

# Letter to shareholders



Bruno Richle, Chairman of the Board of Directors and CEO

Dear Shareholders,

The transformation of the CREALOGIX Group into a fintech enterprise of the latest generation operating on an international scale is proceeding according to plan. Thanks to the intensified internationalisation and expenditures of recent years, CREALOGIX is now capable of assisting banks around the globe in implementing their digital business models as rapidly as possible with innovative products as an "Enabler for the Digital Banking Strategy". The business plan of the CREALOGIX Group is ambitious, and the investments needed are high. For CREALOGIX, the financial year 2014/2015 (1 July 2014 to 30 June 2015) was the most cost-intensive phase on the path to becoming one of Europe's leading fintech enterprises.

In the year under review, we reached three important intermediate goals: first, the development of our international sales organisation, secondly, the conversion to our new digital banking platform and thirdly, the expansion of our product range and services in the fields of cloud and SaaS (software as a service). Among other things, this means that the newly established branch offices in London, Vienna and Singapore have assumed operations, and commencement of the active marketing in the respective local markets.

By taking over the UK-domiciled MBA Systems Ltd in early 2015, CREALOGIX has entered the market of the London financial industry. MBA Systems, a leading fintech specialist for online trading and brokerage solutions, delivers a customer base of more than 30 financial service providers to the CREALOGIX Group, with an attractive mix of established and newly emerging market players.



CREALOGIX MBA Ltd

Customers can purchase the comprehensive brokerage solutions of MBA Systems in the form of products on the basis of licences or lease them as SaaS (software as a service) from the CREALOGIX data centre. The sale of additional CREALOGIX products for these new UK customers has already begun.

In the financial year 2014/2015, the innovations of CREALOGIX again attracted a lot of attention. In October 2014, for example, our customer Coutts & Co. received the "Most Innovative Digital Offering" award in Singapore from Private Banker International (PBI). Moreover, in 2015, IDC Financial Insights included CREALOGIX once again in the list of the global Top 100 Fintech enterprises. At Finovate – the world's most important fintech conference – in London in February 2015, the media enterprise Finews designated the "BankClip" (on-demand video counselling for wealth management) presented by CREALOGIX as one of five global top trends.



### Development of net sales and profit

In the financial year 2014/2015, CREALOGIX generated net sales of CHF 49.3 million. Compared to the prior year (CHF 50.1 million), this represents a decline of 1.6 per cent, to which the massive change in the exchange rate made a rather significant negative contribution. The maintenance business performed well, generating net sales of CHF 12.4 million (prior year: CHF 11.5 million, +7.8 per cent). Despite new customer orders, the sales generated with new licences only reached CHF 10.6 million, compared to CHF 12.4 million in the prior year. This was also because these new orders could only be processed partially in the financial year 2014/2015.

Large expenditures significantly encumbered the profitability of the CREALOGIX Group in the year under review. Within the scope of our investment planning, EBITDA dropped from CHF 1.7 million to CHF –10.6 million. A major portion of this change is attributable to development costs for the realisation of the digital banking platform. Such costs are not capitalised but are fully recognised in the income statement. In the year under review, our total expenditures for development of new and existing products amounted to 76 person-years. The establishment of the sales organisation and the marketing activities at the new locations London, Vienna and Singapore also had an impact. In the year under review, CREALOGIX stepped up its headcount from 282 to 354.

The CREALOGIX Group is financially stable: as of the end of the financial year, the equity ratio stood at 54.9 per cent (prior year: 67.5 per cent). Cash and cash equivalents totalled CHF 13.1 million (prior year: CHF 24.3 million). The change of CHF 11.2 million was mainly caused by the acquisition of MBA Systems Ltd, UK (CHF 4.2 million net cash), the business operations (CHF 4.7 million) and the dividend payment (CHF 2.1 million). The balance sheet of CREALOGIX is still free of bank loans. A change in the treatment of goodwill is especially noteworthy. In these financial statements, the goodwill from acquisitions is no longer offset against the equity, but amortised over the useful economic life. This change in methodology increases reporting transparency associated with past and possible future acquisitions. It shows the current value of goodwill in the balance sheet, and shows the annual depreciation in the income statement. Therefore, the prior-year figures have been restated in the financial

statements, as required in such cases. The amortisation of goodwill recognised in the income statement for the financial year 2014/2015 amounted to CHF 1.6 million.

The operating loss (EBIT) amounted to CHF 13.4 million (prior year: CHF 1.1 million). The consolidated loss amounted to CHF 9.8 million (prior year: CHF 1.5 million).

## Digital banking of tomorrow

The strategic importance of digital channels around the globe in banking has resulted in major structural changes at banks. In the future, digital channels will not only facilitate electronic access to the bank, but will also form the basis for new, supplementary services and business models.

Our flagship product, the CREALOGIX digital banking platform, is an open and at the same time proven, secure and efficient portal including a large number of freely combinable innovative product modules for the digital bank of tomorrow – both for conventional Internet banking and for mobile banking.



For example, our Campaigner module is one of the successful innovative extensions for our digital banking platform. This module enables the bank to systematically address customers or particular customer groups. Our advanced security solutions in the field of biometric fraud detection and the "TouchID" fingerprint access to mobile banking are also very popular.

The new security solutions of CREALOGIX also take the increased mobile usage behaviour of bank customers into consideration and expand the range of available security products. The core of the digital banking platform of CREALOGIX enables every bank to place a homogeneous integration layer over the existing, usually highly heterogeneous back-office systems. The available programmable interfaces (API) provide it with the flexibility needed for digital solutions, particularly for the integration of third-party products.

## Custom-tailored solutions on the basis of a flexible, modular product suite

The flexibility of our solutions is greatly appreciated by our customers. For example, the Swiss Raiffeisen Banks rely on CREALOGIX e-banking solutions on a long-term basis. In this context, Raiffeisen recently launched an innovative change. Banque Calédonienne d'Investissement (BCI), which is domiciled in the Asia-Pacific economic region (APAC), has decided to expand its ongoing e-banking project with the entire banking portal from CREALOGIX. The private banking division of Société Générale in Paris is in the course of creating an entirely new user interface for its e-banking solution. Furthermore, leading Swiss private banks like Bank Julius Bär and Banque J. Safra Sarasin will be upgrading their e-banking solutions to the new digital banking platform of CREALOGIX. VZ Depotbank, which has decided to implement the innovative digital banking of CREALOGIX, is the second bank using a Finnova core banking sys-

tem that we have been able to win over for our solution. This opens the way to additional growth potential for CREALOGIX in the Swiss banking market.

In Germany – our second home market – leading online banks also rely on the digital banking products and competence of CREALOGIX.

Together with Deutsche Kreditbank (DKB), we continually pursue the development of our product portfolio. Both the website and online banking are part of our competence area.

The flexible, highly integrative portal technology of CREALOGIX enables banks to establish and offer their customers a highly customised digital banking offer that is tailored to their fields of specialisation. For example, the new financial planner of Consorsbank is an essential component of the realignment of the online bank. In technological terms, the solution is based on the digital banking platform of CREALOGIX, which integrates the personal finance management (PFM) solution of Meniga. All Consorsbank account and credit card data are summarised and presented in a transparent manner, providing customers with a comprehensive overview of their income and expenses whenever needed.

At Fondsdepot Bank, CREALOGIX implements the fund management and trading portal, both for the bank itself and for its cooperating intermediary organisations. Moreover, CREALOGIX supports the advisory processes of private banks with the AdviceManager and ensures compliance with regulatory requirements (MiFID) for the advisory process. Based on the developments with the private bank Donner & Reuschel, CREALOGIX has further expanded the Digital Advisory product segment.

Through the takeover of the fintech specialist MBA Systems in the UK, which is active in wealth management and brokerage, CREALOGIX has gained more than 30 new customers. The portfolio includes leading brokers, wealth managers and international banks of the finance industry in London, such as AES International, Aegon Global, Bank of Nova Scotia, Halifax Sharedealing (Lloyds Bank), ING, James Brearley & Sons, JM Finn & Co., GHC Capital Markets, Killik & Co., MyTreasury, Mediterranean Bank, MeDirect, Peel Hunt, Santander Sharedealing, SVS Securities, Tilney Bestinvest, Trade Ideas Limited and Traiana.

In this newly gained customer base, CREALOGIX sees great market potential for marketing other products from the spectrum of digital banking and e-learning/compliance.

### New developments in cross-border payment transactions for corporate customers

In the year under review, we successfully continued to develop our innovative CLX.NOVA software for digital payment transactions of tomorrow. This new CREALOGIX platform has already been sold to a number of renowned enterprises in Switzerland and abroad, increasingly also in the form of an SaaS package.



The latest changes in Swiss payment transactions (introduction of ISO 20022/EBICS) serve as a growth driver in the field of payment transactions for corporate customers. Thanks to its profound expertise in the introduction of EBICS at banks and further developed software products for companies and private customers, CREALOGIX is well positioned and established on the market.

For example, the popular CLX.PayMaker is one of the first products to implement the new payment formats in collaboration with PostFinance. CREALOGIX also sets new standards in cooperation with Swisscom: "EBICS as a Service" enables even smaller banks to keep up with the market leaders in the field of payment transactions with the help of an inexpensive SaaS solution.



EBICS

### Increasing significance of e-learning/compliance in banking

The growth in the field of e-learning, which has already been observed for several years, was again evident in the financial year 2014/2015. In this connection, we were able to further expand our leading position especially among financial institutions. Our e-learning specialists deliver digital learning contents that are used for training, staff certification and the fulfilment of increasingly important compliance requirements in companies.

crealogix.com/  
education

The CYP Association, the largest training cooperation in the Swiss banking world, trains Swiss banking students and junior staff with the help of CREALOGIX tools and learning modules. CYP has revised and restructured the training offer in the field of banking and finance. For this, CREALOGIX has developed an entirely new, specialised learning platform, which forms the basis for the use of modern teaching methods.

December 2014 saw the successful market launch of the fully newly developed learning platform CLX.Tracker. As many as 14 financial institutions are currently using this learning platform to train their employees and increasingly also to train their partners. Three renowned financial institutions have already opted for CLX.Tracker: Entris Banking, Leonteq and UBS. Technology leaders of other industries also successfully use our learning platforms and the associated software products for digital learning.

### Outlook

The CREALOGIX Group is making good progress on the way to becoming a leading international software provider for the "digital bank of tomorrow" in the fintech segment. We will do our best to make consistent use of new opportunities in line with the motto "the trend is our friend".

The business plan of CREALOGIX is still ambitious, and the expenditures required are high. As already announced in the prior year, we expect net sales will grow in the financial year 2015/2016, though the strong Swiss franc is likely to continue to curb the dynamics to a certain extent. In the current financial year, we expect net sales growth of at least 10 per cent. At the same time, we endeavour to return to a balanced operating result before interest, taxes, depreciation and amortization (EBITDA). Starting from the financial year 2016/2017, we expect further net sales growth and higher profitability.

As already mentioned, CREALOGIX wants to keep the doors open for further growth through acquisitions, if necessary with the help of debt financing.

The associated accounting adjustment leads to higher depreciation and amortisation and thus less profit, but increases our equity – a key indicator of the financial stability of our enterprise.

Our product and internationalisation-related expenditures, which are not capitalised, will continue to reach figures in the millions in the current financial year as well, though at a level somewhat lower than in 2014/2015.

Therefore, the Board of Directors has decided to propose to the Shareholders' Meeting not to pay out any dividend from the reserves set aside from capital contributions.

### Acknowledgements

On behalf of the Board of Directors and the Group Management Committee, I would like to thank all our employees for their hard work during the financial year ended. I am also grateful to our customers for their confidence in our services and their close cooperation. I would also like to sincerely thank you, our valued shareholders, for your trust in the CREALOGIX Group.



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Bruno Richle  
Chairman of the Board of Directors and CEO