



BANK FRICK

Half-yearly results – H1 2021



Report of the Management Board

Bank Frick generated a net profit of CHF 3.1 million in the first half-year. All strategic business segments contributed to this long-term result. For 2021, we therefore expect an annual profit in the order of CHF 5 million. Thanks to the successful reorganisation initiative of the departments involving direct client contact, we have been able to pay even closer attention to the client experience.

Bank Frick looks back on a very successful first half of 2021. This success stems mainly from the strategically occupied business segments and therefore making it long-term. In addition, we benefited from the volatility in the markets. This resulted in a net profit of CHF 3.1 million. Additionally, client assets increased by over CHF 1 billion this year and amounted to CHF 4.464 million on 30 June 2021. We were able to further increase our number of clients and net income also grew in line with recent years. The very pleasing half-year result is a clear sign that the implementation of our strategy, which is based on the traditional and blockchain-based world, has been a complete success.

Through this reorganisation initiative, we are improving our service offered to our clients

To ensure that we remain this successful in the future, it is vital for us to focus even more on the client experience – that is, the experience when clients are in contact with Bank Frick. For this reason, we adapted our vision, our mission and, above all, our guiding principle at the beginning of 2021. Furthermore, last year we analysed how we can further optimise and expand our client service. One result of the analysis was that we were able to position our departments involved with direct client contact even more efficiently in order to optimise client benefit.

This analysis led Bank Frick to reorganise the departments with direct client contact in recent months. This reorganisation initiative came into effect in June. The most obvious innovation is the establishment of the new Client Services department. Client Services focuses on providing our clients with professional support, competently answering all their questions and making banking as easy as possible for them.

In addition to the Client Services department, the two departments Classic Banking and Blockchain Banking were formed. Together with the Fund and Capital Markets and E-Commerce departments, these four departments are in line with our strategic business segments. The know-how is consolidated in these departments and they are all responsible for taking up the clients' needs and finding tailor-made solutions for them, even beyond the boundaries of the respective business segment.

In recent years, we have made significant investments in technology, regulatory issues, compliance and the establishment of new business models. Thanks to our reorganisation initiative, we can serve our clients even more efficiently. Furthermore, with these changes, Bank Frick is setting the organisational stage for continuing to develop new business models and products that are highly competitive in the international context. We want to be the bank for financial intermediaries in

Liechtenstein and further consolidate our standing among independent custodian banks. We want to remain a significant banking partner for blockchain companies in Europe and further strengthen this position. We want to work in partnership with our clients and strive for a long-term and successful relationship with them. And with all our strategic progress, we will remain flexible in order to be able to respond to new market opportunities, in a manner fitting for a bank that thinks in an entrepreneurial way.

Bank Frick now fully family-owned again

Since the beginning of February 2021, Bank Frick is once again fully owned by the Kuno Frick Family Foundation (KFS). Net 1 UEPS Technologies, Inc. (Net1) sold the 35% stake it held in Bank Frick to KFS. The Frick family therefore once again controls all shares in the Bank. Upon completion of this transaction, Alex Smith (CEO of Net1) left the Board of Directors of Bank Frick.

Net1 acquired a total of 35% of Bank Frick's capital stock from KFS in 2017 and 2018. The 2017 purchase agreement also provided for a purchase option of an additional 35%. Net1 exercised this option in October 2019. Shortly before the purchase was to be completed in April 2020, Net1 withdrew from its offer to acquire a majority stake in Bank Frick. The background to this was Net1's new

strategy, in which the European market no longer plays a role; this strategy was clearly very much shaped by anticipated development of the South African business in light of COVID-19. This resulted in only a few points of contact between Net1 and Bank Frick.

Being managed by a family adds value

As a bank, we have learned that our clients and employees see clear added value in a family-run bank. This was clearly illustrated by reactions from clients as well as a survey taken among employees. As the shareholder, the Frick family provides a sense of stability. This shareholder structure creates clear lines of responsibility, bolsters the trust of clients and employees, and guarantees that decisions can be made quickly. KFS is not out to make a quick profit but geared toward the long term. Nevertheless, it is within the realm of possibilities that KFS could allow a strategic minority partner to take a stake sometime in the future. However, it is necessary for this participation to fit the Bank and for the partnership to be intended for the long term. What's important for both KFS and Bank Frick are continuity and reliability. Clients of Bank Frick as well as bank employees want and should know where they stand.

Balance sheet

Our balance sheet total amounted to CHF 2.751 million as at 30 June 2021

which was 89% higher compared to the balance sheet total on 31 December 2020. Client deposits in particular – largely from crypto transactions – led to the increase in the balance sheet total. Most of the growth is in overnight deposits, meaning that we are expecting some volatility in the second half-year.

Client assets under management

Client assets under management increased by CHF 1.193 million in the first six months of the 2021 financial year to CHF 4.464 million as at 30 June 2021. The increase results in particular from new business in all business segments. We also benefited from the high volatility in the markets – especially in the crypto sector.

Net new money

The net new money inflow amounted to CHF 962 million as at the reporting date. The inflow of client assets was achieved in particular thanks to new clients as well as inflows from existing clients.

Sources of revenue

Fund and Capital Markets

The Fund and Capital Markets department recorded exceptionally strong growth in the area of custodian and depositary bank services for Liechten-

stein funds. Funds under management that were domiciled in Liechtenstein amounted to around CHF 1.512 million as at 30 June 2021 (compared with CHF 797 million as at 30 June 2020). This corresponds to an increase of around CHF 350 million compared to 31.12.2020.

In the issuing business for other securities offerings (with a focus on debt capital transactions), we also observed a strong increase in business volumes. We were therefore able to win 22 new paying agent mandates in the first half of 2021. This brings the outstanding issue volume from own and third-party issues to around CHF 1500 million as at 30 June 2021 (compared to around CHF 418 million as of 30 June 2020).

Classic Banking

The department of Classic Banking (operating under the name Private Clients and External Asset Management until June 2021) was also responsible for servicing existing clients until this re-organisation initiative. These tasks have now been taken over by Client Services. The department of Classic Banking now focuses on business development of financial intermediaries and professional clients in the area of classic banking.

It had an excellent first half-year, growing assets in its core markets in collaboration with financial intermediaries, such as trustees, asset managers and lawyers. This department has

already started to strengthen its staff in order to be ready for further growth and to continuously provide a first-class service to selected clients and business partners. As well as this, it has benefited from Bank Frick's crypto service offering. Traditional banking clients and established financial intermediaries are becoming increasingly interested in investing in digital currencies. Bank Frick sees itself as the first point of contact in Liechtenstein when clients of financial intermediaries want to invest in cryptocurrencies.

Blockchain Banking

The price of cryptocurrencies went up and down in the first half-year. Bitcoin, for example, rose by 125% from December 2020 to April 2021, lost 46% of its value in the second quarter, and then experienced an upward trend again. This volatility in the market has had a very positive impact on client activity in cryptocurrency trading and, accordingly, has led to a strong increase in trading volumes. Demand from companies in the corporate blockchain sector has been steadily rising. It is also evident that individuals and organisations holding large assets in cryptocurrencies are increasingly seeking traditional banking services to diversify their asset allocation. Our strong market position and the growing demand associated with it made it necessary to hire additional staff for the second half-year in order to meet this demand, and all this in the spirit of an excellent client experience.

E-Commerce

The E-Commerce department works mainly with licensed payment facilitators and strengthened existing partnerships in the first half-year. The first half-year marked a huge success and we have been able to increase turnover by 37% since mid-2020. Following the forced disintegration of Net1, E-Commerce had to realign itself and is now contributing financially to Bank Frick's success. In January, the new client authentication requirement became mandatory for e-commerce transactions under the Payment Services Directive (PSD2). We have been working with all merchants to comply with the policy and ensure full compliance. Furthermore, with the integration of the ACI Worldwide processing platform, we are now able to offer American Express as an alternative payment method to our merchants. We also successfully passed the annual Payment Card Industry audit with no comments from the auditors.

Events after 30 June 2021

Bank Frick processes donations in the form of cryptocurrencies

Since July, Bank Frick has been processing donations in the form of cryptocurrencies for the Swiss section of the human rights organisation Amnesty International. For this purpose, we have developed a set-up that enables the reliable, regulatory compliant and secure acceptance of crypto donations.

The model is suitable for all NGOs and allows for careful verification of the origin of crypto donations.

Outlook for the second half of 2021

We are very satisfied with the generated net profit of CHF 3.1 million. This result confirms that we are in a very stable position as a bank and that the investments in staff, infrastructure and IT as well as the development of our regulatory know-how are paying off. We are therefore very pleased that all strategic business segments are making a long-term contribution to this success.

For the second half of the year, we therefore expect a similar development as in the first six months. We do not expect the aforementioned extraordinary items to have the same impact on income as in the first half-year. Based on this starting position, we expect annual results in the order of CHF 5 million. Due to the uncertain times, however, we budgeted conservatively for the year 2021 and assumed a profit of CHF 3.1 million.

In addition to this extremely promising result, we also see major challenges ahead of us. Various regulatory projects and the expansion of our digital interaction with clients will keep us very busy. We are, however, well equipped financially and in terms of staff, so we are facing these challenges with great

confidence. We will continue to invest in staff, projects and infrastructure to help continuously improve our client service

The second half of the year will also be marked by growth. We will focus on the further development and expansion of our highly efficient departments with direct client contact and continuously optimise the processes throughout this reorganisation initiative, whilst making the best possible use of our resources, and all this in the spirit of a client experience. Due to the very good order situation and the consistently high workload completed by our employees, we are planning to create various positions and expand the existing organisational units.

The traditional financial world is continuing its march towards consolidation with blockchain-based assets. By continuously monitoring the market, we ensure that our solutions meet the quality requirements of our clients and can survive in a regulated framework. We continue to work every day on further ways to connect the traditional financial world with blockchain-based assets.

A long-term, successful business relationship is based on classic values such as trust and reliability. As a 100 per-cent family-run bank that has been active in the market for more than 20 years, we now have one foot in the

blockchain world and the other in the world of classic banking. We have therefore succeeded in creating a solid foundation and are equipped for being a bank for the future.



Edi Wögerer
CEO

Balance sheet as at 30 June 2021

in CHF 1,000

30.6.2021

31.12.2020

Assets

Liquid assets	1,442,098	372,009
Due from banks	440,218	317,952
→ of which repayable upon demand	127,485	157,306
→ of which other receivables	312,733	160,646
Due from clients	505,423	463,673
→ of which mortgage-backed claims	184,197	139,353
→ of which secured by mortgages	25,248	35,213
→ of which secured by other collateral	157,224	146,298
→ of which without collateral	138,755	142,809
Bonds and other fixed-interest securities	134,680	105,644
→ of which bonds issued by public bodies	126,074	50,488
→ of which bonds issued by other borrowers	8,607	55,155
Shares and other non-fixed-interest securities	80,709	78,143
Participations	–	–
Intangibles	–	–
Real estate	–	–
Property, plant and equipment	9,277	9,194
Own shares	3,004	–
Other assets	132,999	108,830
Accrued expenses and deferred income	2,863	3,053
Total assets	2,751,271	1,458,496

Balance sheet as at 30 June 2021

in CHF 1,000

30.6.2021

31.12.2020

Liabilities

Due to banks	14,173	28,019
→ of which repayable on demand	14,173	28,019
→ with agreed terms or notice period	–	–
Due to clients	2,472,664	1,183,855
→ of which savings deposits	–	–
→ of which other liabilities repayable on demand	2,419,372	1,127,445
→ of which other liabilities with agreed terms or notice periods	53,292	56,410
Certificated liabilities	59,892	52,729
→ of which medium-term notes	11,586	11,488
→ of which other certificated liabilities	45,306	41,242
Other liabilities	93,858	89,548
Accrued expenses and deferred income	11,300	7,863
Tax Provisions	1,893	1,448
Provisions for general banking risks	16,400	16,400
Subscribed capital	25,713	25,470
Capital reserves	5,425	1,940
Retained profit	46,853	46,847
→ of which statutory reserves	6,000	6,000
→ of which reserves for own shares/units	3,004	–
→ of which other reserves	37,849	40,847
Profit carried forward	–	–
Profit	3,101	4,376
Total liabilities	2,751,271	1,458,496

Income statement from 1 January to 30 June 2021

in CHF 1,000	30.6.2021	30.6.2020
Items		
Interest earned	6,897	7,293
→ of which income from fixed-interest securities	358	396
Interest expenses	1,482	-515
Current income from securities	7	14
→ of which shares and other non-fixed-interest securities	7	14
Income from commission and service transactions	24,406	10,649
→ of which commission income on securities and investment operations	18,120	6,468
→ of which commission income on other service transactions	6,189	3,833
→ of which commission income on loan transactions	97	349
Commission expenses	-7,094	-2,667
Profit on financial operations	6,800	2,945
→ of which from trading	6,686	2,719
→ of which from disposal of securities	956	226
→ of which impairments to securities	-842	-
Other operating income	3,203	2,055
General and administrative expenses	-20,811	-14,647
→ of which personnel expenses	-14,266	-9,725
→ of which business and office expenses	-3,559	-2,811
→ of which IT expenses	-2,987	-2,112
Depreciation on intangible assets and property, plant and equipment	-390	-273
Other operating expenses	-662	-194
Valuation allowances on claims and transfers to reserves for contingencies and credit risks	-10,291	-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	-	-473
Income from write-ups of shareholdings, shares in affiliated companies and securities treated as non-current assets	-	215
Income from normal business activities	3,546	2,143
Extraordinary income	-	-
Extraordinary expenditure	-	-
Income tax	-445	-327
Other taxes	-	-
Allocations to provisions for general banking risks	-	-
Profit for the period from 1 January to 30 June 2021	3,101	1,816

Off-balance-sheet items as at 30 June 2021

in CHF 1,000	30.6.2021	31.12.2020
Off-balance sheet items		
Contingent liabilities		
of which credit guarantees and similar instruments	4,657	4,594
of which guarantees for warranty obligations and similar instruments	–	–
Total contingent liabilities	4,657	4,594
Derivative financial instruments		
Notional value	1,165,079	900,935
Positive replacement values	9,075	4,688
Negative replacement values	-7,397	-6,334
Fiduciary transactions		
Fiduciary transactions	31,554	52,639
Fiduciary loans	–	–
Total fiduciary transactions	31,554	52,639

Consolidated balance sheet as at 30 June 2021

in CHF 1,000	30.6.2021	31.12.2020
Assets		
Liquid assets	1,442,197	372,617
Due from banks	440,218	317,952
→ of which repayable upon demand	127,485	157,306
→ of which other receivables	312,733	160,646
Due from clients	499,016	459,136
→ of which mortgage-backed claims	184,197	139,353
→ of which secured by mortgages	25,248	35,213
→ of which secured by other collateral	157,224	146,298
→ of which without collateral	132,347	138,271
Bonds and other fixed-interest securities	126,074	105,644
→ of which bonds issued by public bodies	117,467	50,488
→ of which bonds issued by other borrowers	8,607	55,156
Shares and other non-fixed-interest securities	88,901	74,567
Non-consolidated Participations	–	–
Intangibles	-4,429	-2,853
Real estate	–	–
Property, plant and equipment	9,867	9,576
Own shares	3,004	–
Other assets	137,883	113,131
Accrued expenses and deferred income	2,896	3,086
Total assets	2,745,627	1,452,854

Consolidated balance sheet as at 30 June 2021

in CHF 1,000	30.6.2021	31.12.2020
Liabilities		
Due to banks	14,173	28,019
→ of which repayable on demand	14,173	28,019
→ with agreed terms or notice period	–	–
Due to clients	2,470,779	1,179,883
→ of which savings deposits	–	–
→ of which other liabilities repayable on demand	2,417,487	1,123,473
→ of which other liabilities with agreed terms or notice periods	53,292	56,410
Certificated liabilities	59,892	52,729
→ of which medium-term notes	11,586	11,488
→ of which other certificated liabilities	48,306	41,242
Other liabilities	96,151	93,659
Accrued expenses and deferred income	11,347	7,977
Tax Provisions	2,255	1,671
Provisions for general banking risks	16,400	16,400
Subscribed capital	25,713	25,470
Capital reserves	5,425	1,940
Retained profit	49,081	48,346
→ of which statutory reserves	6,000	6,000
→ of which other reserves	40,078	42,346
→ of which for own shares	3,004	–
Minority interests in equity	2,486	982
Profit carried forward	-10,734	-6,056
Profit	2,659	1,834
→ thereof minority interests in net income	-501	-804
Total liabilities	2,745,627	1,452,854

Consolidated income statement from 1 January to 30 June 2021

in CHF 1,000	30.6.2021	30.6.2020
Items		
Interest earned	6,820	7,028
→ of which income from fixed-interest securities	358	396
Interest expenses	1,482	-518
Current income from securities	7	14
→ of which shares and other non-fixed-interest securities	7	14
Income from commission and service transactions	24,405	10,647
→ of which commission income on securities and investment operations	18,120	6,468
→ of which commission income on other service transactions	6,188	3,830
→ of which commission income on loan transactions	97	349
Commission expenses	-7,091	-2,665
Profit on financial operations	6,800	2,945
→ of which from trading	6,686	2,719
→ of which from disposal of securities	956	226
→ of which impairments to securities	-842	-
Other operating income	4,451	5,504
General and administrative expenses	-23,390	-15,438
→ of which personnel expenses	-15,211	-10,447
→ of which business and office expenses	-5,175	-2,880
→ of which IT expenses	-3,004	-2,112
Depreciation on intangible assets and property, plant and equipment	-441	-459
Other operating expenses	-1,260	-709
Valuation allowances on claims and transfers to reserves for contingencies and credit risks	-10,291	-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	1,973	215
Income from normal business activities	3,466	4,282
Extraordinary income	-	-
Extraordinary expenditure	-	-
Income tax	-388	-395
Other taxes	-418	-543
Allocations to provisions for general banking risks	-	-
Profit for the period from 1 January to 30 June 2021	2,659	2,705

Consolidated off-balance-sheet items as at 30 June 2021

in CHF 1,000	30.6.2021	31.12.2020
Off-balance sheet items		
Contingent liabilities		
of which credit guarantees and similar instruments	4,657	4,594
of which guarantees for warranty obligations and similar instruments	–	–
Total contingent liabilities	4,657	4,594
Derivative financial instruments		
Notional value	1,165,079	900,935
Positive replacement values	9,075	4,688
Negative replacement values	-7,397	-6,334
Fiduciary transactions		
Fiduciary transactions	31,554	52,639
Fiduciary loans	–	–
Total fiduciary transactions	31,554	52,639

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

Crossover Finance