Cembra MoneyBank

Media release

23 July 2019

Cembra Money Bank reports strong result for H1 2019

- **Positive business performance with net income of CHF 78.6 million**
- **Steady 5% revenue increase driven by good momentum in auto financing and continued growth in credit cards**
- **17.1% return on equity with a strong Tier 1 capital ratio of 18.8%**
- **Refinancing of cashgate acquisition on track; about 70% of committed bridge facility refinanced since 1 July 2019**
- **Launch of product for financing small companies planned for Q4 2019**
- **Target dividend for 2019 at least on the level of the previous year; EPS guidance 2019 CHF 5.20–5.50**

Zurich – Net income of Cembra Money Bank in the first half of 2019 increased by 1% to CHF 78.6 million or CHF 2.79 per share. The good momentum in auto financing and the continued growth in credit cards contributed to a 5% growth in net revenues. This translated into a 17.1% return on equity coupled with a strong Tier 1 capital ratio of 18.8%.

Robert Oudmayer, Chief Executive Officer, commented: “Cembra attracted more than 40,000 new customers in the last six months. This lead to a strong half-year result with profitable growth in all business lines. Now we look forward to launching our online financing product for small companies as well as to our expansion and digitisation together with cashgate“.

Profitable growth across all products

The Group’s net financing receivables rose by 4% to a record CHF 5,023 million, driven by organic growth across all products and a timing effect at the end of the reporting period (net financial receivables grew 2.1% by end of May 2019). In the personal loan business, receivables increased by 1% to CHF 1,913 million. Interest income in personal loans was stable at CHF 79.1 million, despite of the lower yield of the personal loan business which amounted to 8.2%.

Net financing receivables in auto leases and loans grew by 4% to CHF 2,062 million in the reporting period. Interest income was 1% higher at CHF 49.5 million with a yield of 4.9% for the auto financing business.

The performance of the credit card business was driven by a higher number of cards issued (up 11% year-on-year to 946,000) and a continued increase in volume (up 9% year-on-year). Net financing receivables recorded a 10% growth reaching CHF 1,036 million. Interest income in the cards business grew by 11% to CHF 38.3 million with a 7.7% yield.

Steady revenue increase

Net revenues rose by 5% to CHF 222.6 million. Net interest income grew by 2%, largely driven by higher credit card volumes. Interest expense was 6% higher at CHF 10.7 million, in line with the year-on-year receivables growth.

Commissions and fee income increased by 11% to CHF 67.6 million, mainly due to strong credit card fee income. 30% of net revenues were generated from commissions and fees compared to 29% in H1 2018.

Total operating expenses increased by 14% to CHF 103.6 million. Personnel expenses of CHF 56.9 million rose by 8% driven by 71 additional FTE (+10%) since June 2018. General and administrative expenses of CHF 46.7 million were 24% higher, mainly due to continued investments in technology and growth initiatives as well as pre-transaction costs relating to the acquisition of cashgate. These effects translated into a cost/income ratio of 46.5% (H1 2018: 42.6%).

Solid loss performance

Provision for losses of CHF 19.2 million was 20% lower, affected by the continued favourable macro environment and a one-off effect due to better synchronisation of write-off and collection procedures. This translated in a loss rate of 0.8% (FY 2018: 1.1%).

Balanced funding of cashgate acquisition

In the first six months of 2019, the Group further grew its funding portfolio to CHF 4,499 million with a stable funding mix. The average duration remained at 2.7 years and the period-end funding cost was 48 basis points (31. December 2018: 49 basis points).

Since the announcement of the acquisition of cashgate on 1 July 2019, Cembra successfully placed a balanced mix of deposits, senior debt, hybrid and equity instruments amounting to more than CHF 1.0 billion. With these transactions, about 70% of a committed bridge financing has been replaced.

Cembra Money Bank remains very well capitalised with a strong Tier 1 capital ratio of 18.8% and a leverage ratio of 14.6% as per 30 June 2019.

Online financing for small enterprises

The Group plans to expand its product portfolio with an online financing product for small companies in Switzerland. Cembra has entered a co-operation with Berlin-based Spotcap Global Services GmbH to provide the technology platform for the planned offering. The launch is scheduled for the fourth quarter of 2019.

Outlook for 2019

For the existing business, Cembra confirms the earnings per share (EPS) range previously indicated for 2019. Including the acquisition of cashgate announced on 1 July 2019, Cembra expects a FY 2019 EPS (diluted, US GAAP) of CHF 5.20–5.50. For 2019, Cembra aims to pay a dividend at least at the level of the previous year (CHF 3.75 per share).

The H1 2019 investor presentation is available at www.cembra.ch/investors.

Contacts

Media:	Andreas Werz; +41 44 439 85 12; andreas.werz@cembra.ch
Investor Relations:	Marcus Händel; +41 44 439 85 72; investor.relations@cembra.ch

Key dates

21 February 2020	Full-year results 2019
18 March 2020	Annual Report 2019
16 April 2020	Annual General Meeting 2020

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

Date and time:	23 July 2019 at 9 a.m. CET		
Speakers:	Robert Oudmayer (CEO), Pascal Perritaz (CFO) and Volker Gloe (CRO)		
Audio webcast:	www.cembra.ch/en/investor		
Telephone:	Europe:	+41	(0) 58 310 50 00
	UK:	+44	(0) 203 059 58 62
	US:	+1	(1) 631 570 5613

Q&A session: Following the presentation participants will have the opportunity to ask questions via the telephone conference.

Please dial in 10–15 minutes before the start of the presentation and ask for “Cembra’s H1 2019 results”.

About Cembra Money Bank

Cembra Money Bank AG is a leading Swiss provider of consumer finance products and services. Its product range includes personal loans, auto leases and loans, credit cards and insurance sold with those products as well as invoice financing, deposit and savings products.

Headquartered in Zurich-Altstetten, the Bank has operations across Switzerland via a network of 16 branches as well as alternative sales channels such as the Internet, credit card partners, independent agents and 4,000 car dealers.

Cembra Money Bank AG is an independent Swiss bank and has been listed on the SIX Swiss Exchange since 2013. It has over 880 employees from 37 nations and 911,000 customers. On 1 July 2019 Cembra announced the acquisition of the consumer finance provider cashgate.

Consolidated Statements of Income (unaudited)

For six months ended 30 June (CHF in millions)	**H1 2019**	**H1 2018**	**Change in %**
Interest income	165.8	162.2	2
Personal loans	79.1	79.3	– 0
Auto leases and loans	49.5	48.9	1
Credit cards	38.3	34.5	11
Other	– 1.2	– 0.5	140
Interest expense	– 10.7	– 10.1	6
Net interest income	**155.1**	**152.1**	**2**
Commission and fee income	**67.6**	**60.9**	**11**
Insurance	9.9	9.8	1
Credit cards	48.1	43.2	11
Loans and leases	6.5	6.7	– 3
Other	3.1	1.2	158
Net revenues	**222.6**	**213.0**	**5**
Provision for losses on financing receivables	**– 19.2**	**– 23.9**	**– 20**
Compensation and benefits	– 56.9	– 52.8	8
General and administrative expenses	– 46.7	– 37.8	24
Professional services	– 8.8	– 7.4	19
Marketing	– 4.7	– 4.4	7
Collection fees	– 5.2	– 5.4	– 4
Postage and stationery	– 4.9	– 4.3	14
Rental expense under operating leases	– 3.2	– 2.3	39
Information technology	– 14.4	– 9.6	50
Depreciation and amortisation	– 6.8	– 6.6	3
Other	1.3	2.2	– 41
Total operating expenses	**– 103.6**	**– 90.6**	**14**
Income before income taxes	**99.8**	**98.5**	**1**
Income tax expense	– 21.3	– 20.8	2
Net income	**78.6**	**77.7**	**1**

For six months ended 30 June (CHF)	**H1 2019**	**H1 2018**
Earnings per share		
Basic	2.79	2.76
Diluted	2.79	2.75

Balance Sheet
(unaudited)

(CHF in millions)	30 Jun 2019	31 Dec 2018	Change in %
Assets			
Cash and cash equivalents	414	499	– 17
Financing receivables, net	5,023	4,807	4
Personal loans	1,913	1,885	1
Auto leases and loans	2,062	1,974	4
Credit cards	1,036	940	10
Other	11	8	38
Investment securities	10	11	– 9
Property, plant and equipment, net	25	7	n/a
Intangible assets, net	34	33	3
Goodwill	16	16	0
Other assets	65	63	3
Deferred income taxes	4	5	– 20
Total assets	**5,590**	**5,440**	**3**
Liabilities and equity			
Deposits	2,953	2,827	4
Accrued expenses and other payables	144	157	– 8
Short-term debt	350	300	17
Long-term debt	1,197	1,198	– 0
Other liabilities	39	25	56
Total liabilities	**4,683**	**4,507**	**4**
Common shares	30	30	0
Additional paid in capital (APIC)	210	210	0
Treasury shares	– 102	– 101	1
Retained earnings	789	816	– 3
Accumulated other comprehensive loss (AOCI)	– 20	– 21	– 5
Total shareholders' equity	**907**	**933**	**– 3**
Total liabilities and shareholders' equity	**5,590**	**5,440**	**3**

Key Figures
(unaudited)

For six months ended 30 June	**H1 2019**	**H1 2018**
Earnings per Share		
Net income attributable to shareholders (CHF in millions)	78.6	77.7
Weighted-average numbers of common shares outstanding for basic earnings per share	28,186,162	28,189,382
Weighted-average numbers of common shares outstanding for diluted earnings per share	28,208,555	28,208,490
Basic earnings per share (in CHF)	2.79	2.76
Ratios		
Return on equity (annualised, in %)	17.1	17.8
Return on average assets (annualised, in %)	2.9	3.0
Cost/income ratio (in %)	46.5	42.6
Net interest margin (annualised, in %)	6.2	6.5
Loss rate (annualised, in %)	0.8	1.0

As at	**30 June 2019**	**31 December 2018**
Capital Adequacy[1]		
Risk-weighted assets (CHF in millions)	4,536	4,346
Tier 1 capital[2] (CHF in millions)	855	834
Tier 1 capital ratio (in %)	18.8	19.2
Share		
Share price (in CHF)	94.15	77.85
Market capitalisation (CHF in millions)	2,825	2,336
Headcount and Credit Rating		
Employees (full-time equivalent)	812	783
Credit rating (S&P)	A–	A–

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

Disclaimer regarding forward-looking statements

This media release by Cembra Money Bank AG (“the Group”) includes forward-looking statements that reflect the Group‘s intentions, beliefs or current expectations and projections about the Group’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 Group 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 Group 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 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.

This media release contains unaudited 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 Group.