

# Cembra full-year 2018 results

Robert Oudmayer, CEO

Pascal Perritaz, CFO

Volker Gloe, CRO

22 February 2019



# Agenda

1. 2018 Highlights

Robert Oudmayer

2. FY 2018 Financial results

Pascal Perritaz  
Volker Gloe

3. Strategy and outlook

Robert Oudmayer

Appendix

# Excellent performance in 2018

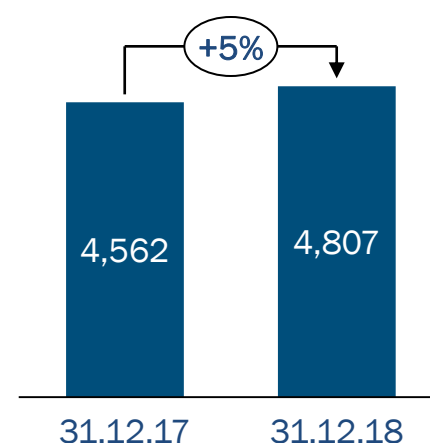
## Delivery on all targets

### Highlights

- +7% net income to CHF 154.1mn (EPS 5.47)
- +11% revenues, with stable loss ratio and competitive cost/income ratio
- +5% receivables, with growth across all product lines
- ROE and Tier 1 capital above targets
- +6% dividend increase<sup>1</sup> (+ CHF 0.20 to CHF 3.75)

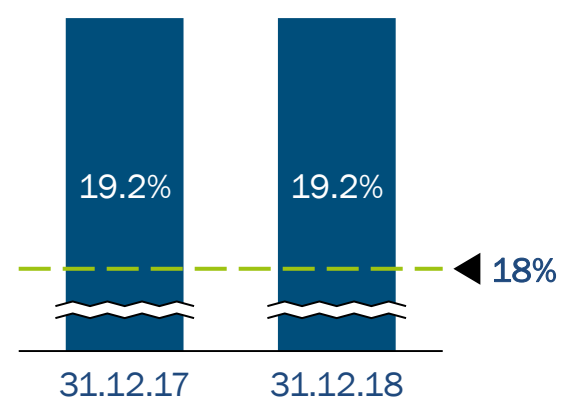
### Net financing receivables

Target for assets growth: in line with Swiss GDP growth. In CHF mn



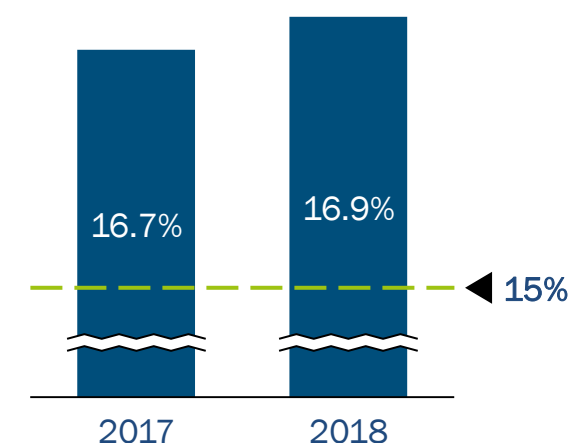
### Capital adequacy (Tier 1)

Target Tier 1 capital ratio: >18%



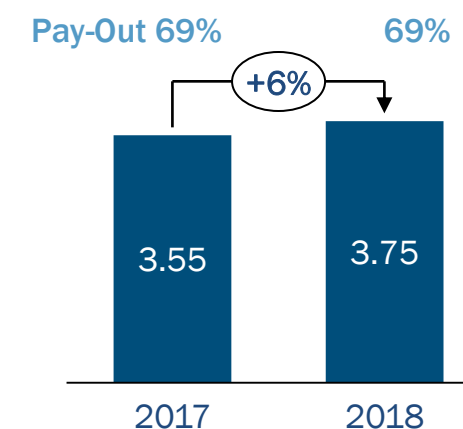
### Return on equity

Target ROE: >15%



### Dividend per share<sup>1</sup>

Target pay-out: 60% – 70% (in CHF)



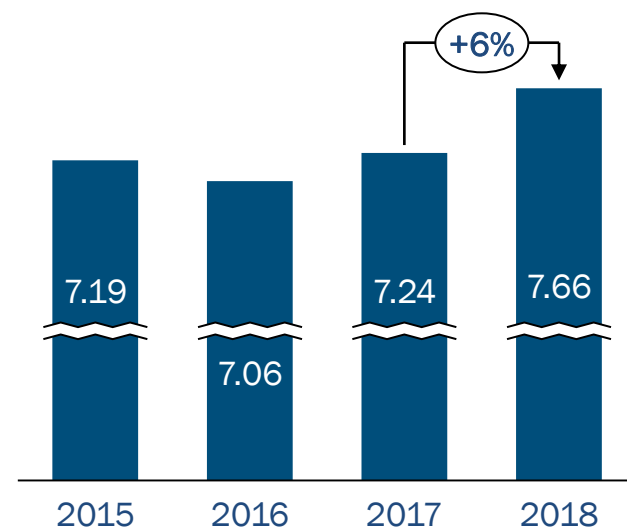
<sup>1</sup> proposed

# Personal loans and Auto in line with market, Cards outperforming

Market environment

## Personal loans

Consumer loans market, CHF bn

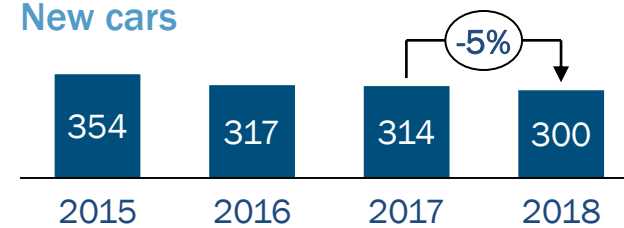


Source: ZEK

## Auto loans and leases

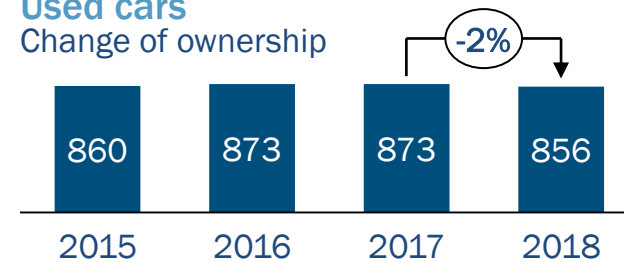
Car registrations, in 1,000 cars

### New cars



### Used cars

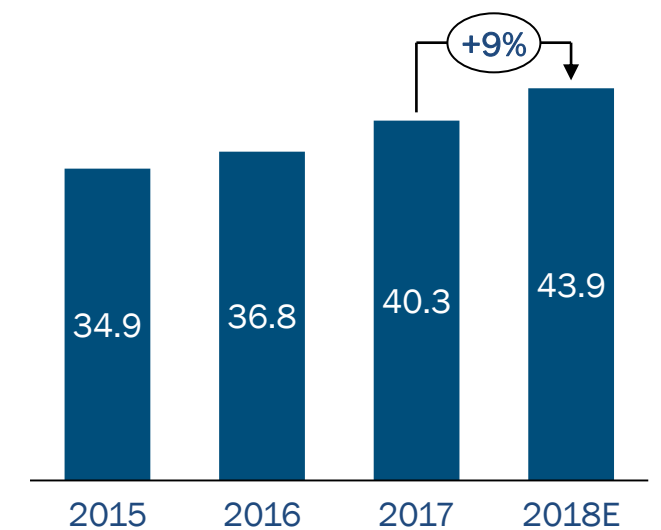
Change of ownership



Sources: Eurotax, auto-Schweiz

## Credit cards

Transaction volumes, CHF bn



Source: SNB

Cembra 2018

- Net financing receivables +6% in line with market
- Market share stable despite aggressive competition
- Almost full book repriced, establishing new run rate in H2 2019

- Net financing receivables +2% in line with leasing market (+2%)
- Market share stable
- Partnerships performing well
- EFL Autoleasing AG successfully integrated

- Number of cards issued up 11% to about 892,000
- Outperforming market growth, transaction volumes up 19%
- Market share 13% in credit cards (2017: 12%)
- Strong presence in NFC transactions with 19% market share
- All partnerships performing well

# 2018 key focus areas

## ► Partnerships

- Eny finance partnership developing very well
- Lendico still in pilot phase
- Harley Davidson and Hyundai performing successfully



## ► Swissbilling

- Increased staff to 29 FTE
- Opened Zurich office
- Signed major contract with Swisscom Directories AG (localsearch.ch)



## ► Technology

- Launched Cembra mobile app for credit cards
- Samsung Pay and Swatch Pay introduced
- Investing in customer digital journey



SWATCH PAY!  
THE COOLEST WAY TO



## ► Organisation

- Realigned the organisation towards more customer focus
- Refocused management board responsibilities, with new heads B2B and B2C as well as COO



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Appendix

# P&L

Income statement		2018	2017	%
In CHF mn				
Interest income		330.0	308.3	7
Interest expense		-20.8	-24.7	-16
Net interest income	1	309.2	283.6	9
Insurance	2	20.5	23.0	-11
Credit cards	3	92.6	75.0	23
Loans and leases	4	13.4	11.8	14
Other		3.2	2.9	10
Commission and fee income		129.6	112.7	15
<b>Net revenues</b>		<b>438.8</b>	<b>396.3</b>	<b>11</b>
Provision for losses	5	-50.1	-45.1	11
Operating expense	6	-193.0	-167.9	15
<b>Income before taxes</b>		<b>195.7</b>	<b>183.3</b>	<b>7</b>
Taxes		-41.6	-38.8	7
<b>Net income</b>		<b>154.1</b>	<b>144.5</b>	<b>7</b>
<b>Basic earnings per share (EPS)</b>		<b>5.47</b>	<b>5.13</b>	<b>7</b>

## Key ratios

Net interest income/ financing receivables	6.5%	6.5%
Cost/income	44.0%	42.4%
Effective tax rate	21.3%	21.2%
Return on average equity (ROE)	16.9%	16.7%
Return on average assets (ROA)	2.9%	2.9%

## Comments

- 1 Higher interest income driven by EFL acquisition at the end of 2017, as well as credit cards asset growth and pricing change, partially offset by the repricing of the personal loan book  
Lower interest expense primarily driven by lower debt financing costs
- 2 Driven by the termination of partnership with CSS
- 3 Credit cards performance driven by +14% originations growth and pricing initiatives  
CHF 5.2mn reclassification from operating expenses (see note)
- 4 CHF 1.4mn reclassification from operating expenses (see note)
- 5 Loss rate of 1.1% reflecting the continued risk management discipline
- 6 Driven by an increase in FTE, increased business development activities and IT investments  
CHF 6.6mn reclassification to commission and fee income (see note)

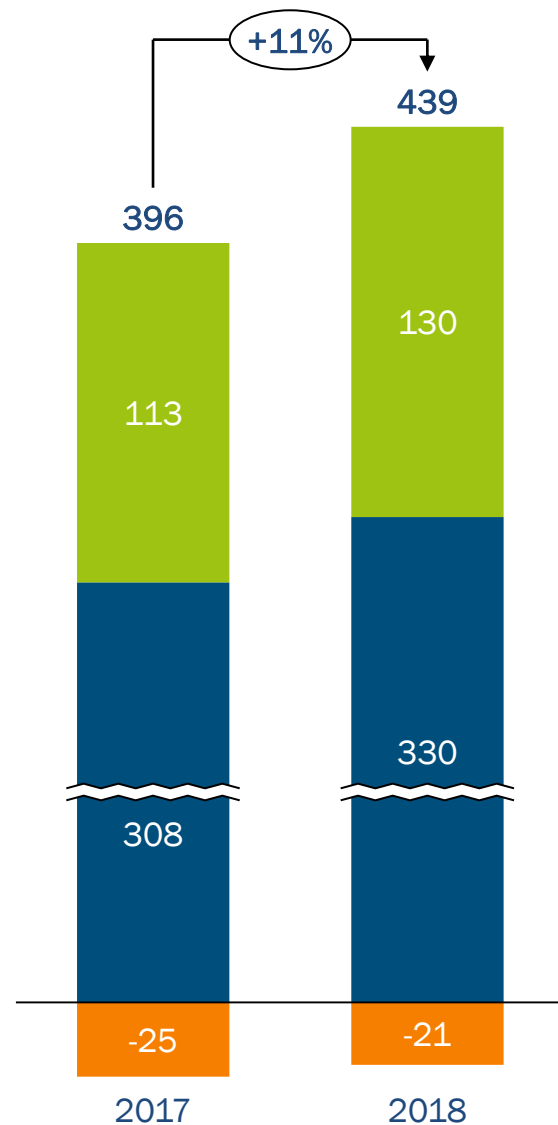
**Note:** With the adoption of ASC 606 (ASU 2014-09) revenue recognition standard as of 1 Jan 2018 regarding gross vs net presentation of fee income, 2018 commission & fee income includes CHF 6.6mn of revenues that would have previously been reported as operating expenses (thereof CHF 3.4mn marketing, CHF 3.2mn collection fees).

# Net revenues by source

## +11% growth

In CHF mn

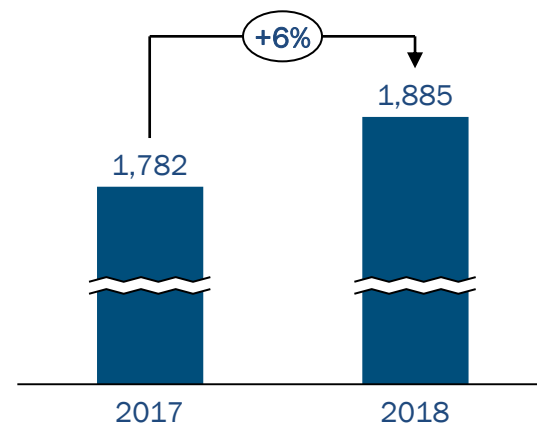
### Revenues by source



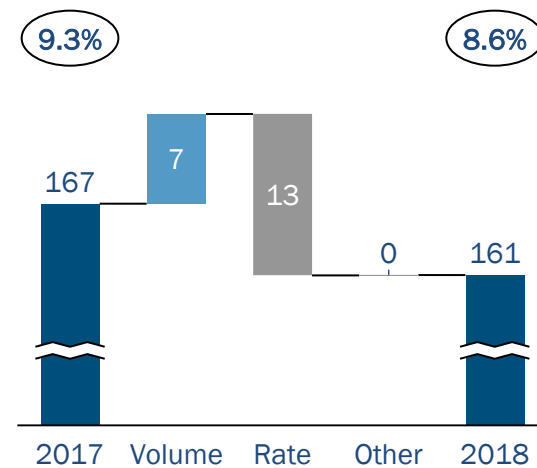
- Interest income
- Interest expense
- Commission and fee income

### Personal loans

Net financing receivables

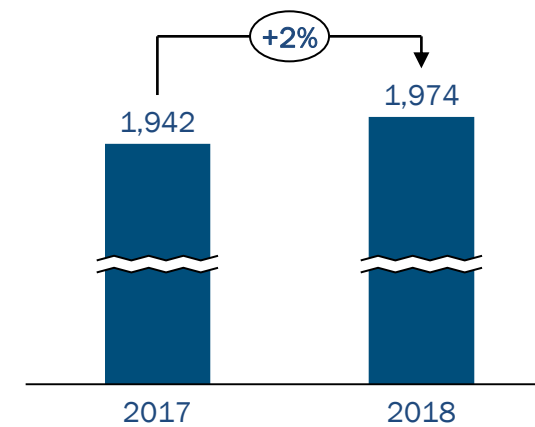


Yield (2pt avg) and Interest Income

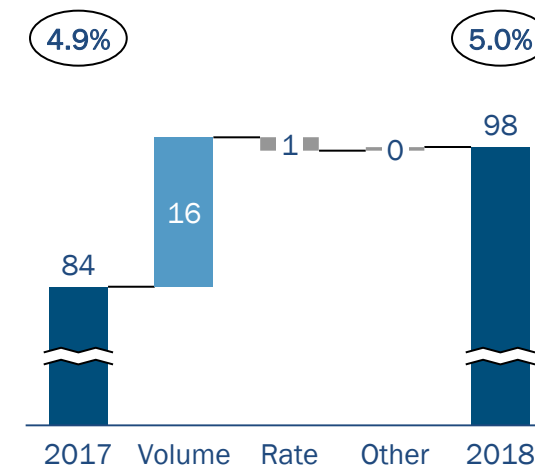


### Auto lease and loans

Net financing receivables

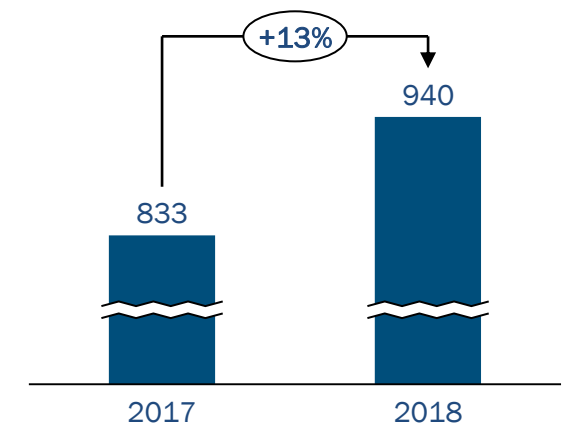


Yield (2pt avg) and Interest Income

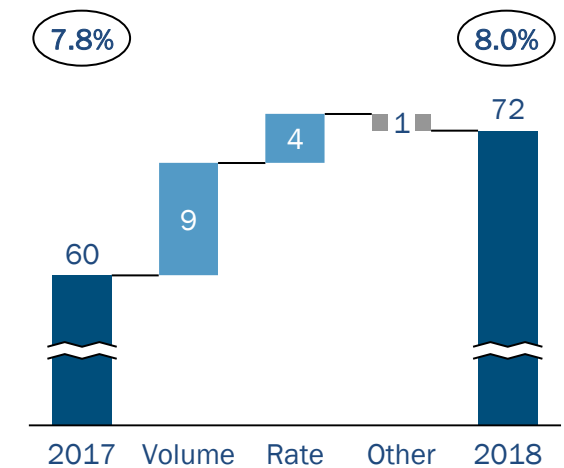


### Credit cards

Net financing receivables



Yield (2pt avg) and Interest Income





# Operating expenses

Income statement		2018	2017	%
In CHF mn				
Compensation and benefits	1	105.8	97.7 <sup>1</sup>	8
Professional services	2	18.6	11.4	63
Marketing	3	8.5	6.1	40
Collection fees	4	10.9	5.8	88
Postage and stationary		9.9	9.3	6
Rental expenses (under operating leases)		4.9	4.7	4
Information technology	5	24.9	23.6	6
Depreciation and amortisation	6	13.0	8.7	49
Other	7	-3.5	0.7 <sup>1</sup>	n/a
<b>Total operating expenses</b>		<b>193.0</b>	<b>167.9</b>	<b>15</b>
<b>Cost / Income ratio</b>		<b>44.0%</b>	<b>42.4%</b>	
<b>Full-time equivalent employees</b>	1	<b>783</b>	<b>735</b>	<b>7</b>
Cembra Money Bank		754	720	5
Swissbilling		29	15	93

## Comments

- 1 Increase in FTE driven by the acquisition of EFL Autoleasing AG, Swissbilling growth and digital investments
- 2 Driven by strategic initiatives and technology investments
- 3 Driven by CHF 3.4mn reclassification to income due to ASC 606 (see note) offset by CHF 1.0mn reduction of various marketing activities
- 4 Driven by CHF 3.2mn reclassification to income due to ASC 606 (see note), CHF 1.2mn primarily due to increased activities with third party collection services
- 5 CHF 3.6mn reimbursement received for the cancellation of the data centre sourcing project partially offset by an expansion on IT services and other investments
- 6 Driven by CHF 1.4mn increase due to asset write-offs, and CHF 2.8mn increase due to investments in IT and Project releases
- 7 Primarily driven by CHF 1.7mn lower pension costs

**Notes** With the adoption of ASC 606 (ASU 2014-09) revenue recognition standard as of 1 Jan 2018 regarding gross vs net presentation of fee income, 2018 commission & fee income includes CHF 6.6mn of revenues that would have previously been reported as operating expenses (thereof CHF 3.4mn Marketing, CHF 3.2mn collection fees).

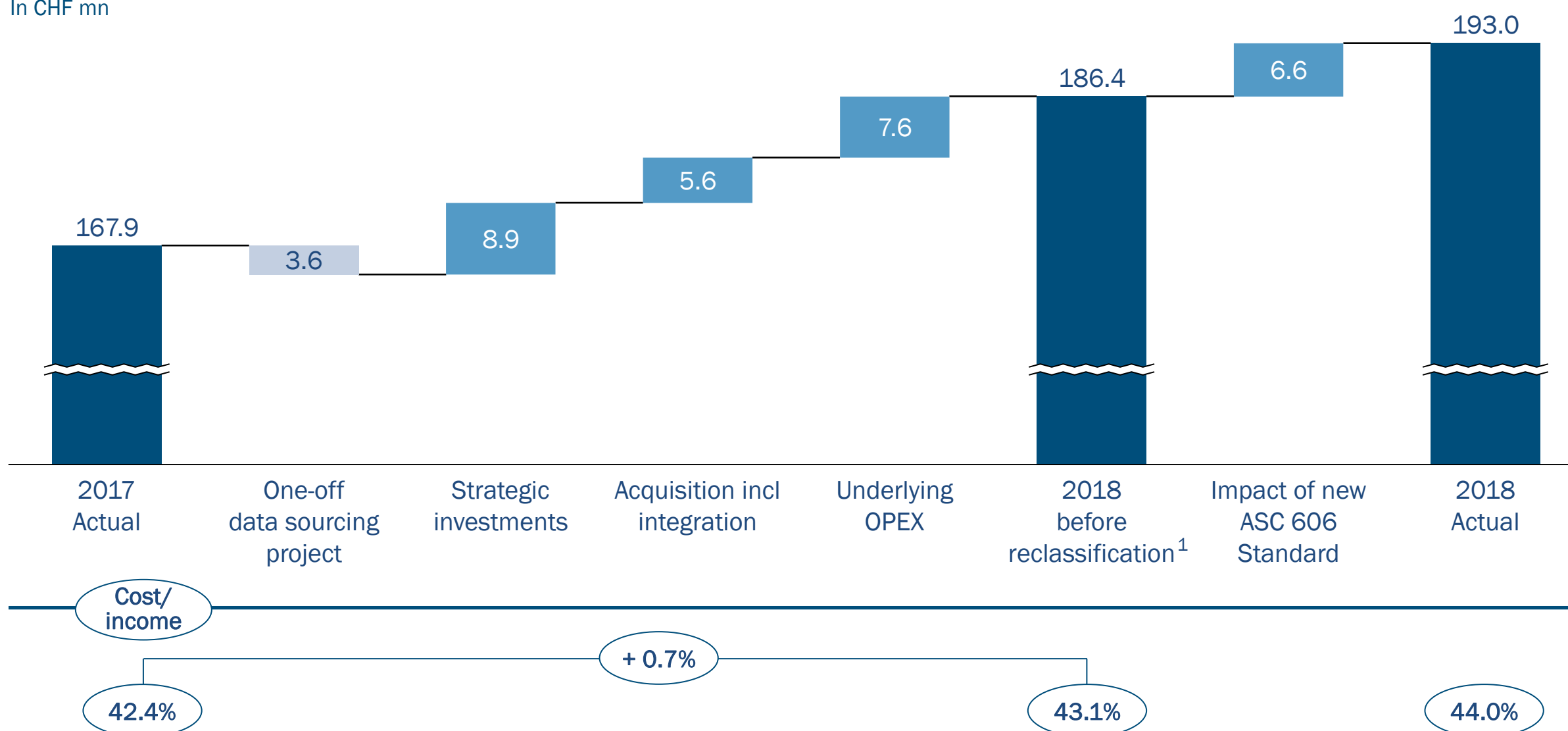
1 Full-year 2017 restatement of CHF 2.3mn due to adoption of ASC 715 «Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Costs and Net Periodic Postretirement Benefit Cost»

# Operating expenses walk

## Increase largely driven by strategic initiatives

### Operating expenses walk

In CHF mn



<sup>1</sup> With the adoption of ASC 606 (ASU 2014-09) revenue recognition standard as of 1 Jan 2018 regarding gross vs net presentation of fee income, 2018 commission & fee income includes CHF 6.6mn of revenues that would have previously been reported as operating expenses (thereof CHF 3.4mn marketing, CHF 3.2mn collection fees).

# Balance sheet

<b>Assets</b>		<b>31.12.18</b>	<b>31.12.17</b>	<b>%</b>
In CHF mn				
Cash and equivalents	1	499	418	19
Net financing receivables	2	4,807	4,562	5
Personal loans		1,885	1,782	6
Auto leases and loans		1,974	1,942	2
Credit cards		940	833	13
Other (Swissbilling)		8	5	70
Other assets		134	119	12
<b>Total assets</b>		<b>5,440</b>	<b>5,099</b>	<b>7</b>

## Liabilities

In CHF mn				
Funding	3	4,325	4,048	7
Deposits		2,827	2,627	8
Short- & long-term debt		1,498	1,421	5
Other liabilities		182	166	10
<b>Total liabilities</b>		<b>4,507</b>	<b>4,214</b>	<b>7</b>
Shareholders' equity	4	933	885	5
<b>Total liabilities and equity</b>		<b>5,440</b>	<b>5,099</b>	<b>7</b>

## Comments

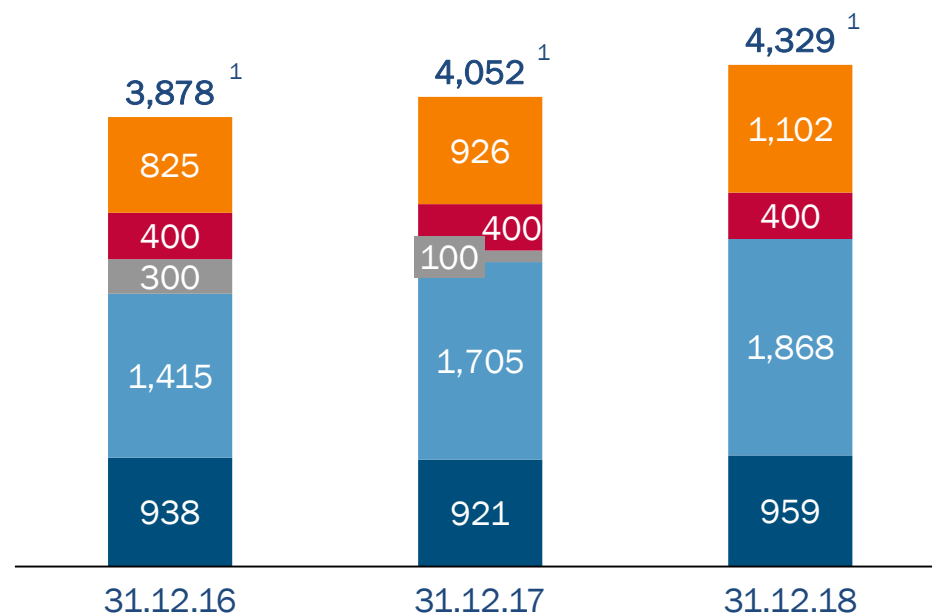
- 1 Higher cash in 2018 due to higher deposits and other pay-ins
- 2 Strong originations across all products in 2018 driving financing receivables growth
- 3 Increase in funding to support asset growth
- 4 Higher equity driven by current year net income, partially offset by CHF 100mn dividend paid in April 2018

# Funding

## Diversified funding with a stable mix

### Funding sources

In CHF mn



End of period funding cost	0.66%	0.52%	0.49%
WA <sup>2</sup> remaining term (years)	2.7	2.9	2.7
LCR	1908%	916%	1210%
NSFR <sup>3</sup>	118%	113%	112%
Leverage ratio	14.8%	14.8%	14.7%
Undrawn credit lines	350mn	350mn	350mn

<sup>1</sup> Excludes deferred debt issuance costs on long- & short-term debt (US GAAP)

<sup>2</sup> Weighted average

<sup>3</sup> Based on the revised NSFR framework published by BCBS in January 2014

<sup>4</sup> Additional charges apply related to fees and debt issuance costs

### Funding programmes

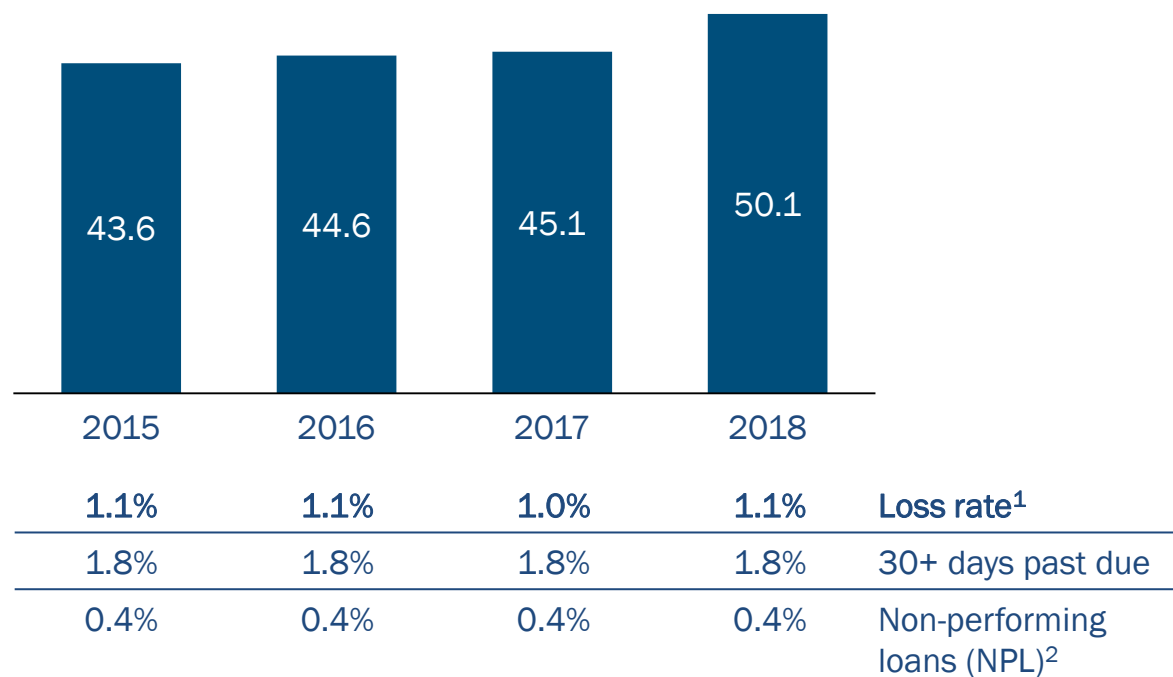
Non-Deposits – 35%	Senior unsecured	<ul style="list-style-type: none"> <li>Eight issuances of between CHF 50mn to CHF 200mn each</li> <li>WA<sup>2</sup> remaining term of 4.5 yrs/avg. rate of 0.39%<sup>4</sup></li> </ul>
	ABS	<ul style="list-style-type: none"> <li>Two AAA-rated issuances of CHF 200mn each</li> <li>WA remaining term of 0.7yrs/avg. rate of 0.23%<sup>4</sup></li> </ul>
	Bank loans	<ul style="list-style-type: none"> <li>Outstanding Term Loan paid back in 2018</li> </ul>
Deposits – 65%	Institutional term deposits	<ul style="list-style-type: none"> <li>Diversified portfolio across sectors and maturities</li> <li>Book of 100+ investors</li> </ul>
	Retail term deposits and saving accounts	
		WA rate of 0.45%/remaining term 2.3yrs
Off-BS	Committed revolving credit lines	<ul style="list-style-type: none"> <li>Four facilities of between CHF 50mn to CHF 100mn each</li> <li>WA remaining term of 1.8 yrs with WA rate of 0.24%<sup>4</sup></li> </ul>

# Provision for losses

## Loss performance in line with prior years

### Provision for losses

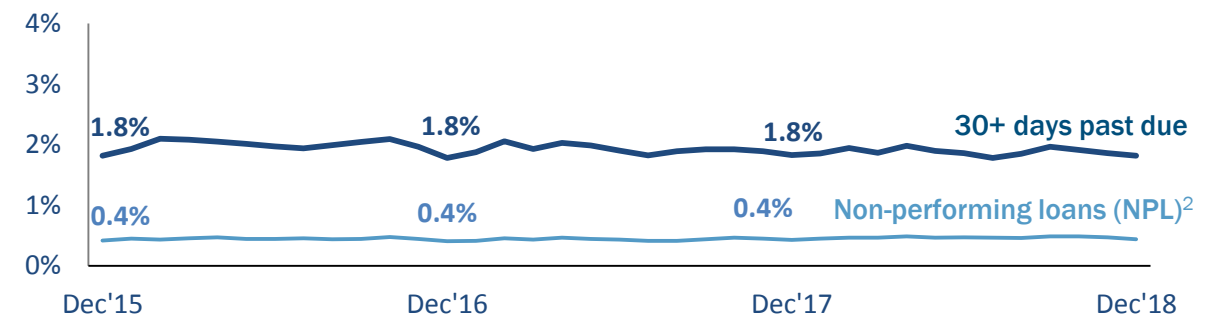
In CHF mn



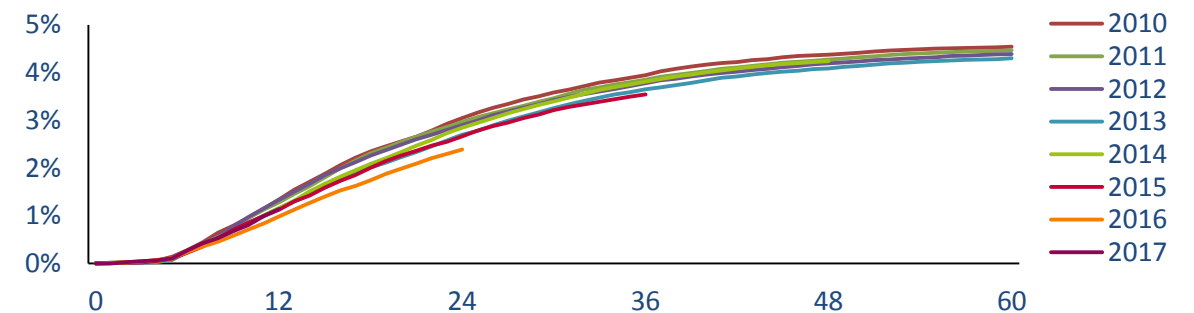
### Comments

- Provision for losses driven by portfolio growth
- Overall loss performance in line with prior years
- Stable delinquencies reflecting robust underlying portfolio quality
- No significant change in loss performance expected for 2019

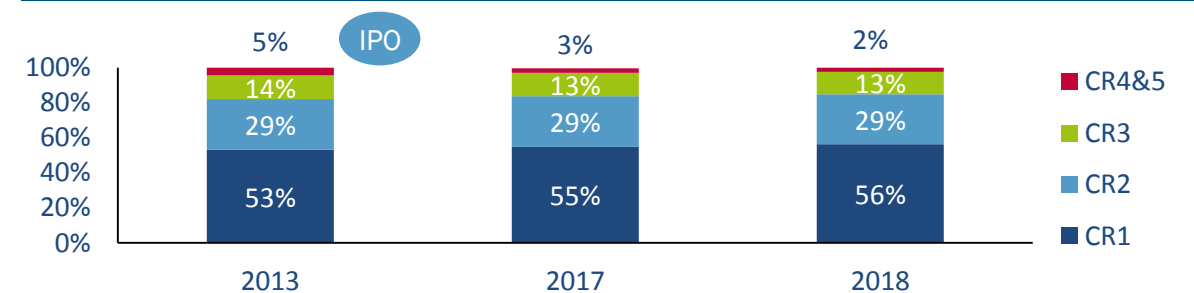
### 30+ days past due/NPL



### Write-off performance<sup>3</sup>



### Credit grades<sup>4</sup>



<sup>1</sup> Loss rate is defined as the ratio of provisions for losses on financing receivables to average financing receivables (net of deferred income and before allowance for losses)

<sup>2</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>3</sup> Based on Personal Loans and Auto Leases & Loans originated by the Bank

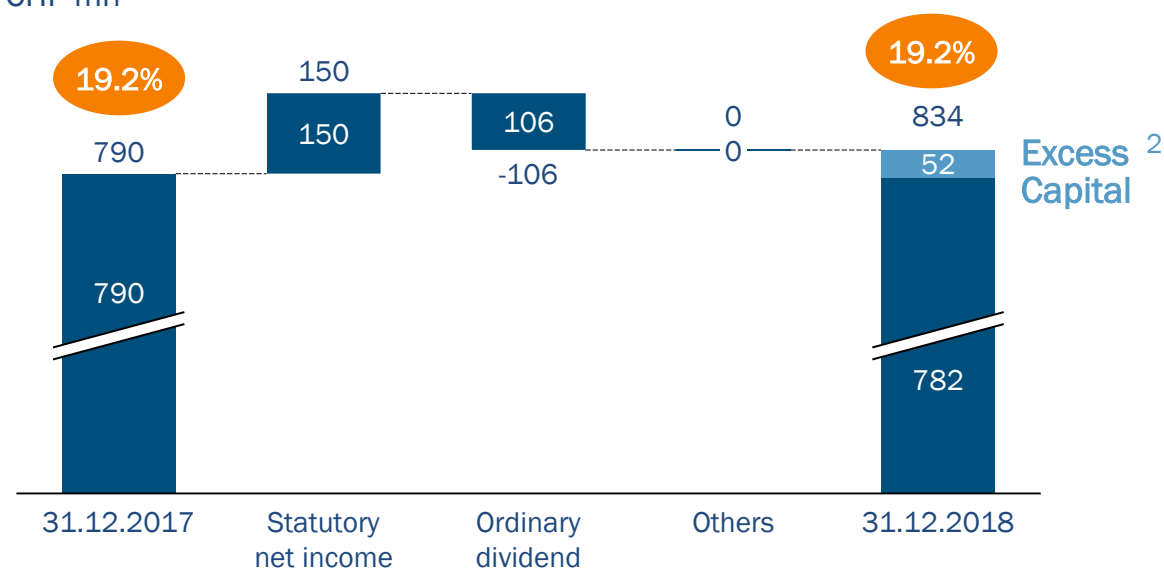
<sup>4</sup> Consumer Ratings (CR) reflect associated probabilities of default the Bank only (CR1 with probability of default ranging between 0.00% – 1.20% to CR5 13.17% and greater)

# Strong capital position

## 19.2% Tier 1 ratio

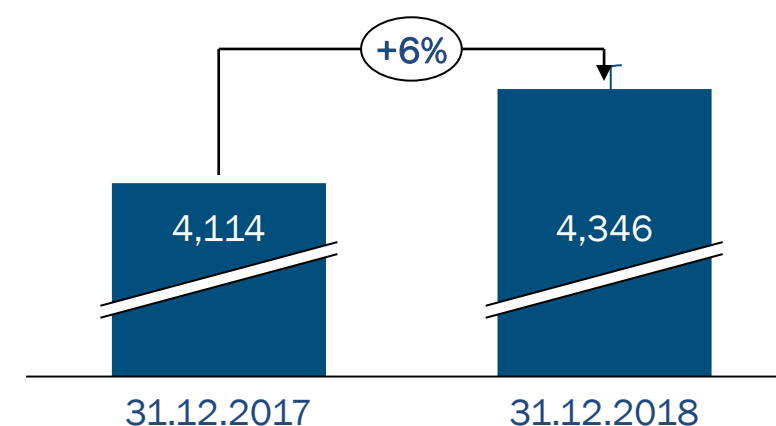
### Tier 1 capital walk<sup>1</sup>

In CHF mn



### Risk-weighted assets

In CHF mn



### Per share data

	2017	2018
Basic earnings per share (EPS) <sup>3</sup>	5.13	5.47
Ordinary dividend per share	3.55	3.75 <sup>4</sup>
Payout ratio	69%	69%
Number of shares	30,000,000	30,000,000
Treasury shares	1,814,170	1,813,249
Shares outstanding	28,185,830	28,186,751
Weighted-average number of shares outstanding	28,188,621	28,187,984

### Comments

- RWA increased by 6% in line with net financing receivables growth
- Basic EPS CHF 5.47, and diluted EPS CHF 5.46
- Dividend for 2018 will be paid from retained earnings

1 Derived from the Bank's statutory consolidated financial statements which were prepared in accordance with FINMA Circular 2015/1 Accounting for Banks  
 2 Includes net income adjusted for expected dividend distribution  
 3 Based on net income as per US GAAP and weighted-average numbers of common shares outstanding  
 4 Proposed

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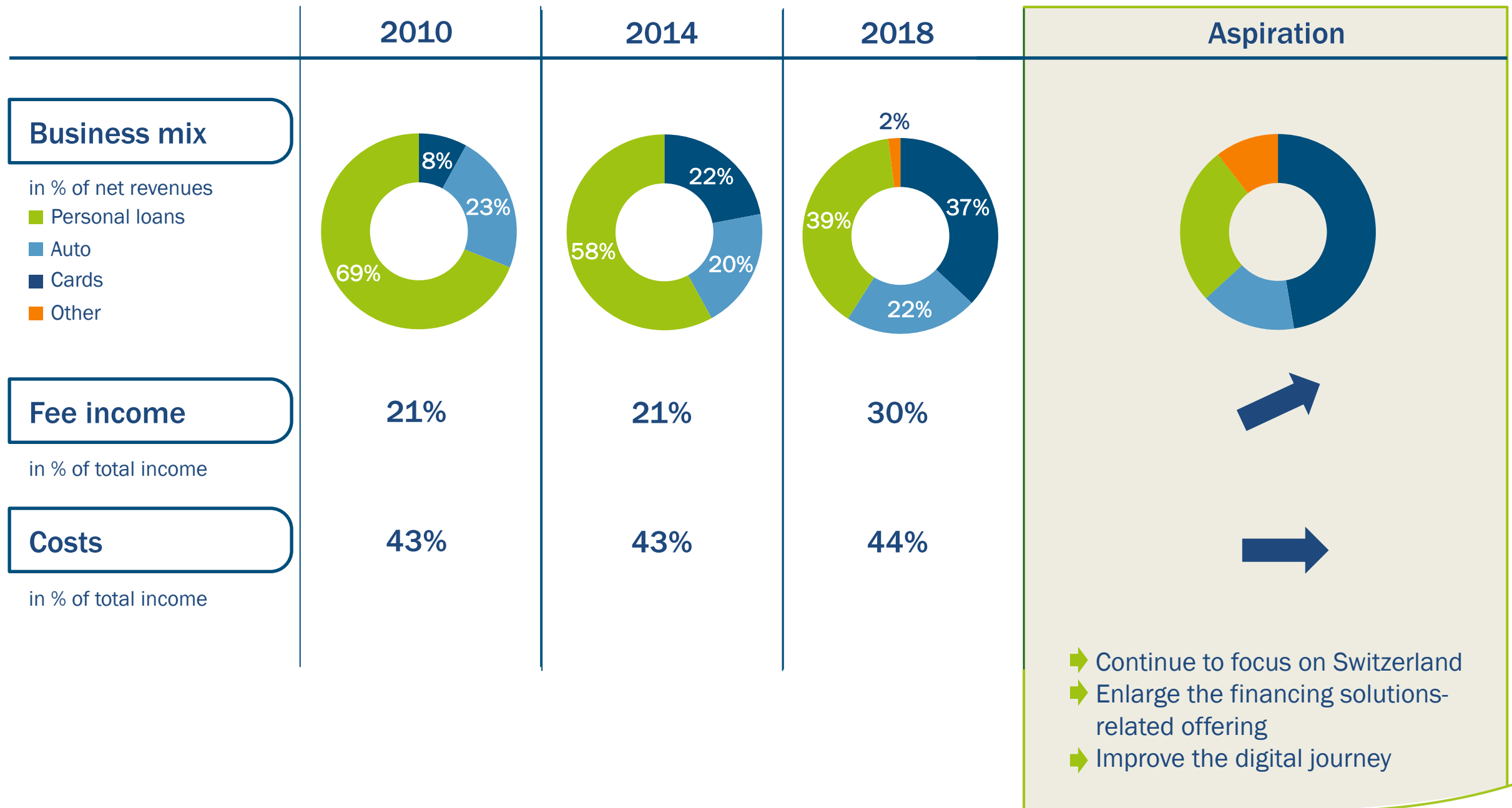
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Appendix

# Cembra is evolving





# Cembra 2019-2021

## Key strategic investments

### ► Maintain momentum

- Maintain market position in personal loans, develop partnerships and online
- Maintain positioning in Auto business, keep low risk profile and execute on partnerships
- Continue cards growth: sign on 1 or 2 new partnerships
- Grow & expand Swissbilling acquisition: Profitable revenue and lead generation

### ► Invest in the future

- Investing ~ CHF 20 million in digitisation
  - CRM to improve cross-sell and up-sell
  - Simplify customer journey and gain efficiency
  - Modernise platforms to manage cost
- Allocating ~ CHF 20 million in product development
  - Innovation team of 8 FTE in place
  - Exploring SME entrance, cards innovation and other products
  - Investing in Swissbilling to drive growth
- Open to set up new partnerships and M&A opportunities

**Investing ~ CHF 40 million in digitisation and product development in 2019-2021**

# Outlook and guidance

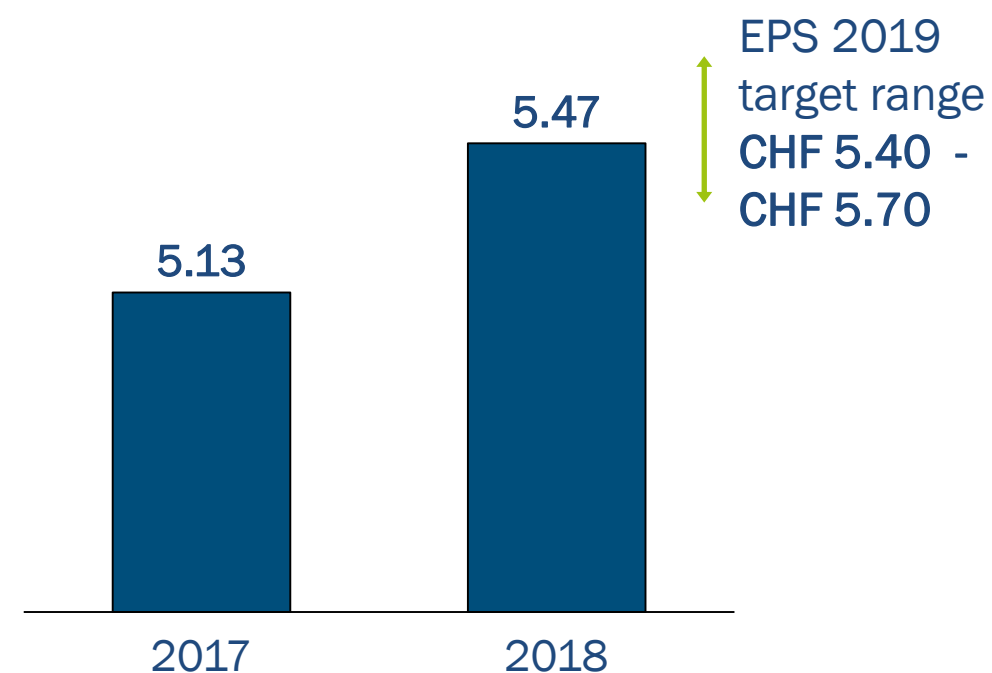
## 2019

### Outlook

- **Moderate revenue growth**
  - + Credit card growth
  - Remaining rate cap effect
- **Stable loss performance**
  - + in line with prior years' performance
- **Continued cost discipline**
  - + Efficiency gains
  - Investments in digitisation and product development
- **Attractive ROE**
  - + Above 15%
- **Strong capital position**
  - + Tier 1 capital ratio > 18%
- **Attractive dividend**
  - + maintain rule based dividend policy<sup>1</sup>

### 2019 EPS Guidance

In CHF



<sup>1</sup> Cembra Money Bank aims at distributing 60-70% of net income to shareholders in the form of ordinary dividends. Furthermore, Cembra Money Bank intends to return excess Tier 1 capital above circa 20% to shareholders either via extraordinary dividends or share buybacks unless there is a more efficient allocation of capital.

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# Track record

## Delivered on all targets since the IPO

IPO targets (Oct. 2013)		2014	2015	2016	2017	2018
<b>Asset growth</b>	Net customer loan growth to be moderate and in line with Swiss GDP growth	2.1%	(0.3)%	0.9%	12.0% Organic: 4.0%	5.4%
<b>Profitability</b>	ROE target of at least 15%	17.0%	17.7%	17.4%	16.7%	16.9%
<b>Capitalisation</b>	Target Tier 1 capital ratio of minimum 18%	20.6%	19.8%	20.0%	19.2%	19.2%
<b>Dividend pay-out</b>	Target pay-out ratio for ordinary dividend between 60% and 70% of net income	66%	66%	68%	69%	69%
<b>Earnings per share (EPS)</b>		4.67	5.04	5.10	5.13	5.47
<b>Dividend yield<sup>2</sup></b>		5.6%	5.2%	6.0% <sup>1</sup>	3.9%	4.8%

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

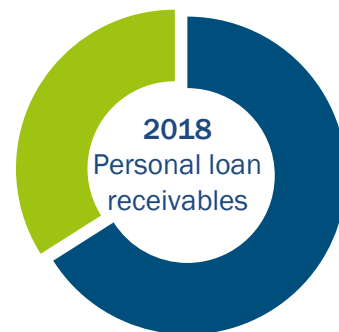
<sup>2</sup> Based on year-end share price

# A leading player in consumer finance

## 870,000 customers

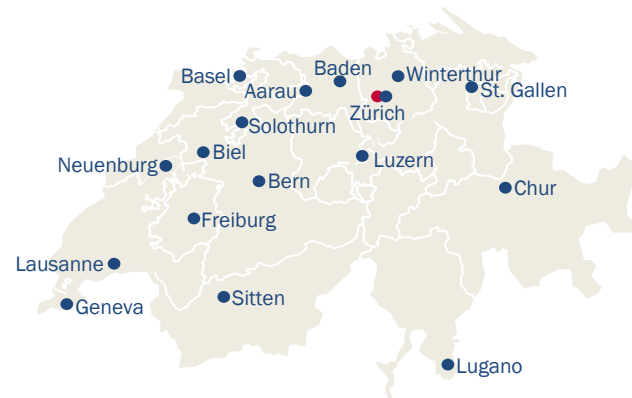
### Personal loans

Cembra Money Bank



- Bank-now
- Cashgate
- Migros Bank
- Cantonal banks

### National coverage with 18 branches

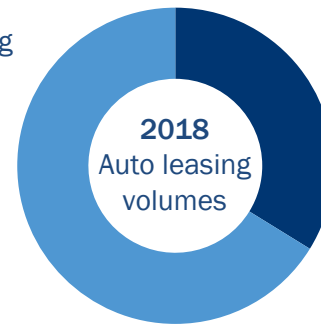


- Diverse distribution model with 18 branches, 140 independent credit agents (30%) and an efficient internet channel
- Premium pricing supported by personalised superior service
- Strong marketing presence to attract and retain customers

### Auto leases and loans

#### Captives

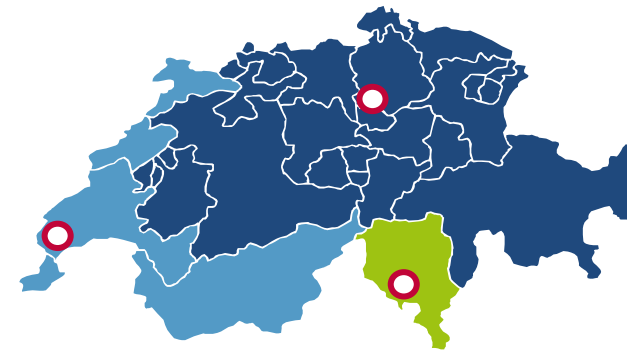
- AMAG Leasing
- BMW
- FCA Capital
- Ford Credit
- MultiLease
- PSA Finance
- RCI Finance



#### Independent

- Bank-now
- Cashgate
- Cembra Money Bank

### Diversified distribution

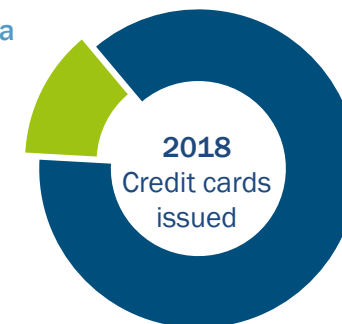


■ German speaking ■ French speaking ■ Italian speaking

- Strong independent player – no brand concentration
- Mix of new (35%) and used cars (65%)
- Offering products through more than 3,900 active dealers – dedicated field sales force combined with 3 service centers

### Credit cards

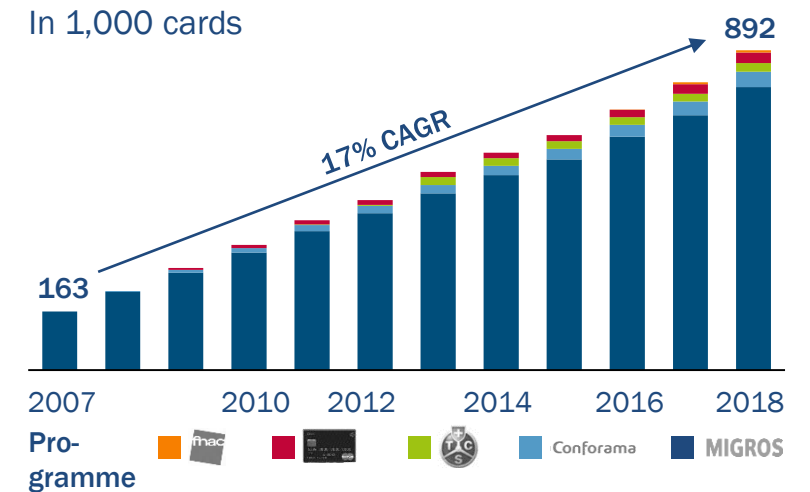
Cembra Money Bank



- Swisscard (CS)
- Viseca (Aduno)
- Cornèr Bank
- Postfinance
- UBS

### A fast growing portfolio

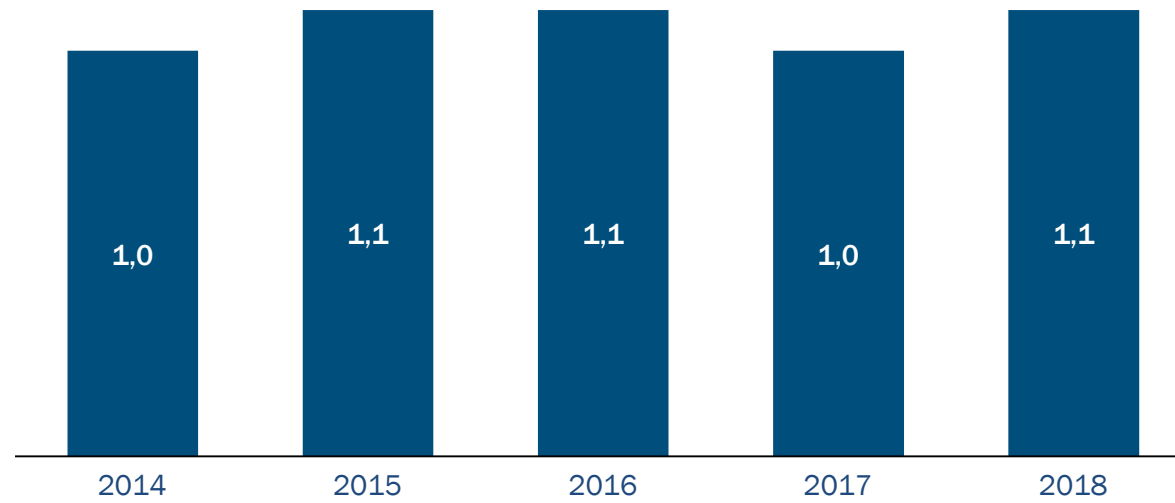
In 1,000 cards



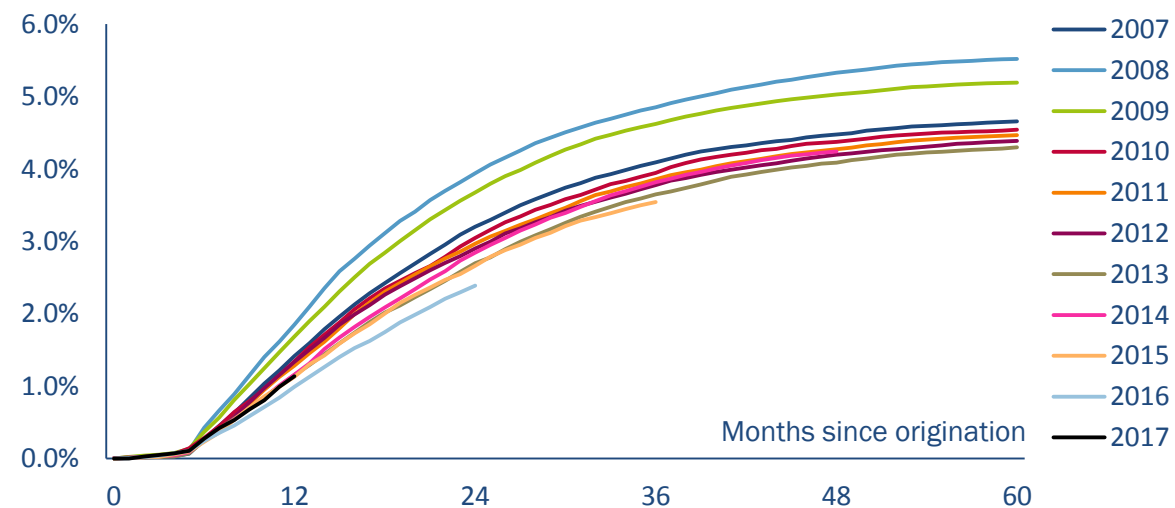
- Launched offering in 2006 – growing the portfolio by 17% p.a.
- Track record of innovation with tailored “dual-card” and attractive loyalty programs
- Strong increase in contactless payments (NFC) – Smart follower strategy for new technologies

# Asset quality history

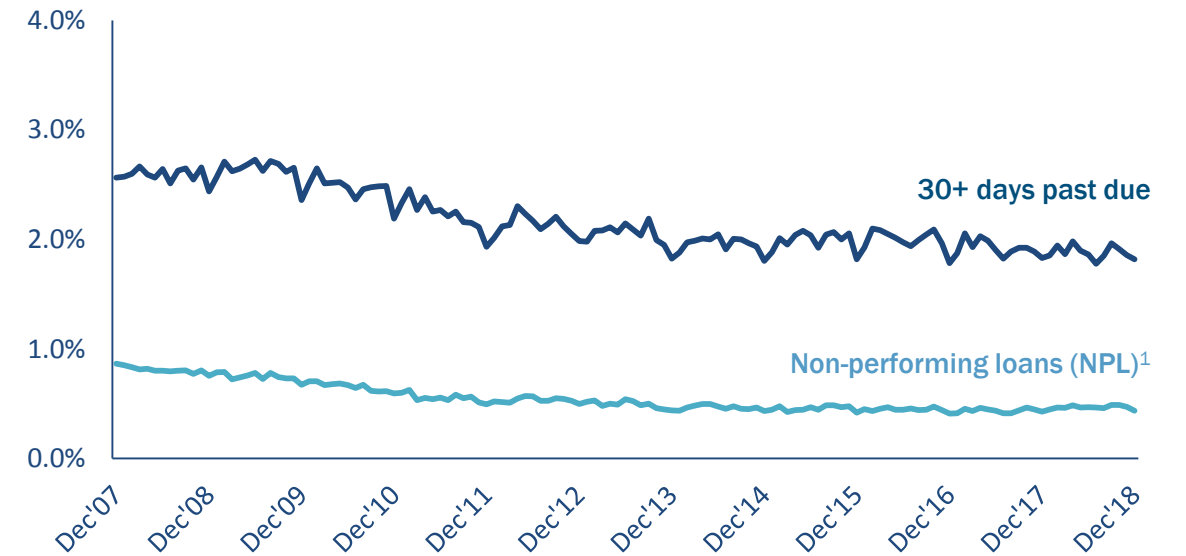
## Loss rate



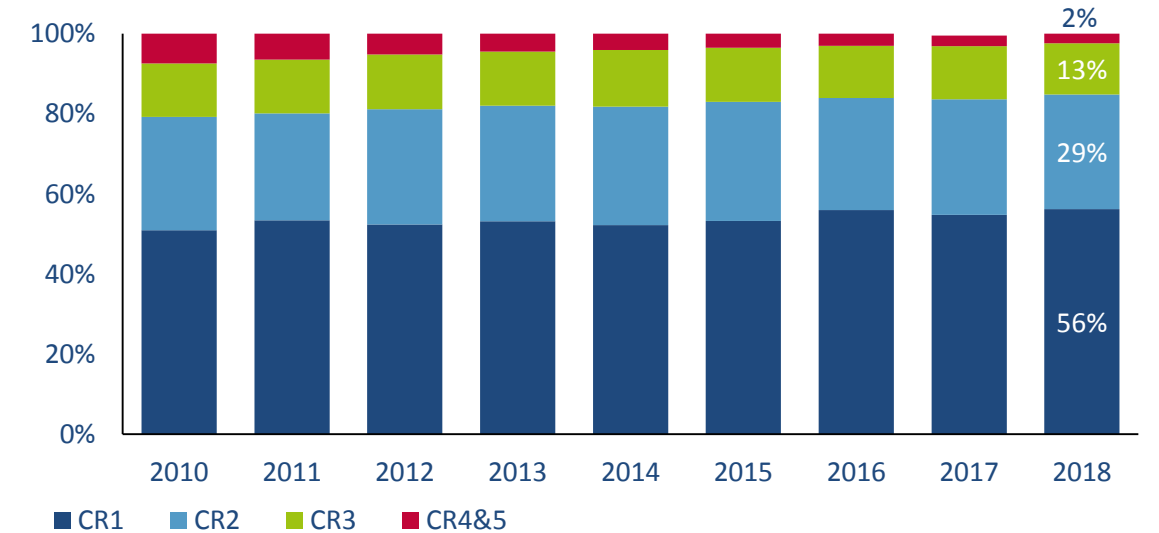
## Write-off performance by year of origination<sup>2</sup>



## Delinquencies



## Credit grades<sup>3</sup>



<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 originated by the Bank

<sup>3</sup> Consumer Ratings (CR) reflect associated probabilities of default the Bank only (CR1 with probability of default ranging between 0.00% – 1.20% to CR5 13.17% and greater)

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# Calendar and further information

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## Calendar

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### Corporate events

17 April 2019	Annual General Meeting, Zürich
22 April 2019	Ex-Dividend date
23 July 2019	H1 2019 results

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### Roadshows and conferences

25 February 2019	Roadshow Zürich
26 February 2019	Roadshow Frankfurt
27 February 2019	Roadshow London
6 March 2019	Roadshow Geneva
21 March 2019	Kepler Cheuvreux Seminar, Zürich
27 March 2019	Roadshow Paris

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## Further information

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