

# Investor Presentation

April 2018



# Cautionary statement regarding forward-looking statements

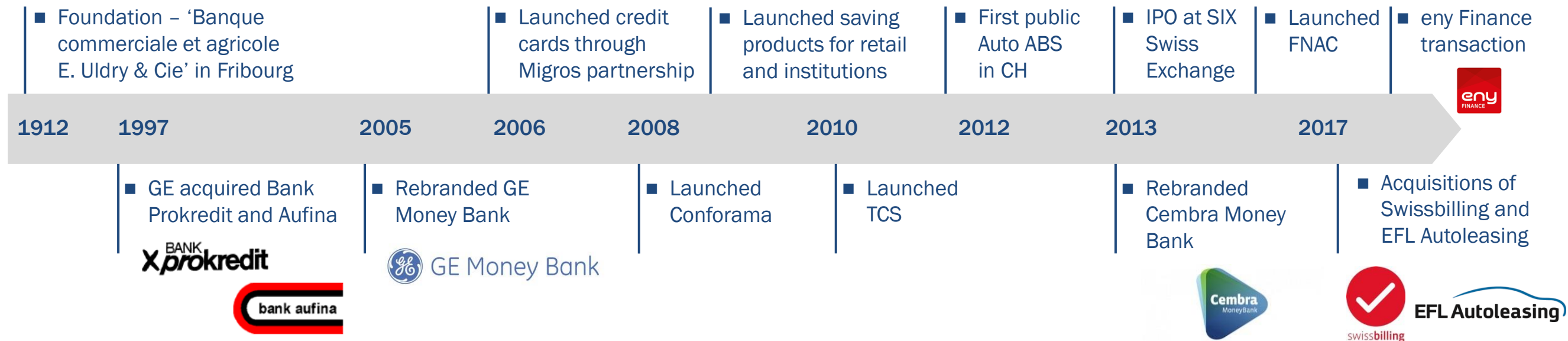
This presentation by Cembra Money Bank AG (“the Bank”) includes forward-looking statements that reflect the Bank’s intentions, beliefs or current expectations and projections about the Bank’s future results of operations, financial condition, liquidity, performance, prospects, strategies, opportunities and the industries in which it operates. Forward-looking statements involve matters that are not historical facts. The Bank has tried to identify those forward-looking statements by using the words “may”, “will”, “would”, “should”, “expect”, “intend”, “estimate”, “anticipate”, “project”, “believe”, “seek”, “plan”, “predict”, “continue” and similar expressions. Such statements are made on the basis of assumptions and expectations which, although the Bank believes them to be reasonable at this time, may prove to be erroneous.

These forward-looking statements are subject to risks, uncertainties and assumptions and other factors that could cause the Bank’s actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets it serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. Important factors that could cause those differences include, but are not limited to: changing business or other market conditions; legislative, fiscal and regulatory developments; general economic conditions in Switzerland, the European Union and elsewhere; and the Bank’s ability to respond to trends in the financial services industry. Additional factors could cause actual results, performance or achievements to differ materially. In view of these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements. The Bank, its directors, officers and employees expressly disclaim any obligation or undertaking to release any update of or revisions to any forward-looking statements in this presentation and these materials and any change in the Bank’s expectations or any change in events, conditions or circumstances on which these forward-looking statements are based, except as required by applicable laws or regulations.

This presentation contains financial information. While the published numbers are rounded, they have been calculated based on effective values. All figures are derived from US GAAP financial information unless otherwise stated. This information is presented for illustrative purposes only and, because of its nature, may not give a true picture of the financial position or results of operations of the Bank. Furthermore, it is not indicative of the financial position or results of operations of the Bank for any future date or period. By attending this presentation or by accepting any copy of the materials presented, you agree to be bound by the foregoing limitations.

# Our history

## ■ A leading player in consumer finance in Switzerland; founded in 1912



- Long-term expertise in the Swiss market
- Evolved from a dual-product offering to a multi-product strategy with a multi-channel distribution
- A simple balance sheet, with no exposure to mortgages, and no full retail banking or private banking ambitions

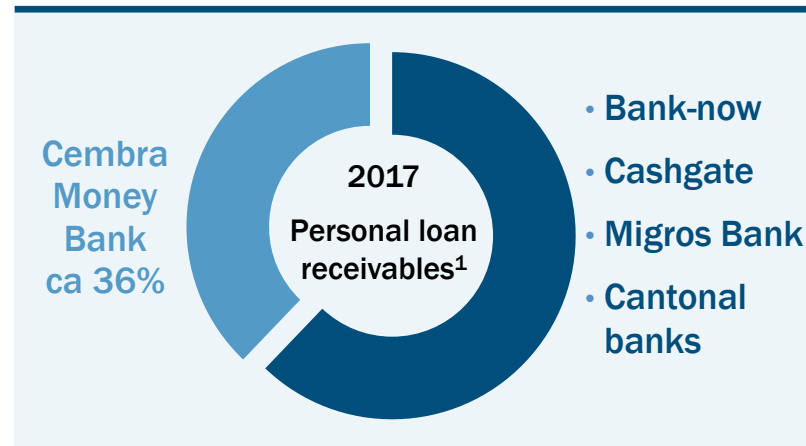
# Our value proposition

- **Independent** consumer finance specialist
- **Diversified distribution** through own branches, independent credit agents, car dealers and retailers combined with a strong online presence
- Premium price supported by superior **personalized** and **flexible service** in personal loans, auto leasing and credit cards
- Highly **process driven** organization, **digitized** where needed and with strong **risk domain expertise**
- Long-term **experience** in the Swiss consumer market with stable and consistent management

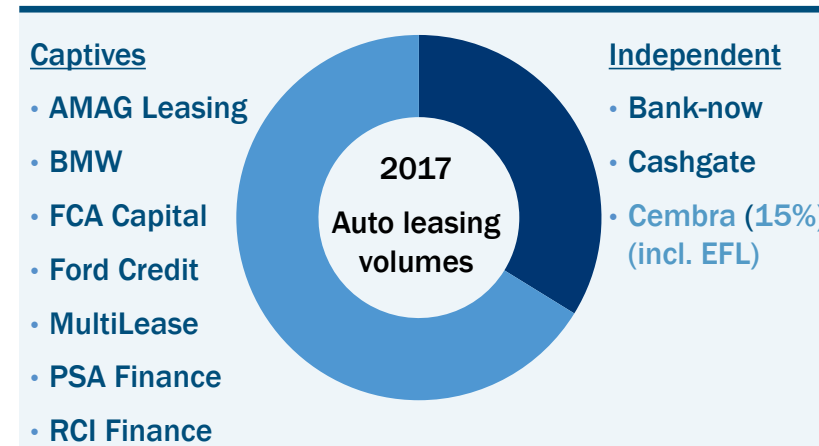


# A leading player in consumer finance

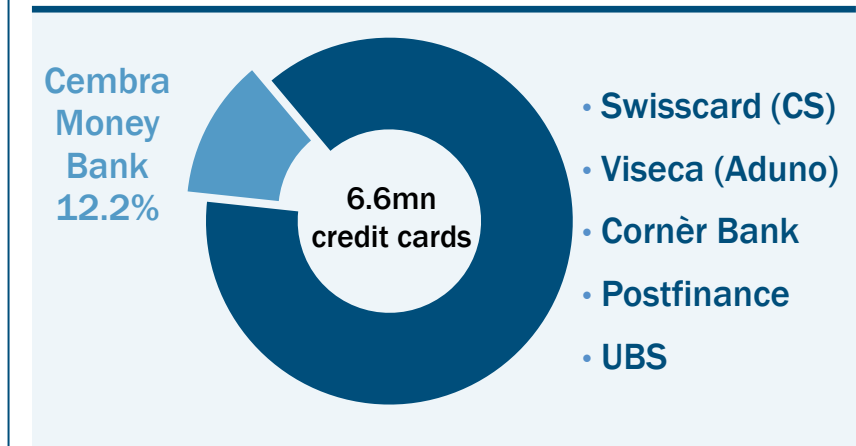
## Personal loans



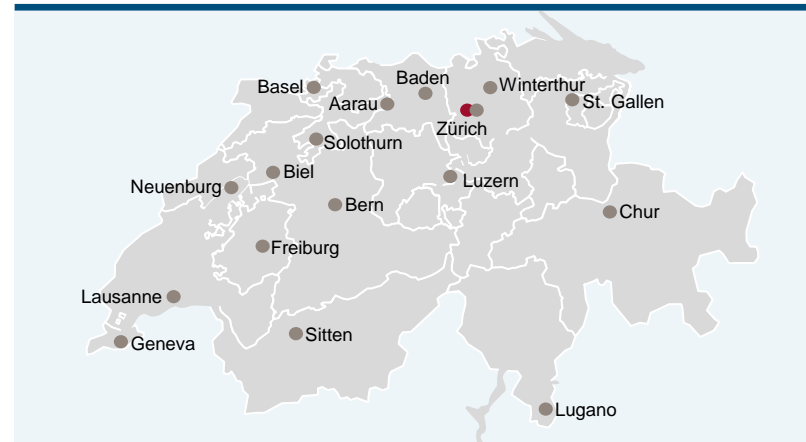
## Auto leases & loans



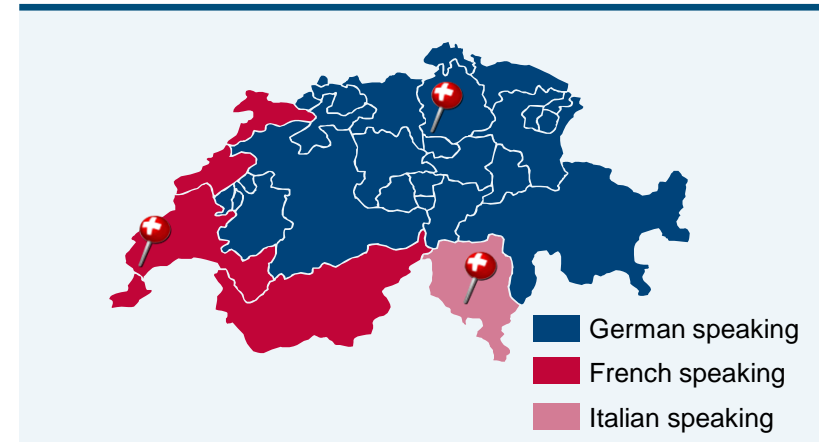
## Credit cards



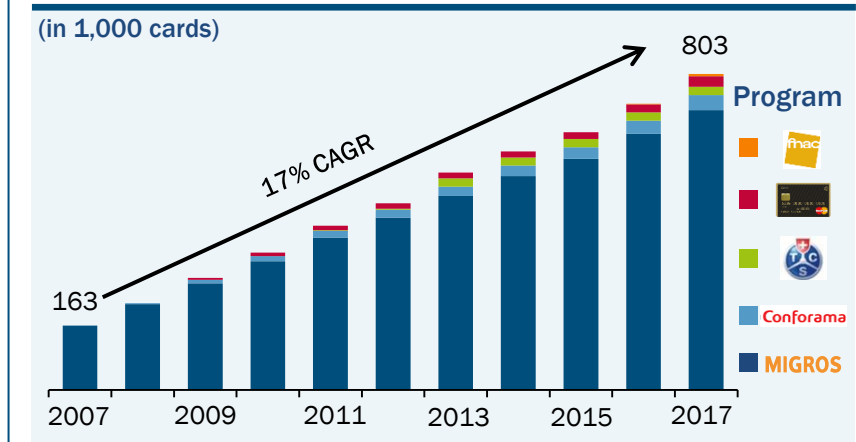
## National coverage with 18 branches



## Diversified distribution



## A fast growing portfolio



- Diverse distribution model with 18 branches, 140 independent credit agents (30%) and an efficient internet channel
- Premium pricing supported by personalised superior service
- Strong marketing presence to attract and retain customers

- Strong independent player – no brand concentration
- Mix of new (35%) and used cars (65%)
- Offering products through 3,600 active dealers – dedicated field sales force combined with 3 service centers

- Launched offering in 2006 – growing the portfolio by 17% p.a.
- Track record of innovation with tailored “dual-card” and attractive loyalty programs
- Strong increase in contactless payments (NFC) – Smart follower strategy for new technologies

# Performance highlights

IPO targets (Oct. 2013)		2013	2014	2015	2016	2017
<b>Asset growth</b>	Net customer loan growth to be moderate and in line with Swiss GDP growth	(0.4)%	2.1%	(0.3)%	0.9%	12.0% 4.0% organic
<b>Profitability</b>	RoE target of at least 15%	14.1%	17.0%	17.7%	17.4%	16.7%
<b>Capitalisation</b>	Target Tier 1 capital ratio of minimum 18%	19.7%	20.6%	19.8%	20.0%	19.2%
<b>Dividend payout</b>	Target payout ratio for ordinary dividend between 60% and 70% of net income	64%	66%	66%	68%	69%
<b>Earnings per share (EPS)</b>		4.43	4.67	5.04	5.10	5.13
<b>Dividend yield</b>		4.9%	5.6%	5.2%	6.0% <sup>1</sup>	3.9%

<sup>1</sup> Including extraordinary dividend of CHF 1.00 per share

# Strategy

## Cembra MoneyBank

1

### Defend the core business

- **Asset growth** through strategic initiatives
  - Invoice Finance
  - Cross sell / upsell
- **Grow fee-based income**
  - New card partners
  - More services
- **Cost management**
  - Digitize the business
  - Simplify IT

2

### Build the future

- **3 year IT investment plan**
  - Simplify customer onboarding
  - New CRM & Servicing
  - Digitization
- **Customer centric organization**
  - B2B/B2C framework
- **Smart follower for new technologies**

3

### Gain size through external growth & diversify

- **M&A transactions**
  - Swissbilling
  - EFL Autoleasing
- **Partnerships / Joint Ventures**
  - eny Finance

Focus on consumer finance or consumer finance related areas primarily in Switzerland is key



# Executing on the Strategy

1

Defend the core business

- 4% organic asset growth
- Renewed Migros contract for 5 years
- New partnerships
  - Hyundai
  - Harley-Davidson
  - Interio

2

Build the future

- Executing on digital agenda
  - CRM investment
  - Modernizing front-end
- Cards innovation
  - Samsung Pay
  - Garmin / Fitbit

3

Gain size through external growth & diversify

- Swissbilling acquisition
- EFL acquisition
- Eny refinancing model:
  - ➔ duplicable

**interio**





# Key financials 2017

<b>P&amp;L (in CHF mn)</b>	<b>2017</b>	<b>2016</b>	<b>V%</b>
Interest income	308.3	324.3	(5)
Interest expense	(24.7)	(26.5)	(7)
Net interest income	283.6	297.7	(5)
Insurance	23.0	21.9	5
Credit card fees	75.0	63.5	18
Loans and leases	11.8	10.6	11
Other	2.9	0.3	nm
Commission and fee income	112.7	96.3	17
<b>Total income</b>	<b>396.3</b>	<b>394.0</b>	<b>1</b>
Provision for losses	(45.1)	(44.6)	1
Operating expense	(167.9)	(167.5)	0
<b>Income before taxes</b>	<b>183.3</b>	<b>181.9</b>	<b>1</b>
Taxes	(38.8)	(38.2)	2
<b>Net income</b>	<b>144.5</b>	<b>143.7</b>	<b>1</b>
<b>Basic earnings per share (EPS)</b>	<b>5.13</b>	<b>5.10</b>	<b>1</b>
<b>Ratios</b>			
Net interest margin (NIM)	6.5%	7.2%	
Cost/income ratio	42.4%	42.5%	
Return on average equity (ROE)	16.7%	17.4%	
Return on average assets (ROA)	2.9%	3.0%	

## Environment

- Consumer confidence improving – consumer loan market recovering
- First 18 months with new interest rate caps (10% and 12%)
- Domestic interchange reduced from 70bps to 44bps as of 1 August 2017

## Managing business

- Asset growth of 12% across all business lines – acquisitions (8%) and organic growth (4%)
- Successfully closed EFL Autoleasing acquisition – funding synergies locked-in
- Stable loss performance: 30+ DPD at 1.8% and NPL at 0.4% ... loss rate @ 1.0%
- Excellent cost discipline with cost/income ratio of 42.4%

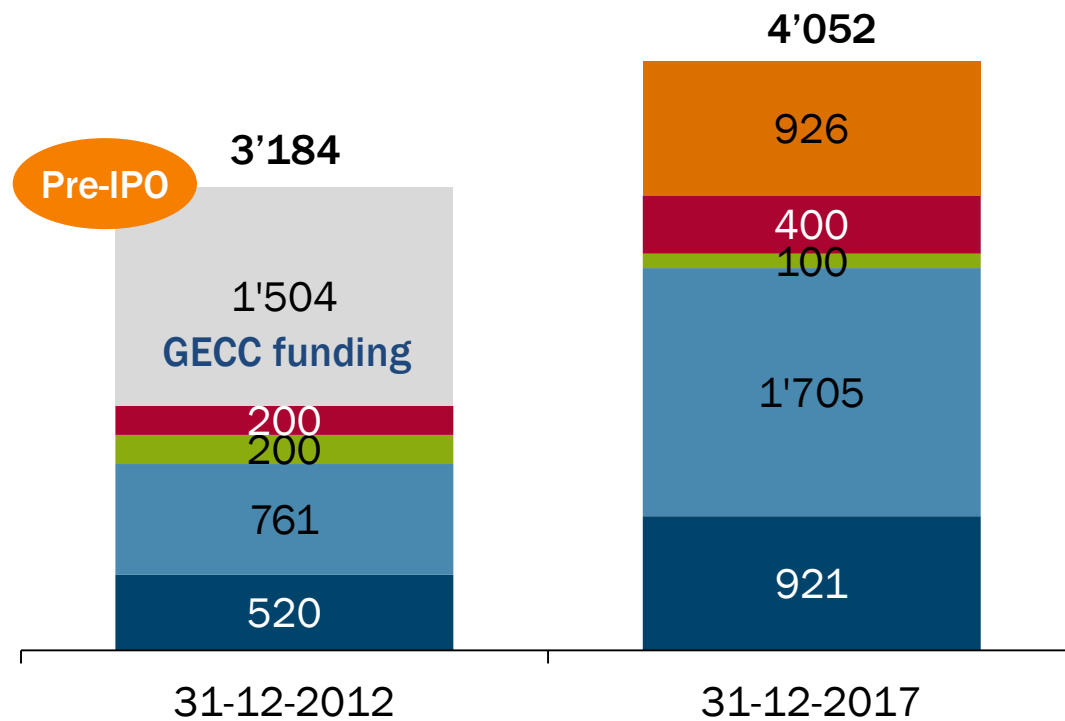
## Strong results

- Net income of CHF 144.5mn or CHF 5.13 per share supported by strong H2'17 result
- Offsetting lower interest income in personal loans with growth in cards income
- Solid return on equity (ROE) of 16.7%
- Tier 1 capital ratio of 19.2% ... Ordinary dividend of CHF 3.55 per share proposed

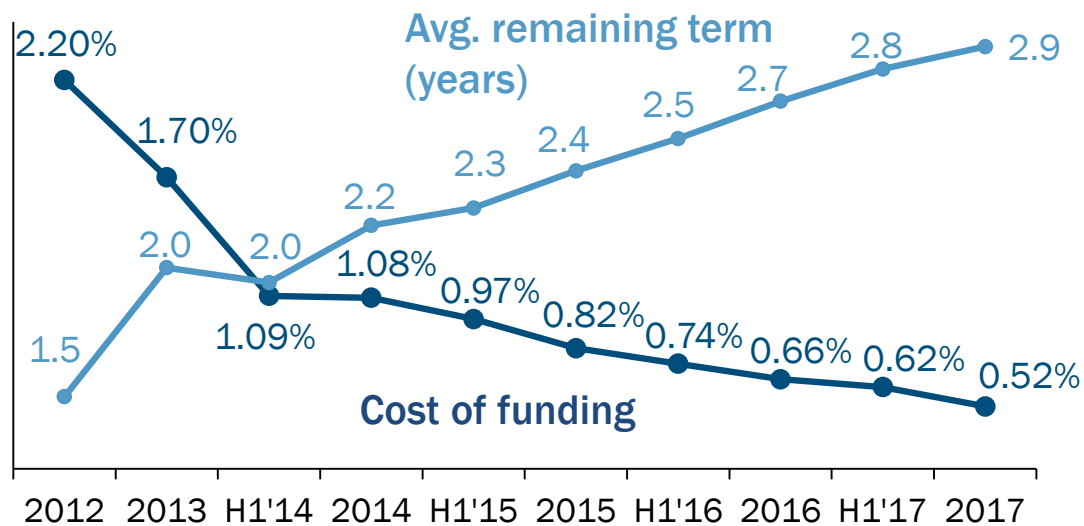
# Diversified funding

## Diversified funding sources

(in CHF mn)



## Development of CoF and remaining term

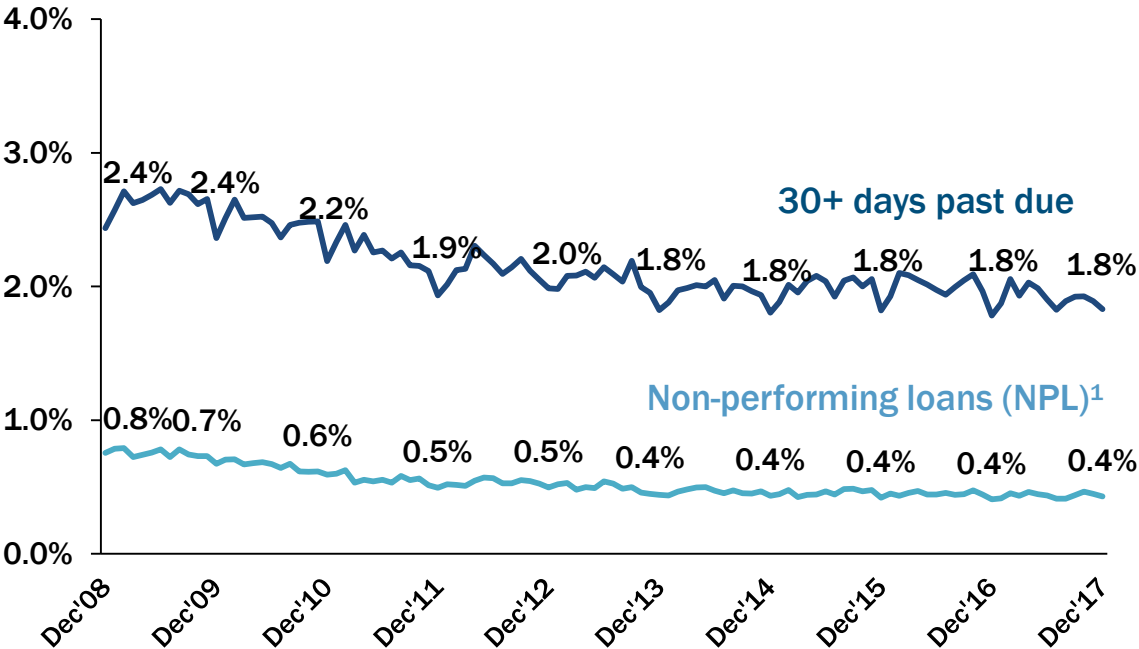


## Funding programs

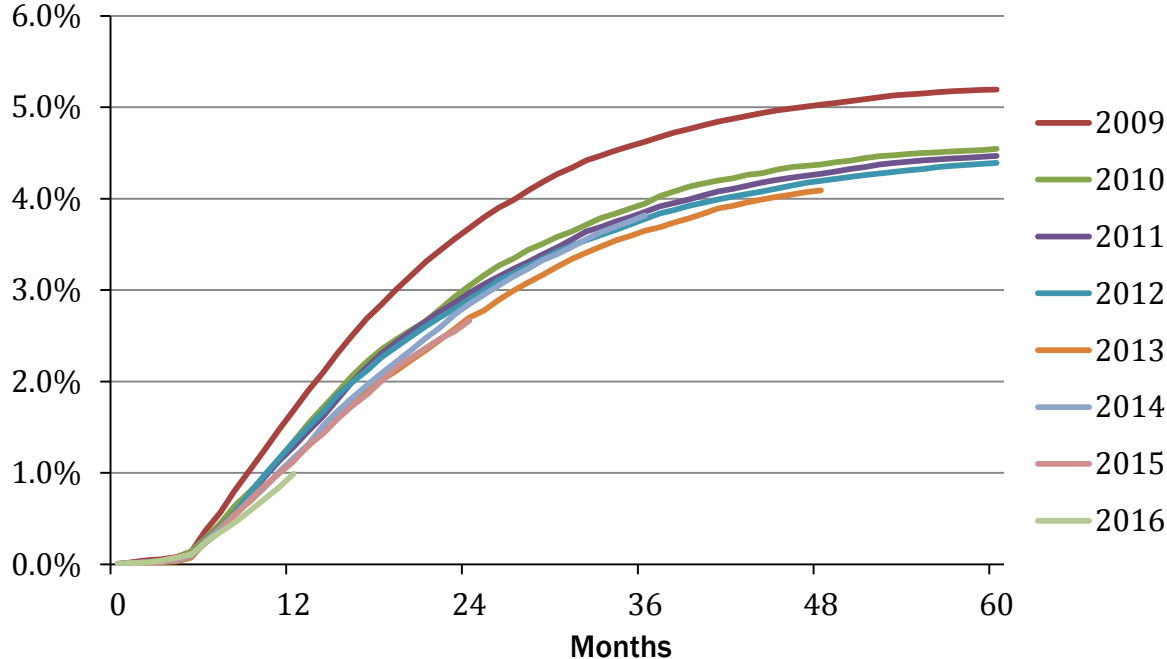
Capital market – 35%	Senior unsecured	<ul style="list-style-type: none"> <li>Six issuances of between 100mn to 200mn with coupons of 0.18% to 1.25%</li> <li>A- credit rating from S&amp;P with outlook «stable»</li> </ul>
	ABS (Auto)	<ul style="list-style-type: none"> <li>Two issuances of CHF 200mn each with coupons of 0.22% and 0.23%</li> <li>AAA-rated by Fitch / Moody's</li> </ul>
	Bank loans	<ul style="list-style-type: none"> <li>One remaining loan of CHF 100mn</li> </ul>
Deposits – 65%	Institutional term deposits	<ul style="list-style-type: none"> <li>Portfolio of 120+ institutional investors (corporates, pension funds, banks etc.)</li> <li>Diversified across sectors and maturities</li> </ul>
	Retail term deposits and saving accounts	<ul style="list-style-type: none"> <li>Circa 29,000 depositors</li> <li>Fixed term offerings of 3 – 8 years with attractive rates (0.30% to 0.80%)</li> </ul>
Off-BS	Committed revolving credit lines	<ul style="list-style-type: none"> <li>Four facilities of between CHF 50mn to 100mn each</li> </ul>

# Stable asset quality

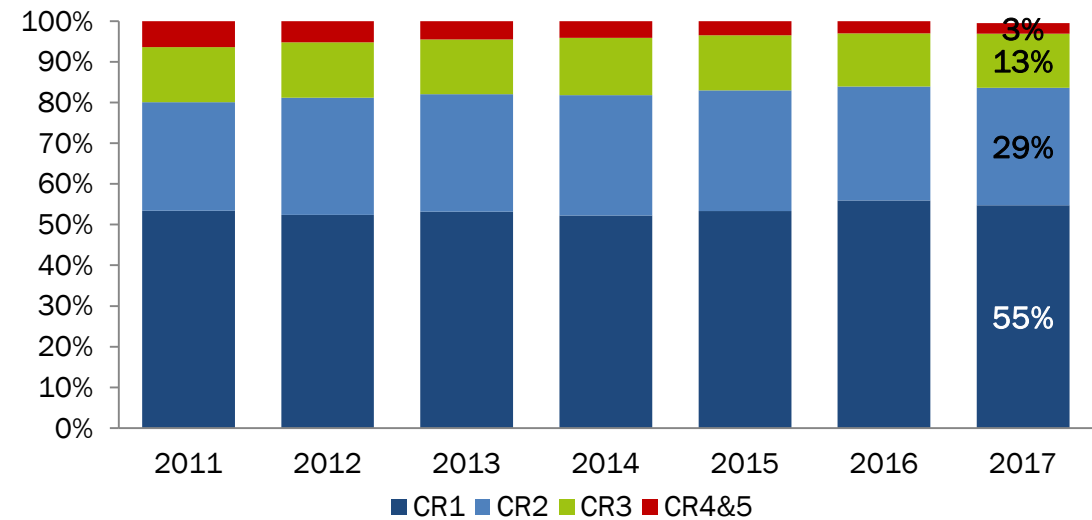
## Delinquencies<sup>1</sup>



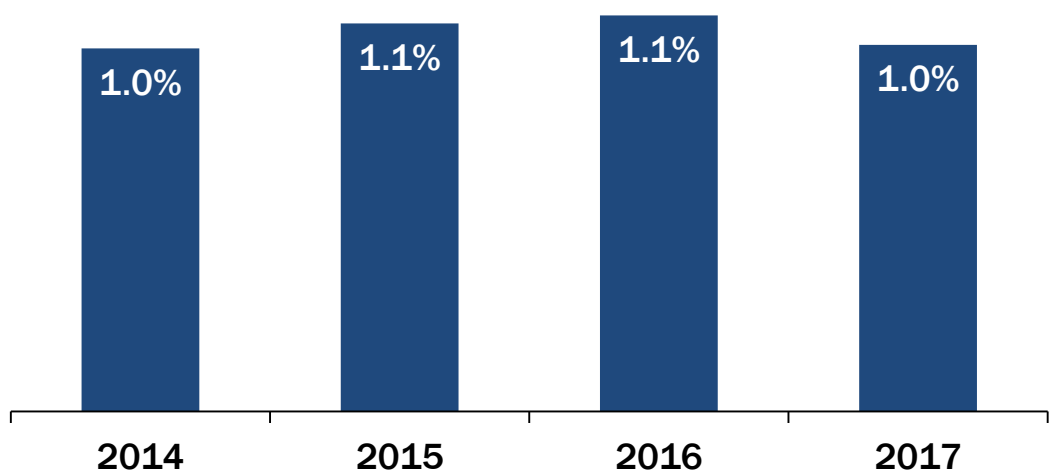
## Write-Off Performance by Year of Origination<sup>2</sup>



## Credit Grade<sup>3</sup>



## Loss rate



Note: The five consumer ratings (CR) and their associated probabilities of default are: CR1: 0.00%–1.20%; CR2: 1.21%–2.97%; CR3: 2.98%–6.99%; CR4: 7.00%–13.16%; CR5: 13.17% and greater

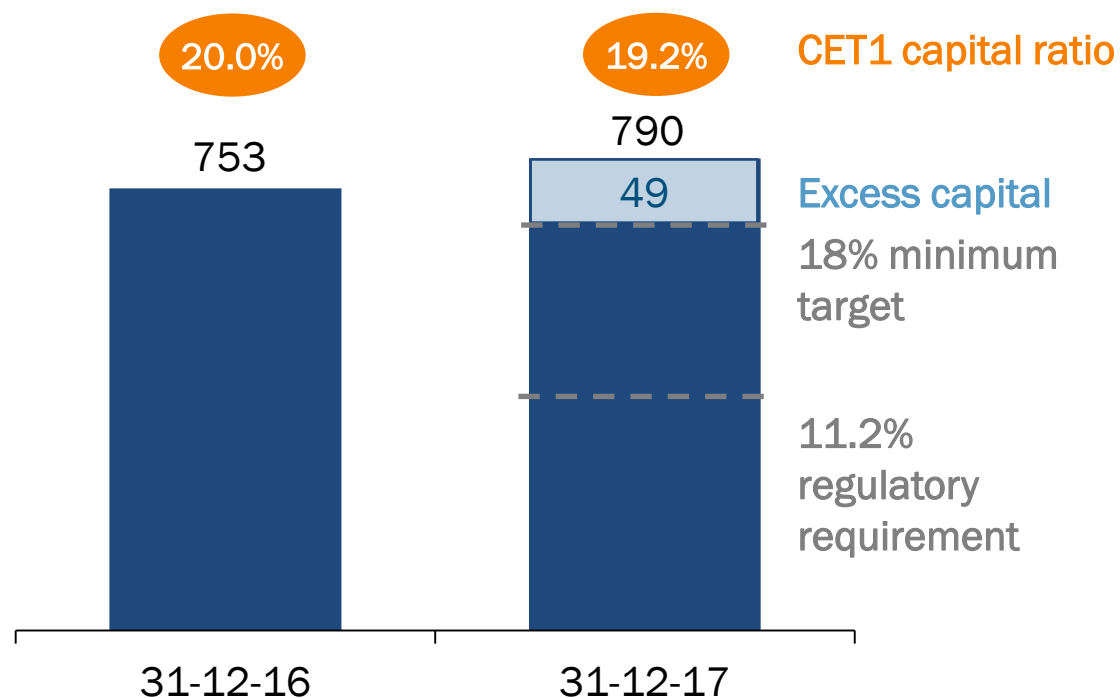
<sup>1</sup> Non-performing loans (NPL) ratio is defined as the ratio of non-accrual financing receivables (at period-end) divided by the financing receivables

<sup>2</sup> Based on Personal Loans and Auto Leases & Loans portfolios

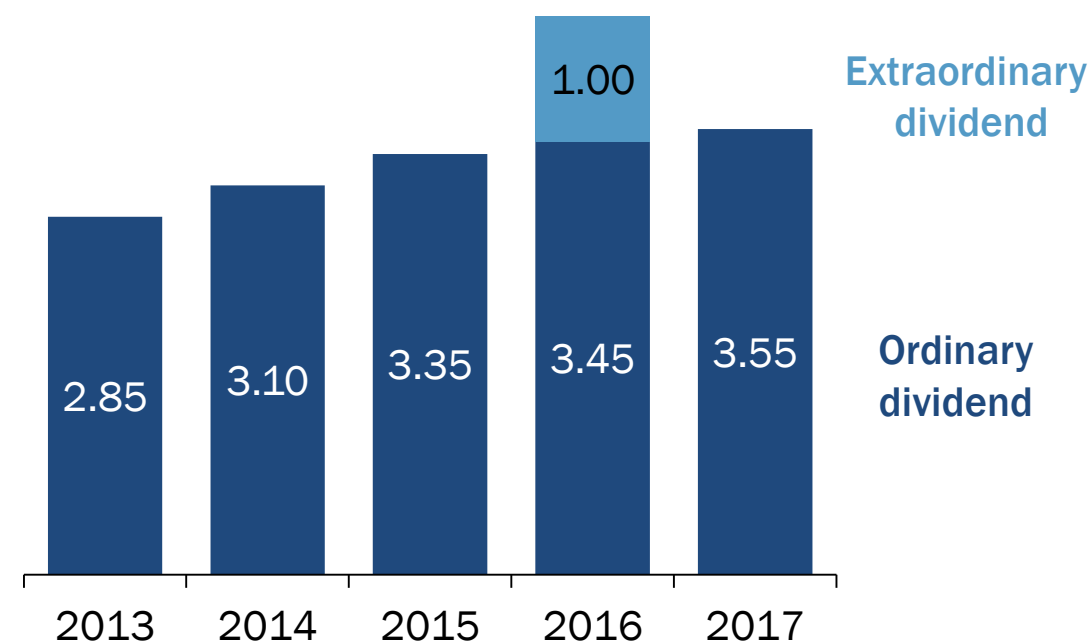
<sup>3</sup> Based on the Bank Personal Loans, Credit cards and Group Auto Leases & Auto Loans

# Strong capital base and attractive dividend policy

## CET1 capital (in CHF mn)



## Dividend per share since IPO



## Conservative approach

- Standard approach to credit risk with risk weightings of 75% for all products; no internal models; risk-weighted assets (RWA) of CHF 4,114 million
- All core capital; no hybrid capital
- Internal minimum CET1 target of 18% significantly above regulatory minimum requirement of 11.2%
- Above-average CET1 capital ratio of 19.2% as per year-end 2017

## Ordinary dividend

- Target payout ratio for ordinary dividend between 60% and 70% of net income

## Excess capital / extraordinary dividend

- Return excess Tier 1 capital above 20% to shareholders either via extraordinary dividends or share buybacks...
- ...unless there is a more efficient allocation of capital – in particular for internal or external growth

# Stable outlook and guidance for 2018

Medium-term targets		2017	Outlook for 2018
<b>Asset growth</b>	Net customer loan growth to be moderate and in line with Swiss GDP growth	12.0% <i>Organic: 4.0%</i>	<p><b>Revenues</b></p> <ul style="list-style-type: none"> <li>Additional revenues from credit cards growth and acquisitions expected to be offset by lower interest income from personal loans following the implementation of the rate cap in July 2016</li> </ul>
<b>Profitability</b>	RoE target of at least 15%	16.7%	<p><b>Provision for losses</b></p> <ul style="list-style-type: none"> <li>Loss performance expected to be in-line with prior years' performance</li> </ul>
<b>Capitalisation</b>	Target Tier 1 capital ratio of minimum 18%	19.2%	<p><b>Operating expenses</b></p> <ul style="list-style-type: none"> <li>Increase in cost following increase in headcount and following investments in digitalization resulting in a healthy but slightly higher cost/income ratio</li> </ul>
<b>Dividend payout</b>	Target payout ratio for ordinary dividend between 60% and 70% of net income	69% <sup>1</sup>	<p><b>Guidance for full-year 2018</b></p> <p><b>Earnings per share</b></p> <ul style="list-style-type: none"> <li>EPS anticipated to be in the range between CHF 4.80 – 5.10</li> </ul>

<sup>1</sup> Proposal to the Annual General Meeting of Shareholders on 18 April 2018

# Appendix

# P&L

<b>Income statement</b> (in CHF mn)	<b>2017</b>	<b>2016</b>	<b>V%</b>
Interest income	308.3	324.3	(5)
Interest expense	(24.7)	(26.5)	(7)
Net interest income	<b>1</b> 283.6	297.7	(5)
Insurance	<b>2</b> 23.0	21.9	5
Credit card fees	<b>3</b> 75.0	63.5	18
Loans and leases	11.8	10.6	11
Other	2.9	0.3	nm
Commission and fee income	112.7	96.3	17
<b>Net revenues</b>	<b>396.3</b>	<b>394.0</b>	<b>1</b>
Provision for losses	<b>4</b> (45.1)	(44.6)	1
Operating expense	(167.9)	(167.5)	0
<b>Income before taxes</b>	<b>183.3</b>	<b>181.9</b>	<b>1</b>
Taxes	(38.8)	(38.2)	2
<b>Net income</b>	<b>144.5</b>	<b>143.7</b>	<b>1</b>
<b>Basic earnings per share (EPS)</b>	<b>5.13</b>	<b>5.10</b>	<b>1</b>

## Key ratios

Net interest income / financing receivables	6.5%	7.2%
Cost/income	42.4%	42.5%
Effective tax rate	21.2%	21.0%
Return on average equity (ROE)	16.7%	17.4%
Return on average assets (ROA)	2.9%	3.0%

## Comments

- 1**
  - Lower interest income driven by the reduction in APR following the introduction of the rate caps – the vast majority of the lending book has now been repriced
  - Higher APR on Cumulus Mastercard and lower interest expense due to favorable repricing of funding
- 2**
  - Increase in insurance revenue driven by a non-recurring one-off fee in 2017
- 3**
  - Credit cards fees performance driven by the increase in the number of cards (+10%) and by the increase in transaction volume (+17%)
  - Interchange (after contributions for loyalty) accounted for c. 12% of credit card fee income
- 4**
  - Loss rate of 1.0% reflecting the continued risk management discipline



# Operating expenses

Income statement (in CHF mn)	2017	2016	V%	Comments
Compensation and benefits	1 99.9	100.4	0	1 Lower pension costs (CHF 1.5mn) offset by higher headcount following the EFL & Swissbilling acquisitions
Professional services	2 11.4	9.0	27	2 Driven by business development and continued investment in simplification and regulatory requirements
Marketing	3 6.1	6.6	(9)	3 Lower marketing cost following large-scale advertising campaign in 2016 to promote new rates in personal loans
Collection fees	5.8	5.7	1	4 Driven by growth in credit cards and invoice financing (Swissbilling)
Postage and stationery	4 9.3	8.6	8	5 Lower HQ rental costs and non-recurring costs following branch closures in 2016
Rental expenses under operating leases	5 4.7	6.0	(21)	6 Lower costs mainly driven by timing of IT investments
Information technology	6 23.6	24.1	(2)	7 Increase in amortisation following IT investments and Swissbilling acquisition
Depreciation and amortisation	7 8.7	7.8	11	8 Declining headcount in the Bank offset by the acquisitions of EFL Autoleasing and Swissbilling
Other	(1.6)	(0.7)	117	
<b>Total operating expenses</b>	<b>167.9</b>	<b>167.5</b>	<b>0</b>	
<b>Cost/income ratio</b>	<b>42.4%</b>	<b>42.5%</b>		
<b>Full-time equivalent employees</b>	<b>8 735</b>	<b>705</b>	<b>4</b>	
<i>Cembra Money Bank</i>	696	705	(1)	
<i>Swissbilling</i>	15	-		
<i>EFL Autoleasing</i>	24	-		

# Balance sheet

<b>Assets (in CHF mn)</b>	<b>31-12-17</b>	<b>31-12-16</b>	<b>V%</b>
Cash and equivalents	<b>1</b> 418	669	(37)
Net financing receivables	<b>2</b> 4,562	4,073	12
Personal loans	1,782	1,720	4
Auto leases and loans	1,942	1,641	18
Credit cards	833	711	17
Other (Swissbilling)	5	-	nm
Other assets	119	115	3
<b>Total Assets</b>	<b>5,099</b>	<b>4,857</b>	<b>5</b>
<b>Liabilities (in CHF mn)</b>			
Funding	<b>3</b> 4,048	3,874	4
Deposits	2,627	2,355	12
Short- & long-term debt	1,421	1,520	(6)
Other liabilities	166	135	23
<b>Total liabilities</b>	<b>4,213</b>	<b>4,009</b>	<b>5</b>
Shareholders' equity	<b>4</b> 885	848	4
<b>Total liabilities and equity</b>	<b>5,099</b>	<b>4,857</b>	<b>5</b>

## Comments

- 1**
  - Growth in receivables partly financed via cash
  - Fewer upcoming debt maturities in 2018
  
- 2**
  - Financing receivables growth across all products – organic growth added CHF 162mn (4%) and acquisitions contributed CHF 327mn (8%):
    - EFL: CHF 278mn
    - eny: CHF 44mn
    - Swissbilling: CHF 5mn
  
- 3**
  - Increase in funding driven by EFL acquisition
  - Deposits increased to 65% of total funding driven by institutional
  
- 4**
  - Equity was up as a result of 2017 net income (CHF 144.5mn) and OCI (CHF 18.0mn) partially offset by the dividend payment (CHF 125.5mn) in April 2017