Management Report

Significant developments

On 1 February 2024, Cembra announced the expansion of its product portfolio with new, no-fee online savings products offering attractive interest rates. For these digital savings products, Cembra uses technology modules from the open banking platform Finstar, which belongs to Hypothekarbank Lenzburg.

On 15 March 2024, Cembra communicated changes to its Management Board and Board of Directors. As part of the reorganisation into two business lines, Lending and Payments, Christian Stolz, Business Unit Leader Payments, became a member of Cembra's Management Board as of 1 April 2024. Sandra Babylon joined the Management Board as Chief Technology Officer on 1 June 2024, succeeding Christian Schmitt.

Cembra held its Annual General Meeting in Zurich on 24 April 2024. The shareholders approved all proposals of the Board of Directors. All members of the Board of Directors proposed for re-election were confirmed for a further one-year term of office: Franco Morra (Chairman), Marc Berg, Thomas Buess, Susanne Klöss-Braekler and Monica Mächler. Sandra Hauser was elected as a new member of the Board of Directors. Jörg Behrens and Alex Finn had decided not to stand for re-election.

Considering market conditions, the regulatory value of hybrid capital and its own capital planning, Cembra announced on 30 August 2024 that it will not exercise the option for an early redemption of the outstanding Additional Tier 1 bond.

Macroeconomic environment

We serve customers exclusively in Switzerland and our financial position and revenues are strongly influenced by domestic macroeconomic factors, especially gross domestic product, the unemployment rate and interest rates. We have limited exposure to foreign currencies.

Swiss gross domestic product

Growth in Switzerland's gross domestic product (GDP) is an important indicator for the Group. Swiss GDP increased by 0.9% in 2024, after an increase of 1.1% in 2023. Consumer spending increased by 1.8% (2023: 1.5%).

Interest rates

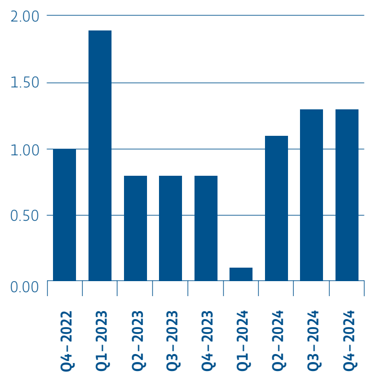
Interest rates have a major impact on the Group's funding. In 2024, the Swiss National Bank initiated a cycle of interest rate cuts and reduced its policy rate in March, June, September and December by a total of 1.25 percentage points to 0.5%.

Unemployment rate

The unemployment rate serves as an important indicator for the credit risk profile of the Group's customers. The unemployment rate in Switzerland increased to 2.8% in December 2024 (December 2023: 2.3%). The average unemployment rate in 2024 was 2.4% (2023: 2.0%).

GDP Switzerland

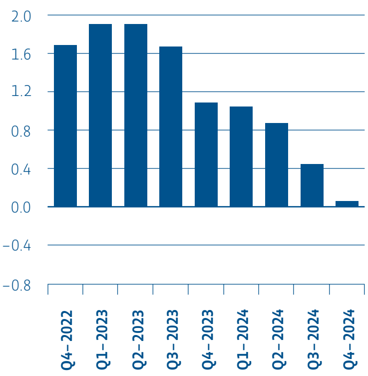
Change versus previous quarter (in %)



Source: SECO

CHF 3-year swap rate

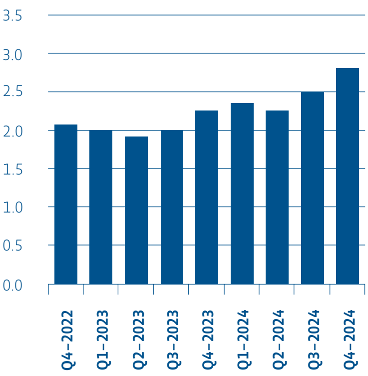
in %



Source: Bloomberg Finance L.P.

Unemployment rate in Switzerland

in %



Source: SECO

Product markets

Consumer loan market

In 2024, the Swiss consumer loan market remained flat. According to the Central Office for Credit Information (ZEK), the Swiss consumer loan market remained flat at CHF 9.048 billion in outstanding assets at 31 December 2024. The number of loan contracts outstanding decreased by 1% to 369,000 (2023: 371,000). In a competitive environment, the Group had an estimated market share of approximately 37% of outstanding consumer loans.

Auto market

The Swiss auto market slightly decreased in the reporting period, driven by lower sales of combustion engines as well as electric vehicles. According to "auto-schweiz" statistics (the association of official Swiss car importers), about 240,000 new cars were registered in 2024, a decrease of 5% compared to 2023. Electric and plug-in hybrid cars sales dropped by 13% and 10%, respectively. A total of 676,000 used cars were sold in Switzerland according to auto-i-dat AG (a provider of automotive market data); this represents a 1% decrease compared to 2023 (684,000). The Group estimates its auto leasing market share to be about 18% of total leasing assets outstanding as of December 2024.

Credit card market

In 2024, the number of credit cards issued in Switzerland remained flat at 8.5 million according to Swiss National Bank statistics. The number of transactions increased by 4% in 2024, to 768 million from 735 million in 2023, and credit card transaction volumes increased by 2% to CHF 57 billion.

The Group's number of cards increased slightly by about 3,000 to about 1,031,000 compared to 2023. The Group's market share, based on the number of credit cards in circulation was 12% in 2024, and the share of transactions conducted via near-field communications (NFC) amounted to 16%.

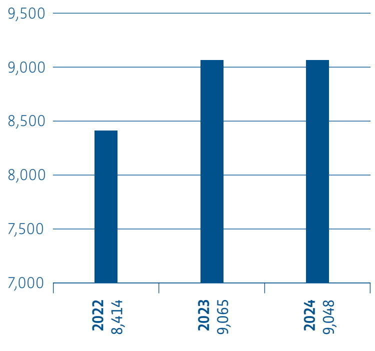
Buy now pay later market

E-commerce sales in Switzerland are estimated at CHF 14.4 billion in 2024. Purchases by buy now pay later (BNPL) represented about 10% of total online sales.

Cembra positions itself in the BNPL market via its subsidiary CembraPay. In 2024, CembraPay recorded a billing volume of CHF 818 million or -9% lower than 2023. Cembra estimates its market share in BNPL in a range from 30% to 40%.

Swiss consumer loan market

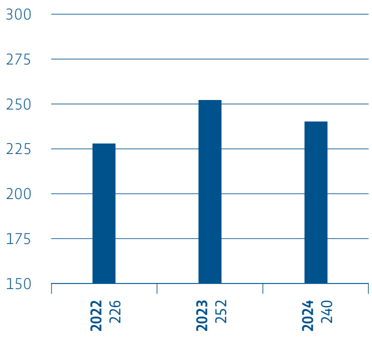
CHF in millions



Source: ZEK

New car registrations in Switzerland

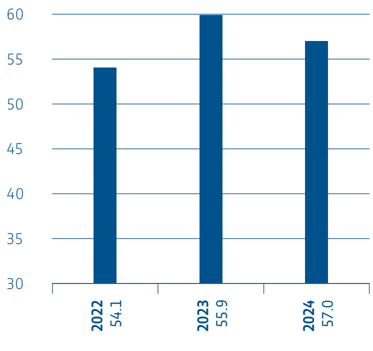
in 1,000



Source: auto-schweiz

Transaction volume Swiss credit cards

CHF in billions



Source: SNB

Balance sheet analysis

At 31 December (CHF in millions)	2024	2023	Change	as %
Assets				
Cash and cash equivalents	**793**	922	– 129	– 14
Net financing receivables	**6,625**	6,687	– 62	– 1
Personal loans	**2,273**	2,370	– 97	– 4
Auto leases and loans	**3,182**	3,147	34	1
Credit cards	**1,011**	1,028	– 17	– 2
BNPL	**159**	141	17	12
Investment securities	**190**	98	92	93
All other assets	**341**	381	– 40	– 10
Total assets	**7,949**	**8,088**	**– 139**	**– 2**
Liabilities and equity				
Deposits and debt	**6,424**	6,595	– 171	– 3
Deposits	**3,524**	3,497	27	1
Debt	**2,900**	3,098	– 198	– 6
All other liabilities	**240**	244	– 4	– 2
Total liabilities	**6,664**	**6,838**	**– 175**	**– 3**
Shareholders' equity	**1,285**	1,250	35	3
Total liabilities and shareholders' equity	**7,949**	**8,088**	**– 139**	**– 2**

Net financing receivables amounted to CHF 6,625 million, a decrease of 1%, or CHF 62 million, compared with year-end 2023. The decrease was mainly driven by continued selective growth in personal loans with conscious underwriting and repricing measures, partly offset by continued growth in the auto leasing business.

At the end of 2024, the Group's personal loans accounted for 34% (2023: 36%) of net financing receivables, auto leases and loans made up 48% (2023: 47%), the credit cards business accounted for 15% (2023: 15%), and the BNPL business made up 2% (2023: 2%).

As at 31 December 2024, net financing receivables from personal loans amounted to CHF 2,273 million, 4% less than at year-end 2023. Auto leases and loans increased by 1% to CHF 3,182 million from CHF 3,147 million at the end of 2023. Credit cards decreased by 2%, from CHF 1,028 million to CHF 1,011 million. BNPL net financing receivables increased by 12% to CHF 159 million from CHF 141 million at the end of 2023.

Funding

The Group kept its funding diversified in 2024. The deposit base increased from CHF 3,497 million at 31 December 2023 to CHF 3,524 million at 31 December 2024 due to a 20% decrease in the institutional deposit base and a 34% increase in the retail deposit base. The Group's non-deposit debt decreased by 6% from CHF 3,098 million at 31 December 2023 to CHF 2,900 million at 31 December 2024. In March 2024 and in May 2024, the Group paid back an auto lease backed security (ABS) of CHF 250 million and an unsecured bond of CHF 200 million, respectively. In February 2024, the Group issued an unsecured bond of CHF 250 million.

Equity
Total shareholders' equity increased by CHF 35 million, from CHF 1,250 million to CHF 1,285 million at year-end 2024. The increase was driven by the net income of CHF 170.4 million. The increase was partially offset by the CHF 117 million dividend for the 2023 financial year, which was paid in April 2024.

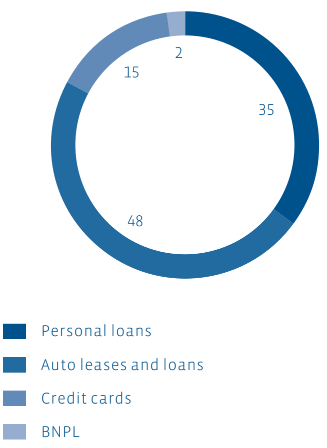
Capital position

At 31 December (CHF in millions)	**2024**	2023	Change	as %
Risk-weighted assets	**6,088**	6,090	– 2	– 0
Tier 1 capital	**1,091**	1,046	45	4
Tier 1 ratio	**17.9 %**	**17.2 %**		

Risk-weighted assets remained stable at CHF 6,088 million at 31 December 2024, compared with CHF 6,090 million at 31 December 2023, largely reflecting the trend in net financing receivables. Tier 1 capital increased by CHF 45 million to CHF 1,091 million, mainly because of the net income generated in 2024, offset by the dividend payment. The Tier 1 capital ratio amounted to 17.9% at 31 December 2024, which is significantly above the regulatory requirement of 11.2%.

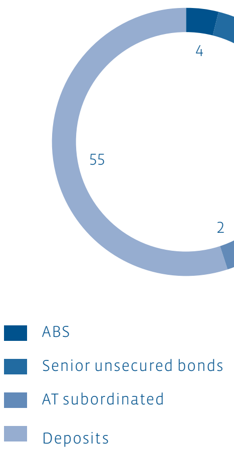
Net financing receivables

in %



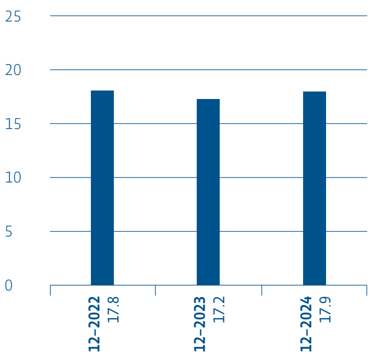
Funding structure

in %



Tier 1 capital ratio

in %

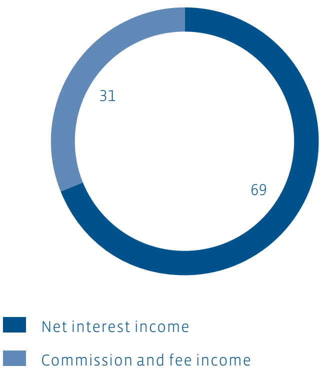


Profit and loss analysis

For the years ended 31 December (CHF in millions)	2024	2023	Change	as %
Interest income	485.7	422.1	63.6	15
Interest expense	– 105.3	– 74.9	30.3	41
Net interest income	**380.5**	**347.2**	**33.3**	**10**
Commission and fee income	170.0	168.5	1.5	1
Net revenues	**550.5**	**515.7**	**34.8**	**7**
Provision for losses on financing receivables	**– 74.2**	**– 56.9**	**17.2**	**30**
Compensation and benefits	– 134.8	– 137.0	– 2.2	– 2
General and administrative expenses	– 129.7	– 125.6	4.1	3
Total operating expenses	**– 264.5**	**– 262.6**	**1.9**	**1**
Income before income taxes	**211.8**	**196.2**	**15.6**	**8**
Income tax expense	– 41.4	– 38.1	3.2	9
Net income	**170.4**	**158.0**	**12.4**	**8**

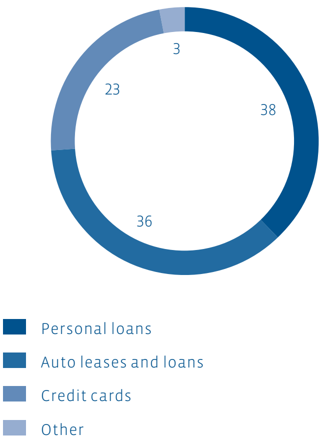
Net revenues

as %



Interest income

as %



Interest income

For the years ended 31 December (CHF in millions)	2024	2023	Change	as %
Personal loans	**186.2**	171.5	14.7	9
Auto leases and loans	**175.3**	150.8	24.5	16
Credit cards	**109.6**	87.9	21.6	25
Other	**14.7**	11.9	2.7	23
Total	**485.7**	**422.1**	**63.6**	**15**

Overall, the contribution of personal loans to interest income decreased to 38% from 41% in the reporting period. Auto leases and loans made up 36% (2023: 36%) and credit cards increased to 23% from 21%, compared with prior year. The contribution of other interest income increased to 3% (2023: 2%).

Total interest income increased by 15%, or CHF 63.6 million, to CHF 485.7 million in 2024.

Interest income from personal loans increased by CHF 14.7 million, or 9%, to CHF 186.2 million, predominantly due to a higher yield, which increased to 7.7% (2023: 7.0%). Interest income from auto leases and loans increased by CHF 24.5 million, or 16%, to CHF 175.3 million. The yield increased to 5.5% (2023: 4.9%). Interest income from credit cards increased by CHF 21.6 million, or 25%, to CHF 109.6 million in 2024. The yield increased to 10.5% (2023: 8.4%). Other interest income amounted to CHF 14.7 million, mainly from cash and financial instruments.

Cost of funds

For the years ended 31 December (CHF in millions)	2024	2023	Change	as %
Interest expense on ABS	**7.5**	4.9	2.6	53
Interest expense on deposits	**55.4**	39.6	15.9	40
Interest expense on debt	**42.3**	30.4	11.9	39
Total	**105.3**	**74.9**	**30.3**	**41**

The overall cost of funds increased to CHF 105.3 million in 2024 (2023: CHF 74.9 million) reflecting the changed interest rate environment. Interest expense on auto lease asset backed securities increased by CHF 2.6 million to CHF 7.5 million. Interest expense on deposits increased by CHF 15.9 million to CHF 55.4 million, compared with 2023. Interest expense on debt increased by CHF 11.9 million to CHF 42.3 million in 2024, driven by higher interest rates for new debt compared to redemptions.

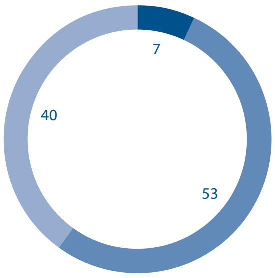
Commission and fee income

For the years ended 31 December (CHF in millions)	2024	2023	Change	as %
Insurance	**23.5**	23.8	–0.3	–1
Credit cards	**91.6**	89.2	2.4	3
Loans and leases	**15.0**	14.5	0.5	4
BNPL	**39.9**	39.4	0.6	1
Other	**–0.1**	1.5	–1.7	–109
Total	**170.0**	**168.5**	**1.5**	**1**

Commission and fee income increased by CHF 1.5 million, or 1%, from CHF 168.5 million to CHF 170.0 million. Insurance income, which consists mainly of revenues from payment protection insurance products, decreased by CHF 0.3 million, or 1%, to CHF 23.5 million. Fee income on credit cards increased by CHF 2.4 million, or 3%, to CHF 91.6 million, mainly driven by repricing measures. Fees from loans and leases increased by CHF 0.5 million to CHF 15.0 million. Fee income in the BNPL business increased by 1% to CHF 39.9 million in 2024.

Cost of funds

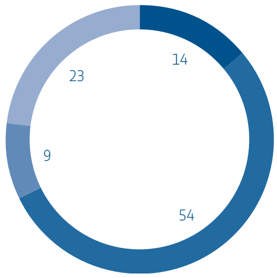
as %



Asset-backed securities (ABS)
Deposits
Debt

Commission and fee income

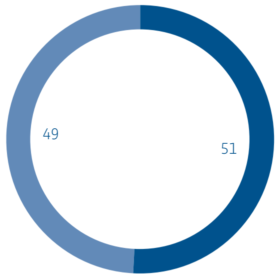
as %



Insurance
Credit cards
Loans and leases
BNPL

Operating expenses

as %



Compensation and benefits
General and administrative expenses

Provision for losses

For the years ended 31 December (CHF in millions)	2024	2023	Change	as %
Provision for losses on personal loans	**28.7**	40.8	– 12.1	– 30
Provision for losses on auto leases and loans	**29.9**	5.4	24.5	n/a
Provision for losses on credit cards	**4.9**	3.4	1.5	44
Provision for losses on BNPL	**10.7**	7.3	3.4	47
Total	**74.2**	**56.9**	**17.2**	**30**

In 2024, the Group's provision for losses on financing receivables increased by CHF 17.2 million to CHF 74.2 million compared to an increase of CHF 16.0 million in 2023. The main driver of the increase was the post-Covid growth maturing in a slightly more adverse macro environment with stretched cost-of-living in exposed customer segments. The loss provision in 2024 is affected by better synchronisation of collections processes and write-off procedures on personal loans and credit cards following an observed shift in the portfolio towards longer contractual durations. The synchronisation ensures sufficient time for execution of collection activities and to validate the accounts' collectability prior to writing off.

The provision for losses on personal loans decreased by CHF 12.1 million to CHF 28.7 million, driven by portfolio management actions and continued calibration between risk, price and volume. On auto leases and loans, the provision for losses increased by CHF 24.5 million to CHF 29.9 million mainly driven by post-Covid growth and certain volatility in market demand or supply and its impact on vehicle values. The provision for losses on credit cards increased by CHF 1.5 million to CHF 4.9 million. Provision for losses on BNPL increased by CHF 3.4 million to CHF 10.7 million as an impact of accelerated growth with key partners.

The Group's loss rate was at 1.1% compared to 0.8% in prior year reporting period.

Compensation and benefits

For the years ended 31 December (CHF in millions)	2024	2023	Change	as %
Compensation and benefits	**134.8**	**137.0**	**– 2.2**	**– 2**

Compensation and benefit expense decreased by CHF 2.2 million, or 2%, to CHF 134.8 million. The decrease was mainly driven by the lower number of FTEs, partially offset by severance costs on the restructuring programme.

At 31 December 2024, the number of FTEs stood at 812, a decrease of 90 FTEs compared to 902 at year-end 2023. The Group's average number of FTE decreased to 857 in 2024, compared with 915 in the prior-year period. The increase in average cost per FTE to TCHF 157 in 2024 from TCHF 150 in 2023 was mainly driven by the decline in FTE.

General and administrative expenses

For the years ended 31 December (CHF in millions)	2024	2023	Change	as %
Professional services	**24.6**	20.8	3.8	18
Marketing	**10.0**	11.7	– 1.7	– 15
Collection fees	**15.6**	15.0	0.6	4
Postage and stationery	**10.4**	10.2	0.2	2
Rental expense under operating leases	**5.8**	6.2	– 0.3	– 5
Information technology	**50.4**	50.6	– 0.2	0
Depreciation and amortisation	**26.8**	27.5	– 0.7	– 2
Other	**– 13.9**	– 16.3	– 2.4	– 15
Total	**129.7**	**125.6**	**4.1**	**3**

General and administrative expenses increased by CHF 4.1 million, or 3%, from CHF 125.6 million to CHF 129.7 million in 2024.

Costs from professional services increased by 18% to CHF 24.6 million, mainly due to outsourcing activities. Marketing expenses decreased by 15%, or CHF 1.7 million, due to lower spend on cards acquisition. Collection fees increased by 4% to CHF 15.6 million driven by outsourcing collections services. Expense for postage and stationery increased by 2% to CHF 10.4 million. Rental expenses decreased by 5%, mainly due to further reductions in rental office space. Information technology costs remained stable at CHF 50.4 million. Depreciation and amortisation decreased by 2% to CHF 26.8 million, mainly driven by lower amortisation of software. Other expenses decreased by CHF 2.4 million largely driven by lower capitalisation and pension fund costs.

The cost/income ratio decreased to 48.1% in 2024 (2023: 50.9%).

Income tax expense
The Group's income tax expense increased by CHF 3.2 million, or 9%, to CHF 41.4 million in 2024 in line with the higher income before taxes. The effective tax rate was 19.5%.

Result by segment

For the years ended 31 December (CHF in millions)	Lending				Payments			
	2024	2023	Change	as %	**2024**	2023	Change	as %
Interest income	**372.5**	330.9	41.6	13	**113.2**	91.2	22.0	24
Interest expense	**– 86.7**	– 61.7	25.0	41	**– 18.6**	– 13.2	5.4	41
Net interest income	**285.8**	**269.2**	**16.6**	**6**	**94.6**	**78.0**	**16.6**	**21**
Commission and fee income	**37.2**	37.7	– 0.5	– 1	**132.8**	130.7	2.0	2
Net revenues	**323.0**	**306.9**	**16.1**	**5**	**227.4**	**208.7**	**18.7**	**9**
Provision for losses on financing receivables	**– 58.6**	**– 46.2**	**12.3**	**27**	**– 15.6**	**– 10.7**	**4.9**	**46**
Compensation and benefits	**– 78.5**	– 82.3	– 3.8	– 5	**– 56.3**	– 54.7	1.6	3
General and administrative expenses	**– 63.7**	– 62.6	1.1	2	**– 66.0**	– 63.1	3.0	5
Total operating expenses	**– 142.2**	**– 144.9**	**– 2.7**	**– 2**	**– 122.3**	**– 117.8**	**4.6**	**4**
Income before income taxes	**122.3**	**115.9**	**6.4**	**6**	**89.5**	**80.3**	**9.2**	**11**
Income tax expense	**– 23.9**	– 22.5	1.4	6	**– 17.5**	– 15.6	1.9	12
Net income	**98.4**	**93.3**	**5.0**	**5**	**72.0**	**64.7**	**7.3**	**11**

The segment Lending comprises the personal loans and the auto leasing and loans business. For 2024, Lending totaled a net income of CHF 98.4 million (2023: CHF 93.3 million). Net revenues increased by 5% to CHF 323 million. Provision for losses increased to CHF 58.6 million (2023: CHF 46.2 million) and operating expenses decreased by 2% to CHF 142.2 million.

The segment Payments comprises credit cards and the buy now pay later business. In Payments, in 2024, net income increased by 11% to CHF 72.0 million (2023: CHF 64.7 million). Net revenues increased by 9% to CHF 227.4 million. Provision for losses increased to CHF 15.6 million (2023: 10.7 million) and operating expenses increased by 4% to CHF 122.3 million.

The numbers published in the tables above are in Swiss francs and rounded; therefore rounding differences can occur.

Business model and strategy

Business model
Cembra is a provider of financing solutions and services in Switzerland. The company operates by offering individuals in Switzerland a diverse range of secured and unsecured consumer lending, credit services and savings. The products include personal loans, credit cards, auto loans and leasing, invoice financing solutions and savings products as well as providing access to related insurance products (for details see page 5). Revenues are generated through interest income and fees on these financial products, often in collaboration with partner businesses for co-branded credit cards, vehicle leasing and other financing options. Cembra places significant emphasis on risk management, utilising credit assessments and underwriting processes to maintain a robust loan portfolio. Cembra operates within the Swiss regulatory framework, adhering to laws and regulations related to consumer lending and banking.

Strategy
In the reporting period, Cembra continued to execute on four programmes to achieve its strategic and financial ambitions until 2026.

Operational excellence: radical simplification and technology transformation
As part of the Operational Excellence programme, Cembra radically simplifies its operating model and transforms its technology landscape. The aim is to deliver a seamless digital customer experience and to significantly increase efficiency through standardisation and automation. With all of our partners, we focus on integrated and tailored one-stop offerings.

Business acceleration: improved value proposition and enhanced market reach
In personal loans, we differentiate our offerings through digital and flexible solutions and services. In the auto business, the emphasis is on dealer-partnerships, and continuously improving services and processes. In our credit card business we focus on both a proprietary card family with attractive features offered to consumers directly as well as long-term co-branding partnerships.

New growth opportunity: buy now pay later (BNPL) as an attractive business
With our business area CembraPay, we are serving the growing BNPL segment. The strategic focus is on the fast and versatile integration of checkout solutions with merchants, new applications and offers.

Cultural transformation: towards an agile, learning-oriented and collaborative organisation
The strategy execution is supported by a comprehensive cultural transformation programme. The emphasis is on fostering an uncompromising customer-first mindset with interdisciplinary teams and empowered people. The aim is to create an agile and learning-oriented organisation.

Our vision
With this strategic background in mind, Cembra has also re-defined its corporate vision for the next years: “We leverage technology to deliver the most intuitive customer solutions in consumer finance.” Cembra’s vision unites the strategic activities outlined above as well as our ambitions and efforts. It therefore forms the foundation on which Cembra will achieve shared goals. An important part of this is the work on our corporate culture. Above all, it involves how people work with each other and how we interact with our customers.

Outlook

Assuming the Swiss economy continues to grow slightly in 2025, Cembra currently expects to grow net revenues at least in line with Swiss GDP growth, a continued solid loss performance and a cost/income ratio ≤ 45%.

As a result, Cembra expects an increase in net income and a ROE of 14-15% for 2025, confirms its financial targets for 2026, to pay a dividend of at least CHF 4.25 for 2025 and thereafter increasing based on sustainable earnings growth, and will target a Tier 1 capital ratio of above 17%.