Cembra

Ad hoc announcement pursuant to Art. 53 LR

Cembra reports growth in net revenues of 6% and net income of 4% in the first half year

- **Profitable growth resulting in net income of CHF 78.3 million (+4%)**
- **Net revenues up 6% to CHF 268.0 million, net financing receivables up 2% to CHF 6.8 billion**
- **Cost/income ratio down to 50.4% (H1 2023: 53.2%)**
- **Continued solid loss performance with a loss rate of 1.0% in line with anticipated normalisation**
- **Return on equity at 12.7%, with Tier 1 capital ratio of 17.1%**
- **Further progress in strategic transformation, including the successful roll-out of the new banking platform to all auto leasing partners**
- **Outlook for the financial year 2024 and mid-term targets confirmed**

Zurich, 24 July 2024 – Cembra's net income increased by 4% to CHF 78.3 million, or CHF 2.67 per share. Net revenues increased by 6% driven by higher net interest income and supported by higher commission and fee income. Operating expenses, including continued investments in strategic initiatives and ongoing restructuring costs, remained stable resulting in a decline of the cost/income ratio to 50.4%. As anticipated, the Group's loss performance continued to return to normal levels with a loss rate at 1.0%. As a result, return on equity came in at 12.7%, and the Tier 1 capital ratio stood at 17.1%.

CEO Holger Laubenthal commented: "In the first half of the year, we delivered growth in all business areas and successfully implemented key measures to improve our net interest margin. This resulted in a healthy increase in net revenues and net income. At the same time, we delivered a key milestone of our transformation in rolling out our new banking platform to all our auto leasing partners. In addition, we renewed our savings products and streamlined our organisation. We expect to realise further benefits from the transformation in the remainder of the year and remain on track to deliver on our 2026 targets."

Net revenues up 6% driven by asset growth and improved net interest margin

In the first six months of 2024, Cembra continued to grow all business areas resulting in a 2% increase of net financing receivables to CHF 6.8 billion. The personal loans business rose by 1% to CHF 2.4 billion and the auto leases and loans business by 2% to CHF 3.2 billion. In credit cards net financing receivables increased by 3% to CHF 1.1 billion and in BNPL by 12% to CHF 0.2 billion.

Net revenues increased by 6% to CHF 268.0 million in the first half of 2024 with net interest income contributing CHF 183.6 million (+8%) as growth and successful repricing measures led to an increase of interest income by 18% to CHF 236.6 million. Interest expense increased to CHF 52.9 million (H1 2023: CHF 30.3 million) following the continued rolling of the funding portfolio. This resulted in an improved net interest margin of 5.3% (H1 2023: 5.1%).

Commission and fee income amounted to CHF 84.4 million, up 2% year-on-year, mainly driven by an increase in the credit cards business (+5%). The share of net revenues generated from commission and fee income amounted to 31% (H1 2023: 33%).

Improved cost/income ratio

Total operating expenses remained stable at CHF 135.2 million (H1 2023: 134.5 million) with cost savings being offset by restructuring costs while investments in strategic initiatives continued. Personnel expenses rose by 2% to CHF 71.3 million and are expected to decline in the second half due to the streamlining of the organisation. General and administrative expenses declined by 1% to CHF 63.9 million. This resulted in a decrease of the cost/income ratio to 50.4% (H1 2023: 53.2%). As a result of the ongoing transformation, Cembra continues to expect a cost/income ratio below 49% for the full year, and a further decline towards the 2026 target of below 39% thereafter.

Continued solid loss performance

As anticipated, the loss rate continued to normalise in the reporting period and came in at 1.0% in line with the target. Provisions for losses amounted to CHF 35.2 million (H1 2023: CHF 25.1 million). The non-performing-loans ratio stood at 0.8% (H1 2023: 0.7%) and the rate of over-30-days past due financing receivables at 2.4% (H1 2023: 2.0%). In the current macro-economic environment continued active credit risk management and portfolio optimisations are deployed to ensure sound profitability levels across all segments.

Further diversified funding portfolio

The Group's funding portfolio increased by 3% to CHF 6.8 billion at 30 June 2024. The share of deposits increased to 57% (31 December 2023: 53%), following the successful revamp of the savings accounts offering in January 2024. The weighted average duration increased to 2.5 years at 30 June 2024 from 2.4 years at year-end. The end-of-period funding cost amounted to 1.62% (31 December 2023: 1.47%).

Strong capital base

Cembra remains very well capitalised, with a strong Tier 1 capital ratio of 17.1% (31 December 2023: 17.2%). Shareholders' equity decreased by 3% to CHF 1.210 billion, mainly driven by the dividend payout of CHF 117 million in April 2024.

Key milestones achieved in strategic transformation

In the first half of the year, Cembra continued to successfully execute on its strategic roadmap. In February 2024, the bank launched a renewed digital savings offering that generated close to CHF 200 million of deposits by the end of the reporting period. In March 2024, Cembra completed the roll-out of the new IT platform for the leasing business. In the credit cards business, Cembra continued to grow its portfolio of own and co-branded partnerships, resulting in both increased interest income as well as commissions. The Cembra App was further enhanced with self-service features and extended from credit cards to leasing customers. It is now serving more than 420,000 users. In the BNPL business, the legal merger to one entity was completed and the portfolio consolidated with a focus on strategic and profitable partnerships. Cembra also further expanded its team in Riga, Latvia, providing mainly technology services within the Group.

Outlook

For the 2024 financial year, Cembra expects net revenues to outpace Swiss GDP growth, along with a further increasing net interest margin, a cost/income ratio of below 49% and a loss performance of around 1%. As a result, Cembra continues to expect an increase in net income and a ROE of 13–14% for 2024, to pay a dividend of at least CHF 4.00 for the current financial year and confirms its mid-term targets through 2026.[1]

All documents (investor presentation, interim report and this media release) are available at www.cembra.ch/investors.

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Audio webcast and telephone conference for investors and analysts (in English)

Date and time:	24 July 2024 at 09.00 a.m. CET
Speakers:	Holger Laubenthal (CEO), Pascal Perritaz (CFO) and Volker Gloe (CRO)
Audio webcast:	www.cembra.ch/investors
Telephone:	Europe: +41 (0) 58 310 50 00 UK: +44 (0) 203 059 58 62 US: +1 (1) 631 570 6313
Q&A session:	Following the presentation, participants will have the opportunity to ask questions

Please dial in before the start of the presentation and ask for “Cembra’s half-year 2024 results”.

About Cembra

Cembra is a leading Swiss provider of innovative financing and payment solutions. Our product range includes personal loans and auto leases and loans, credit cards, the insurance made available in this context, invoice financing and savings products.

Across our business lines Lending and Payments, we serve over 2 million customers in Switzerland and employ more than 900 people from about 40 countries. We have our headquarters in Zurich and operate across Switzerland through our network of branches and our online distribution channels, as well as through our credit card partners, independent intermediaries and car dealers.

We have been listed as an independent Swiss bank on the SIX Swiss Exchange since 2013. Cembra is rated A- by Standard & Poor’s and is included in the MSCI ESG Leaders Index.

[1] ROE ≥15% from 2025 on; dividend increasing from 2024 on based on earnings growth; Tier 1 capital ratio target >17%

Consolidated statements of income (unaudited)

For six months ended 30 June (CHF in millions)	**H1 2024**	**H1 2023**	**Change as %**
Interest income	236.6	200.9	18
Personal loans	89.7	82.5	9
Auto leases and loans	84.7	71.8	18
Credit cards	52.9	42.1	26
Other	9.3	4.6	>100
Interest expense	-52.9	-30.3	75
Net interest income	**183.6**	**170.6**	**8**
Commission and fee income	**84.4**	**82.4**	**2**
Insurance	12.1	12.2	0
Credit cards	45.6	43.2	5
Loans and leases	7.6	7.3	4
BNPL	19.1	19.1	0
Other	0.1	0.7	-87
Net revenues	**268.0**	**253.0**	**6**
Provision for losses on financing receivables	**-35.2**	**-25.1**	**40**
Compensation and benefits	-71.3	-69.7	2
General and administrative expenses	-63.9	-64.8	-1
Professional services	-11.4	-11.0	4
Marketing	-6.3	-6.5	-3
Collection fees	-8.0	-7.6	5
Postage and stationery	-5.3	-5.3	1
Rental expense under operating leases	-2.9	-3.2	-7
Information technology	-25.4	-25.4	0
Depreciation and amortisation	-13.6	-13.8	-1
Other	9.0	7.9	14
Total operating expenses	**-135.2**	**-134.5**	**1**
Income before income taxes	**97.6**	**93.4**	**4**
Income tax expense	-19.3	-18.4	5
Net income	**78.3**	**75.1**	**4**

For six months ended 30 June (CHF)	**H1 2024**	**H1 2023**
Earnings per share		
Basic	2.67	2.56
Diluted	2.67	2.55

Balance sheet (unaudited)

(CHF in millions)	30 Jun 2024	31 Dec 2023	Change as %
Assets			
Cash and cash equivalents	981	922	6
Financing receivables, net	6,817	6,687	2
Personal loans	2,390	2,370	1
Auto leases and loans	3,209	3,147	2
Credit cards	1,060	1,028	3
BNPL	158	141	12
Investment securities	119	98	21
Property, equipment and software, net	51	55	-7
Intangible assets, net	20	27	-24
Goodwill	190	190	0
Other assets	101	110	-8
Total assets	**8,279**	**8,088**	**2**
Liabilities and equity			
Deposits	3,885	3,497	11
Accrued expenses and other payables	251	206	22
Short-term debt	150	450	-67
Long-term debt	2,748	2,648	4
Other liabilities	25	27	-10
Deferred tax liabilities, net	10	10	-3
Total liabilities	**7,069**	**6,838**	**3**
Common shares	30	30	0
Additional paid in capital (APIC)	259	259	0
Retained earnings	959	998	-4
Treasury shares	-39	-37	4
Accumulated other comprehensive income (loss) (AOCI)	0	1	-47
Total shareholders' equity	**1,210**	**1,250**	**-3**
Total liabilities and shareholders' equity	**8,279**	**8,088**	**2**

Operating segments statement of income (unaudited)

For six months ended 30 June 2024 (CHF in millions)	**Lending**	**Payments**	**Total Group**
Interest income	181.5	55.1	236.6
Interest expense	-43.6	-9.3	-52.9
Net interest income	**137.9**	**45.8**	**183.6**
Commission and fee income	**18.8**	**65.6**	84.4
Net revenues	**156.7**	**111.3**	**268.0**
Provision for losses on financing receivables	**-31.4**	**-3.9**	**-35.2**
Compensation and benefits	-41.2	-30.0	-71.3
General and administrative expenses	-31.5	-32.4	-63.9
Total operating expenses	**-72.7**	**-62.5**	**-135.2**
Income tax expense	-10.4	-8.9	-19.3
Net income	**42.2**	**36.1**	**78.3**

Key figures (unaudited)

For six months ended 30 June	**H1 2024**	**H1 2023**
Earnings per share		
Net income attributable to shareholders (CHF in millions)	78.3	75.1
Weighted-average number of common shares outstanding for basic earnings per share	29,335,151	29,342,739
Weighted-average number of common shares outstanding for diluted earnings per share	29,382,237	29,378,884
Basic earnings per share (in CHF)	2.67	2.56
Diluted earnings per share (in CHF)	2.67	2.55
Ratios		
Return on equity (annualised, in %)	12.7	12.2
Return on assets (annualised, in %)	1.9	2.0
Cost / income ratio (in %)	50.4	53.2
Net interest margin (annualised, in %)	5.3	5.1
Loss rate (annualised, in %)	1.0	0.7

As at 31 December	**30 Jun 2024**	**31 Dec 2023**
Capital adequacy		
Risk-weighted assets (CHF in millions)	6,229	6,090
Tier 1 capital[1] (CHF in millions)	1,065	1,046
Tier 1 capital ratio (in %)	17.1%	17.2%
Share		
Share price (in CHF)	76.70	65.60
Market capitalisation (CHF in millions)	2,301	1,961
Employees and credit rating		
Employees (full-time equivalents)	877	902
Credit rating (S&P)	A–	A–

1 Includes net income adjusted for expected dividend distribution

Figures are rounded and rounding differences may occur. For a glossary of financial indicators including alternative performance measures please see www.cembra.ch/financialreports

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These forward-looking statements are subject to risks, uncertainties and assumptions and other factors that could cause the Group’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 Group’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 Group, 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.

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In the event of discrepancies between the English and German versions of this media release, the English version shall prevail prevail.