



# **FY 2023 results and strategy execution update**

Holger Laubenthal, CEO

Pascal Perritaz, CFO

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22 February 2024



# Focus on strategy execution

**1** Solid results in 2023 and on track to deliver on strategy and mid-term targets by 2026

**2** Cembra's DNA impact: robust loss performance, pricing and cost discipline, diversified funding mix

**3** Personal loans and auto leasing businesses focused on profitable growth, card migration programme successfully concluded and BNPL business developed into a scalable platform poised for growth in payments

**4** Organisation simplified with two business lines, Lending and Payments, to increase customer focus, leverage customer base and drive efficiency

**5** 2023 and 2024 challenging driven by temporary reduction of net interest margin, continued normalisation of loss performance and partial delays in the roll-out of the new core banking platform

**6** On track to deliver cost/income ratio of <39% by 2026, with savings from strategic programmes starting in 2024, supported by leveraging the BNPL service delivery platform

**7** Mid-term targets confirmed<sup>1</sup> – attractive and growing dividend

<sup>1</sup> see Outlook p 26

# Agenda

## 1. **2023 highlights**

**Holger Laubenthal**

## 2. FY 2023 financial results

Pascal Perritaz, Volker Gloe

## 3. Strategy execution update

Holger Laubenthal

## 4. Outlook

Holger Laubenthal

## Appendix



# FY 2023 performance

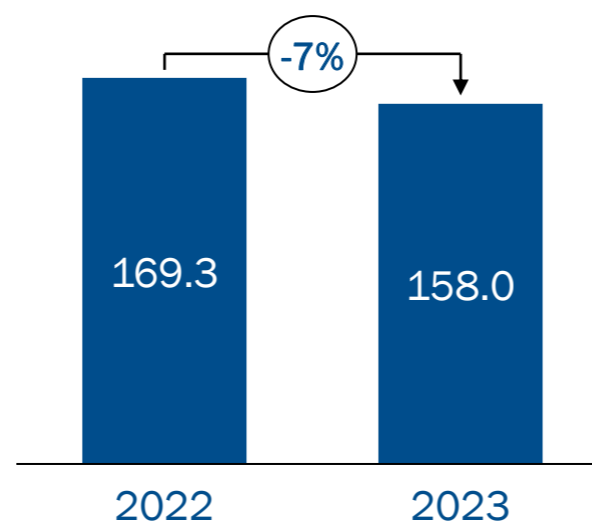
## Continued solid business performance

### Highlights

- Net income of CHF 158.0 million (-7%); H2 2023: +5% year on year
- +3% net financing receivables
- +1% net revenues, with fees +10% due to BNPL
- Stable cost/income ratio of 50.9%<sup>1</sup>
- Continued robust loss performance, with loss rate at 0.8%
- ROE at 12.5%, and strong Tier 1 capital ratio of 17.2%
- Dividend increased to CHF 4.00<sup>2</sup> (FY 2022 CHF 3.95)

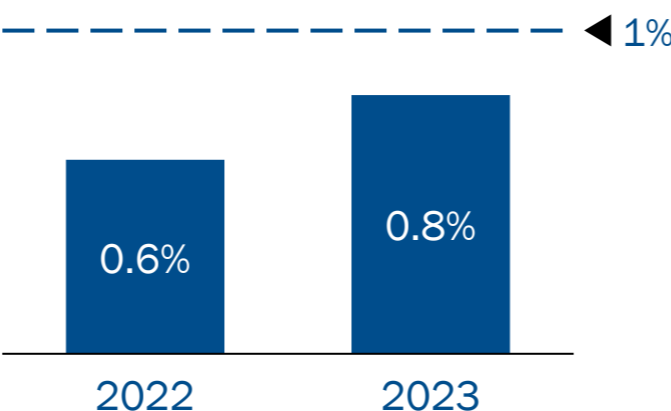
### Net income

in CHF m



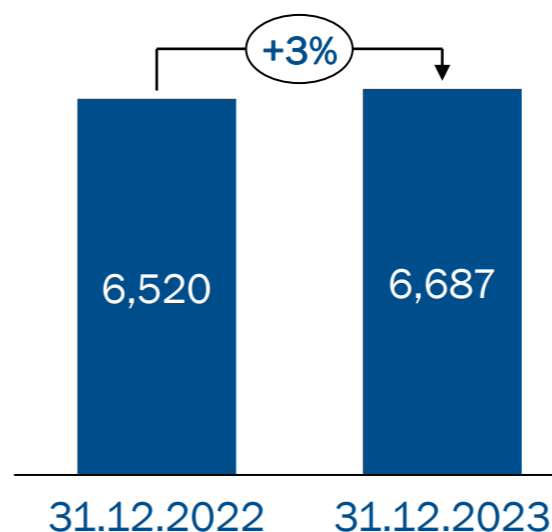
### Loss rate

Mid-term target  $\leq 1\%$



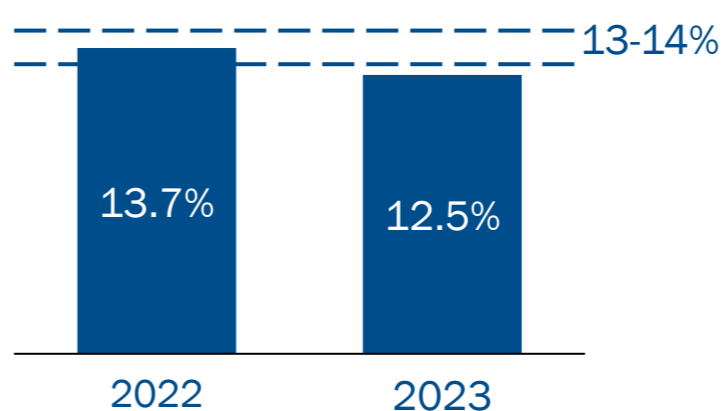
### Net financing receivables

in CHF m



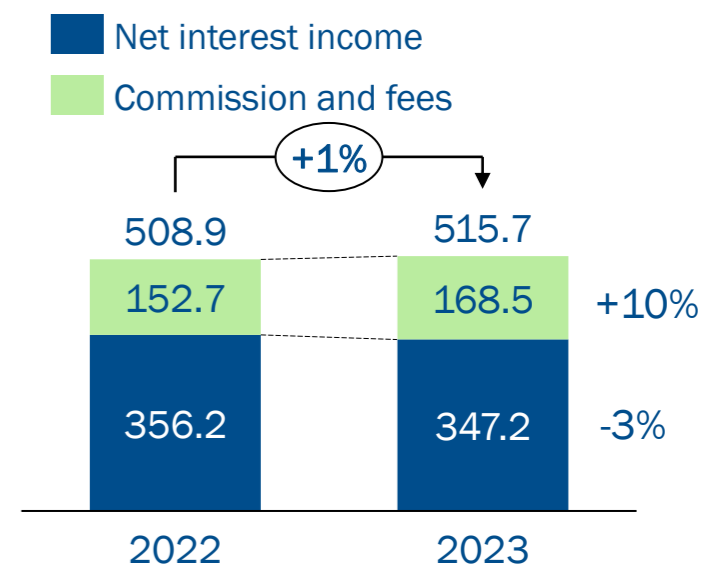
### Return on equity

Target ROE of 13-14% for 2023



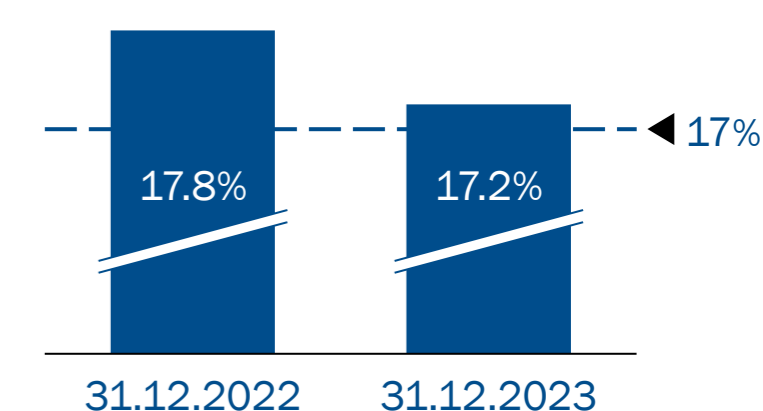
### Net revenues

in CHF m



### Tier 1 capital ratio

Mid-term target of at least 17%



<sup>1</sup> FY 2022: cost/income ratio of 50.6% | <sup>2</sup> proposed

# Products and markets

Continued profitable growth, with leading positions in attractive markets

Cembra 2023

## Lending

### Personal loans

- Continued decisive repricing measures, leading the market
- Net financing receivables -1%, due to selective growth
- Maximum interest rate increased to 12% since 1 Jan 2024
- Market share ~38%

### Auto loans and leases

- Launch of leasing platform for selected partners
- Strong partner proposition: net financing receivables growth +6%
- Decisive pricing adaptations continued
- Market share (leasing) ~20%

## Payments

### Credit cards

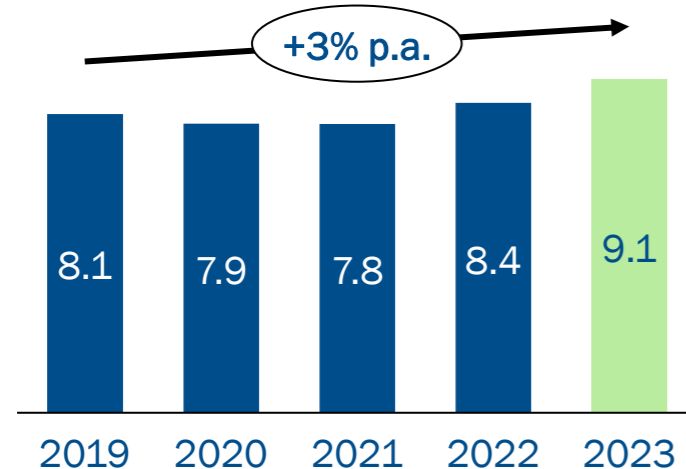
- Certo! transition completed, over 2/3 of cards migrated
- Further increased app penetration to about 400k users
- Own and co-branding cards issued +14%, total cards -2%
- Net financing receivables -2%; assets at pre-Covid level
- Market share<sup>1</sup> ~12%

### Buy now pay later (BNPL)

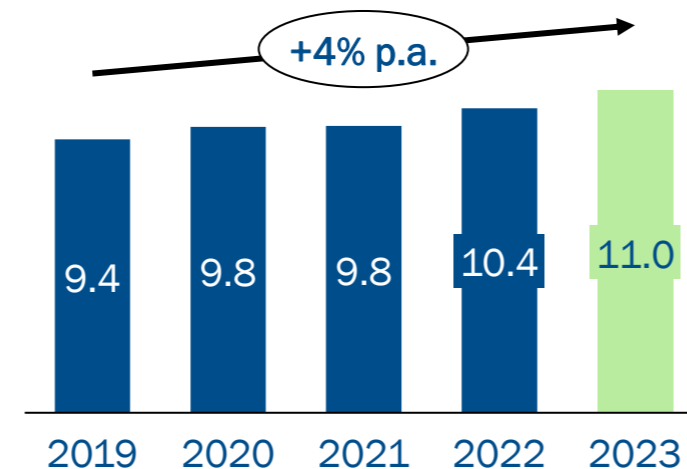
- Acquisition fully integrated; key relationships extended
- BNPL fees +123% (organic and acquisition)
- Billing volume CHF 898m (+88%)
- 4.8m invoices processed (thereof 3.9m BNPL)
- Market share ~30-40%

Market

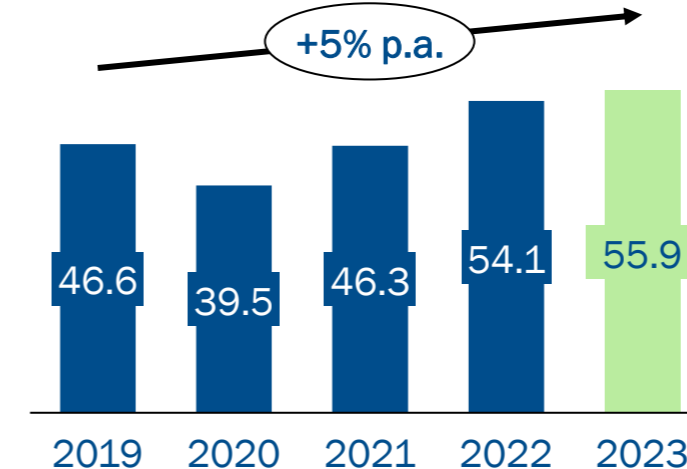
Consumer loans market, in CHF bn



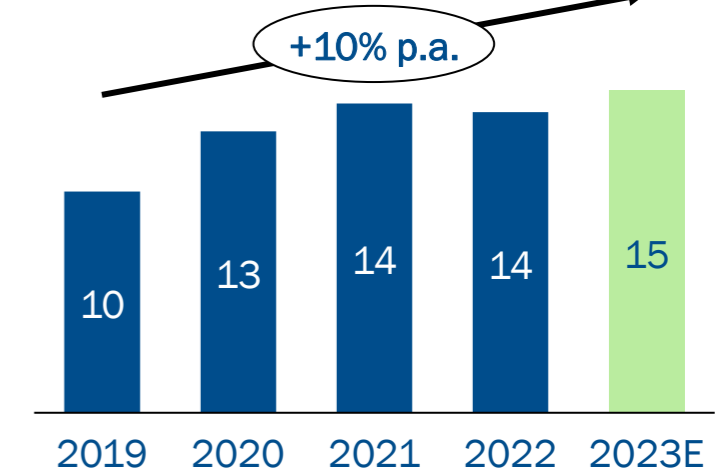
Leasing market, in CHF bn



Transaction volumes, in CHF bn



eCommerce market, in CHF bn



Sources: ZEK, SNB December 2023, Handelsverband.swiss, zhaw | 1 cards issued

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## Appendix

# P&L

## Commission and fee income +10%

In CHF m

		2023	2022	as %
Interest income		422.1	385.6	9
Interest expense		-74.9	-29.4	>100
Net interest income	<b>1</b>	347.2	356.2	-3
Insurance		23.8	23.4	2
Credit cards	<b>2</b>	89.2	94.8	-6
Loans and leases		14.5	15.0	-3
BNPL	<b>3</b>	39.4	17.6	>100
Other		1.5	1.9	-19
Commission and fee income		168.5	152.7	10
<b>Net revenues</b>		<b>515.7</b>	<b>508.9</b>	<b>1</b>
Provision for losses	<b>4</b>	-56.9	-40.9	39
Operating expense	<b>5</b>	-262.6	-257.5	2
<b>Income before taxes</b>		<b>196.2</b>	<b>210.5</b>	<b>-7</b>
Taxes		-38.1	-41.2	-7
<b>Net income</b>		<b>158.0</b>	<b>169.3</b>	<b>-7</b>
<b>Earnings per share (EPS)</b>		<b>5.39</b>	<b>5.77</b>	<b>-7</b>
<b>Key ratios</b>				
Net interest margin		5.2%	5.5%	
Cost/income ratio		50.9%	50.6%	
Effective tax rate		19.4%	19.6%	
Return on equity (ROE)		12.5%	13.7%	
Return on tangible equity		15.2%	16.8%	
Return on assets (ROA)		2.0%	2.3%	

### Comments

- Higher interest income in all products driven by repricing measures for new business as well as other interest income from interest-bearing cash/investment portfolio, offset by higher interest expenses  
For details see slides on 'Net revenues' and 'funding'
- Lower transaction volumes following end of Cumulus partnership since mid 2022, partially offset by successful migration to proprietary Certo! card.
- Increase driven by organic growth and by the acquisition in BNPL
- For details see slide on 'Provision for losses'
- For details see slide on 'Operating expenses'

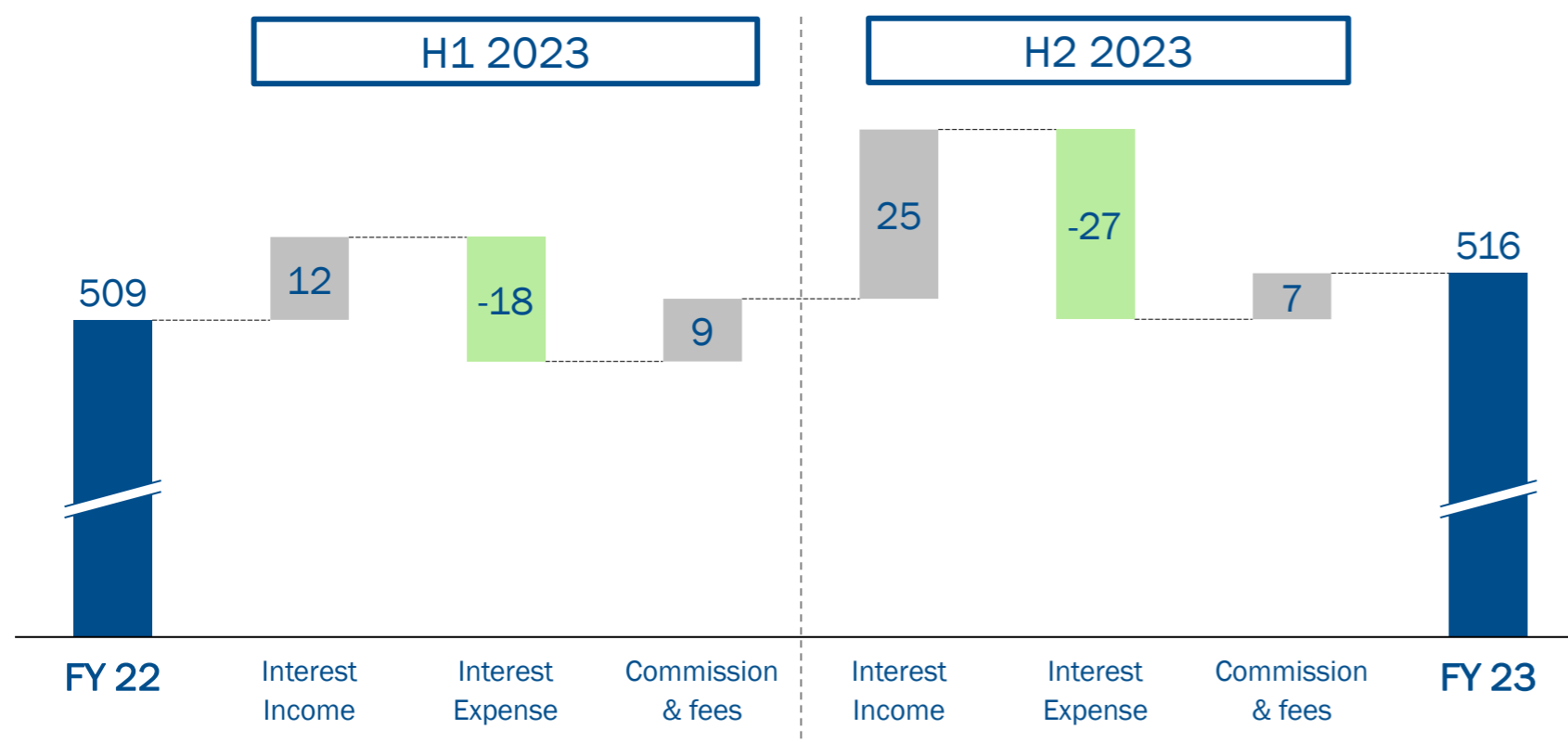
For a glossary including alternative performance figures see appendix and at [www.cembra.ch/financialreports](http://www.cembra.ch/financialreports)

# Net revenues and net interest margin

Repricing actions led to rebound of net interest margin in H2 2023

## Net revenues

In CHF m



## Comments

- Net revenues +1% with increase of interest expense more than offset by additional revenues
- Q4 2023 as a turning point in fully offsetting increase of interest expenses with additional interest income
- Since June 2022, the monthly average pricing for new business continued to steadily increase in all businesses
- Net interest margin (NIM) stabilised and slightly improved since H1 2023, driven by yield increase following repricing measures for new business and other interest income from interest-bearing cash and investment portfolio

## Outlook 2024 - 2025

- NIM expected to rebound to about 5.5% (2022 level) in the mid term

## Net interest margin (NIM)



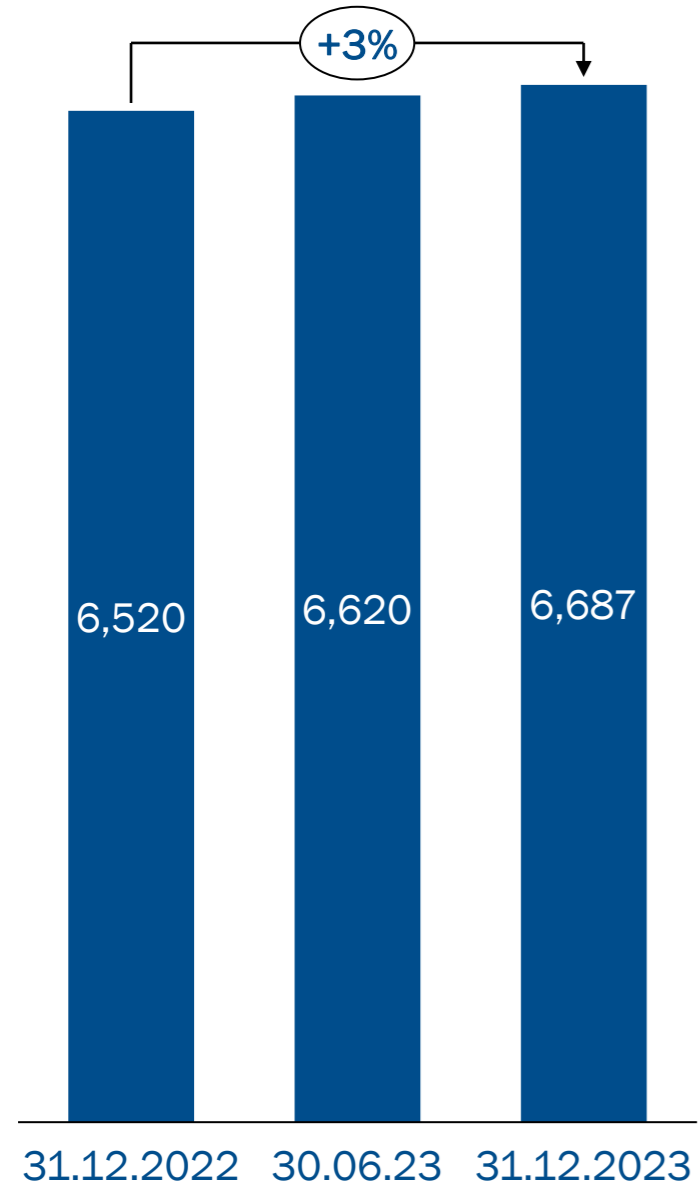


# Net financing receivables and yield development

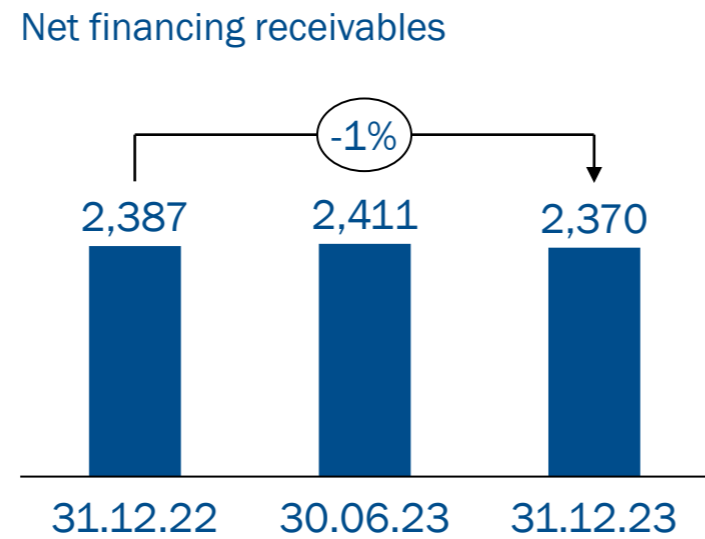
Repricing measures favourably impacting yield

In CHF m

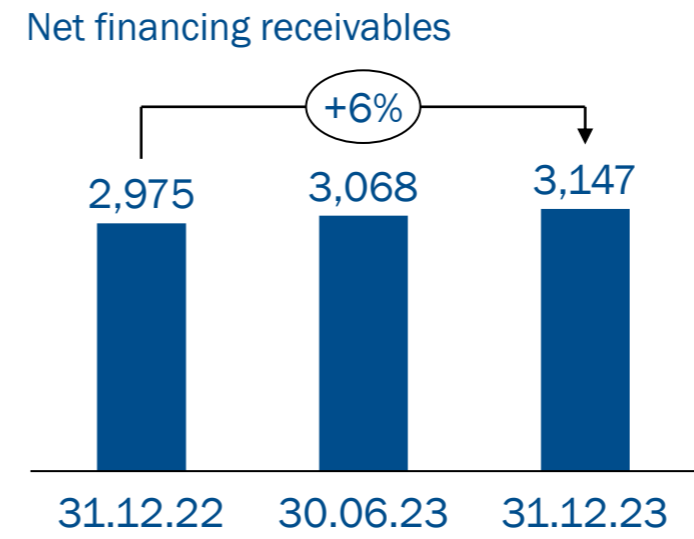
## Net financing receivables



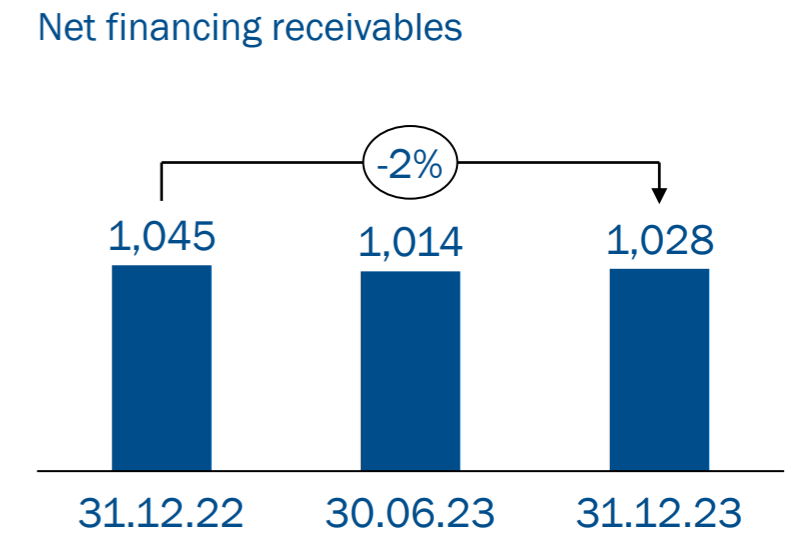
## Personal loans



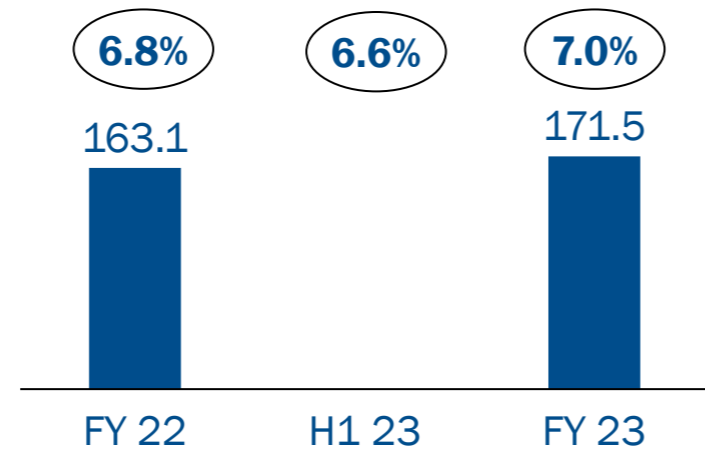
## Auto leases and loans



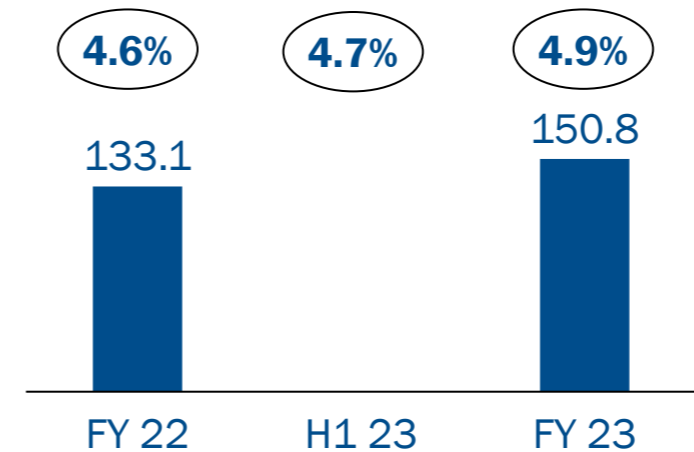
## Credit cards



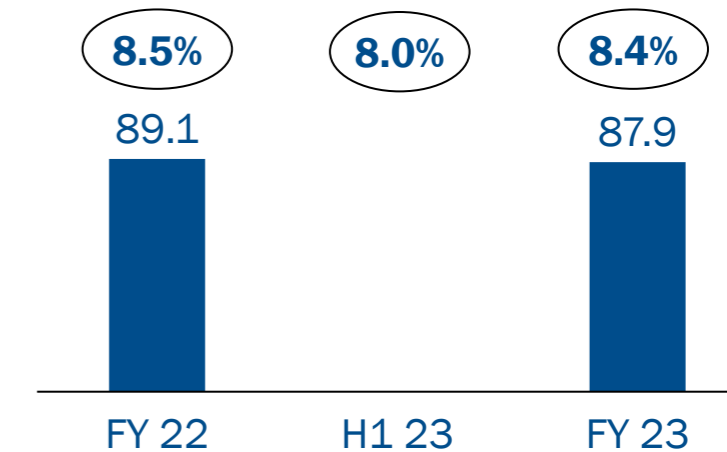
## Yield (2pt avg) and interest income



## Yield (2pt avg) and interest income



## Yield (2pt avg) and interest income



# Credit cards

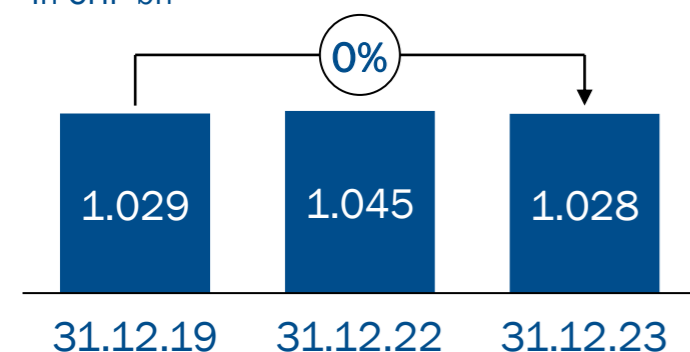
## Migration programme concluded – more than 2/3 of transition portfolio migrated

### FY 2023 credit cards vs guidance

Credit cards assets and revenues largely in line with pre-Covid (FY 2019) levels

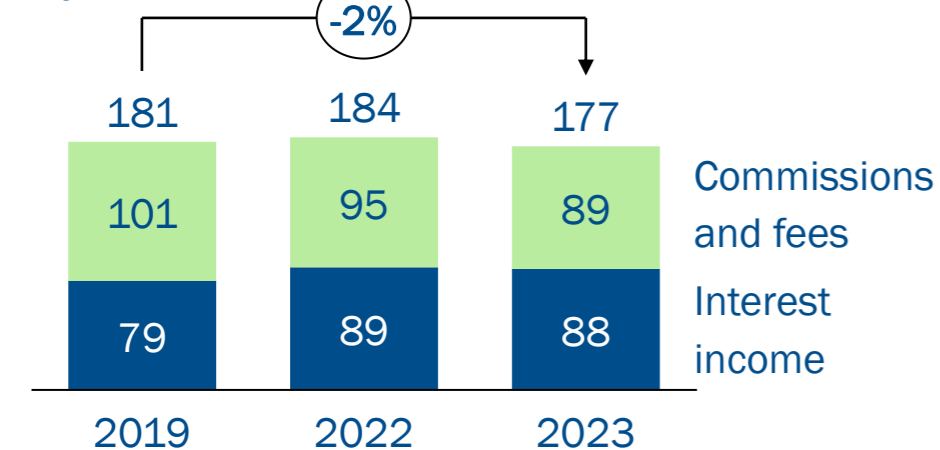
#### Net financing receivables

In CHF bn



#### Revenues

In CHF m



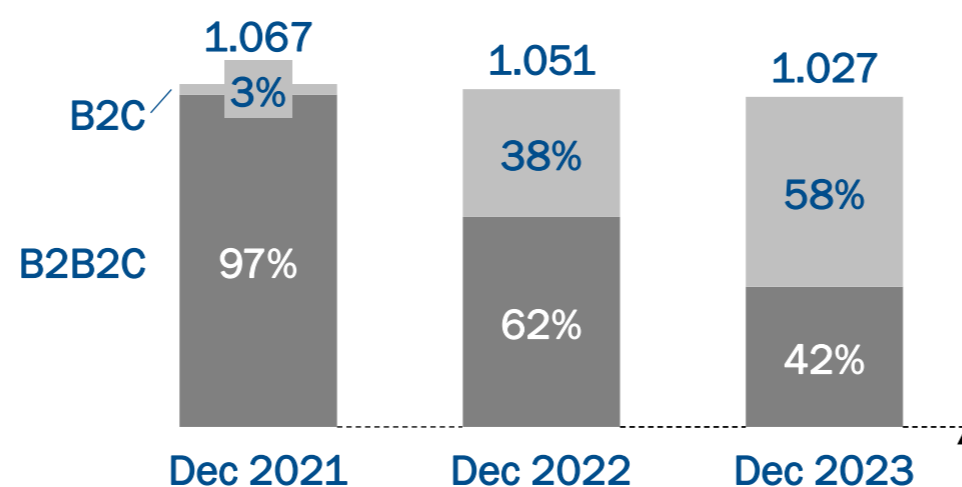
### Transition to own offering

#### Proprietary credit cards (B2C)<sup>1</sup>

- Cembra migrated more than 2/3 of the transition portfolio until February 2024
- Diligent execution of profitability-focused migration strategy

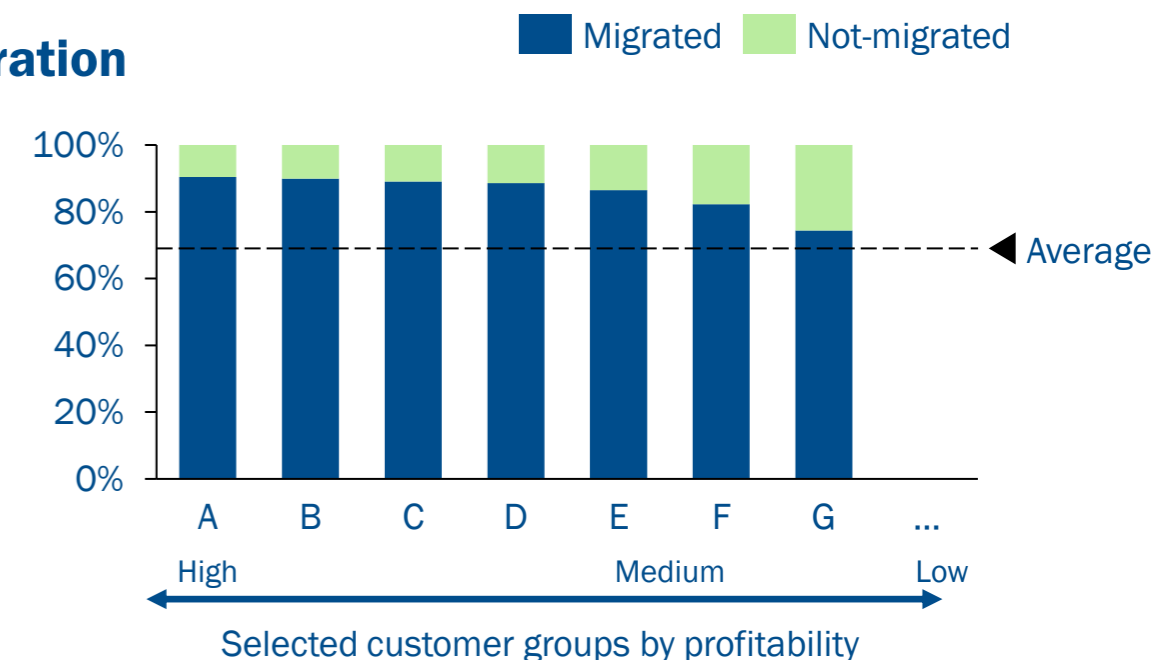


#### Credit cards portfolio

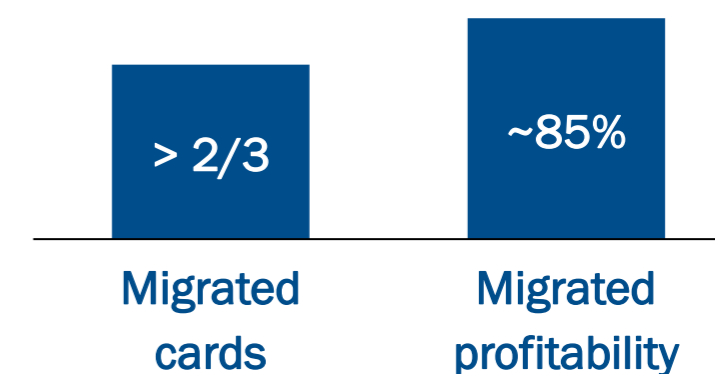


### Transition results

#### Migration



#### Credit cards profitability retained<sup>1</sup>



<sup>1</sup> internal estimate

# Operating expenses

## Diligent execution, -5% year on year in second half of 2023<sup>1</sup>

In CHF m

		2023	2022	as %
Compensation and benefits	<b>1</b>	137.0	135.5	1
Professional services	<b>2</b>	20.8	22.0	-5
Marketing	<b>3</b>	11.7	15.7	-26
Collection fees	<b>4</b>	15.0	10.7	40
Postage and stationery	<b>5</b>	10.2	15.0	-32
Rental exp. (under operating leases)	<b>6</b>	6.2	6.7	-8
Information technology	<b>7</b>	50.6	43.9	15
Depreciation and amortisation	<b>8</b>	27.5	26.0	6
Other	<b>9</b>	-16.3	-18.1	-10
<b>Total operating expenses</b>		<b>262.6</b>	<b>257.5</b>	<b>2%</b>
<b>Cost/income ratio</b>		<b>50.9%</b>	<b>50.6%</b>	
<b>Full-time equivalent employees</b>	<b>1</b>	<b>902</b>	<b>929</b>	<b>-3</b>

### Comments

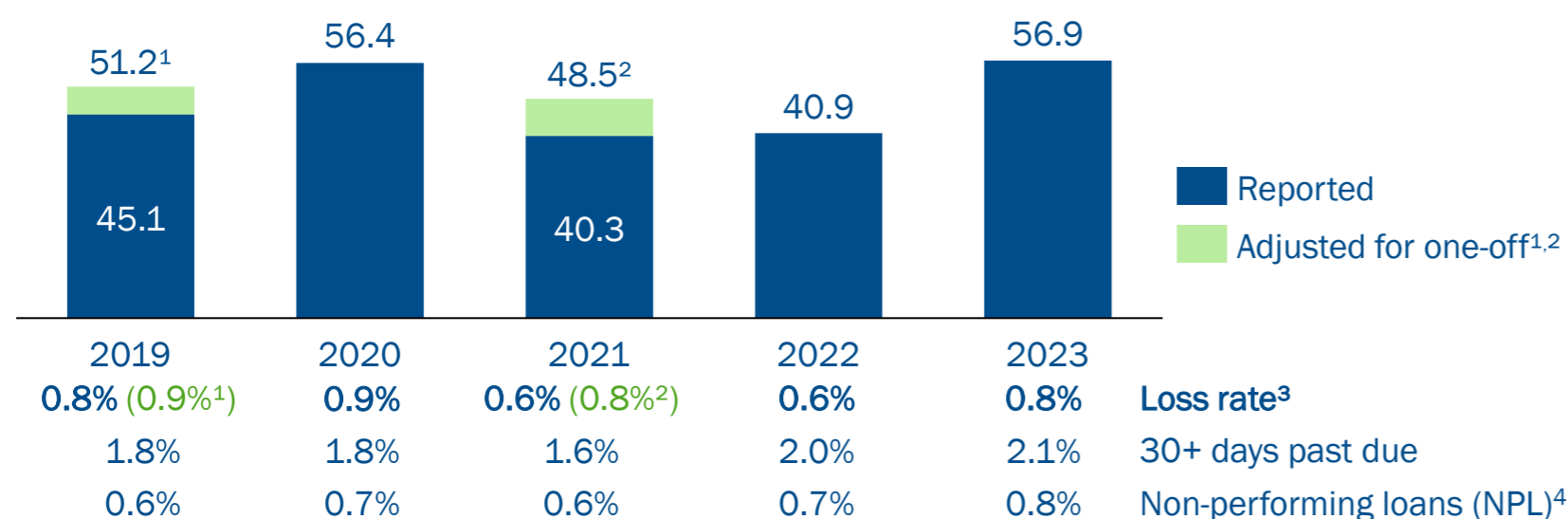
- Increase driven by acquisition of Byjuno and consolidation of CembraPay Latvia team since Q2 2023. Reduced FTE driven by integration within BNPL and diligent hiring management
- Decrease driven by lower utilisation of external service providers
- Normalisation of marketing spend compared with card launches in H2 2022
- Increase mainly driven by BNPL outsourcing cooperation in collections
- Decrease driven by continued digitisation and one-off expenses related to the card launches in H2 2022
- Decrease driven by reduction of office rental space
- Increase driven by strategic projects, and CembraPay-related IT costs
- Increase mainly driven by the amortisation of CembraPay intangibles
- Decrease largely driven by capitalisation related to strategic projects and pension fund costs

<sup>1</sup> Operating expenses H2 2023: CHF 128.1m and H2 2022: CHF 135.5m

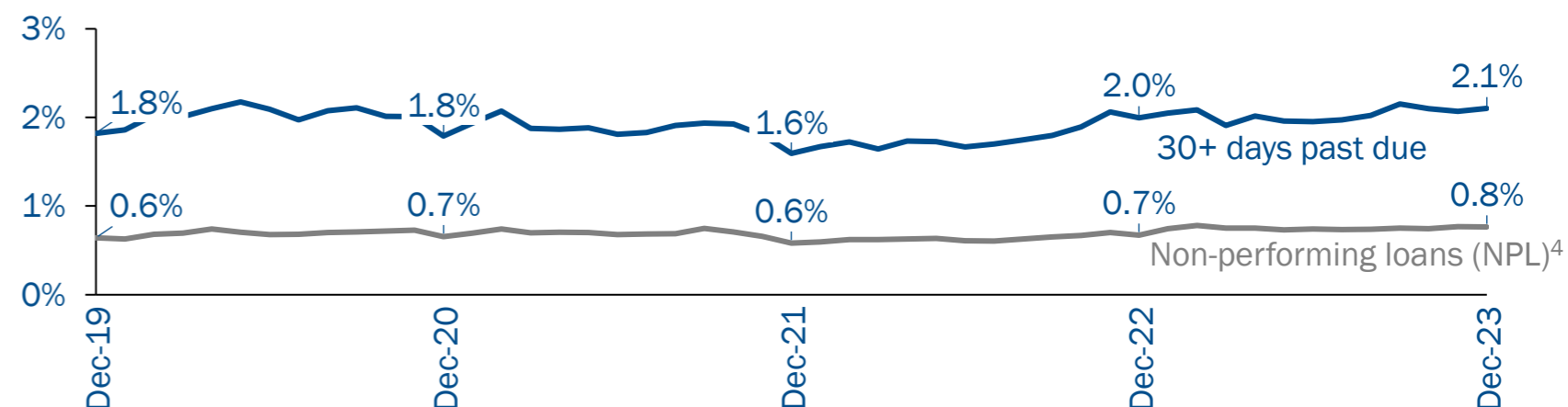
# Provision for losses

## Continued robust loss performance

### Provision for losses



### NPL and delinquencies

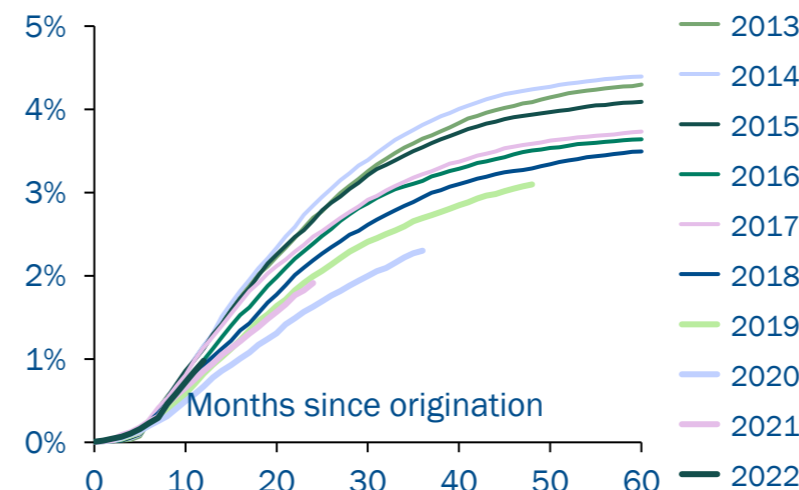


### Comments

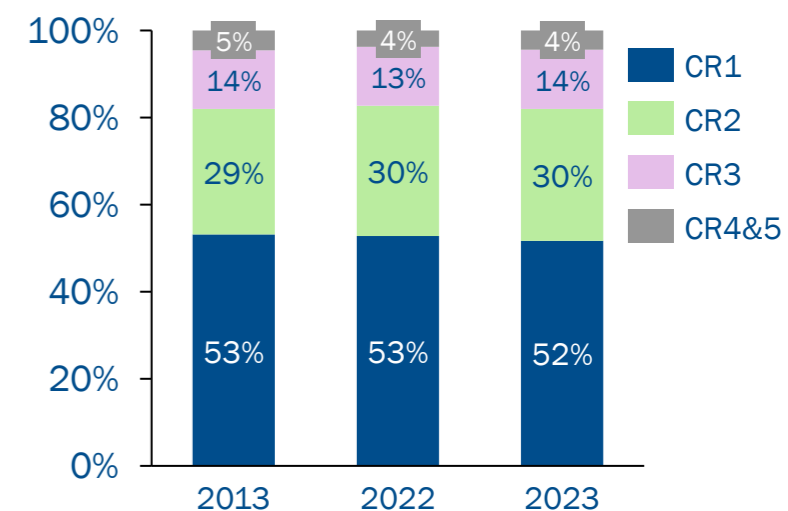
- Loss performance in 2023 reflects the ongoing normalisation in line with communicated mid-term targets
- Sound allowance for losses policies across portfolios with different risk profiles affecting cost of growth versus prior years
- Continued active and prudent management of risk appetite for effective loss mitigation
- Cembra expects a temporarily slightly more adverse Swiss macro economic environment, and the loss rate to be in line with the long-term historical trend

### Write-off performance

By year of origination for Bank Loans and Auto products



### Credit grades<sup>5</sup>



<sup>1</sup> Excluding the one-off impact related to synchronisation of write-off and collection procedures | <sup>2</sup> Excluding impact of 8.2m of loan sale in H1'21 | <sup>3</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>4</sup> Non-performing loans (NPL) ratio is defined as the ratio of non-accrual financing receivables (at period-end) divided by financing receivables | <sup>5</sup> Consumer Ratings (CR) reflect associated probabilities of default for material Bank portfolios



# Balance sheet

## Net financing receivables +3%

In CHF m

<b>Assets</b>		31.12.23	31.12.22	as %
<b>Cash and equivalents</b>	<b>1</b>	<b>922</b>	<b>633</b>	<b>46</b>
Financing receivables <sup>1</sup>		6,844	6,612	4
Allowance for losses	<b>2</b>	-157	-92	70
<b>Net financing receivables</b>	<b>3</b>	<b>6,687</b>	<b>6,520</b>	<b>3</b>
Personal loans		2,370	2,387	-1
Auto leases and loans		3,147	2,975	6
Credit cards		1,028	1,045	-2
BNPL		141	114	25
All other assets <sup>2</sup>		479	471	2
<b>Total assets<sup>2</sup></b>		<b>8,088</b>	<b>7,624</b>	<b>6</b>
<b>Liabilities and equity</b>				
<b>Funding</b>	<b>4</b>	<b>6,595</b>	<b>6,126</b>	<b>8</b>
Deposits		3,497	3,513	-0
Short- & long-term debt		3,098	2,613	19
All other liabilities <sup>2</sup>		244	223	9
<b>Total liabilities<sup>2</sup></b>		<b>6,838</b>	<b>6,349</b>	<b>8</b>
Shareholders' equity	<b>5</b>	1'250	1,274	-2
<b>Total liabilities and equity<sup>2</sup></b>		<b>8,088</b>	<b>7,624</b>	<b>6</b>

### Comments

- 1** Higher balance driven by continued disciplined funding management
- 2** Day-1 increase of 64m due to CECL adoption (for details see appendix on CECL)
- 3** Higher net financing receivables driven by Auto leases and loans:
  - Personal loans -1%: due to selective growth with strict underwriting and repricing measures and CECL adoption
  - Auto +6% driven by strong volume performance in leasing
  - Cards -2% driven by portfolio shift and CECL adoption
  - BNPL +25%: driven by higher volumes in invoice financing for e-commerce
- 4** For details see slide on 'Funding'
- 5** Shareholders' equity decreased by -2% driven by the dividend payment in April 2023 (-116m) and CECL adoption (-54m)

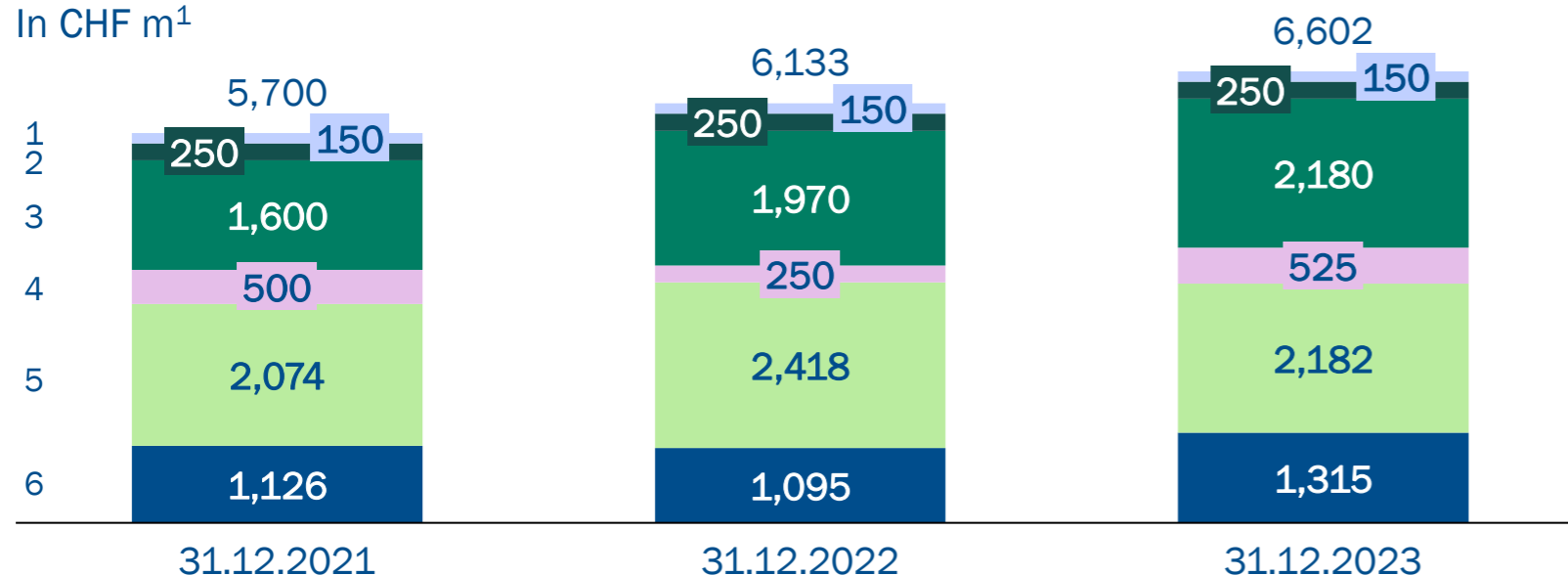
<sup>1</sup> Financing receivables (excl. allowance for losses): Personal loans CHF 2,474m; Auto leases and loans CHF 3,171m, Credit cards CHF 1,052m, BNPL CHF 147m | <sup>2</sup> In 2023, the Group elected to present VAT on a net basis and updated the financial year 2022 figures retrospectively. See Group Consolidated Financial Statements 2023, Note 9. Other Assets

# Funding

Further diversified, with retail funding growing

## Funding mix

In CHF m<sup>1</sup>



## ALM key figures

	31.12.21	31.12.22	31.12.23
Average funding cost	0.45%	0.50%	1.18%
Average funding cost, net <sup>2</sup>	0.47%	0.50%	1.01%
End-of-period funding cost	0.44%	0.79%	1.47%
WA <sup>3</sup> remaining term (years)	2.5	2.1	2.4
LCR <sup>4</sup>	1030%	336%	348%
NSFR	116%	107%	113%
Leverage ratio	14.4%	13.5%	12.6%
Undrawn revolving credit lines	400m	400m	400m

<sup>1</sup> Excluding deferred debt issuance costs (US GAAP) | <sup>2</sup> Net of income from cash & equivalents and financial investments | <sup>3</sup> Weighted average | <sup>4</sup> Weighted average of last 3 months of reporting period

## Funding instruments

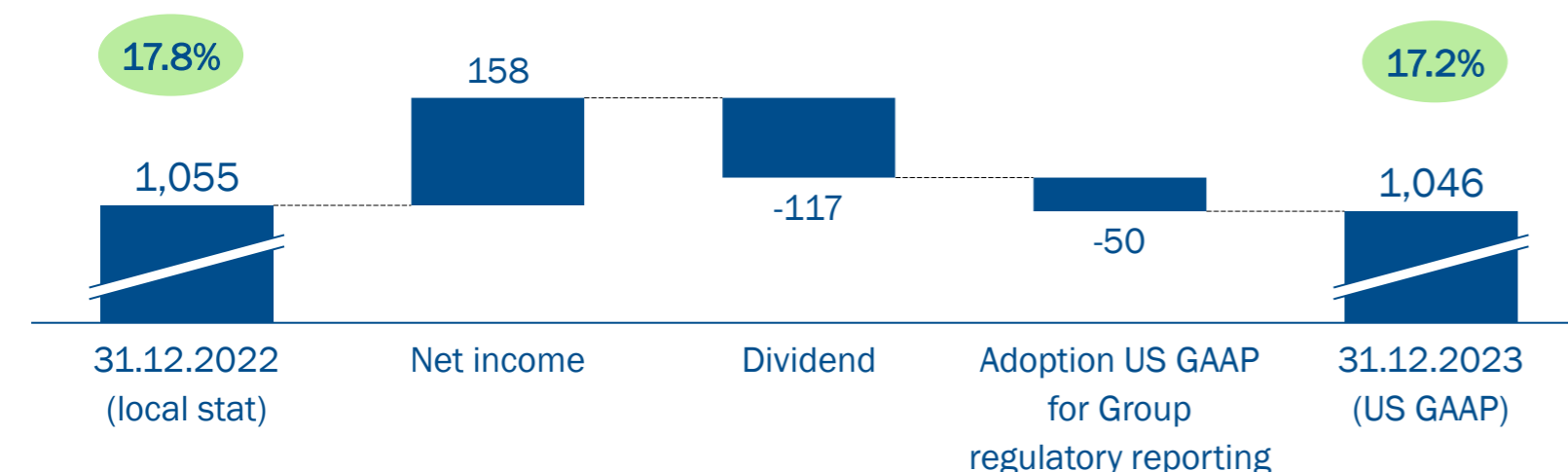
Non-deposits - 47%	1 - AT1 subordinated	One issuance, remaining term to first call 0.9 years at 2.50% <sup>1</sup>
	2 - Convertible bond	One issuance, remaining term 2.5 years at 0% <sup>1</sup>
	3 - Senior unsecured	Eleven outstanding issuances, WA <sup>2</sup> remaining term of 3.6 years WA <sup>2</sup> at 1.39% <sup>1</sup>
	4 - ABS	Two issuances, remaining term of 1.4 years WA <sup>2</sup> at 1.35% <sup>1</sup>
Deposits - 53%	5 - Institutional term deposits	<ul style="list-style-type: none"> <li>Diversified portfolio across sectors and maturities</li> <li>Book of 100+ investors</li> </ul>
	6 - Retail term deposits and saving accounts	<ul style="list-style-type: none"> <li>Circa 18,000 depositors</li> <li>Fixed-term offerings 2-10 years</li> <li>Saving accounts are on-demand deposits</li> </ul>
		WA <sup>2</sup> remaining term of 1.7 years, WA <sup>2</sup> rate of 1.51%
Other	Contingency funding	<ul style="list-style-type: none"> <li>Four revolving credit lines of between CHF 50m and 150m each, WA<sup>2</sup> remaining term of 1.7 years, WA<sup>2</sup> rate of 0.22%<sup>1</sup></li> <li>CHF 98m repo-eligible HQLA investments</li> </ul>

# Capital position

## Tier 1 capital ratio of 17.2% and attractive dividend policy

### Tier 1 capital walk

In CHF m

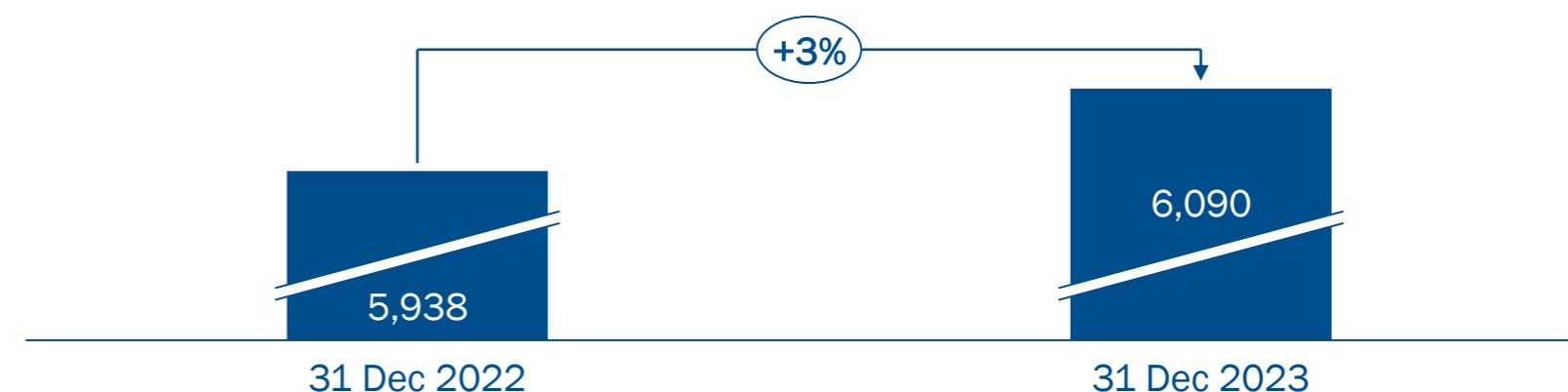


### Comments

- US GAAP standard for the Group regulatory reporting implemented as per FINMA requirement, including BNPL legal entities
- Mid-term Tier 1 capital ratio target of 17%
- CET 1 ratio 14.7% as of 31 Dec 2023 (31 Dec 2022: 15.2%)
- FINMA's final Basel III (aka "Basel IV") standards: impact on the Tier 1 capital ratio between -0.5pp to -1.0pp for FY 2025 expected and based on the Capital Adequacy Ordinance's latest adoption, effective from 1 Jan 2025 on

### Risk-weighted assets

In CHF m



### Comments

- Risk-weighted assets (+3%) in line with net financing receivables growth (+3%)
- Minor impact on risk-weighted assets due to the change to the US GAAP accounting basis

### Dividend policy

- For 2023, increased dividend of CHF 4.00 (+CHF 0.05, payout ratio 74%) proposed
- Cembra intends to pay a growing dividend from 2024 on, based on sustainable earnings growth

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## Appendix



# Recap: Strategy 2022 – 2026<sup>1</sup>

## Reimagining Cembra



### Key messages

- ➔ We will leverage technology to deliver the most intuitive customer solutions in consumer finance
- ➔ We will draw on the strengths of our world-class credit factory and our leadership in selected markets
- ➔ We will radically simplify our operating model and invest to transform our technology landscape in order to further improve customer service and reduce the cost base by more than CHF 30 million
- ➔ We will further differentiate our value proposition and enhance our market reach
- ➔ We will drive embedded finance solutions across products and channels, and we will leverage Swissbilling to grow our 'buy now pay later' business
- ➔ We will foster a customer-first mindset and create an agile and learning-oriented organisation in which people work together with confidence and trust
- ➔ We will target an ROE of  $\geq 15\%$  from 2025<sup>2</sup> onwards. We will aim to deliver an increasing dividend, supported by cumulative EPS growth of 20–30% by 2026

<sup>1</sup> Investor Day December 2021 | <sup>2</sup> Previously  $>15\%$  from 2024 onwards, due to changed interest rate environment and delay in strategy implementation

# Review strategy execution

Progress 2022 and 2023 overall in line with targets

## Strategy execution 2022-23

### Cembra's DNA

- Decisively implemented repricing measures
- Continued solid loss performance, cost discipline
- Market-leading sustainability metrics

### Operational excellence

- Rolled out leasing platform for selected partners
- Moved the data centre, established cloud readiness
- Extended mobile app, launched new savings product platform

### Business acceleration

- Executed cards migration in line with plan
- Achieved organic and profitable growth

### New growth opportunity

- Completed Byjuno integration<sup>1</sup>
- TWINT pay later proposition live

### Cultural transformation

- New employer value proposition and brand refresh
- Implemented new organisation, further strengthened commercial leadership

## Financial targets achievement 2022-23

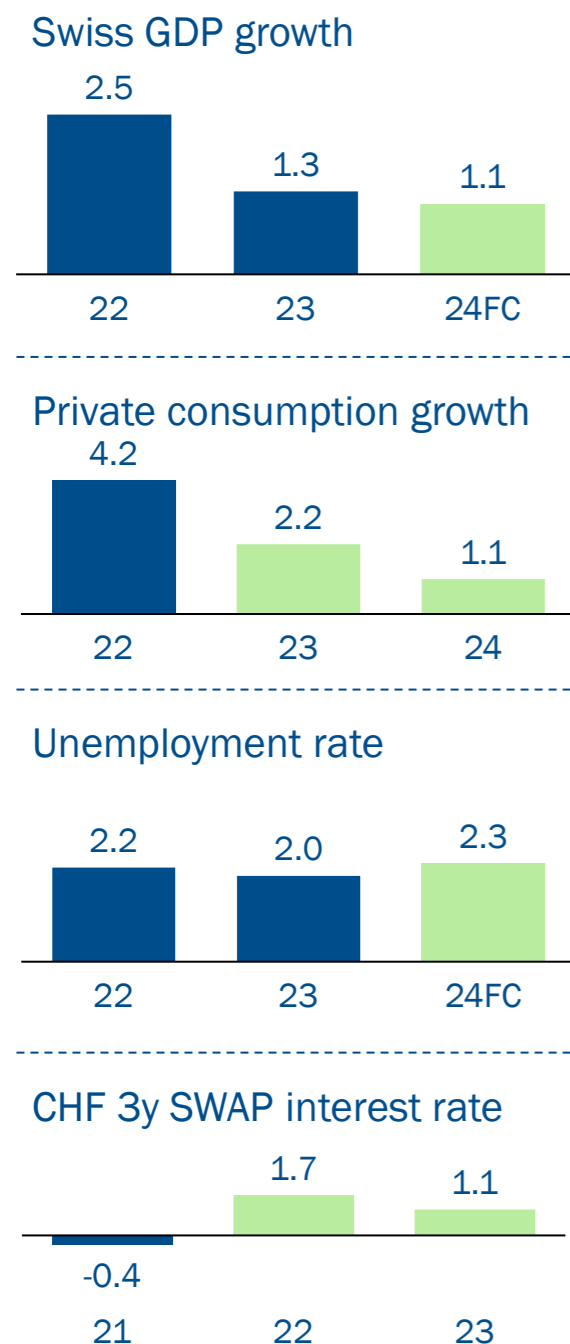
KPI	Targets 2022-26 <sup>2</sup>	2022	2023
Financing receivables growth	1-3% p.a. / in line with GDP	+5% <input checked="" type="checkbox"/>	+4% <input checked="" type="checkbox"/>
Tier 1 capital ratio	>17%	17.8% <input checked="" type="checkbox"/>	17.2% <input checked="" type="checkbox"/>
Cost / income ratio	2022-23: stable 2026: < 39%	51% <input checked="" type="checkbox"/>	51% <input checked="" type="checkbox"/>
Loss performance	Loss rate ≤ 1%	0.6% <input checked="" type="checkbox"/>	0.8% <input checked="" type="checkbox"/>
Return on equity	2022-23: 13-14% 2024-26: ≥15%	13.7% <input checked="" type="checkbox"/>	12.5% <input checked="" type="checkbox"/>
Cumulative EPS growth	20-30% from 2021 until 2026	On track <input checked="" type="checkbox"/>	On track <input checked="" type="checkbox"/>
Attractive and increasing dividend	for 2021: ≥ CHF 3.75 for 2022-26: increasing	3.95 <input checked="" type="checkbox"/>	4.00 <sup>3</sup> <input checked="" type="checkbox"/>

<sup>1</sup> Legal merger planned in 2024 | <sup>2</sup> Investor Day December 2021 | <sup>3</sup> proposed  
18 22 February 2024 Full-year 2023 results

# Consumer finance market trends

## Attractive markets in Lending and Payments

### Macro view (as %)

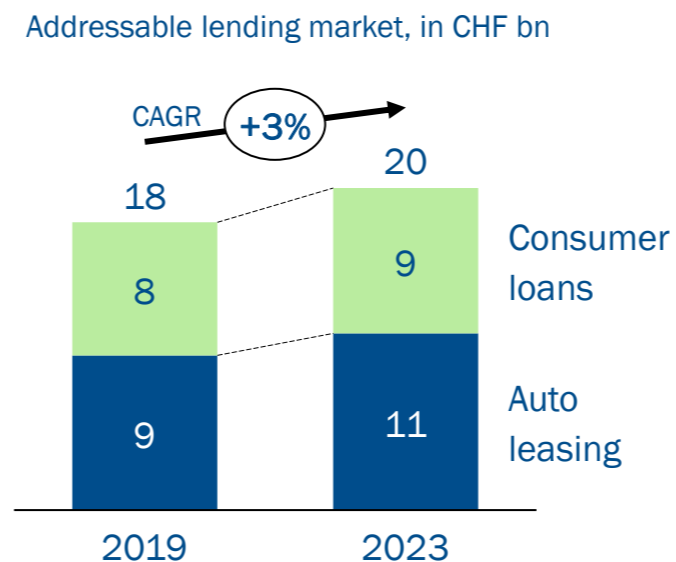


- Resilient Swiss economy; private consumption a reliable driver
- Attractive labour market
- H2 2023 a turning point in interest rate expectations
- Online retail matured; off-line renaissance post-pandemic
- Continued digitisation investments; data/insights and AI gaining momentum

Sources: Seco December 2023, Bloomberg  
19 22 February 2024

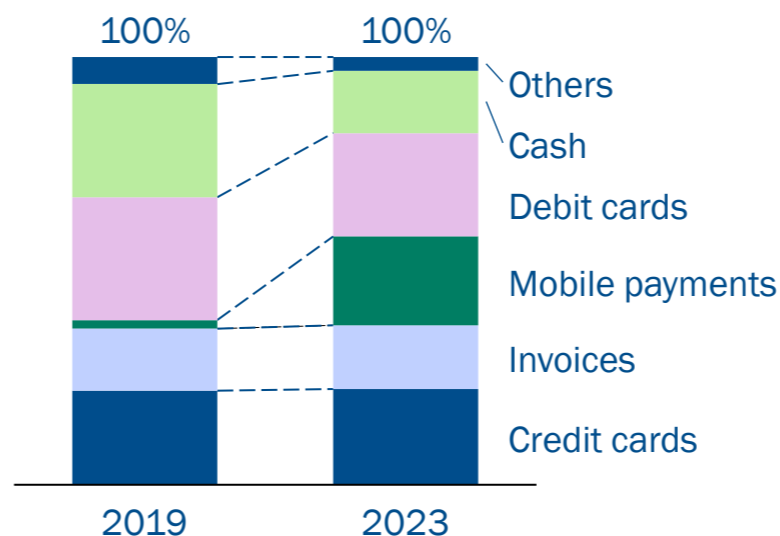
Full-year 2023 results

### Trends in lending



- Steady growth supported by long-term market fundamentals and leasing penetration
- Interest rate hikes ended era of ‘free money’
- Increasing focus on cash generation, profitability favouring more established business models

### Trends in payments



- Continued trend towards cashless payment; share of mobile payments increasing
- Cards/invoice/BNPL product proximity
- Consumers seeking flexible, seamless payments/financing options at POS
- Underlying need for short term credit intact

Source: «Swiss Payment Monitor 2023

# Business lines Lending and Payments

Two distinct business lines addressing market opportunities

## Business characteristics Lending and Payments

	Lending	Payments
Market dynamics	More stable and predictable	More dynamic and innovative
Transaction attributes	Occasional, with distinct use cases	Frequent, with high customer proximity
Financing terms	2-8 years	Shorter term
Capital needs	Moderate (RWA 75%)	Capital light

## New simplified organisation

*Business lines*

**Lending**

Personal loans and Auto leases & loans

**Payments**

Credit cards and BNPL

*Functions*

Operations

Technology

Finance

Risk

Legal & compliance

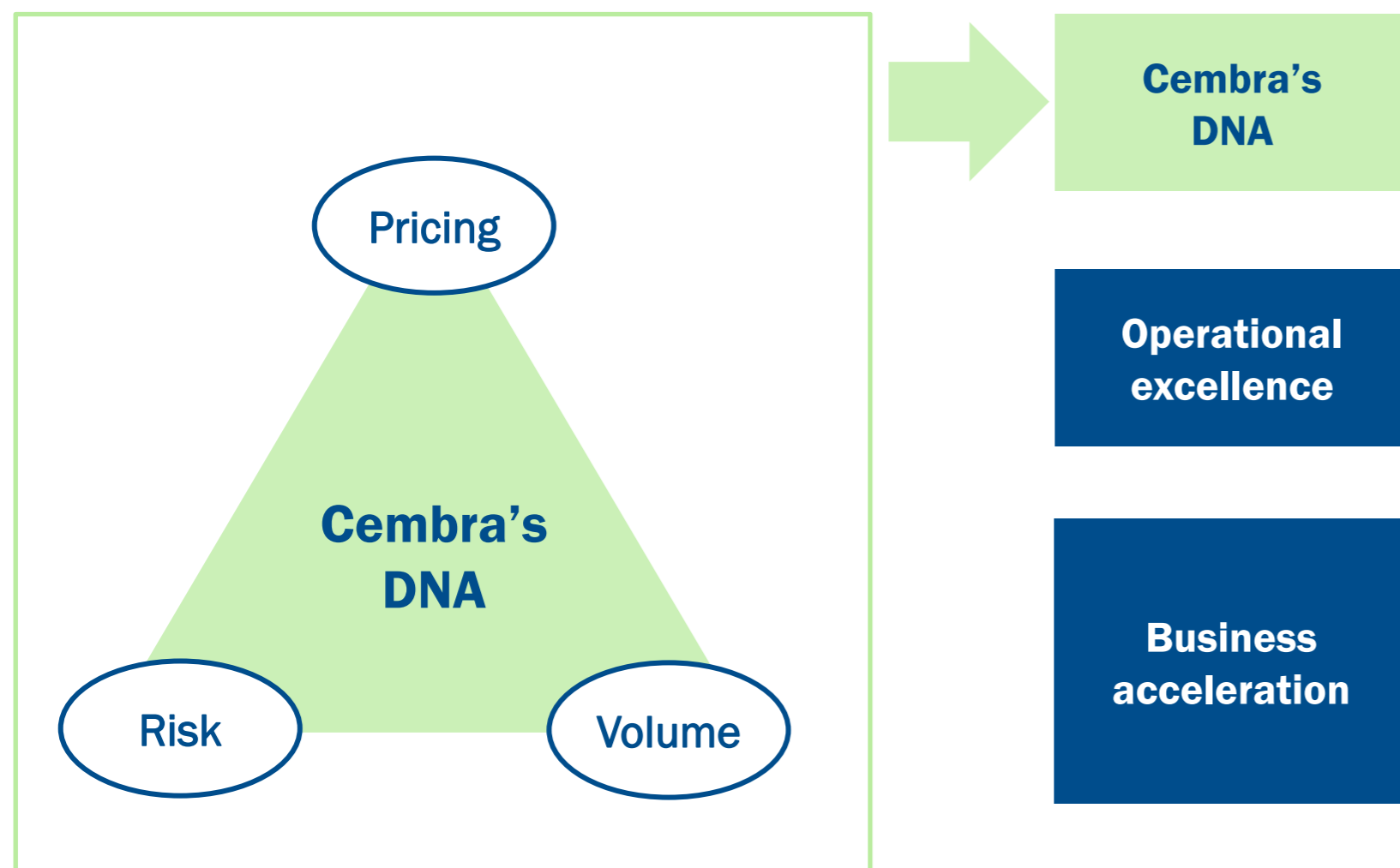
People & culture



# Business line Lending

Continued delivery on profitable growth and leveraging new platforms

## Leverage DNA to drive profitability



## Personal loans

## Auto

← Continuously calibrate price/volume/risk equation to drive profitable growth →

- Initiate platform renewal to accelerate digitisation of services
- Drive distribution and operational efficiencies

- Full roll-out of new platform
- Improve services, diversify products, increase efficiency

- Leverage customer analytics for profitable growth
- Continuous channel/ acquisition mix adjustment

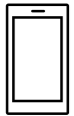






- Further enhance best-in-class distribution model
- 3,700+ dealers, digital distribution, select importer relationships

**Lending growth ≥ GDP; pricing discipline for NIM bounce-back**

# Business line Payments (I)

Market trends creating opportunities, and Cembra well-positioned to capitalise

Legend: ↗ Strengthening ✓ Strong ✓✓ Leading

Key trends	Description	Cembra's position	
 <b>Digital mobile payment / Click-to-Pay</b>	Easy payment options with mobile app, irrevocable digitisation trend	400k+ users; continuing to expand services and engagement options	✓
 <b>Offering convergence (BNPL, instalments, instant issuing)</b>	Consumer demand, embedded finance solutions driving offering convergence	Cembra in unique position given product breadth; truly differentiated	✓✓
 <b>Instant / Debit payment</b>	Direct and instant payments, debit push by banks	Underlying need for credit remains; opportunity to link credit card	↗
 <b>One-stop-shopping / Merchant interface</b>	Comprehensive solution at interface key source of value – embedded finance	Significant opportunity to expand existing and add new relationships for high value-add offering	✓✓
 <b>AI / Data driven commerce</b>	Integration in value proposition and product design – “customer segment of one”	Accelerating trend; opportunity to capitalise on insights for 2m+ customers	✓
 <b>Automation, efficiency in operational activities</b>	Focus on efficient processing and system capabilities	Operational excellence programme in place, further efficiency focus	✓
 <b>Loyalty</b>	Key success driver for retailers across spectrum	Extensive co-brand experience; strengthening expertise	↗

# Business line Payments (II)

Building on unique capabilities to accelerate growth

## Foundation

Insights on more than 2 million customers<sup>1</sup>

Distinctive B2B2C distribution capabilities

Unique combined cards & BNPL offering

One organisation, with platforms in place

## Targeted programmes

Increase product density

- Issuing push with new proposition for BNPL customers
- Establish Cembra app as central point of engagement across services

Accelerate customer engagement

- Launch data-driven customer engagement platform for 1-to-1 interaction
- Enhance analytics for advanced segmentation and modular, tailored offerings
- Revamp loyalty proposition

Upgrade partner proposition

- Extend, multiply bundled offering & embedded finance solutions
- Partner segmentation for tailored solutions

## Ambition

**Cross-selling**

15-20% BNPL customer penetration<sup>2</sup>

**Extended B2B2C partnerships**

5-10 distribution partners/year

**Top-line growth**

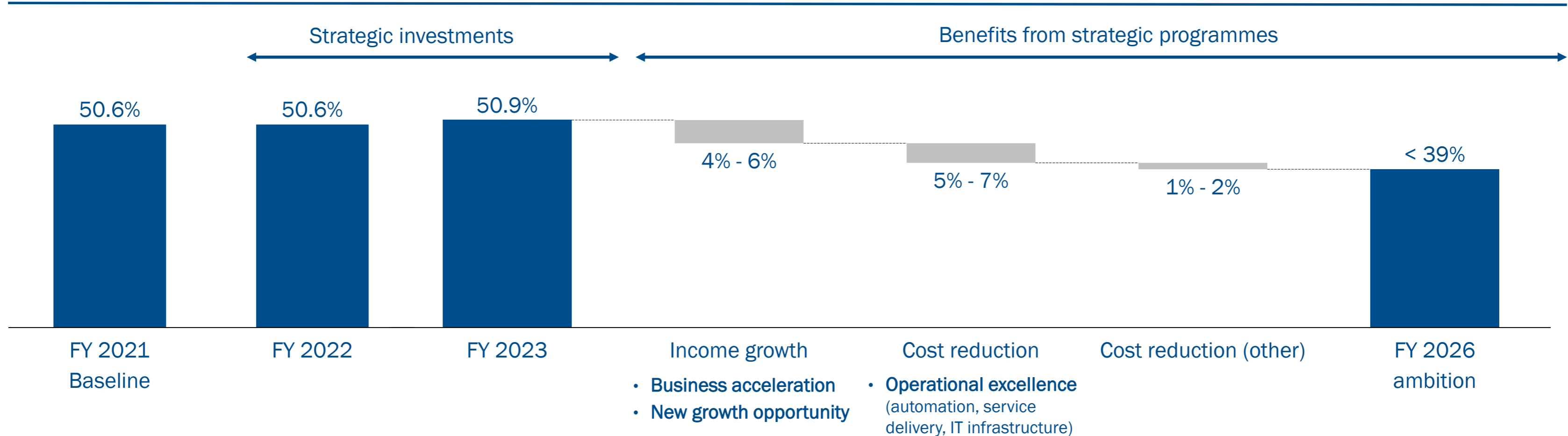
5-10% annual revenue growth 2024-26

<sup>1</sup> Cembra serves more than 2 million customers in Switzerland across the business lines Lending and Payments | <sup>2</sup> Cembra products to BNPL customers

# Cost/income ratio development

< 39% target by 2026 confirmed

## Cost / income ratio



### FTE

902

31 Dec 23

~ 830

31 Dec 24

• One-off personnel costs of about CHF 3-5m expected in 2024

# Agenda

1. 2023 highlights  
Holger Laubenthal
2. FY 2023 financial results  
Pascal Perritaz, Volker Gloe
3. Strategy execution update  
Holger Laubenthal
4. **Outlook**  
**Holger Laubenthal**

## Appendix



# Outlook

## Continued resilient business performance expected in 2024

### Outlook 2024<sup>1</sup>

#### Deliver on strategic priorities

- **Lending:** Continued delivery of profitable growth in auto leasing and personal loans
- **Payments:** Accelerate growth by increasing product density, accelerating customer engagement and upgraded partner propositions
- **Operational excellence:** Deliver on operational excellence and transformation, with continued focus on cost benefits realisation

#### Continued resilient business performance

- Net revenues expected to moderately outpace GDP growth
- Net interest margin expected to slightly increase
- Continued robust loss performance and cost/income ratio below 49%
- ROE 2024 expected between 13% and 14%
- H2 2024 expected to be stronger than H1 (similar to trend in 2023)

### Financial targets until 2026<sup>2</sup>

#### ROE

2022-23: 13-14%  
 New 2024: 13-14%<sup>3</sup>  
 2025-26: ≥15%

#### Tier 1 capital ratio

2023: >17%  
 2024-26: >17%

#### Dividend per share

for 2024-26:  
 increasing<sup>5</sup>

#### Financing receivables growth

1-3% p.a. /  
 in line with GDP

#### Cost/income

2022-23: stable  
 2026: <39%

#### Risk performance

Loss rate ≤ 1%

#### Cumulative EPS growth

20-30% from 2021  
 until 2026

<sup>1</sup> assuming the Swiss economy continues to grow slightly in 2024 | <sup>2</sup> see Investor Day presentation December 2021 | <sup>3</sup> previously >15% | <sup>4</sup> proposed | <sup>5</sup> based on sustainable earnings growth

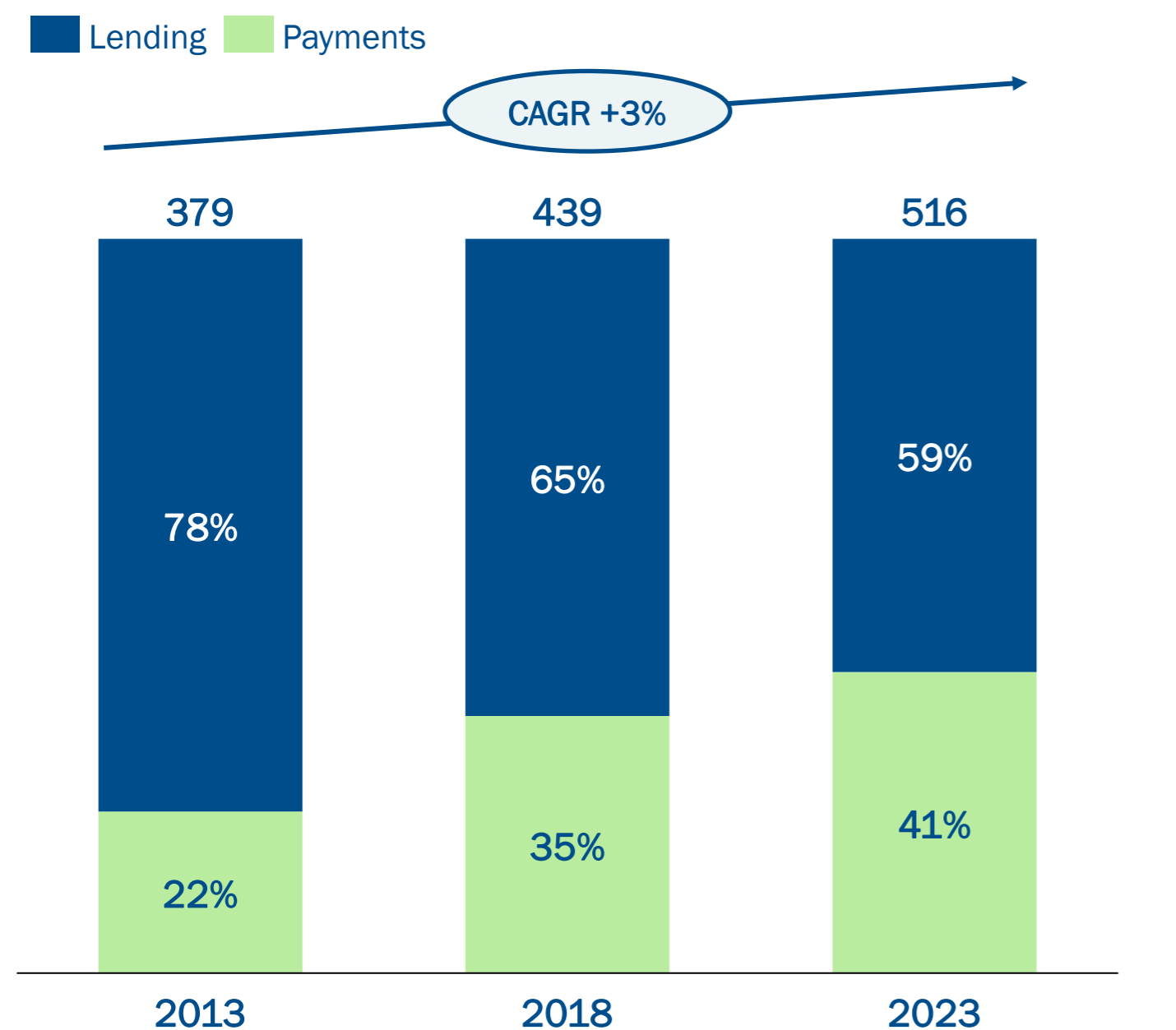
# Agenda

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## Appendix

# FY 2023 pro-forma segment reporting

## Shift in net revenues mix (%)



## FY 2023 pro-forma segment reporting

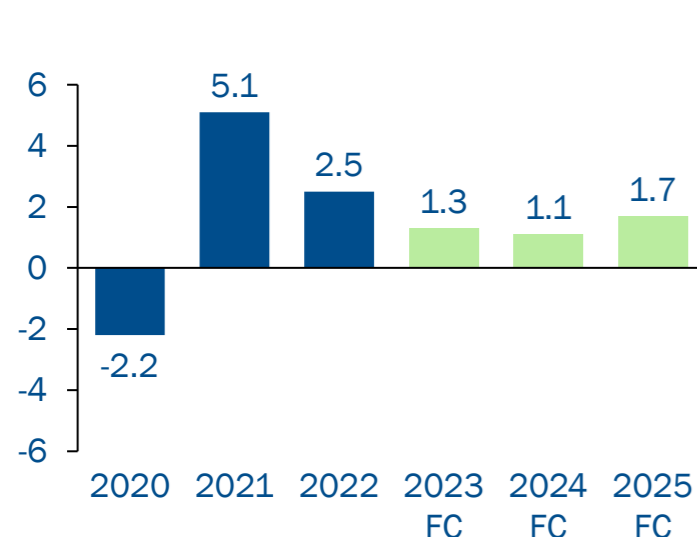
FY-2023 pro-forma segment reporting	Cembra Lending	Cembra Payments	Cembra total
Products	Personal loans Auto loans and leases	Credit cards Buy Now Pay Later (BNPL)	
Financing receivables	CHF 5.6bn	CHF 1.2bn	CHF 6.8bn
Net revenues	CHF 307m	CHF 209m	CHF 516m
- Net interest Income	269m (88%)	78m (37%)	347m (67%)
- Commissions and fees	38m (12%)	131m (63%)	169m (33%)
Loss ratio	0.8%	0.9%	0.8%
Net Income	CHF 91m	CHF 67m	CHF 158m

# Macroeconomic outlook

## Swiss economy expected to remain resilient

### GDP in Switzerland

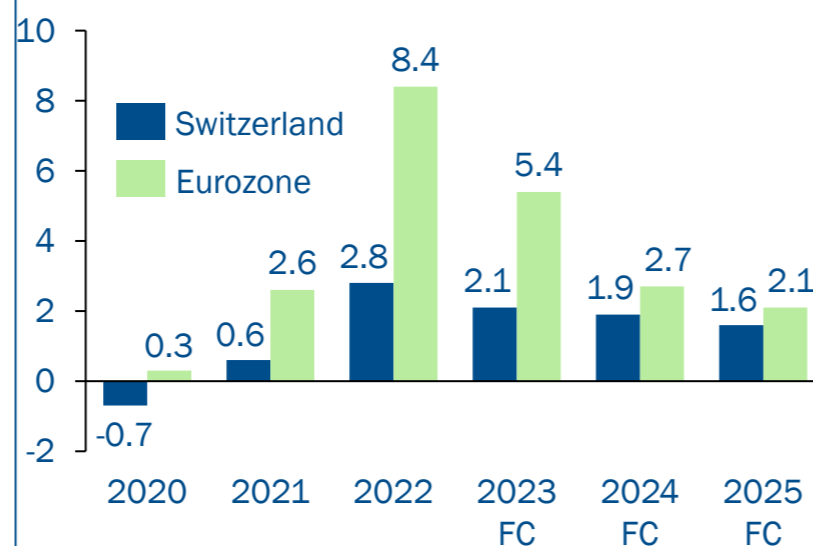
Change vs. previous period as %



Source: SECO December 2023

- Swiss economy is expected to grow 1.3% in 2023 and 1.1% in 2024
- Consumer spending is forecast to increase by 1.1% in 2024 and 1.7% in 2025

### Swiss vs. Eurozone CPI Inflation

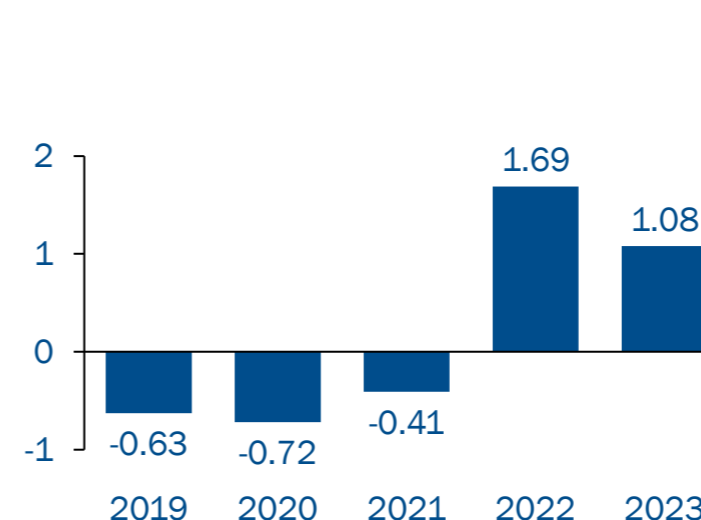


Source: BFS/ SNB , Eurostat/ECB December 2023

- The strong Swiss Franc helped to dampen inflation in Switzerland and to stay below the Eurozone's
- Swiss inflation expected to remain below 2% in 2024

### CHF interest rates

End-of-period 3-year swap rates as %

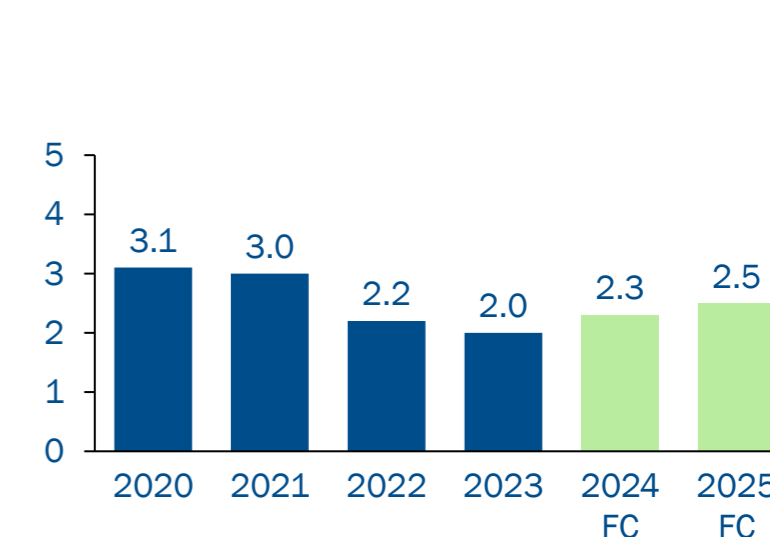


Source: Bloomberg Finance L.P

- Swiss National Bank's policy rate increased by 75bps from 1.00% to 1.75% in 2023
- Policy rate is higher than 3-year swap rate.
- First interest rate cut expected in 2024

### Swiss unemployment rate

As %, average per year



Source: SECO December 2023

- Unemployment rate 2.3% in December 2023
- Unemployment expected to increase slightly to 2.3% in 2024 and increase further to 2.5% in 2025

# Market positions

Serving >2 million customers across the business lines Lending and Payments

## Lending

### Personal loans: 38% market share

31 December 2023, personal loans market

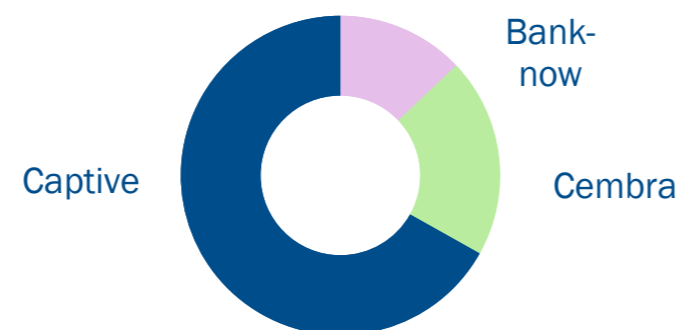


### Leader in personal loans

- 9 branches all over Switzerland
- Diversified distribution channels: branches, online, independent agents/partners
- Premium pricing supported by superior personalised service
- Dual brand positioning (Cembra and cashgate)

### Auto business: 20% market share

31 December 2023, leasing receivables



### Strong independent player

- Strong independent player – no brand concentration
- Partnerships with about 3,700 dealers
- Focus on used cars: ~29% new and ~71% used cars in portfolio
- Dedicated field sales force with four support centres

## Payment

### Credit cards: 12% market share

December 2023, credit cards issued



### Attractive portfolio of 1m cards

- High customer value leading to frequent card usage
  - 9% market share in transaction volumes
  - 16% market share in contactless payments
- Mix of co-branding card partnerships and own card offerings

### BNPL: 30-40% market share

2023 (own estimates)



### Growth segment Buy now pay later

- Buy now pay later (BNPL): purchase by invoice (online & offline) and invoice financing
- Strong BNPL market growth expected
- 4.8m (+92%) invoices processed (thereof 3.9m BNPL)



# Profitability by source

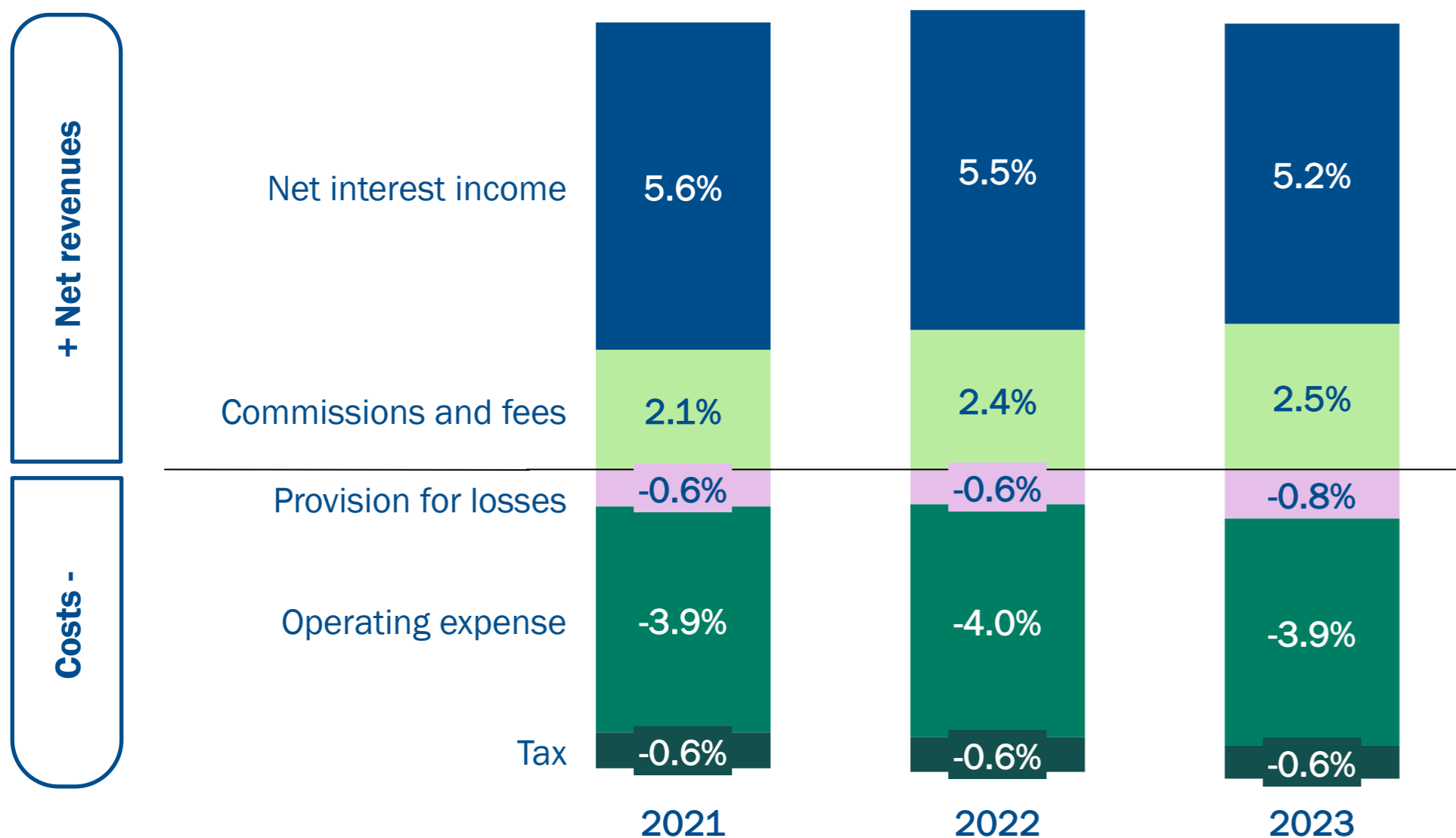
Decline of net interest margin offset by growing share of fee business

Return on financing receivables

2.5%

2.6%

2.3%



## Comments FY 2023

- **Net interest income** affected by higher interest expense, compensated by price increases in financing receivables since mid-2022 and other interest income (from cash and equivalents)
- **Commissions and fees:** increase driven by BNPL revenues
- **Provisions for losses** driven by continued normalisation towards the historic trend <1%
- **Operating expense** higher due to investments in strategic transformation, BNPL integration and running costs

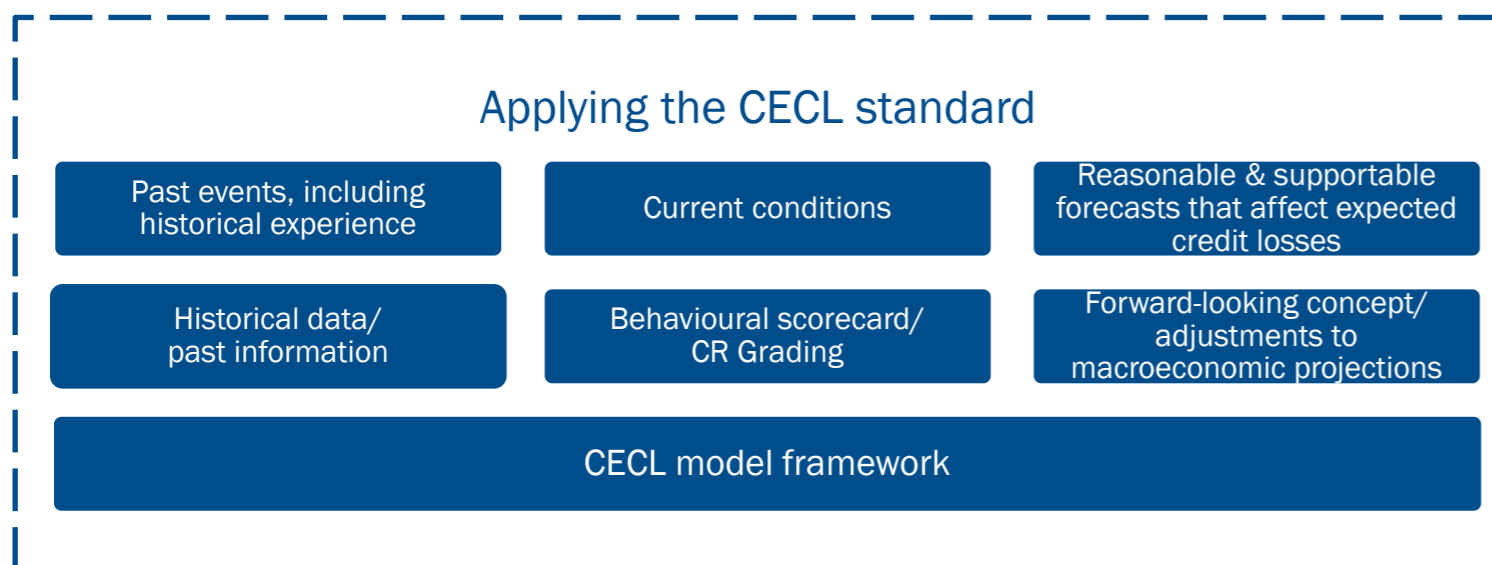
# Current expected credit losses (CECL)

## Adoption since 1 January 2023

### Change from incurred to expected credit loss standard

#### Main differences

	Incurring loss concept	CECL
<b>Probability of default (PD):</b>	<ul style="list-style-type: none"> <li>Incurring loss period of 12 months for all portfolios except revolving portfolios with an effective life &lt;12months.</li> </ul>	<ul style="list-style-type: none"> <li>PD must cover the maximum contractual period (lifetime) the bank is exposed to credit risk.</li> </ul>
<b>Loss given default (LGD):</b>	<ul style="list-style-type: none"> <li>Based on expected recoveries up to 72 months</li> </ul>	<ul style="list-style-type: none"> <li>Lifetime recovery cash flows are discounted by effective interest rate</li> </ul>
<b>Forward-looking:</b>	<ul style="list-style-type: none"> <li>Allowance for losses represented credit losses for which the loss-causing event had already incurred at the reporting date.</li> </ul>	<ul style="list-style-type: none"> <li>Macroeconomic factors are considered for future loss expectations.</li> </ul>



### Financial impact

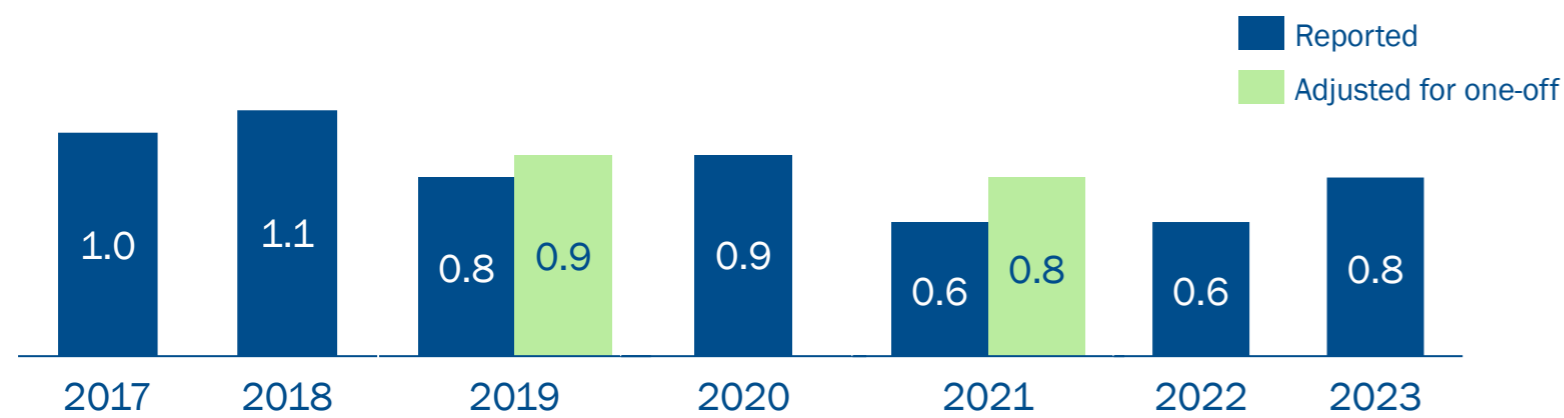
Adoption of CECL as of 1 Jan 2023, based on US GAAP ASC 326, required by FASB and as of 31. Dec 2022 under FINMA Accounting Ordinance 952.024.1

	US GAAP (1 Jan 2023)	Statutory (31 Dec 2022)
<b>Assets &amp; liabilities</b>	<ul style="list-style-type: none"> <li>CHF 64m Increase of allowance for losses for on-balance sheet exposure, and increase of provision of CHF 3m for off-balance sheet exposure (day 1)</li> </ul>	<ul style="list-style-type: none"> <li>Increase of allowance for losses of CHF 64m for on-balance sheet exposure and increase of provision of CHF 3m for off-balance sheet exposure (day 1)</li> </ul>
<b>Equity</b>	<ul style="list-style-type: none"> <li>Recognition through retained earnings (net of deferred tax) CHF 54m</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>P&amp;L</b>	<ul style="list-style-type: none"> <li>No day 1 impact</li> <li>Higher reserve requirements lead to higher P&amp;L impacts of future asset increases/decreases</li> </ul>	<ul style="list-style-type: none"> <li>Adoption led to higher reserves, built up through P&amp;L</li> </ul>
<b>Capital metric</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>One-off impact on Tier 1 ratio of 0.7pp in 2022</li> </ul>

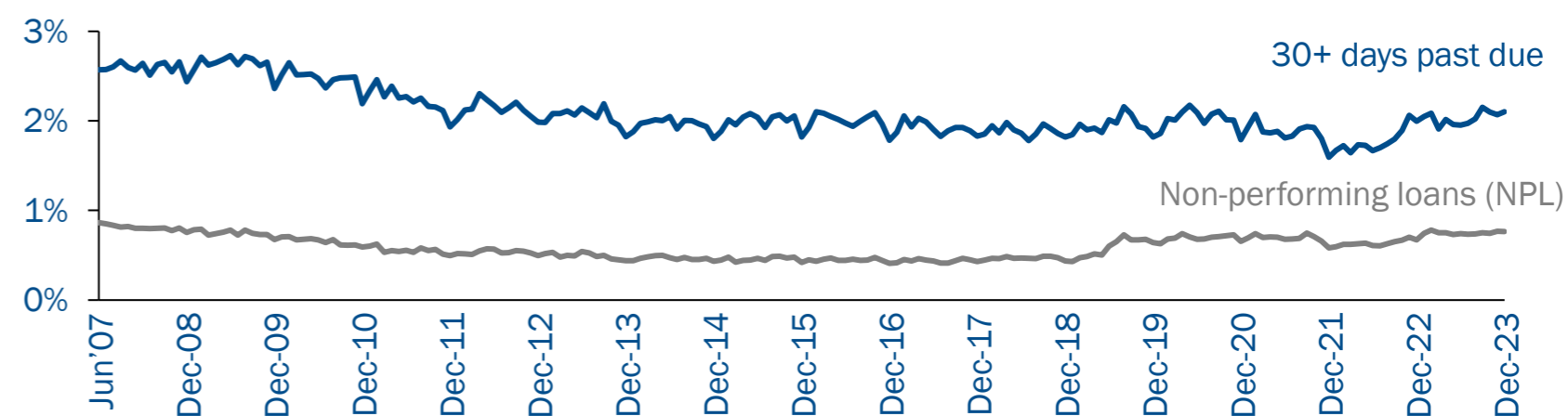
# Long-term risk performance

High quality of assets – loss performance resilient through economic cycles

## Loss rate



## NPL and delinquencies<sup>1</sup>

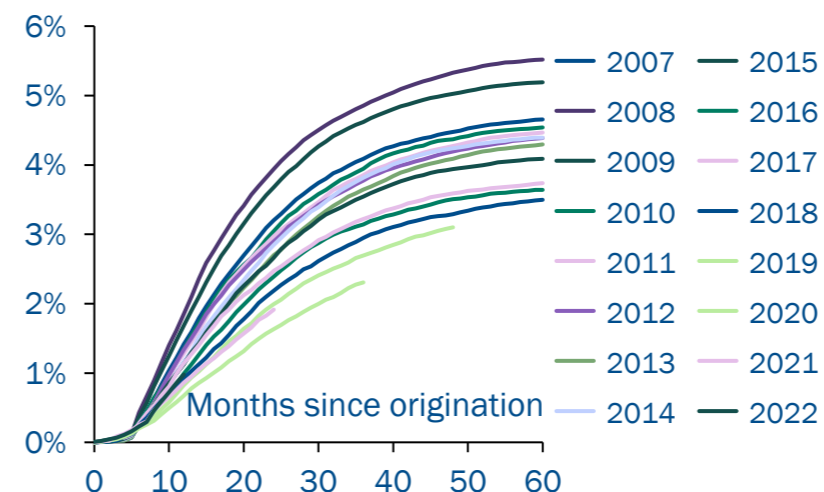


## Risk management characteristics

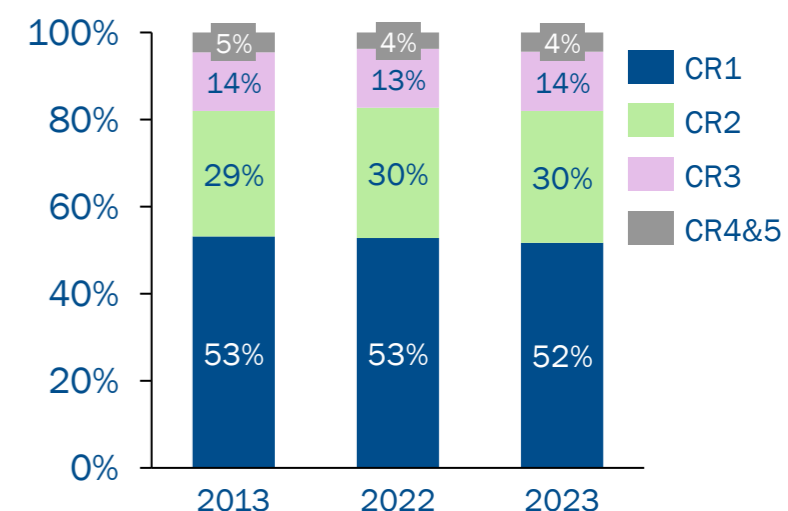
- Continuous focus on portfolio trends and loss mitigation measures
- Proven resilience of portfolios through economic cycles driven by the flexibility to timely adapt the risk strategies where and when needed
- Well-diversified portfolios contributing to limited credit losses
- Cembra expects a temporarily slightly more adverse Swiss macro economic environment, and the loss rate to be in line with the long-term historical trend

## Write-off performance

By year of origination for Bank Loans and Auto products



## Credit grades<sup>2</sup>



<sup>1</sup> Non-performing loans (NPL) ratio is defined as the ratio of non-accrual financing receivables (at period-end) divided by financing receivables. The increase of NPL ratio from June 2019 is related to the synchronisation of write-off and collection procedures implemented in June 2019 | <sup>2</sup> Consumer Ratings (CR) reflect associated probabilities of default for material Bank portfolios

# Sustainability

Strong external ESG recognition, and commitment to further improve

## Sustainability performance

**E**

- Reduced Scope 1+2 emissions intensity significantly since 2014
- 100% of electric power from renewable hydro sources
- Opportunity financing electric vehicles

**S**

- NPS of 21<sup>1</sup> and providing loans under some of the strictest consumer finance laws in Europe
- Diverse workforce with >40 nationalities
- GPTW trust index of 71%<sup>2</sup> and certified equal pay for equal work

**G**

- Strong governance structure since the IPO<sup>3</sup>
- Sustainability linked to variable executive compensation since FY 2020
- Sustainability committee chaired by CEO

## Selected targets

Reduce Scope 1+2 carbon emissions by 75% by 2025 (basis: 2019)

Customer net promoter score of at least +30<sup>1</sup>

Employee GPTW<sup>2</sup> trust index of at least 70%

Independent limited assurance of Sustainability Reports (since FY 2021)

## External recognition



### Low ESG risk

Top 8% (score 16.1) among >200 consumer finance peers, Oct 2023



### Top 10%

in diversified financial services (Score 45), September 2023



### AAA

Rated 1<sup>st</sup> among listed consumer finance worldwide, May 2023



### Inclusion

in the 2023 Bloomberg Gender Equality index as one of 11 Swiss companies, January 2023

<sup>1</sup> Net promoter score (from continued measurement) on a scale -100 to 100, FY 2023 | <sup>2</sup> Great Place to Work.org, result for 2022 | <sup>3</sup> ISS Governance Quality Score of 1 on a scale from 1 to 10, January 2024

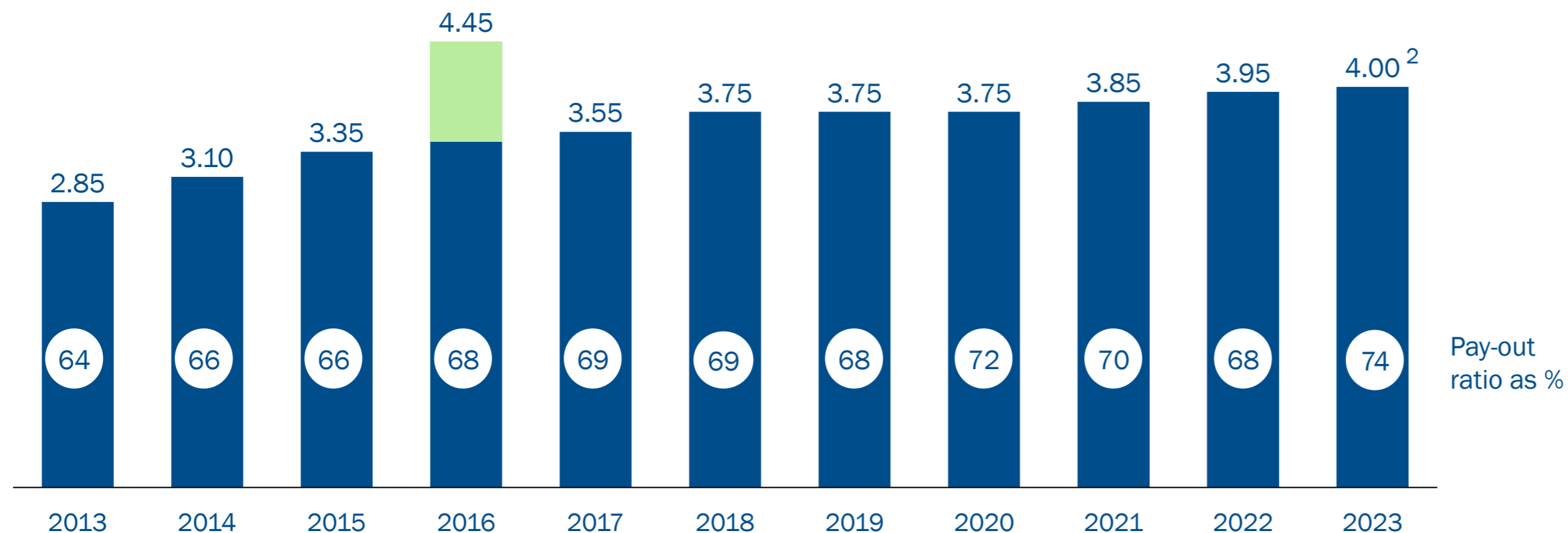
# Dividends

More than CHF 1 billion dividends paid out since the IPO in 2013

## Dividends

CHF per share

■ Extraordinary dividend from excess capital

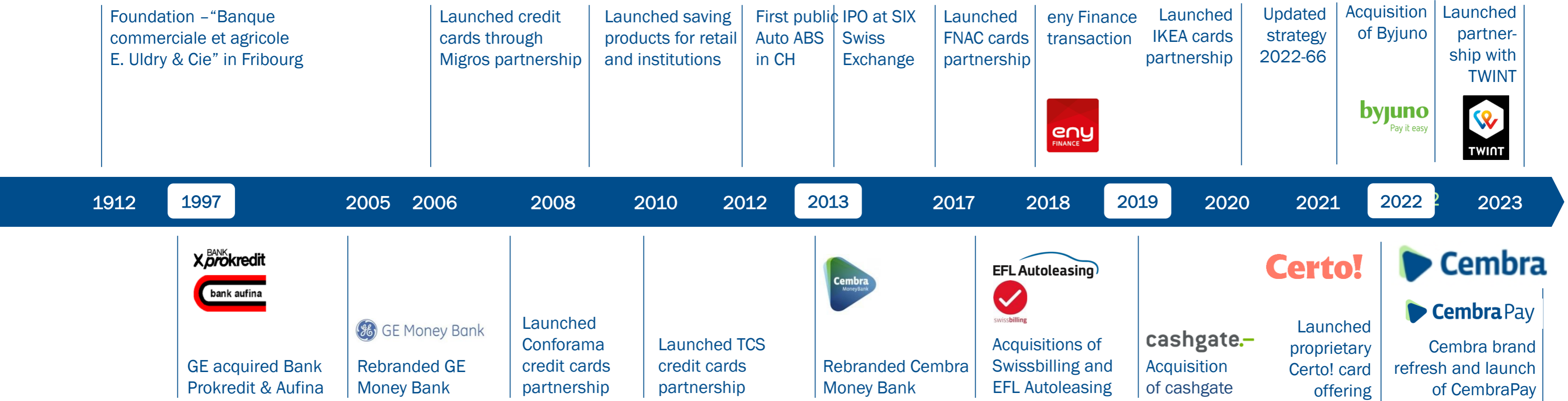


- Total CHF 1.05 billion dividends paid out since the IPO in 2013-2023
- 69% average payout ratio since the IPO
- Dividend for 2024 of at least CHF 4.00
- Tier 1 capital ratio target 17%
- S&P rating of A- since the IPO

<sup>1</sup> Tier 1 capital ratio target 18% until June 2019, and 2019 target range of 16 - 17% due to acquisition of cashgate | <sup>2</sup> proposed



# History



# Glossary of key figures

## including alternative performance measures

To measure its performance, Cembra uses some key figures that are not defined under US GAAP. This glossary provides definitions of alternative performance measures (APM) and other key figures

Key figures (including APM)	Definition
Yield	Interest income divided by 2-point-average financing receivables <sup>1</sup>
Net interest margin (NIM)	Net interest income divided by 2-point-average financing receivables <sup>1</sup>
Fee/income ratio	Commission and fee income divided by net revenues
Cost/income ratio	Operating expense divided by net revenues
Average cost per employee	Compensation and benefit expense divided by 2-point average FTE
Net financing receivables	Financing receivables less allowance for losses. For details see full-year Financial Report note 4
Return on financing receivables	Net income divided by 2-point-average financing receivables <sup>1</sup>
Non-performing loans (NPL) ratio	Over 90 days past due divided by financing receivables. For details see full-year Financial Report notes 2 and 4
Over-30-days-past-due ratio	Over 30 days past due divided by financing receivables. For details see full-year Financial Report notes 2 and 4
Loss rate	Provision for losses divided by 2-point-average financing receivables <sup>1</sup> . For details see full-year Financial Report notes 2 and 4
Funding liabilities	Outstanding debt and deposits excluding deferred debt issuance costs
Average funding cost	Interest expense divided by 2-point average funding, with funding excluding deferred debt issuance costs (US GAAP)
End-of-period funding cost	Volume-weighted average interest rate of outstanding debt and deposits at end of period
Weighted average remaining term	Weighted average remaining maturity of outstanding debt and deposits at end of period in years
Effective tax rate	Income tax expenses divided by Income before income taxes
Return on equity (ROE)	Net income divided by 2-point-average shareholders' equity <sup>1</sup>
Return on tangible equity (ROTE)	Net income divided by 2-point-average tangible equity, with tangible equity = shareholders' equity - goodwill - intangible assets
Return on assets (ROA)	Net income divided by 2-point-average total assets <sup>1</sup>
Payout ratio	Dividend divided by net income

<sup>1</sup> If the reported period is not a full year (e.g. a half year), the key figure will be made comparable to a full-year equivalent

# Key figures over 10 years

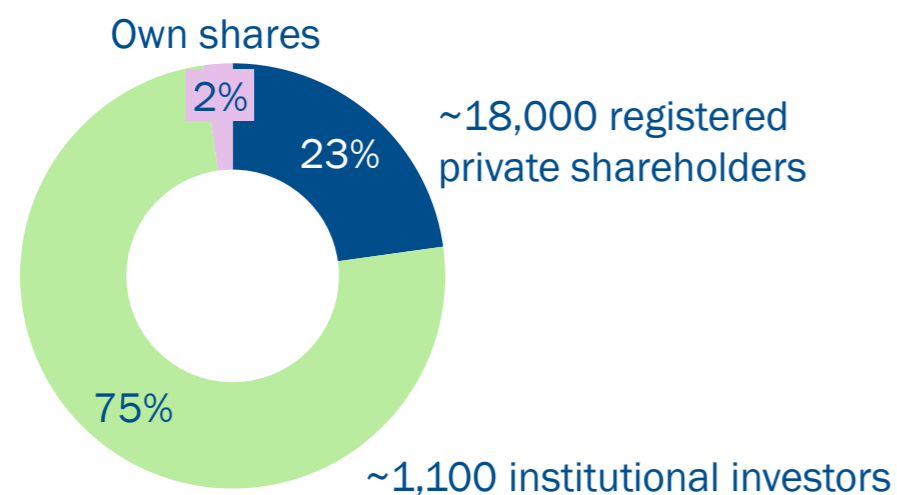
US GAAP	2014	2015	2016	2017	2018	2019	2020	2021	2022	FY 2023
Net revenues (CHF m)	379	389	394	396	439	480	497	487	509	516
Net income (CHF m)	140	145	144	145	154	159	153	161	169	158
Cost/income ratio (%)	42.5	41.5	42.5	42.4	44.0	48.3	49.8	50.6%	50.6%	50.9%
Net fin receivables (bn)	4.1	4.1	4.1	4.6	4.8	6.6	6.3	6.2	6.5	6.7
Equity (CHF m)	842	799	848	885	933	1,091	1,127	1,200	1,274	1,250
Return on equity (%)	17.0	17.7	17.4	16.7	16.9	15.7	13.8	13.9	13.7	12.5
Return on tangible equity (%)	17.2	18.1	18.0	17.3	17.8	18.5	17.7	17.3	17.1	15.7
Tier 1 capital (%)	20.6	19.8	20.0	19.2	19.2	16.3	17.7	18.9	17.8	17.2
Employees (FTE)	702	715	705	735	783	963	928	916	929	902
Credit rating (S&P)	A-	A-	A-	A-	A-	A-	A-	A-	A-	A-
Earnings per share (CHF)	4.67	5.04	5.10	5.13	5.47	5.53	5.21	5.50	5.77	5.39
Dividend per share (CHF)	3.10	3.35	4.45 <sup>1</sup>	3.55	3.75	3.75	3.75	3.85	3.95	4.00 <sup>3</sup>
Share price (CHF, end of period)	55.00	64.40	74.20	90.85	77.85	106.00	107.20	66.45	76.90	65.60
Market cap (CHF bn) <sup>2</sup>	1.7	1.9	2.2	2.7	2.3	3.2	3.2	2.0	2.3	2.0

<sup>1</sup> Including extraordinary dividend CHF 1.00 | <sup>2</sup> Based on total shares | <sup>3</sup> proposed

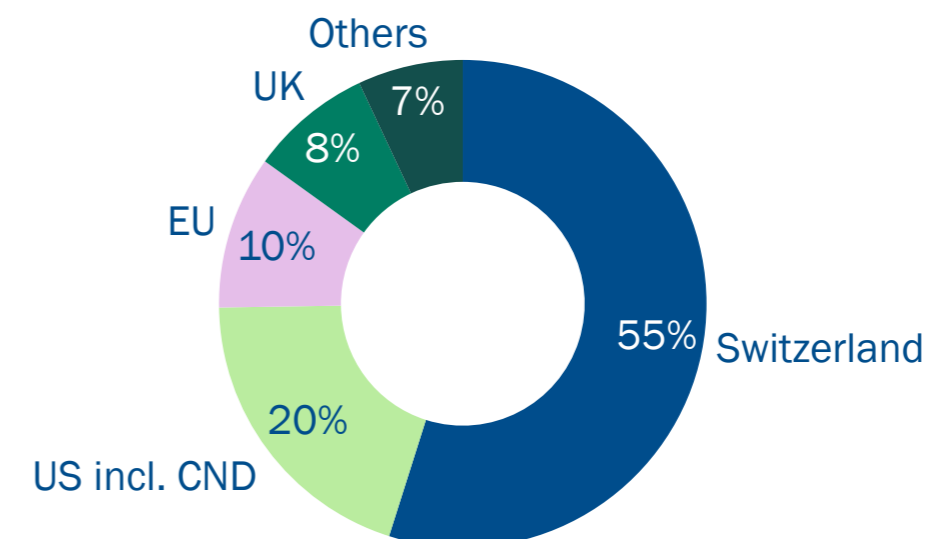
# The Cembra share

## Shareholder structure

Based on nominal share capital of CHF 30m, as %



## Institutional owners by domicile<sup>1</sup>



## Main investors and indices

**Holdings >5% of share capital** • UBS Fund Management (Switzerland)

**Holdings >3% of share capital** • Credit Suisse Funds AG  
• Swisscanto Fondsleitung AG

**Selected indices:**

- SPI, Euro Stoxx 600
- Bloomberg Gender Equality Index
- MSCI ESG Leaders Indexes Constituent

<sup>1</sup> estimates

## Share data

	FY 2023	FY 2022
Number of shares	30,000,000	30,000,000
Treasury shares	665,135	656,757
Treasury shares as %	2.2%	2.2%
Shares outstanding	29,334,865	29,343,243
Weighted-average number of shares outstanding	29,338,682	29,352,136

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# Calendar and further information

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## Corporate events

22 February 2024	FY 2023 results
21 March 2024	2023 Annual Report (English version)
24 April 2024	Annual General Meeting 2024
24 July 2024	H1 2024 results

## Investor conferences, roadshows and calls

23 February 2024	Roadshow Zurich
27 February 2024	Roadshow London
29 February 2024	Roadshow Geneva

If you would like to set up a call with us please email [investor.relations@cembra.ch](mailto:investor.relations@cembra.ch)

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