



BANK FRICK

Half-yearly results – H1 2020



Report of the Management Board

The first half of 2020 at Bank Frick was dominated by the global coronavirus pandemic. Despite the prevailing uncertainty and high volatility on the financial markets and the unstable economic situation, we succeeded in generating a net profit of CHF 1.8 million. Because of the pandemic, we anticipate that credit defaults may occur. Accordingly, in keeping with the principle of prudence, we will create provisions and therefore anticipate net income in the range of CHF 1.0 to CHF 2.0 million.

Within a remarkably short period of time, the novel coronavirus brought nearly the entire world to its knees, forcing countries everywhere to take steps to drastically restrict the economy and public life. The global economy – and thus also the business performance of Bank Frick – was severely impacted by the pandemic. Planned projects had to be postponed, and the prevailing uncertainty on the markets had an effect on the Bank's course of business.

In mid-March 2020, most European governments decided to lock down their countries. Businesses and restaurants were shuttered, border crossings were prohibited and public life came to a standstill. In addition, governments instructed companies to allow their staff to work from home, where possible. Bank Frick benefited from its technical affinity, which enabled us to respond to the new, difficult situation very rapidly. Within 24 hours of the lockdown, approximately 80% of employees began working from home. It also became apparent that the decision we made early on to set up a coronavirus status team, which is responsible for the crisis response, was a correct and important one.

The lockdown lasted until 15 June 2020. In retrospect, we can say that our employees handled this unique situation in a very exemplary, prudent manner. In order to protect all employees, families and, of course, our clients, the employees dispensed with personal contacts across the board. By using Skype for Business,

email, telephone and other technical tools, the smooth operation of day-to-day business was guaranteed at all times. This is by no means something that can be taken for granted, and for that reason, we would like to thank our employees at this juncture for their commitment, flexibility and sense of individual responsibility.

Digital onboarding for all clients

Because of the coronavirus crisis and the associated restrictions on personal contacts, sales activities in the reporting period were not able to be carried out as planned. Banking is and always will be a people business, but because of the lockdown, personal contact suddenly became impossible. Meetings, trade fairs and events of every nature were postponed or cancelled entirely.

For this reason, we focused primarily on IT projects that directly benefit clients. Particularly with our digital onboarding tool, which we introduced in March, we are aiming to significantly shorten the onboarding process and thus increase client benefit.

We have set ourselves the goal of carrying out the process in less than seven days. In this regard, the turnaround time is based on the amount of time needed to process the documents within the Bank.

This is an ambitious goal for a bank whose clients primarily consist of finan-

cial intermediaries, which means that the onboarding process is more complex. We are working hard on achieving it so as to improve the customer experience. In this regard, it is extremely important for us to emphasise that we will not make any compromises in terms of vetting clients. Observing all compliance requirements and regulations is at the core of our services.

The onboarding tool differs considerably from comparable tools of competitors, who normally limit themselves to the onboarding of individuals. In conformity with the crossover concept, Bank Frick's onboarding tool can be used to open accounts for individuals and legal entities. We have already received some 500 requests since introduction of the tool in the first quarter of 2020, and the feedback from clients has been very promising, which shows us that we are on the right path.

Crypto trading with Bank Frick online banking

We also expanded the features of Bank Frick online banking in the reporting period. We are particularly pleased that trading in cryptocurrencies is now possible through online banking. This once more underscores our pioneering role in the area of crypto and blockchain banking, and it is another example of how classic and blockchain banking are becoming increasingly integrated. All assets – whether FIAT or crypto – can now be traded on one interface.

Kuno Frick Family Foundation retains majority stake in Bank Frick

In October 2019, Net1, the Kuno Frick Family Foundation (KFS) and Bank Frick announced that the South African technology company had exercised its option to acquire a majority stake in Bank Frick. On 16 April 2020, Net1 gave notice that it was withdrawing its exercise of the option. The reason for the change of direction was the decision by Net1 to seek to preserve its liquidity in the uncertain and volatile situation triggered by the coronavirus crisis. In addition, the company plans to focus on opportunities in South Africa and elsewhere in Africa in the short term. Net1 will thus remain a minority shareholder in Bank Frick with a 35% stake of the capital stock. Net1 also gave notice that it will pay compensation to KFS for the incurred effort and expense. KFS will make a substantial portion of this payment available directly to Bank Frick and indirectly through projects involving the Bank. This money provides Bank Frick with added security in these difficult times – notwithstanding its very healthy financial condition.

The Bank is well positioned with its current shareholder structure, and reactions by clients and employees have shown us that it can be very advantageous for us if ownership of the Bank remains in hands of the Frick family. This provides certainty, creates

clear lines of responsibility, bolsters the trust of clients and employees, and guarantees that decisions can be made quickly.

Bank Frick sells The DLT Markets AG – continued close collaboration

The DLT Markets AG, which was formed by Bank Frick in February 2019, provides institutional investors with professional access to the multi-exchange trading of digital tokens. To do so, the company developed a unique, globally positioned platform, which combines the regulatory security of the traditional securities business with the advantages offered by the new digital token asset class.

Since coming into existence, The DLT Markets AG has focused strongly on the German market. In this regard, it became apparent early on that it makes sense in terms of business policy to expand the range of services to include the DLT areas of custody and trading. As of this year, these services in Germany require a licence from the German Federal Financial Supervisory Authority (BaFin). For this reason, Bank Frick has decided to sell The DLT Markets AG to a newly formed holding company in Germany, which in turn will own undertakings with the licences necessary for custody and trading. This promises the greatest possible success for the company, from which Bank Frick will

also benefit through the continued close collaboration.

Client assets under management

Client assets under management increased by CHF 403.0 million in the first six months of the 2020 financial year to CHF 3,137.0 million as at 30 June 2020. Net new money outflow amounted to CHF 103.0 million as at the reporting date.

Sources of revenue

Fund and Capital Markets operations further expanded their custodian services and custodian banking services for Liechtenstein funds, confirming their position as an important pillar of Bank Frick. Funds under management that were domiciled in Liechtenstein amounted to around CHF 797.0 million as at 30 June 2020 (compared with CHF 684.0 million as at 30 June 2019).

We have observed a sustained rash of activity in the third-party issue business and were able to acquire a total of 15 new paying agent mandates in the first half of 2020. Bank Frick acted as a paying agent for a total volume of around CHF 418.0 million as at 30 June 2020 (compared with around CHF 360.0 million as at 30 June 2019).

With regard to Capital Markets, Bank Frick issues tailored structured products

on behalf of its clients and takes on the paying agent role for third-party issues. Over the past six months, we launched two certificates and already have additional issues planned for the second half of the year.

In the first half of the year, the Private Clients and External Asset Managers department was particularly busy with the integration of digital onboarding, including the crypto trading feature. We have received very positive feedback from clients and business partners in these areas. Since introduction of the onboarding tool in March, there has been a considerable increase in the number of requests to open bank accounts, which makes us very optimistic about future development.

In the area of blockchain banking, we posted double-digit percentage growth, which shows that we were able to defend and expand our leading position in this area. The focus continues to be on crypto private clients, crypto business clients, and brokers and exchanges.

Traditional banking has been and will continue to be an important component of Bank Frick's strategy. Income from private clients and financial intermediaries once again continued to be an important and constant part of the Bank's overall financial results in the first half of 2020.

Other significant events during the first half of 2020

Bank Frick launched StableCoin as a Service solution

In May, we launched a StableCoin as a Service solution (SCaaS) together with the Dutch technology provider Quantoz. SCaaS is fully PSD2-compliant and enables its issuers to issue their own stablecoin and easily integrate it into their existing systems.

Auditing is handled by BDO, one of Switzerland's leading auditing, trust and consulting companies.

The provision of a closed, fully regulated ecosystem for token-based transactions, which can be seamlessly integrated into business, compliance and accounting processes, is unique in this form and once again underscores our pioneering role in this area.

Direct Market Access by Bank Frick for asset and fund managers

In light of volatile market developments, Bank Frick has since May been offering professional participants, such as fund and asset managers, direct access to a select circle of brokers and thus to the world's most important trading venues. With Direct Market Access (DMA), clients benefit from around-the-clock trading in the asset classes of equities, ETFs and derivatives, as well as from simple, flexible transaction processing.

Bank Frick adds first stablecoin to its range of tradable and custodial crypto assets with USDC

Also in May, we expanded our offering of crypto currencies for which trading and custodian services are available to include a stablecoin. Bank Frick offers trading and secure custody of the USD cCoin (USDC) for professional market participants and wealthy private clients. Trading takes place within the fully regulated environment of the Bank.

The USD coin was developed by the CENTRE consortium, a joint venture of the crypto exchanges Coinbase and Circle, a fintech financed by Goldman Sachs. In this regard, the USDC stablecoin is tied to the US dollar and deposited on a 1:1 basis, which ensures its price stability vis-a-vis the dollar.

Bank Frick keeps very close pace with the times and listens to the market and its clients when choosing and developing new products and services. With the secure custody of the USDC, Bank Frick is again underscoring its position as Europe's leading blockchain bank.

area2invest open to all investors and issuers

In the reporting period, Bank Frick increased its holding in the company 21.finance AG from 50.1% to 59.1%. The area2Invest platform, which is operated by 21.finance AG, gives the opportunity to offer primary market placements to a wide investor audience. Following

the intensive development phase, the platform has been open to all investors and issuers since May of this year. Investors are fully identified on the platform. For us as a bank, this platform makes an additional, wide-reaching sales channel available. Initially, the platform will primarily make those products available for which we provide support in connection with issues (paying agent and custody functions).

In the coming months, the offering on area2Invest will be continuously expanded with new features and investment offers. Going forward, tokenised financial products will constitute an integral part of available investment opportunities. With the fractioning of assets into tokens on area2Invest, private investors will also be able, inter alia, to invest in assets that are normally difficult to access, such as real estate and artwork. The digitalisation of these assets will enable private investors to invest in smaller amounts.

Blockchain Act: Bank Frick registered as first bank

The Liechtenstein Law on Tokens and TT Service Providers (TTTL, commonly known as the "Blockchain Act") entered into force at the start of 2020. Europe's most comprehensive blockchain regulation establishes groundbreaking framework conditions for the token economy in Liechtenstein, thus underscoring the country's pioneering role in this area. The law creates legal certainty for the

still fledgling blockchain industry and plays a key role in its professionalisation.

In March, we became the first Liechtenstein bank to be registered by the Financial Market Authority (FMA) Liechtenstein as a token producer, TT token custodian, token issuer and TT identity service provider, which makes us very happy and proud.

Because of the coronavirus crisis, it is still difficult to gauge the impact that the TTTL will have on the business of Bank Frick. In addition, it should also be taken into consideration that the law has been in force for only about six months. We remain convinced that the comprehensive blockchain regulation will help us to defend and expand our leading position blockchain banking.

Events after 30 June 2020

Sale of Distributed Ventures AG

Distributed Ventures AG, the subsidiary formed in February 2019, did not perform as anticipated. Consequently, Bank Frick and the Chief Executive Officer of Distributed Ventures AG agreed on a management buy-out. He took over 100% of the shares in Distributed Ventures AG and will continue to run the company in his own responsibility.

Outlook for the second half of 2020

In the second half of 2020, our focus will be on the development of a powerful

sales structure. In recent years, we have made significant investments in technology, regulatory issues, compliance and the establishment of new business models. Now we intend to bring these assets to clients even more efficiently. However, the way in which we will be able to implement this project depends to a great extent on the development of the coronavirus pandemic.

We will do everything possible to defend and further expand our pioneering role in blockchain banking. In the process, we will continue to adhere to our crossover approach and integrate blockchain and classic banking wherever possible.

Uncertain planning as a result of the coronavirus

The coronavirus crisis has completely confounded our planning for 2020. And at the moment, an end to the pandemic is not in sight. It is extremely difficult to assess how the global economy and thus the business performance of Bank Frick will develop.

However, we can today state that we will not achieve the result of recent years in terms of interest income. Since key interest rates remain low worldwide, particularly for the US dollar, we anticipate significantly lower income in this area.

As a result of the coronavirus crisis, we benefited in terms of commission and service transactions in the first half of

the year from increased activities on the financial markets, and our income rose by more than CHF 1.0 million to CHF 10.6 million. Whether this trend will persist is impossible to assess. At the moment, we do not expect that income from brokerage fees in the second half of the year will reach the level of the first half of the year.

Because of the coronavirus pandemic, we anticipate that credit defaults may occur, particularly in the area of SMEs. Accordingly, in keeping with the principle of prudence, we will create provisions. Because of that, and due to the fact that the pandemic continues to make it difficult to estimate the further development of business performance, we anticipate net income in the range of CHF 1.0 to CHF 2.0 million.

However, what reassures us is that in the first half of the year, we as a company demonstrated that we handled the situation very responsibly and wisely. The infrastructure allowing our staff to work from home is in place, our employees are willing and able to implement it and our processes are so well honed that we are also eminently prepared for a potential second lockdown. Our client pipeline is well filled, and new projects and the development of new products and services have either been started or are nearing completion.

Despite the uncertainty caused by the coronavirus, we are viewing the second

half of 2020 with equanimity. The quality of our staff is outstanding, and the employees have already demonstrated that they are equal to the challenge posed by this extraordinary situation. Our employees are our greatest capital, and with this team behind us, we look toward the second half of this extraordinary 2020 with utmost confidence.



Edi Wögerer
CEO

Balance sheet as at 30 June 2020

in CHF 1,000

30.6.2020

31.12.2019

Assets

Liquid assets	171,439	125,601
Due from banks	286,259	245,176
→ of which repayable upon demand	125,455	142,411
→ of which other receivables	160,804	102,766
Due from clients	402,760	406,456
→ of which mortgage-backed claims	103,504	100,899
→ of which secured by mortgages	27,591	18,896
→ of which secured by other collateral	159,046	200,488
→ of which without collateral	112,619	86,172
Bonds and other fixed-interest securities	133,689	99,376
→ of which bonds issued by public bodies	93,836	59,360
→ of which bonds issued by other borrowers	39,854	40,016
Shares and other non-fixed-interest securities	60,556	79,394
Participations	269	541
Intangibles	–	–
Real estate	–	–
Property, plant and equipment	9,616	9,889
Other assets	232,599	93,790
Accrued expenses and deferred income	3,062	2,063
Total assets	1,300,250	1,062,285

Balance sheet as at 30 June 2020

in CHF 1,000

30.6.2020

31.12.2019

Liabilities

Due to banks	14,713	8,370
→ of which repayable on demand	14,713	8,370
→ with agreed terms or notice period	–	–
Due to clients	898,125	775,572
→ of which savings deposits	–	–
→ of which other liabilities repayable on demand	847,529	718,867
→ of which other liabilities with agreed terms or notice periods	50,596	56,706
Certificated liabilities	53,060	75,696
→ of which medium-term notes	11,391	11,510
→ of which other certificated liabilities	41,669	64,186
Other liabilities	232,246	101,433
Accrued expenses and deferred income	7,996	6,090
Tax Provisions	1,638	1,311
Provisions for general banking risks	16,400	16,400
Subscribed capital	25,470	25,299
Capital reserves	1,940	1,598
Retained profit	46,847	46,844
→ of which statutory reserves	6,000	6,000
→ of which other reserves	40,847	40,844
Profit carried forward	–	–
Profit	1,816	3,671
Total liabilities	1,300,250	1,062,285

Income statement from 1 January to 30 June 2020

in CHF 1,000	30.6.2020	30.6.2019
Items		
Interest earned	7,293	10,310
→ of which income from fixed-interest securities	396	516
Interest expenses	-515	-1,914
Current income from securities	14	12
→ of which shares and other non-fixed-interest securities	14	12
Income from commission and service transactions	10,649	9,429
→ of which commission income on securities and investment operations	6,468	5,118
→ of which commission income on other service transactions	3,833	4,276
→ of which commission income on loan transactions	349	35
Commission expenses	-2,667	-3,125
Profit on financial operations	2,945	1,346
→ of which from trading	2,719	1,944
→ of which from disposal of securities	226	2
→ of which impairments to securities	-	-600
Other operating income	2,055	1,389
General and administrative expenses	-14,647	-13,861
→ of which personnel expenses	-9,725	-8,499
→ of which business and office expenses	-2,811	-3,059
→ of which IT expenses	-2,112	-2,303
Depreciation on intangible assets and property, plant and equipment	-273	-378
Other operating expenses	-194	-163
Valuation allowances on claims and transfers to reserves for contingencies and credit risks	-2,260	-836
Income from the dissolution of valuation allowances in respect of loans and from the dissolution of provisions for contingent liabilities and credit risks	-	-
Depreciation on participations, shares in affiliated companies and securities treated as non-current assets	-473	-405
Income from write-ups of shareholdings, shares in affiliated companies and securities treated as non-current assets	215	-
Income from normal business activities	2,143	1,803
Extraordinary income	-	-
Extraordinary expenditure	-	-1
Income tax	-327	-264
Other taxes	-	-
Allocations to provisions for general banking risks	-	-
Profit for the period from 1 January to 30 June 2020	1,816	1,538

Off-balance-sheet items as at 30 June 2020

in CHF 1,000

30.6.2020

31.12.2019

Off-balance sheet items

Contingent liabilities

of which credit guarantees and similar instruments	16,118	10,284
of which guarantees for warranty obligations and similar instruments	–	–
Total contingent liabilities	16,118	10,284

Derivative financial instruments

Notional value	988,552	748,965
Positive replacement values	3,202	3,654
Negative replacement values	-2,867	-3,360

Fiduciary transactions

Fiduciary transactions	45,601	138,764
Fiduciary loans	–	–
Total fiduciary transactions	45,601	138,764

Consolidated balance sheet as at 30 June 2020

in CHF 1,000	30.6.2020	31.12.2019
Assets		
Liquid assets	172,055	126,419
Due from banks	286,259	245,176
→ of which repayable upon demand	125,455	142,411
→ of which other receivables	160,804	102,766
Due from clients	391,419	389,913
→ of which mortgage-backed claims	103,504	100,899
→ of which secured by mortgages	27,591	18,896
→ of which secured by other collateral	159,046	200,488
→ of which without collateral	101,278	69,629
Bonds and other fixed-interest securities	134,043	99,375
→ of which bonds issued by public bodies	94,189	59,360
→ of which bonds issued by other borrowers	39,854	40,016
Shares and other non-fixed-interest securities	58,380	77,760
Participations	125	25
Intangibles	-2,743	-2,570
Real estate	-	-
Property, plant and equipment	9,979	16,622
Other assets	238,453	101,860
Accrued expenses and deferred income	3,062	2,086
Total assets	1,291,033	1,056,667

Consolidated balance sheet as at 30 June 2020

in CHF 1,000	30.6.2020	31.12.2019
Liabilities		
Due to banks	14,713	8,370
→ of which repayable on demand	14,713	8,370
→ with agreed terms or notice period	–	–
Due to clients	888,945	772,969
→ of which savings deposits	–	–
→ of which other liabilities repayable on demand	838,349	716,264
→ of which other liabilities with agreed terms or notice periods	50,596	56,706
Certificated liabilities	53,060	75,696
→ of which medium-term notes	11,391	11,510
→ of which other certificated liabilities	41,669	64,186
Other liabilities	234,387	103,292
Accrued expenses and deferred income	7,998	6,168
Tax Provisions	2,183	1,317
Provisions for general banking risks	16,400	16,400
Subscribed capital	25,470	25,299
Capital reserves	1,940	1,598
Retained profit	48,489	47,594
→ of which statutory reserves	6,000	6,000
→ of which other reserves	42,489	41,594
Minority interests in equity	990	1,222
Profit carried forward	-6,246	-4,664
Profit	2,705	1,407
→ thereof minority interests in net income	-270	-620
Total liabilities	1,291,033	1,056,667

Consolidated income statement from 1 January to 30 June 2020

in CHF 1,000	30.6.2020	30.6.2019
Items		
Interest earned	7,028	-
→ of which income from fixed-interest securities	396	-
Interest expenses	-518	-
Current income from securities	14	-
→ of which shares and other non-fixed-interest securities	14	-
Income from commission and service transactions	10,647	-
→ of which commission income on securities and investment operations	6,468	-
→ of which commission income on other service transactions	3,830	-
→ of which commission income on loan transactions	349	-
Commission expenses	-2,665	-
Profit on financial operations	2,945	-
→ of which from trading	2,719	-
→ of which from disposal of securities	226	-
→ of which impairments to securities	-	-
Other operating income	5,504	-
General and administrative expenses	-15,438	-
→ of which personnel expenses	-10,447	-
→ of which business and office expenses	-2,880	-
→ of which IT expenses	-2,112	-
Depreciation on intangible assets and property, plant and equipment	-459	-
Other operating expenses	-709	-
Valuation allowances on claims and transfers to reserves for contingencies and credit risks	-2,260	-
Income from the dissolution of valuation allowances in respect of loans and from the dissolution of provisions for contingent liabilities and credit risks	-	-
Depreciation on participations, shares in affiliated companies and securities treated as non-current assets	-21	-
Income from write-ups of shareholdings, shares in affiliated companies and securities treated as non-current assets	215	-
Income from normal business activities	4,282	-
Extraordinary income	-	-
Extraordinary expenditure	-	-
Income tax	-395	-
Other taxes	-543	-
Allocations to provisions for general banking risks	-	-
Profit for the period from 1 January to 30 June 2020	2,705	-

Consolidated off-balance-sheet items as at 30 June 2020

in CHF 1,000	30.6.2020	31.12.2019
Off-balance sheet items		
Contingent liabilities		
of which credit guarantees and similar instruments	16,118	10,284
of which guarantees for warranty obligations and similar instruments	–	–
Total contingent liabilities	16,118	10,284
Derivative financial instruments		
Notional value	988,552	748,965
Positive replacement values	3,202	3,654
Negative replacement values	-2,867	-3,360
Fiduciary transactions		
Fiduciary transactions	45,601	138,764
Fiduciary loans	–	–
Total fiduciary transactions	45,601	138,764

The Bank Frick Half-yearly report is published in German and English.
The German version is authoritative.

Crossover Finance