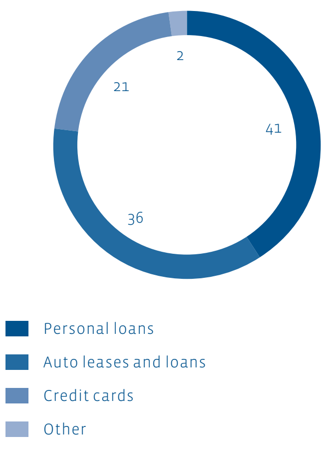
Net revenues

in %



Interest income

in %



Interest income

For the six months ended (CHF in millions)	**30 June 2023**	30 June 2022	Change	as %
Personal loans	**82.5**	80.7	1.8	2
Auto leases and loans	**71.8**	64.9	6.9	11
Credit cards	**42.1**	43.7	– 1.6	– 4
Other	**4.6**	– 0.4	4.9	n / a
Total	**200.9**	**188.9**	**12.0**	**6**

Overall, the contribution of personal loans to interest income decreased to 41% from 43% in the first six months of 2023. Auto leases and loans made up 36% (H1 2022: 34%) and credit cards decreased to 21% from 23%, compared to the year-earlier period. The contribution of other interest income increased to 2% (H1 2022: 0%).

Total interest income increased by 6%, or CHF 12.0 million, to CHF 200.9 million in the first half of 2023. Interest income from personal loans increased by CHF 1.8 million, or 2%, to CHF 82.5 million due to higher financing receivables. The yield in personal loans declined to 6.6% from 6.8% compared to the same reporting period in the previous year. Interest income from the auto leases and loans business increased by CHF 6.9 million to CHF 71.8 million in the first six months of 2023. The yield increased to 4.7% (H1 2022: 4.5%). Interest income from credit cards decreased by CHF 1.6 million, or 4% to CHF 42.1 million in the reporting period, and the yield amounted to 8.0% (H1 2022: 8.1%). Other interest income of CHF 4.6 million included interest from cash and investment securities, as well as income from the BNPL business.

Cost of funds

For the six months ended (CHF in millions)	**30 June 2023**	30 June 2022	Change	as %
Interest expense on ABS	**0.9**	0.4	0.5	116
Interest expense on deposits	**16.5**	5.5	11.0	n / a
Interest expense on debt	**12.9**	6.4	6.5	103
Total	**30.3**	**12.3**	**18.0**	**147**

The overall cost of funds more than doubled to CHF 30.3 million in the first six months of 2023 (H1 2022: CHF 12.3 million) reflecting the changed interest rate environment. Interest expense on auto lease asset backed securities increased by CHF 0.5 million to CHF 0.9 million. Interest expense on deposits increased by CHF 11 million to CHF 16.5 million, compared with the first six months of 2022. Total interest expense on non-deposit debt increased by CHF 6.5 million to CHF 12.9 million in the first half of 2023, mainly driven by the increase in interest rates for the recently issued unsecured bonds and ABS.

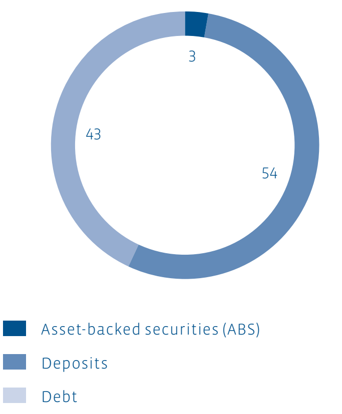
Commission and fee income

For the six months ended (CHF in millions)	**30 June 2023**	30 June 2022	Change	as %
Insurance	**12.2**	11.9	0.2	2
Credit cards	**43.3**	47.5	– 4.2	– 9
Loans and leases	**7.2**	6.9	0.3	5
BNPL	**19.0**	6.5	12.6	194
Other	**0.7**	0.6	0.1	19
Total	**82.4**	**73.3**	**9.1**	**12**

Commission and fee income increased by CHF 9.1 million, or 12%, from CHF 73.3 million to CHF 82.4 million in the first six months of 2023. Insurance income increased slightly to CHF 12.2 million (30 June 2022: CHF 11.9). Fee income on credit cards decreased by CHF 4.2 million, or 9%, to CHF 43.3 million, mainly driven by lower transaction volumes. Fees from loans and leases increased slightly by CHF 0.3 million to CHF 7.2 million. Fee income in the BNPL business increased by 194% to CHF 19.0 million in the first six months of 2023. The increase was driven by the acquisition of Byjuno in the second half of 2022 and growth at Swissbilling. Other fees increased by 19% to CHF 0.7 million.

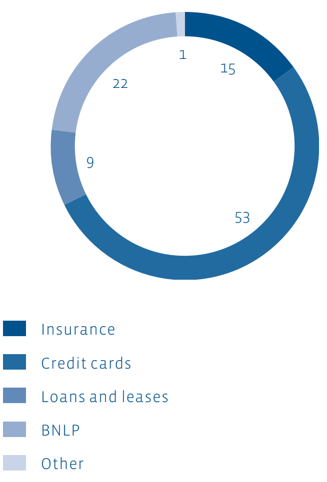
Cost of funds

in %



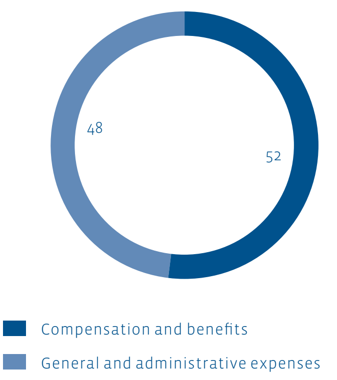
Commission and fee income

in %



Operating expenses

in %



Provision for losses on financing receivables

For the six months ended (CHF in millions)	**30 June 2023**	30 June 2022	Change	as %
Provision for losses on personal loans	**22.0**	7.8	14.3	184
Provision for losses on auto leases and loans	**0.2**	1.0	– 0.7	– 77
Provision for losses on credit cards	**– 0.3**	4.1	– 4.4	– 107
Provision for losses on BNPL	**3.1**	2.2	1.0	44
Total	**25.1**	**15.0**	**10.1**	**67**

In the first six months of 2023, the Group's provision for losses on financing receivables increased by CHF 10.1 million to CHF 25.1 million compared with CHF 15.0 million in the same reporting period in 2022. The main drivers of the increase were the general normalisation of the loss performance after the Covid-19 pandemic, the currently challenging macro environment, higher reserve requirements following the adoption of the CECL accounting standard and certain individual items recorded in the first half of 2022 relating to prudent loss mitigation procedures during the pandemic. The provision for losses on personal loans increased by CHF 14.3 million to CHF 22.0 million, also driven by prudent allowance for losses levels to address uncertainties coming from the currently challenging macro environment. On auto leases and loans, the provision for losses decreased by CHF 0.7 million to CHF 0.2 million, driven by higher recoveries. The provision for losses on cards declined by CHF 4.4 million to CHF -0.3 million, driven by the reduced need for allowances following the trends in the portfolio. The provision for losses on BNPL increased by CHF 1.0 million to CHF 3.1 million as a consequence of the Byjuno acquisition and accelerated growth with key partners.

The Group's loss rate for the first half-year 2023 was 0.7%, compared to the 0.5% reported in the same period in 2022.

Compensation and benefits

For the six months ended (CHF in millions)	**30 June 2023**	30 June 2022	Change	as %
Compensation and benefits	**69.7**	**67.1**	**2.7**	**4**

Compensation and benefit expenses increased by CHF 2.7 million, or 4%, to CHF 69.7 million. The increase was mainly attributable to the higher number of employees. The Group's average number of employees (FTE) was 939 in the first half of 2023 compared with 916 in the corresponding prior-year period. At 30 June 2023, the number of employees (FTE) increased from 929 to 950 compared with year-end 2022. The increase was related to the internalisation of 30 FTEs from a former Byjuno service provider in Riga, Latvia, in April 2023.

General and administrative expenses

For the six months ended (CHF in millions)	**30 June 2023**	30 June 2022	Change	as %
Professional services	**11.0**	8.7	2.3	26
Marketing	**6.5**	6.2	0.3	5
Collection fees	**7.6**	5.0	2.6	51
Postage and stationery	**5.3**	6.1	– 0.8	– 13
Rental expense under operating leases	**3.2**	3.6	– 0.4	– 12
Information technology	**25.4**	20.0	5.5	27
Depreciation and amortisation	**13.8**	12.3	1.5	12
Other	**– 7.9**	– 6.9	1.0	15
Total	**64.8**	**54.9**	**9.8**	**18**

General and administrative expenses increased by CHF 9.8 million, or 18%, from CHF 54.9 million to CHF 64.8 million in the first six months of 2023. Professional services increased by 26% or CHF 2.3 million driven by higher temporary resources related to operational excellence projects. Marketing expenses increased by 5% or CHF 0.3 million. Collection fees increased by 51% to CHF 7.6 million and costs for postage and stationery decreased by 13% to CHF 5.3 million. Rental expenses decreased by 12% to CHF 3.2 million. Depreciation and amortisation increased by 12% to CHF 13.8 million, as a result of acquired intangibles from Byjuno. Other expenses decreased by CHF 1.0 million driven by a higher capitalisation of strategic projects.

The cost/income ratio was 53.2% compared with 48.8% in the previous reporting period. The increase is explained by higher operating expenses, offset by the slight 1% increase in net revenues.

Income tax expense

For the six months ended (CHF in millions)	**30 June 2023**	30 June 2022	Change	as %
Income tax expense	**18.4**	**22.4**	**– 4.0**	**– 18**

The Group's income tax expense decreased by CHF 4.0 million, or 18%, to CHF 18.4 million in the first six months of 2023 in line with the lower income before taxes. The effective tax rate was 19.7%.

The numbers published in the tables above are in Swiss francs and rounded; therefore rounding differences may occur.

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. Cembra aims to achieve an ROE of 13–14% in 2023 and above 15% starting in 2024; pay a dividend of at least CHF 3.95 for 2023 and thereafter increasing based on sustainable earnings growth; and will target a Tier 1 capital ratio target of at least 17%.

Your Swiss Bank

Interim Financial Report 2023

Interim condensed consolidated financial statements (unaudited)

Interim condensed consolidated statements of income (unaudited)

For the six months ended (CHF in thousands)	Notes	30 June 2023	30 June 2022
Interest income	22	**200,933**	188,912
Interest expense	23	**– 30,295**	– 12,257
Net interest income		**170,638**	**176,654**
Commission and fee income	24	**82,393**	73,317
Net revenues		**253,031**	**249,971**
Provision for losses on financing receivables	**4**	**– 25,104**	**– 15,030**
Compensation and benefits		**– 69,743**	– 67,069
General and administrative expenses	25	**– 64,752**	– 54,910
Total operating expenses		**– 134,495**	**– 121,980**
Income before income taxes		**93,432**	**112,962**
Income tax expense	17	**– 18,377**	– 22,361
Net income		**75,055**	**90,601**
Earnings per share			
Basic	15	**2.56**	3.09
Diluted	15	**2.55**	3.08

See accompanying Notes to the interim consolidated financial statements

Interim condensed consolidated statements of comprehensive income (unaudited)

For the six months ended (CHF in thousands)	30 June 2023	30 June 2022
Net income	**75,055**	90,601
Net prior service cost, net of tax	**–404**	–570
Actuarial gain/(loss), net of tax	**–1,009**	722
Unrealised gains/(losses) on investment securities, net of tax	**81**	–
Gains/(losses) on cash flow hedges, net of tax	**706**	–
Foreign currency translation adjustments	**5**	–
Total other comprehensive gain/(loss), net of tax	**–620**	153
Comprehensive income	**74,435**	**90,754**

See accompanying Notes to the interim consolidated financial statements

Interim condensed consolidated statements of financial position (unaudited)

CHF in thousands	Notes	30 June 2023	31 December 2022
Assets			
Cash and cash equivalents		**599,540**	632,644
Financing receivables, net	4	**6,620,475**	6,520,097
Investment securities	5	**97,472**	97,337
Property, plant and equipment, net	6	**23,207**	25,268
thereof operating lease - right-of-use (ROU) assets	6	**18,167**	19,610
Intangible assets, net	7	**68,442**	77,950
Goodwill	8	**189,521**	189,521
Other assets	9	**137,128**	110,472
Total assets [1]		**7,735,785**	**7,653,290**
Liabilities and equity			
Deposits	10	**3,250,281**	3,513,116
Accrued expenses and other payables		**186,732**	203,862
Short-term debt	11	**650,036**	450,000
Long-term debt	11	**2,432,220**	2,163,029
Other liabilities		**24,741**	23,027
thereof operating lease - lease liability	6	**18,201**	19,751
Deferred tax liabilities, net	17	**13,209**	25,855
Total liabilities [1]		**6,557,219**	**6,378,889**
Common shares		**30,000**	30,000
Additional paid in capital (APIC)		**258,523**	258,123
Retained earnings		**914,909**	1,010,017
Treasury shares		**– 37,410**	– 36,903
Accumulated other comprehensive income (loss) (AOCI)		**12,544**	13,164
Total shareholders' equity		**1,178,566**	**1,274,401**
Total liabilities and shareholders' equity		**7,735,785**	**7,653,290**

[1] The Group's consolidated assets as at 30 June 2023 and 31 December 2022 include total assets of TCHF 623,419 and TCHF 302,816, respectively, of consolidated variable interest entities (VIEs) that can only be used to settle the liabilities of the VIEs. The Group's consolidated liabilities as at 30 June 2023 and 31 December 2022 include liabilities of the VIEs of TCHF 526,871 and TCHF 251,223, respectively, for which the VIE creditors do not have recourse to Cembra Money Bank AG

See accompanying Notes to the interim consolidated financial statements

Interim condensed consolidated statements of changes in shareholders' equity (unaudited)

CHF in thousands	Common shares	APIC	Retained earnings	Treasury shares	AOCI	Total equity
Balance at 1 January 2022	**30,000**	**257,683**	**953,689**	**– 34,540**	**– 6,556**	**1,200,276**
Net income	–	–	90,601	–	–	90,601
Dividends paid	–	–	– 112,971	–	–	– 112,971
Change due to share-based compensation	–	107	–	644	–	751
Treasury shares	–	–	–	– 3,007	–	– 3,007
Pension benefit plan obligation reclassifications from AOCI, net of deferred tax of TCHF -25 [1]	–	–	–	–	153	153
Balance at 30 June 2022	**30,000**	**257,790**	**931,318**	**– 36,903**	**– 6,403**	**1,175,802**
Balance at 1 January 2023	**30,000**	**258,123**	**1,010,017**	**– 36,903**	**13,164**	**1,274,401**
Net income	–	–	**75,055**	–	–	**75,055**
Dividends paid	–	–	– 115,930	–	–	**– 115,930**
Change due to share-based compensation	–	400	–	574	–	**974**
Treasury shares	–	–	–	– 1,080	–	**– 1,080**
Pension benefit plan obligation reclassifications from AOCI, net of deferred tax of TCHF 336 [1]	–	–	–	–	– 1,412	**– 1,412**
Available for sale debt securities unrealised gains / (losses), net of deferred tax of TCHF -19	–	–	–	–	81	**81**
Day 1 impact from CECL adoption, net of deferred tax of TCHF 12,668	–	–	– 54,234	–	–	**– 54,234**
Derivatives gain / (loss), net of deferred tax of TCHF -168	–	–	–	–	787	**787**
Derivatives gain / (loss) reclassified from AOCI to interest expense [2]	–	–	–	–	– 80	**– 80**
Foreign currency translation adjustments	–	–	–	–	5	**5**
Balance at 30 June 2023	**30,000**	**258,523**	**914,909**	**– 37,410**	**12,544**	**1,178,566**

[1] Reclassifications from accumulated other comprehensive income (loss) related to the Group's pension benefit plan obligation are classified in the income statement under general and administrative expenses

[2] Reclassifications from accumulated other comprehensive income (loss) related to the interest expense on derivatives are classified in the income statement under interest expense

See accompanying Notes to the interim consolidated financial statements

Interim condensed consolidated statements of cash flows (unaudited)

For the six months ended (CHF in thousands)	Notes	30 June 2023	30 June 2022
Cash flows from operating activities			
Net income		**75,055**	90,601
Adjustments to reconcile net income to cash provided from operating activities:			
Provision for losses on financing receivables		**– 42,017**	15,030
Deferred income taxes		**410**	– 231
Depreciation		**1,016**	1,168
Amortisation of intangible assets		**12,746**	11,142
(Decrease) / Increase in accrued expenses and other payables		**– 17,130**	– 7,119
Decrease / (Increase) in tax receivables		**1,796**	– 9,065
Decrease / (Increase) in other receivables		**496**	1,558
Decrease / (Increase) in deferred expenses		**– 9,337**	– 1,080
Decrease / (increase) in other assets		**– 4,431**	– 1,282
All other operating activities		**1,360**	– 3,009
Net cash provided by operating activities		**19,964**	**97,713**
Cash flows from investing activities			
Net (increase) / decrease in financing receivables		**– 125,481**	– 241,949
Additions to property, plant and equipment		**– 399**	– 1,593
Additions to intangible assets		**– 3,130**	– 5,706
All other investing activities		**– 108**	– 1,491
Net cash used for investing activities		**– 129,118**	**– 250,739**
Cash flows from financing activities			
Net change in deposits		**– 262,835**	188,189
Issuance of short-term and long-term debt		**720,000**	250,000
Repayments of short-term and long-term debt		**– 250,000**	– 250,000
Dividends paid		**– 115,930**	– 112,971
Purchase of treasury shares		**– 1,080**	– 3,007
All other financing activities		**201**	1,232
Net cash provided by financing activities		**90,356**	**73,442**
Net increase / (decrease) in cash and cash equivalents		**– 18,798**	**– 79,584**
Cash and cash equivalents, including restricted cash classified in "Other assets"			
Beginning of the period		**650,441**	581,245
thereof restricted cash		**17,797**	36,476
End of period		**631,643**	**501,662**
thereof restricted cash		**32,103**	15,912
Supplemental disclosure			
Interest paid		**– 19,358**	– 9,770
Income taxes paid		**– 8,691**	– 27,173

See accompanying Notes to the interim consolidated financial statements

Notes to the interim condensed consolidated financial statements (unaudited)

1. Basis of presentation and summary of significant accounting policies

Cembra Money Bank, which is headquartered in Zurich, Switzerland, comprises of Cembra Money Bank AG ("the Bank" or the parent company) and its subsidiaries Swiss Auto Lease 2019-1 GmbH (in liquidation), Swiss Auto Lease 2020-1 GmbH, Swiss Auto Lease 2023-1 GmbH, Swissbilling SA, eny Credit GmbH, Fastcap AG, Byjuno AG and Cembra Technologies SIA[1] (collectively "the Group"). The Group is a leading provider of financing solutions and services in Switzerland. The main products comprise consumer finance products such as personal loans, auto leases and loans, credit cards, invoice financing as well as saving products.

The accompanying unaudited Interim Condensed Consolidated Financial Statements reflect the Group's financial position, results of operations, shareholders' equity and cash flows and have been prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF).

Certain financial information, which is shown in the annual consolidated financial statements prepared according to US GAAP, is not required to be disclosed for interim reporting purposes. These statements include all adjustments (consisting of normal recurring accruals) that the Group considers necessary to present a fair statement of the Group's financial position, results of operations, shareholders' equity and cash flows. The results reported in these Interim Condensed Consolidated Financial Statements should not be regarded as indicative of results that may be expected for the entire year. They should be read in combination with the Consolidated Financial Statements and notes thereto included in the Consolidated Financial Statements as of and for the years ended 31 December 2022 and 2021.

Preparing financial statements in conformity with US GAAP requires the management to make estimates based on assumptions about future economic and market conditions that affect reported amounts and related disclosures in the financial statements. Although the Group's current estimates take into account current conditions and how management expects them to change in the future, as appropriate, it is reasonably possible that in the reporting period and beyond actual conditions could alter, which could materially affect the Group's results of operations and financial position.

The abbreviation TCHF within these financial statements refers to thousands of Swiss francs. The numbers published in the notes are rounded in thousands of Swiss francs, therefore rounding differences can occur.

Derivatives and hedge instruments – significant accounting policy

The Group uses derivative instruments for risk management purposes and recognises all such instruments as either assets or liabilities in the consolidated statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For derivative instruments that are designated and qualify as hedging instruments, the Group designates the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation. For derivative instruments not designated as hedging instruments, the gain or loss is recognised in the consolidated statement of income during the current period.

Derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to interest rate risk) are reported at fair value within other assets or other liabilities on the consolidated statement of financial position, with the gain or loss on the derivative instrument reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction (interest payments on floating-rate borrowing) affects earnings. The gain or loss is presented in the same consolidated statement of income line item as the earnings effect of the hedged item (in

1 Following the acquisition of Byjuno in 2022, Cembra finalised the transaction by forming the new legal entity Cembra Technologies SIA, in Riga, Latvia in April 2023, with EUR functional currency. The purpose of the entity is to provide services to Cembra and its subsidiaries

interest expense). At the inception of a qualifying cash flow hedge, the Group designates the qualifying relationship as a hedge of the variability of cash flows to be received or paid, or forecasted to be received or paid, related to the recognised liability and formally documents the relationship between the hedging instrument and hedged item, as well as the risk management objectives for undertaking such hedge transactions. Both at hedge inception and on an ongoing basis, the Group formally assesses whether the derivative used in hedging relationships is highly effective in offsetting changes in fair values or cash flows of the hedged item.

A hedging instrument is expected at inception to be highly effective at offsetting changes in the hedged transactions attributable to the changes in the hedged risk. The Group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing quarterly basis, and requires the Group to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing quarterly basis and requires the Group to determine whether or not the hedging relationship has actually been effective.

Hedge accounting treatment is no longer applied if a derivative financial instrument is terminated, the hedge designation is removed, or the derivative instrument is assessed to no longer be highly effective. For terminated cash flow hedges, the changes in fair value of the derivative instrument remain in AOCI and are recognised in the consolidated statement of income when the hedged cash flows affect earnings. However, if it is probable that the forecasted cash flows will not occur within a specified period, any changes in fair value of the derivative financial instrument remaining in AOCI are reclassified into earnings immediately. In all instances, after hedge accounting is no longer applied, any subsequent changes in fair value of the derivative instrument will be recorded into earnings.

The primary risk managed by the Group using derivative instruments is interest rate risk. The Group entered into an interest rate swap in the current period to manage interest rate risk associated with the Group's floating-rate borrowing and designated the swap accordingly as a cash flow hedge. Changes in the fair value of the derivative financial instrument qualifying as a cash flow hedge are recorded in AOCI and recognised in the consolidated statement of income when the hedged cash flows affect earnings. For further details please refer to note 12. Derivatives and hedge instruments.

2. Accounting changes

Recently issued accounting standards to be effective in future periods

On 5 August 2020, the FASB issued ASU 2020-06 "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity". The ASU reduces the number of models used to account for convertible instruments, eliminating two out of five existing separation models (i.e. the convertible debt with a cash conversion feature and the convertible instrument with a beneficial conversion feature). The ASU furthermore provides more consistent guidance on calculating the dilutive impact on earnings per share. The ASU is expected to reduce complexity and improve comparability of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The new guidance is effective for the Group for fiscal years beginning after 15 December 2023, including interim periods within those fiscal years. The Group plans to adopt the guidance as of 1 January 2024 and is currently assessing the impact of this guidance on its financial statements.

Recently adopted accounting standards

ASC Topic 326 – financial instruments – credit losses

On 16 June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which amends the guidance on the impairment of financial instruments. The ASU adds to US GAAP an impairment model, known as the current expected credit loss ("CECL") model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognises as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The ASU is also intended to reduce the complexity of US GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments.

Subsequently, the FASB has issued several additional amendments to ASU 2016-13, which affect certain aspects related to clarification and updates to a variety of topics, as well as allowing for an irrevocable election of the fair value option for certain financial assets previously measured on an amortised cost basis upon transition. Additionally, the amendments also deferred the effective date to annual periods beginning after 15 December 2022, and interim periods therein. The Group adopted the guidance in the first half of 2023 using a modified retrospective approach with an increase of allowance for credit losses of CHF 67 million, resulting in a cumulative-effect adjustment reducing the opening retained earnings. For additional information and impact of CECL adoption, please see note 4. Financing receivables and allowance for losses.

The following table illustrates the impact of adopting ASC 326 on 1 January 2023.

CHF in thousands	As reported under ASC 326	Pre-ASC 326 adoption	Impact of ASC 326 adoption
Financing receivables			
Personal loans	**98,923**	**62,811**	**36,112**
Auto leases and loans	**22,333**	**13,622**	**8,711**
Credit cards	**28,366**	**9,340**	**19,026**
BNPL [1]	**6,598**	**6,598**	**–**
Allowance for losses on financing receivables	**156,221**	**92,371**	**63,849**
Other liabilities			
Allowance for losses on irrevocable off-balance sheet credit exposures	**3,361**	**89**	**3,272**

[1] BNPL includes Swissbilling SA and Byjuno AG

Results for reporting periods beginning on or after 1 January 2023 will be presented under the new standard, while prior period amounts before the adoption of CECL on 1 January 2023, continue to be reported in accordance with previously applicable GAAP.

The Bank adopted the expected credit loss approach using the modified retrospective method according to FINMA Accounting Ordinance FINMA-AO, “Art. 98 Transitional provisions” and FINMA Circular 2020/01, “Accounting – Banks” with the effective date 31 December 2022 for its standalone financial statements. The net adoption impact of CHF 66 million was reported in the income statement as an increase of allowance for credit losses. For additional information and impact of CECL adoption on the Individual financial statements, in Annual Report 2022, please see note 2. Accounting and valuation principles and note 7.7. Value adjustments and provisions.

3. Business developments

Please refer to Management Report, section "Significant developments" (page 9) for a summary of business developments in the first half of 2023.

4. Financing receivables and allowance for losses

The Group's credit risk appetite and strategy have been consistent over many years. This has assisted it to remain resilient through economic headwinds, including the 2009 downturn and in the Covid-19 pandemic. In light of the current economic uncertainty, the Group's credit risk strategy continues to be cautious, and assesses the potential impact of various macroeconomic scenarios.

In response to the evolving macroeconomic conditions, the Group has allocated appropriate resources to support collections strategies, while the usage of tools that were introduced at the beginning of the Covid-19 pandemic, such as repayment plans and payment holidays, continues to be monitored regularly. It should be noted that these tools do not allow for any change of the original contractual payments terms and, therefore, the reported figures regarding the over 30 days past due and nonaccrual receivables are not affected.

The following disclosure provides an overview of the Group's balance sheet positions that include financial assets carried at amortised cost that are subject to the new US GAAP accounting guidance related to CECL, effective 1 January 2023.

Allowance for losses – accounting policy

In the first half of 2023, the Group adopted the CECL standard. Accordingly, the disclosures below reflect these adoption changes. Prior period presentation was not modified to conform to the current period presentation. For additional information on the recently adopted accounting standard please refer to note 2. Accounting changes.

The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortised cost, including loan receivables and off-balance sheet credit exposures. The methodology to calculate expected losses takes into account historical and current information, as well as future conditions that are expected to materialize over the lifetime of a financial asset.

The allowance for losses on financing receivables represents the Group's current estimate of lifetime credit losses inherent in the portfolio.

The Group's loan portfolio consists of smaller-balance, homogenous pools of loans, including mainly credit card receivables, personal loans, auto leases and loans and invoice financing receivables. Each portfolio is evaluated for impairment at least on a quarterly basis. For the purpose of measuring current expected credit losses, the Group defines pools of financing receivables that share similar risk characteristics and evaluates the expected credit losses at pool level. The segments of financing receivables that do not share risk characteristics similar to the main pools are subject to individual assessment, though they represent only a marginal portion of the total Group's financing receivables. The Group regularly reviews the segmentation underlying allowances for losses calculation to ensure that all financing receivables within each pool continue to share similar risk characteristics.

When estimating expected losses for outstanding balances, all available quantitative and qualitative information, including internal and external data related to past events, current conditions, and reasonable and supportable forecasts, is considered to assess collectability.

Historical and current information
Expected credit loss estimates involve modeling loss projections, which are based on historical loss performance observed over a long period for each pool of financing receivables.

The Group uses portfolio vintage analysis to quantify the portion of assets on which losses were incurred over the contractual lifetime. For closed-end-loans, the lifetime horizon is derived from historical data by observing the point after which no further material losses are expected. For the credit cards portfolio, where the contractual termination is not defined, different factors such as the average balance of a credit card and the monthly payment obligations are taken into account to determine the lifetime.

For each pool of financing receivables the likelihood of an exposure to become uncollectable is estimated (probability of being written-off). Lifetime recoveries cashflows are as well estimated based on historical data and discounted by the effective interest rate. For both probability of becoming uncollectable and loss given default, vintages for a long time series are considered in the modelling approach. The vintage approach by construction takes already into account information on prepayment behavior, which is deemed to be stable over time.

Forward-looking adjustment
The Group includes in the estimates of expected credit losses future expectations, which are based on reasonable and supportable forecasts. The methodology applied includes the estimate based on the expected development of unemployment rate in Switzerland, which is assumed to be the base case scenario. Two additional scenarios, optimistic and adverse, are derived from the base case in order to include in the estimates the uncertainty around macroeconomic environment evolution. The baseline scenario is weighted at 50%, the pessimistic at 30% and the optimistic at 20%. The definition of the likelihood of each scenario to materialize is within the management's responsibility, with the base case being the scenario that is in principle deemed as the most likely to materialize.

The Group will consider and may qualitatively adjust for conditions, changes and trends in loan portfolios that are not already captured in the modeled results. Such adjustments are based on management's judgment and may involve an assessment of current and forward-looking expectations, changes in lending policies and processes, changes in the portfolio characteristics, as well as uncertainty related to the macro economic environment.

The Group evaluates customers' payment behavior through a behavioral scorecard that implies the segmentation of financing receivables by credit grading. This information serves as an input in the allowances for losses calculation and aims to capture any portfolio quality changes in the current expected credit losses estimates.

The assumptions underlying the methodology for the estimate of current expected credit losses are updated periodically to reflect current conditions, performance of the methodology used, and are subject to the Group's governance and controls.

As at 30 June 2023, the Group's financing receivables included lending to private customers, vehicle lease financing and credit card financing as follows:

CHF in thousands	30 June 2023	31 December 2022
Loans	**3,779,925**	3,726,282
Deferred costs, net	**52,704**	49,796
Total loans, including deferred costs, net	**3,832,629**	**3,776,078**
Investment in financing leases, net of deferred income [2]	**2,813,183**	2,716,216
BNPL [1]	**134,088**	120,176
Financing receivables before allowance for losses	**6,779,899**	**6,612,469**
Less allowance for losses	**– 159,424**	– 92,371
Financing receivables, net	**6,620,475**	**6,520,097**

[1] BNPL includes Swissbilling SA and Byjuno AG
[2] Only financing leases residual values are secured by collateral of TCHF 1,366,151 and TCHF 1,295,156 as at 30 June 2023 and 31 December 2022, respectively (guaranteed by dealers at the end of contract)

The majority of the investment in financing leases is related to auto leases. Components of the Group's net investment in financing leases, which are included in financing receivables above, are shown below:

CHF in thousands	30 June 2023	31 December 2022
Total minimum lease payments receivable	**3,086,984**	2,953,212
Deferred income [1]	**– 273,801**	– 236,996
Investment in direct financing leases	**2,813,183**	**2,716,216**
Less allowance for losses	**– 20,066**	– 10,530
Net investment in direct financing leases	**2,793,117**	**2,705,686**

[1] Includes TCHF 26,252 and TCHF 26,640 of initial direct costs on direct financing leases as at 30 June 2023 and 31 December 2022, respectively

The subsidiaries held TCHF 590,442 and TCHF 285,019 of net financing receivables as at 30 June 2023 and 31 December 2022, respectively, as collateral to secure third-party debt in securitisations. See note 20. Variable interest entities for further details of securitisations.

The following table provides further information about financing receivables:

CHF in thousands	30 June 2023	31 December 2022
Personal loans	**2,516,997**	2,449,184
Auto leases and loans	**3,090,659**	2,988,920
Credit cards	**1,038,156**	1,054,188
BNPL [1]	**134,088**	120,176
Financing receivables, before allowance for losses	**6,779,899**	**6,612,469**
Allowance for losses	**– 159,424**	– 92,371
Financing receivables, net	**6,620,475**	**6,520,097**

[1] BNPL includes Swissbilling SA and Byjuno AG

A summary of activity in the allowance for losses is shown below:

CHF in thousands	Balance at 1 January 2023	Impact of CECL adoption	Provision for losses	Amounts written off	Recoveries	Other	Balance at 30 June 2023
Personal loans	**62,811**	**36,112**	**22,027**	**– 34,340**	**20,097**	**–**	**106,708**
Auto leases and loans	**13,622**	**8,711**	**222**	**– 12,072**	**12,236**	**–**	**22,718**
Credit cards	**9,340**	**19,026**	**– 283**	**– 9,159**	**5,480**	**–**	**24,403**
BNPL [1]	**6,598**	**–**	**3,150**	**– 6,160**	**2,005**	**–**	**5,594**
Total	**92,371**	**63,849**	**25,116**	**– 61,730**	**39,819**	**–**	**159,424**
As a % of total financing receivables, net							**2.4 %**

[1] BNPL includes Swissbilling SA and Byjuno AG

CHF in thousands	Balance at 1 January 2022	Provision for losses	Amounts written off	Recoveries	Other	Balance at 30 June 2022
Personal loans	64,164	7,767	– 28,819	19,567	–	62,679
Auto leases and loans	13,482	958	– 17,343	16,821	–	13,917
Credit cards	8,403	4,129	– 8,293	5,722	–	9,961
BNPL [1]	1,732	2,175	– 1,900	319	–	2,327
Total	**87,781**	**15,030**	**– 56,355**	**42,428**	**–**	**88,885**
As a % of total financing receivables, net						1.4 %

1 BNPL includes Swissbilling SA (classified as Other in the first half 2022)

Credit quality of financing receivables

The Group describes the characteristics of the financing receivables and provides information about payment performance, credit quality indicators and impairment. The Group manages its portfolios using delinquency and nonaccrual data as key performance indicators. The categories used within this section such as nonaccrual financing receivables are defined by the authoritative guidance, and the Group bases the categorisation on the related scope and definitions contained in the related standards. The category of delinquent customer accounts is defined by the Group and is used in the process of managing the financing receivables. Definitions of these categories are provided in note 1. Basis of presentation and summary of significant accounting policies of the Consolidated Financial Statements as of and for the years ended 31 December 2022 and 2021.

The Group employs a robust monitoring process for its financing receivables portfolio, utilising key metrics such as payment behavior or consumer rating. These credit quality indicators provide valuable insights into the performance of the portfolio, enabling the Group to effectively assess and manage credit risk. By tracking these metrics over time, the bank can identify trends, assess credit quality at different vintages, and proactively manage potential credit issues. This monitoring approach enhances risk management practices, supports informed decision-making, and facilitates transparency for stakeholders.

The table below shows the Group's portfolio by key credit quality indicators as of 30 June 2023. In particular, we give an overview of the portfolio by delinquency status.

Financing receivables [1]	Year of origination						
CHF in thousands	2023	2022	2021	2020	2019	Prior	Revolving (credit card)
Current	**1,592,549**	**1,954,746**	**952,255**	**513,489**	**299,662**	**91,077**	**1,005,538**
0-30 days	**29,630**	**50,245**	**32,179**	**16,603**	**11,247**	**4,104**	**16,828**
30-60 days	**6,540**	**16,795**	**10,886**	**6,527**	**4,779**	**1,929**	**5,478**
60-90 days	**2,697**	**9,412**	**5,371**	**4,275**	**2,447**	**1,347**	**2,755**
90+ days	**1,630**	**15,608**	**9,321**	**4,539**	**4,860**	**8,447**	**5,148**

1 Financing receivables for loans and credit cards are net of deferred costs and income

Past due financing receivables

The following table displays payment performance of the financing receivables as a percentage of loans and investment in direct financing leases:

	30 June 2023		31 December 2022	
	Over 30 days past due	**Over 90 days past due**	Over 30 days past due	Over 90 days past due
Personal loans	**3.4%**	**1.4%**	3.4%	1.3%
Auto leases and loans	**0.8%**	**0.1%**	0.9%	0.1%
Credit cards	**1.3%**	**0.5%**	1.2%	0.4%
BNPL[1]	**6.6%**	**3.1%**	8.2%	3.6%
Total	**2.0%**	**0.7%**	**2.0%**	**0.7%**

1 BNPL includes Swissbilling SA and Byjuno AG

Nonaccrual financing receivables

The following table provides further information about financing receivables that are classified as nonaccrual:

CHF in thousands	30 June 2023	31 December 2022
Personal loans	**35,730**	32,447
Auto leases and loans	**4,538**	2,861
Credit cards	**5,148**	4,304
BNPL[1]	**4,146**	4,323
Total	**49,561**	**43,935**
Non-performing loan coverage[2]	**322%**	210%

1 BNPL includes Swissbilling SA and Byjuno AG
2 Calculated as allowance for losses divided by nonaccrual financing receivables

Credit quality indicators

The Group employs internally developed scorecards for its credit processes, which analyse various financial and non-financial factors, such as credit history, socio-demographic data and business performance, among others. The Group utilises application scorecards during the loan application process to assess credit quality and support the underwriting process, while behavioral scorecards are employed to regularly evaluate the creditworthiness of financing receivables taking into account the most recent information on the customers' payment behaviour.

In addition to regular scorecard monitoring, the responsible functions run a parity test on a bi-annual basis to monitor at portfolio level whether the consumer ratings adequately reflect the credit quality. The parity test assesses the performance and predictive accuracy of internal scorecards, which involves comparing the actual outcomes of credit decisions with the predictive outcomes based on the scorecard.

The Group employs an internal master scale consisting of five consumer ratings (CR), each of which is assigned an implied probability of default. The default definition used in the scale is 90 days past due or write-off in 12 months. The five ratings and their associated probabilities of default are:

a. CR1 0.00% – 1.20%;
b. CR2 1.21% – 2.97%;
c. CR3 2.98% – 6.99%;
d. CR4 7.00% – 13.16%; and
e. CR5 13.17% and greater.

The table below shows the distribution of the Group's financing receivables, categorised based on consumer ratings.

	30 June 2023				
CHF in thousands	**CR1**	**CR2**	**CR3**	**CR4**	**CR5**
Personal loans	1,085,881	782,748	437,232	137,262	57,079
Auto leases and loans	1,632,601	990,896	378,288	65,874	23,001
Credit cards	741,212	210,308	80,518	6,032	86
Total [1]	**3,459,694**	**1,983,952**	**896,038**	**209,167**	**80,165**
As a % of total financing receivables before allowance for losses [1]	52.2 %	29.9 %	13.5 %	3.2 %	1.2 %

[1] Does not include eny Credit GmbH and BNPL related to Swissbilling SA and Byjuno AG. There is no material impact on the Group's consumer ratings

	31 December 2022				
CHF in thousands	**CR1**	**CR2**	**CR3**	**CR4**	**CR5**
Personal loans	1,054,362	769,455	437,222	124,313	42,467
Auto leases and loans	1,593,291	977,551	346,736	56,644	14,698
Credit cards	767,441	204,635	76,281	5,752	79
Total [1]	**3,415,094**	**1,951,641**	**860,238**	**186,709**	**57,244**
As a % of total financing receivables before allowance for losses [1]	52.8 %	30.2 %	13.3 %	2.9 %	0.9 %

[1] Does not include eny Credit GmbH and BNPL related to Swissbilling SA and Byjuno AG. There is no material impact on the Group's consumer ratings

5. Investment securities

Investment securities are comprised of debt securities available for sale.

CHF in thousands	30 June 2023	31 December 2022
Debt securities available for sale	**97,472**	97,337
Total investment securities	**97,472**	**97,337**

All investment securities are Level 1 instruments in the fair value hierarchy. The following table summarises amortised cost, fair value and unrealised gains and losses of debt securities available for sale by category.

	30 June 2023				31 December 2022			
	Amortised cost	**Gross unrealised gains**	**Gross unrealised losses**	**Fair value**	Amortised cost	Gross unrealised gains	Gross unrealised losses	Fair value
Debt securities issued by Swiss cantons	**30,044**	**–**	**– 226**	**29,818**	30,011	–	– 351	29,661
Debt securities issued by Swiss funding institutions [1]	**39,803**	**–**	**– 390**	**39,413**	39,762	–	– 382	39,381
Debt securities issued by Swiss central government [2]	**9,961**	**–**	**– 21**	**9,940**	9,908	–	– 28	9,879
Debt securities issued by supranational organisations	**18,468**	**–**	**– 168**	**18,300**	18,561	–	– 145	18,416
Debt securities available for sale	**98,276**	**–**	**– 805**	**97,472**	**98,242**	**–**	**– 905**	**97,337**

[1] Includes Swiss covered bonds, SNB eligible
[2] Includes SNB bills

The maturity of debt securities available for sale is presented in the table below:

	Amortised cost	Fair value
At 30 June (CHF in thousands)	**2023**	**2023**
Within 1 year	**29,948**	**29,869**
From 1 to 5 years	**68,328**	**67,603**
From 5 to 10 years	**–**	**–**
After 10 years	**–**	**–**
Total debt securities	**98,276**	**97,472**

Upon analysing the financial investment portfolio, the Group determined that no allowance was required as these investments represent high quality liquid assets securities for which the risk of loss was deemed minimal.

6. Property, plant and equipment

The following table provides further information about property, plant and equipment, excluding operating leases which are shown separately further below.

CHF in thousands	Estimated useful lives (years)	30 June 2023	31 December 2022
Original cost			
Buildings and improvements	(5-40)	**8,624**	8,598
Office equipment	(3-10)	**20,129**	19,756
Total		**28,753**	**28,354**
Accumulated depreciation			
Buildings and improvements		**– 7,506**	– 7,242
Office equipment		**– 16,207**	– 15,455
Total		**– 23,713**	**– 22,697**
Net carrying value			
Buildings and improvements		**1,119**	1,356
Office equipment		**3,922**	4,301
Total		**5,040**	**5,657**

Depreciation expense was TCHF 1,016 and TCHF 1,168 for the periods ended 30 June 2023 and 2022, respectively. The Group did not recognise any impairment losses in both periods.

The Group holds operating leases primarily related to real estate and automobiles.

CHF in thousands	30 June 2023	31 December 2022
Components of the lease liability		
Operating lease - right-of use (ROU) assets	18,167	19,610
Operating lease - lease liability	18,201	19,751
Short-term classification	5,831	5,859
Long-term classification	12,369	13,892
Supplemental information		
Right-of-use (ROU) assets obtained for new lease liabilities	728	1,112
Weighted average remaining lease term (in years)	3.44	3.84
Weighted average discount rate	0.40 %	0.19 %

For the six months ended (CHF in thousands)	30 June 2023	30 June 2022
Components of the lease expense		
Operating lease expense [1]	3,150	3,574
Supplemental cash flow information		
Operating cash flows paid for operating leases	3,419	3,382
Operating cash flows paid for short-term	183	204

[1] Includes impairment loss of TCHF 0 and TCHF 236 on operating leases for the period ended 30 June 2023 and 2022, respectively

CHF in thousands	30 June 2023
Maturities of operating lease liabilities	
2023	**2,965**
2024	**5,143**
2025	**5,331**
2026	**4,115**
2027 and thereafter	**767**
Total lease payments	**18,320**
Less: imputed interest	**– 120**
Total	**18,201**

The Group recognised an impairment loss of TCHF 0 and TCHF 236 on operating leases under ASC Topic 842 for the periods ended 30 June 2023 and 2022, respectively due to the planned closure of various branches.

7. Intangible assets

CHF in thousands	Estimated useful lives (years)	30 June 2023	31 December 2022
Original cost			
Capitalised software	(1-5)	**117,139**	114,009
Customer relationships	(5 - 5.5)	**64,802**	64,802
Trademarks	(5)	**10,957**	10,957
Total		**192,898**	**189,768**
Accumulated amortisation			
Capitalised software		**– 81,554**	– 75,241
Customer relationships		**– 34,497**	– 29,268
Trademarks		**– 8,406**	– 7,309
Total		**– 124,457**	**– 111,818**
Net carrying value			
Capitalised software		**35,585**	38,768
Customer relationships		**30,305**	35,535
Trademarks		**2,551**	3,647
Total		**68,442**	**77,950**

Amortisation expense related to intangible assets was TCHF 12,746 and TCHF 11,142 for the periods ended 30 June 2023 and 2022, respectively.

8. Goodwill

On 16 February 2017, the Group acquired 100% of the shares of Swissbilling SA, a Swiss invoice financing company with operations mainly in the French-speaking region of Switzerland. On 30 November 2017, the Group acquired 100% of outstanding shares of EFL Autoleasing AG, a Swiss auto leasing company domiciled in Winterthur. On 2 September 2019, the Group acquired 100% of the shares of cashgate AG, a leading consumer finance provider in Switzerland, for total consideration of CHF 277 million. On 31 October 2022, the Group acquired 100% of shares of Byjuno AG (and its sister company Byjuno Finance AG which was subsequently merged), a major provider of invoice payment solutions in Switzerland, for total consideration of CHF 60 million. Goodwill related to these acquisitions is presented below.

The Group continually assesses whether or not there has been a triggering event requiring a review of goodwill, for which both a qualitative and quantitative assessment may be performed. For the quantitative assessment, the Group applied the income approach. This approach is based on a discount rate which reflects the relevant risks and projected cash flows determined from the Group's updated five-year strategic business plan that included significant management assumptions and estimates based on its view of current and future economic conditions.

Based on the goodwill impairment analysis, the Group concluded that there was no triggering event as of 30 June 2023. There are no deferred taxes booked related to goodwill.

CHF in thousands	Balance at 1 January 2023	Goodwill acquired during the period	Other	Balance at 30 June 2023
Gross amount of goodwill	**189,521**	–	–	**189,521**
Accumulated impairment	–	–	–	–
Net book value	**189,521**	–	–	**189,521**

9. Other assets

CHF in thousands	30 June 2023	31 December 2022
Restricted cash	**32,103**	17,797
Tax receivables	**36,660**	38,456
Other receivables	**11,253**	11,749
Deferred expenses	**18,694**	9,357
Derivatives and hedge instruments	**874**	–
Other	**37,544**	33,113
Total other assets	**137,128**	**110,472**

Restricted cash relates to consolidated VIEs (see note 20. Variable interest entities).

The tax receivables as per 30 June 2023 consisted of VAT input tax.

Deferred expenses includes TCHF 9,250 and TCHF 3,268 of cloud computing arrangements implementation costs, as of 30 June 2023 and 31 December 2022, respectively.

Derivatives and hedge instruments includes the interest rate swap recognised at fair value as of 30 June 2023 (see note. 12 Derivatives and hedge instruments).

Other includes pension plan asset of TCHF 35,774 and TCHF 31,698 as of 30 June 2023 and 31 December 2022.

10. Deposits

The following table shows the maturities of the Group's customers' saving deposits, term deposits and prepaid cards as at 30 June 2023 and 31 December 2022, respectively:

CHF in thousands	30 June 2023	31 December 2022
On demand	**155,317**	166,062
Less than 3 months	**939,070**	1,199,110
3 to less than 6 months	**429,504**	351,406
6 to less than 12 months	**322,546**	425,033
12 months plus, thereof	**1,403,845**	1,371,505
due in 2024	**248,325**	486,915
due in 2025	**327,291**	309,022
due in 2026	**198,734**	154,990
due in 2027	**287,809**	259,739
due in 2028	**172,830**	69,890
due in 2029 and thereafter	**168,856**	90,950
Total	**3,250,281**	**3,513,116**

There is no term maturity for on-demand saving deposits. All deposits are denominated in CHF. The weighted average interest rate on all deposits was approximately 1.20% and 0.77% as at 30 June 2023 and 31 December 2022, respectively.

11. Short-term and long-term debt

Short-term and long-term debt is shown below:

CHF in thousands	Maturity	30 June 2023 Amount	30 June 2023 Contractual interest rate [3]	31 December 2022 Amount	31 December 2022 Contractual interest rate [3]
Short-term portion					
External debt (unsecured bond)	2023	–	–	250,000	0.00 %
External debt (unsecured bond)	2023	**200,000**	**0.18 %**	200,000	0.18 %
Non-recourse borrowings (Auto ABS) [1]	2024	**250,000**	**0.00 %**	–	–
External debt (unsecured bond)	2024	**200,036**	**0.25 %**	–	–
Long-term portion					
Non-recourse borrowings (Auto ABS) [1]	2024	–	–	250,000	0.00 %
External debt (unsecured bond)	2024	–	–	200,055	0.25 %
External debt (perpetual tier 1 capital bond)	2024	**150,000**	**2.50 %**	150,000	2.50 %
External debt (unsecured bond)	2025	**150,236**	**0.38 %**	150,295	0.38 %
External debt (unsecured bond)	2025	**250,000**	**1.18 %**	250,000	1.18 %
Non-recourse borrowings (Auto ABS) [2]	2026	**275,000**	**2.58 %**	–	–
External debt (unsecured bond)	2026	**125,097**	**0.88 %**	125,114	0.88 %
External debt (senior convertible bond)	2026	**249,136**	0.00 %	248,993	0.00 %
External debt (unsecured bond)	2026	**200,000**	**0.15 %**	200,000	0.15 %
External debt (unsecured bond)	2027	**220,000**	**3.11 %**	220,000	3.11 %
External debt (unsecured bond)	2027	**175,000**	**0.29 %**	175,000	0.29 %
External debt (unsecured bond)	2028	**200,000**	**0.42 %**	200,000	0.42 %
External debt (unsecured bond)	2029	**235,000**	**2.41 %**	–	–
External debt (unsecured bond)	2030	**210,000**	**2.67 %**	–	–
Debt issuance costs		– 7,249		– 6,429	
Total short-term and long-term debt		**3,082,256**		**2,613,029**	

1 Related to consolidated VIEs, for further details refer to note 20. Variable interest entities
2 Related to consolidated VIEs, for further details refer to note 20. Variable interest entities. Floating interest rate hedged for fixed interest rate, see note 12. Derivatives and hedge instruments
3 Rounded to two decimal places

The contractual interest rate represents the interest due on the relevant debt at the reporting date, whereas the effective interest (all-in) rate reflects, in addition to the contractual interest rate, fees and debt issuance costs that are amortised over the expected life of the instrument. As per 30 June 2023, the Group primarily has fixed rate funding.

In January 2023, the Group issued a TCHF 235,000 senior unsecured bond at 100% with a maturity of six and half years and a coupon of 2.4113% and in May a TCHF 210,000 senior unsecured bond at 100% with a maturity of seven years and a coupon of 2.665%.

In May 2023, the Group entered into an auto lease asset backed security (“ABS”) transaction with a floating rate senior loan of TCHF 275,000 with a contractual maturity of ten years, an optional redemption date of three years and an interest rate of 2.5825%.

As at 30 June 2023 and 31 December 2022, the Group maintained TCHF 400,000 of undrawn committed facilities. The weighted average contractual commitment fee for all facilities was 0.23% at 30 June 2023 and at 31 December 2022, respectively.

For details please refer to note 11 in the Consolidated Financial Statements in the Annual Report 2022.

12. Derivatives and hedge instruments

The Group has entered into an interest rate swap during the current period agreement to manage interest rate risk exposure. An interest rate swap agreement utilised by the Group effectively modifies the Group's exposure to interest rate risk by converting the floating-rate debt to a fixed-rate basis for the next three years, thus reducing the impact of interest-rate changes on future interest expense. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount.

The interest rate swap was entered into with a counterparty that met the Group's credit standards and the Group believes that the credit risk inherent in the derivative contract is not significant.

As of 30 June 2023, the total notional amount of the Group's receive floating/pay fixed interest rate swap was TCHF 275,000. During the next twelve months, the Group estimates that TCHF 339 will be reclassified from AOCI to Interest expense.

	30 June 2023			31 December 2022		
CHF in thousands	**Other asset/(Other liability)**	**Gain/(loss) recognised in AOCI on derivatives**	**Gain/(loss) reclassified from AOCI to interest expense**	Other asset/(Other liability)	Gain/(loss) recognised in AOCI on derivatives	Gain/(loss) reclassified from AOCI to interest expense
Interest rate swap [1]	**874**	**874**	**–80**	–	–	–
Total	**874**	**874**	**–80**	–	–	–

[1] Interest rate swap on non-recourse borrowing (Swiss Auto Lease 2023-1 GmbH) has a notional amount of TCHF 275,000, pay 3 years SARON fixed interest rate, receive 1 month SARON floating interest rate over a three year term (May 2023 - 2026)

13. Pension plans

The cost of the pension plans is presented below:

For the six months ended (CHF in thousands)		30 June 2023	30 June 2022
Service cost for benefits earned	Compensation and benefits	**3,632**	4,174
Prior service credit amortisation	General and administrative expenses	**–500**	–707
Expected return on plan assets	General and administrative expenses	**–5,503**	–4,238
Interest cost on benefit obligations	General and administrative expenses	**3,179**	337
Net actuarial loss amortisation	General and administrative expenses	**–1,249**	885
Net periodic benefit cost		**–442**	**451**

14. Capital adequacy

The Group is subject to FINMA regulations. The capital levels of the Group are subject to quantitative requirements and qualitative judgements by the regulators, including FINMA, about the components of capital, risk weights and other factors.

The Group is applying the Basel III framework effective since 1 January 2013. Under Basel III standards different approaches are available for banks to calculate the regulatory capital requirements for credit risk (default risk), counterparty credit risk (default risk before the final settlement of derivative), market and operational risks. The Group uses the standardised approach ("SA-BIS" approach) to calculate the minimum capital requirement for covering credit risk. It applies current exposure method ("CEM") to calculate the required capital for counterparty credit risk for derivative. The simplified approach with credit equivalent calculated with CEM is used to quantify the loss risk to credit value adjustment ("CVA") of the derivative. It calculates the capital charge for market risk according to the standardised approach. The Group also applies the standardised approach to calculate the capital charge for operational risk. Thus it fulfils the qualitative and quantitative requirements of the Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO, SR 952.03).

The total eligible regulatory capital of the Group comprises Tier 1, Common Equity Tier 1 ("CET1"), additional Tier 1 capital ("AT1"), Tier 2 (provisions for defaulted risks) and consists of shareholders' equity including net income for the current year. Deductions from Tier 1 include, among other items, anticipated but non-declared dividends, own shares, goodwill, intangible assets and deferred tax assets. Risk-weighted assets include consolidated balance sheet assets, off-balance sheet arrangements converted into credit equivalents (default risk and loss risk to CVA), non-counterparty risk, market risk, operational risk from processes, people, systems and external events and equity participation in the non-consolidated subsidiaries.

As of 30 June 2023, the Group adheres to the applicable regulatory requirements for a category 4 bank set by FINMA. The Group aims to consistently operate with a capital base that is well above this mark. The Group was adequately capitalised under the regulatory provisions outlined by FINMA and the and the standards of the Basel Committee on Banking Supervision (BCBS).

Further information on capital adequacy as per 31 December 2022 is contained in the separate document "Basel III Pillar 3 disclosures 2022" available at www.cembra.ch/financialreports.

CHF in thousands	30 June 2023	31 December 2022
Eligible regulatory capital		
Tier 1 capital	1,067,563	1,055,014
of which CET1 capital	917,563	905,014
of which additional Tier 1 capital	150,000	150,000
Tier 2 capital	3,272	3,272
Total eligible capital	**1,070,836**	**1,058,287**
Risk-weighted assets		
Credit risk	5,169,337	5,022,582
Non counterparty risk	34,911	39,797
Market risk	304	346
Operational risk	715,112	715,084
Amounts below the thresholds for deduction (risk-weighted with 250 %)[1]	160,000	160,000
Total risk-weighted assets	**6,079,664**	**5,937,808**
Capital ratios		
CET1 ratio	15.1 %	15.2 %
Tier 1 ratio	17.6 %	17.8 %
Total capital ratio	**17.6 %**	**17.8 %**

1 Related to the equity participation in the non-consolidated subsidiaries

15. Earnings per share and additional share information

For the six months ended (CHF in thousands)	30 June 2023	30 June 2022
Net income attributable to shareholders for basic earnings per share (CHF in thousands)	**75,055**	90,601
Net income attributable to shareholders for diluted earnings per share (CHF in thousands)	**75,055**	90,601
Weighted-average number of common shares		
Weighted-average number of common shares issued	**30,000,000**	30,000,000
Less weighted-average number of treasury shares	**657,261**	638,824
Weighted-average numbers of common shares outstanding for basic earnings per share	**29,342,739**	**29,361,176**
Dilution effect number of shares	**36,145**	13,724
Weighted-average numbers 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**

The amount of common shares outstanding has changed as follows:

	30 June 2023	31 December 2022
Common shares issued		
Balance at beginning of period	**30,000,000**	**30,000,000**
Issuance of common shares	**–**	–
Balance at end of period	**30,000,000**	**30,000,000**
Treasury shares		
Balance at beginning of period	**656,757**	**613,931**
Share-based compensation	**– 6,108**	– 7,174
Purchase	**15,000**	50,000
Balance at end of period	**665,649**	**656,757**
Common shares outstanding	**29,334,351**	**29,343,243**

16. Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Group from a customer, are excluded from revenue. The Group recognises revenue when it satisfies a contractual performance obligation.

These performance obligations are typically satisfied as the services in the contract are rendered. The contract terms are generally such that they do not result in any contract assets. The contracts generally do not include a significant financing component or obligations for refunds or other similar obligations. The contracts generally do not include variable consideration, therefore there is no significant judgement required in this respect.

Nature of services

The Group provides finance solutions to its customers. The main revenue streams of the Group arise from personal loans, leases and credit cards as well as from insurance products. Certain credit card-related fees and insurance commissions are in the scope of ASC 606.

Commission and fee income related to credit cards include certain transaction-based and service fees. Those fees are recognised as the services are rendered, which is when the transaction happens and is processed. In case of credit cards, the Group additionally earns interchange fees calculated as a percentage of total credit card transaction volume. Those fees are recognised when the transactions are processed.

The Group also offers insurance products to its customers. Those products are complementary to the Group's lending products and the Group acts as an agent to insurance companies. For arranging between the customer and the insurer, the Group is entitled to keep a part of the insurance premium as its commission, which is recognised on a net basis as the services are rendered.

Disaggregation of revenues

For the six months ended (CHF in thousands)	30 June 2023	30 June 2022
Insurance	**12,164**	11,921
Credit cards	**43,282**	47,452
Total	**55,446**	**59,373**

The table above differs from note 24. Commissions and fee income, as it includes only contracts with customers that are in scope of ASC Topic 606 – Revenue from Contracts with Customers.

17. Income tax expense

The provision for income taxes is summarised in the table below:

For the six months ended (CHF in thousands)	30 June 2023	30 June 2022
Current tax expense	**17,967**	22,592
Deferred tax expense / (benefit) from temporary differences	**410**	– 231
Income tax expense	**18,377**	**22,361**

Deferred income tax balances reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the carrying amounts for income tax purposes.

Under Swiss law, a resident company is subject to income tax at the federal, cantonal and communal levels. The federal statutory tax rate is 8.5%. The cantonal and communal corporation tax rates vary. The Group's effective tax rates were approximately 20% for the periods ended 30 June 2023 and 2022, respectively.

Net deferred tax liabilities amounted to TCHF 13,209 and TCHF 25,855 as of 30 June 2023 and 31 December 2022, respectively.

Management believes that the realisation of the recognised deferred tax assets is more likely than not, based on expectations regarding future taxable income. In assessing the realisability of deferred tax assets, the management considers whether it is more likely than not that a portion or all of the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realise the benefits of these deductible differences. The amount of the deferred tax assets is considered realisable, however, it could be reduced in the near term if estimates of future taxable income during the carry-forward period are significantly reduced.

The Group has no unrecognised tax benefits. Management believes that there are no uncertain tax positions that would require a reserve.

18. Commitments and guarantees

The Group's guarantees are provided in the ordinary course of business and are underwritten by considering the economic, liquidity and credit risk of the counterparty.

Swiss banking law and the deposit insurance system require Swiss banks and securities dealers to jointly guarantee an amount of up to CHF 6 billion for privileged client deposits in the event that a Swiss bank or securities dealer becomes insolvent. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate, the Group's share in the deposit insurance guarantee programme was TCHF 8,311 as at 30 June 2023. The deposit insurance is a guarantee and exposes the Group to additional risk. As at 30 June 2023, the Group considers the probability of a material loss from this obligation to be remote.

The Bank has issued a comfort letter (guarantee) towards Swisscom Directories AG as part of a factoring agreement between the subsidiary Swissbilling SA and Swisscom Directories AG. The guarantee covers the net financial obligations of Swissbilling SA to Swisscom Directories AG up to a maximum amount of TCHF 35,000, in the event Swissbilling SA is not able to meet its financial obligations. The commitment is irrevocable until all net financial obligations have been settled with Swisscom Directories AG. Exposure as at 30 June 2023 amounts to TCHF 24,725 and management assesses that the probability of payout is remote.

Byjuno Finance AG issues payment guarantees towards merchants for cases in which the customers will not meet their financial obligations towards them, through a variety of payment guarantee products. These payment guarantees cover the off-balance sheet exposure that represents the outstanding balance to the merchants prior to the guarantee execution timeline (on-balance sheet exposure). The commitment is irrevocable, the exposure as at 30 June 2023 amounts to TCHF 7,354 and management assesses that the probability of payout is remote.

Allowance for credit losses on the irrevocable off-balance sheet commitments and financial guarantees is provided through the credit loss provision, but recorded as a separate liability included in other liabilities.

For details on rental commitments under non-cancellable operating leases refer to note 6. Property, plant and equipment.

19. Financial instruments

The following table provides information about the assets and liabilities not carried at fair value in the Statement of Financial Position.

The table excludes finance leases and nonfinancial assets and liabilities. For the most part, the assets and liabilities discussed below are considered to be Level 3 (for the definition see note 1 of the Consolidated Financial Statements in the Annual Report 2022).

	30 June 2023		31 December 2022	
CHF in thousands	**Carrying amount net**	**Estimated fair value**	Carrying amount net	Estimated fair value
Assets				
Loans	**3,698,864**	**3,832,480**	3,700,834	3,772,825
Liabilities				
Deposits	**–3,250,281**	**–3,246,884**	–3,513,116	–3,505,529
Borrowings	**–3,082,256**	**–2,744,945**	–2,613,029	–2,263,663

Fair values are estimated as follows:

Loans
Fair value calculation is based on a discounted future cash flows methodology, using current market interest rate data adjusted for inherent credit risk or quoted market prices and recent transactions, if available.

Deposits and borrowings
If no market quotes are available, the fair value calculation is based on a discounted future cash flows methodology, using current effective interest rate data or current market interest rate data that is available to the Group for similar financial instruments.

Assets and liabilities that are reflected in the accompanying financial statements at a carrying value deemed to represent fair value are not included in the above disclosures; such items include cash and equivalents, investment securities, other assets, accrued expenses and other liabilities.

20. Variable interest entities

The Group primarily uses variable interest entities (VIEs) to securitise auto lease financing receivables. The financing receivables are originated by the Bank in the ordinary course of business and transferred to the VIEs. The financing receivables in the VIEs have similar risks characteristics to the auto leases and loans pool not included in VIEs. Consequently, aligned to CECL standard, current expected credit losses are calculated at pool level without further segmentation based on the VIEs' inclusion.

In March 2020, the Group launched its sixth securitisation transaction (Swiss Auto Lease 2020-1 GmbH) and issued fixed-rate senior notes of TCHF 250,000 with a coupon of 0.00% per annum and an optional redemption date of four years from the date of issuance. In May 2023, the Group launched its seventh securitisation transaction (Swiss Auto Lease 2023-1 GmbH) and issued a floating rate senior loan of TCHF 275,000 with a coupon of 2.5825% per annum and an optional redemption date of three years from the date of issuance. For details, please refer to note 11. Short-term and long-term debt and to note 12. Derivatives and hedge instruments.

Third-party holders of the debt issued by the VIEs only have recourse to the financing receivables owned by the VIEs and not to the Bank's general financing receivables. Contractually, the cash flows from these financing receivables must first be used to pay third-party debt holders and other expenses of the VIEs. Excess cash flows are available to the Bank.

The Bank is the servicer of the VIEs and holds the subordinated interests issued by the VIEs. The Bank is considered primary beneficiary of the VIEs as it has both the power to direct the activities that most significantly impact the VIEs' economic performance and an obligation to absorb losses, or a right to receive benefits from the VIEs. Hence, the VIEs are being consolidated.

In July 2017, the Group signed an agreement to refinance a CHF 42 million personal loan portfolio from eny Finance AG, a Swiss online personal loan provider. The Group has also agreed to partially refinance future personal loan volume from this provider. The deal was structured through a VIE, eny Credit GmbH, that is fully owned, controlled and consolidated by the Group. The Bank is the co-servicer of the VIE and holds the subordinated interests issued by the VIE that were used to refinance the loan portfolio from eny Finance AG. The Bank is considered the primary beneficiary of the VIE as it has both the power to direct the activities that most significantly impact the VIE's economic performance and an obligation to absorb losses, or a right to receive benefits from the VIE.

The table below summarises the assets and liabilities of the consolidated VIEs described above:

CHF in thousands	30 June 2023	31 December 2022
Assets		
Financing receivables, net	**590,442**	285,019
Financing leases	**580,424**	270,411
Loans	**10,018**	14,608
Other assets	**32,977**	17,797
Total assets	**623,419**	**302,816**
Liabilities		
Accrued expenses and other liabilities	**2,476**	1,558
Non-recourse borrowings	**524,395**	249,664
Total liabilities	**526,871**	**251,223**

Revenues from the consolidated VIEs amounted to TCHF 10,141 and TCHF 10,110 for the periods ended 30 June 2023 and 30 June 2022, respectively. Related expenses consisted primarily of provisions for losses of TCHF 2,569 and TCHF 266, general and administrative expenses related to portfolio service costs of TCHF 638 and TCHF 705 and interest expense of TCHF 900 and TCHF 360 for the periods ended 30 June 2023 and TCHF 30 June 2022, respectively. These amounts do not include intercompany revenues and costs, principally fees and interest between the Bank and the VIEs, which are eliminated for consolidation purposes.

21. Related-party transactions

The Group had no related-party transactions in the first half-year of 2023 outside the normal course of business.

22. Interest income

The details of interest income are shown below:

For the six months ended (CHF in thousands)	30 June 2023	30 June 2022
Personal loans	**82,455**	80,654
Auto leases and loans	**71,833**	64,939
Credit cards	**42,089**	43,680
Other	**4,555**	– 361
Total	**200,933**	**188,912**

23. Interest expense

The details of interest expense are shown below:

For the six months ended (CHF in thousands)	30 June 2023	30 June 2022
Interest expense on ABS	**944**	437
Interest expense on deposits	**16,486**	5,470
Interest expense on debt	**12,864**	6,350
Total	**30,295**	**12,257**

24. Commission and fee income

The details of commission and fee income are shown below:

For the six months ended (CHF in thousands)	30 June 2023	30 June 2022
Insurance	**12,164**	11,921
Credit cards	**43,282**	47,452
Loans and leases	**7,221**	6,901
BNPL [1]	**19,043**	6,469
Other	**683**	575
Total	**82,393**	**73,317**

1 BNPL includes fee income related to Swissbilling SA and Byjuno AG (classified as Other in the first half 2022)

25. General and administrative expenses

The details of general and administrative expenses are shown below:

For the six months ended (CHF in thousands)	30 June 2023	30 June 2022
Professional services	**10,983**	8,721
Marketing [1]	**6,458**	6,154
Collection fees	**7,600**	5,029
Postage and stationery	**5,297**	6,085
Rental expense under operating leases	**3,150**	3,574
Information technology	**25,443**	19,963
Depreciation and amortisation	**13,762**	12,310
Other	**– 7,941**	– 6,925
Total	**64,752**	**54,910**

1 Marketing includes advertising costs, which are expensed as incurred

26. Off-balance sheet arrangements

At 30 June 2023 and 31 December 2022, the Group has the following maximum contractual exposure to credit risk resulting from off-balance sheet arrangements:

CHF in thousands	**30 June 2023**	31 December 2022
Ordinary course of business lending commitments	**253,513**	208,616
Unused revolving loan facilities	**67,330**	59,019
Unused credit card facilities	**3,707,575**	3,716,958

Commitments to extend credit lines are agreements to lend to a customer as long as there is no violation of condition established in the contract. Commitments generally have fixed expiration dates, or other termination clauses. Loan commitments are most often uncollateralised and may be drawn upon up to the total amounts to which the Group is committed. Total commitment amounts do not necessarily represent future cash requirements as the lines of credit may expire or be terminated without being fully drawn upon. No additional allowance for losses was deemed necessary for these unused commitments since the Group can terminate the lines of credit at any time unilaterally.

Allowance for credit losses on the irrevocable off-balance sheet credit exposures is provided through the credit loss provision, but recorded as a separate liability included in other liabilities.

27. Subsequent events

The Group has evaluated subsequent events from the financial position date through 19 July 2023, the date at which the financial statements were available to be issued. There were no subsequent events at that date.

Information for Shareholders

Cembra Money Bank AG registered shares

Stock exchange listing	SIX Swiss Exchange
ISIN	CH0225173167
Ticker symbol	CMBN.SW (Bloomberg)
Security number	22517316
Par value	CHF 1.00
Number of shares	30,000,000
Major shareholders	More than 5% of the shares: Credit Suisse Funds AG, UBS Fund Management (Switzerland) More than 3% of the shares: Blackrock Inc., Swisscanto Fondsleitung AG
Selected indices	SPI, EuroStoxx 600, MSCI ESG Leaders Constituent, Bloomberg Gender-Equality Index

Credit ratings

Standard & Poor's	A– (long-term)
Standard & Poor's	A–2 (short-term)
Zürcher Kantonalbank	A–

Sustainability ratings

MSCI ESG®	AAA
Sustainalytics®	Low ESG risk

Financial calendar

Annual Report 2023 (English version)	14 March 2024
Annual General Meeting 2024	24 April 2024

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This interim report is available in English only at www.cembra.ch/financialreports.