



BANK FRICK

## Half-yearly results – H1 2017

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# Healthy growth offsets rising costs

**Our budget for 2017 is ambitious. We are therefore all the more pleased to have met the targets we set ourselves for the first half of the year. Over the first six months of the year, we generated a profit of CHF 2.7 million, which is 26.9% higher compared to the 2016 semi-annual results. We posted healthy growth in all our strategic business areas.**

Interest income rose to CHF 9 million (+17%). One of the factors driving this increase was the strategic expansion of our working capital financing business, where margins are higher than in mortgage lending. We focus on offering working capital financing together with our partner company Masterpayment AG.

We were pleased to be able to cut our interest costs to CHF 2 million, which represents a reduction of 14.8%. We were able to increase our interest margins and are less dependent on refinancing. One of the reasons for this was the long-term high-yield certificates which expired during the reporting period.

In the commission and service operations business, we generated a net income of CHF 3.9 million (+2.9%). Earnings fell by CHF 0.9 million. This is the result of, among others, the expiry of the credit models previously offered in the UK. We were also able to significantly cut costs by CHF 1 million, meaning that net income was slightly higher than in the comparative period.

adjustments on financial investments, which also impacted profits. In principle, however, we believe there to be considerable potential in the area of financial operations.

Despite significant investments, general administrative expenses were only 2.8% higher at CHF 8.7 million. This rise was caused by additional costs for personnel and non-personnel expenses.

## Growth drivers: e-business, funds and issues

In summary, it can be said that the traditional business areas are tending to stagnate somewhat. Our growth is being driven by e-business as well as our funds and issues business.

Other operating income amounted to CHF 0.7 million, which is in line with expectations. The extremely good result from the first half of 2016 was caused by two extraordinary items: the disposal of shares in Visa Europe and the sale of

the working capital financing company Masterpayment AG to Net 1 UEPS Technologies, Inc. (Net1).

No provisions were made for general banking risks in the first half of 2017.

## Expiry of LDF leads to expected asset outflows

The balance sheet total of Bank Frick amounts to CHF 990 million. This represents a decrease of 9.2% compared to the end of 2016. This decline is largely due to asset outflows in relation to the Liechtenstein Disclosure Facility (LDF) with the UK. The LDF allowed persons who are liable to tax in the UK to legalise untaxed assets via Liechtenstein at favourable conditions. The program expired at the end of 2015.

Over the last six months, we expanded our mortgage lending to CHF 108 million (+22%). This has allowed us to diversify our business into less risky areas in line with our strategy.

## Considerable potential in the area of financial operations

Our profit from financial operations fell by half to CHF 0.8 million. The result from the first half of 2016 should essentially be viewed as a unique success, which was mainly driven by the then turbulence on the currency markets (i.e. Brexit). In addition, the financial profit for the first half of 2017 contained one-time expenses in the area of negative value

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Thinking entrepreneurially, acting creatively and always being open to new ideas.

## Net1 acquires stake in Bank Frick

We are continuing to focus our strategy on digitalised business models, which we are developing for and with third-party companies (fintechs).

We entered into a close strategic partnership with Net1 in 2016. At the end of January, we announced that the successful cooperation between Net1 and our Bank has now led to the international provider of payment systems acquiring a stake in Bank Frick. The Liechtenstein Financial Market Authority's qualifying holdings procedure has not yet been completed and approval is yet to be granted.

## First cryptocurrency certificate

In the second quarter, we developed the first cryptocurrency certificate and launched it at the end of June. This is a private placement. With this certificate, we are testing all our internal processes and the stability of our interfaces under real conditions. Now we are able to give qualified investors the opportunity to participate in the performance of cryptocurrencies in an extremely simple way.

## Founder of Bank Frick passes away

On 27 June 2017, Kuno Frick Sr passed away at the age of 78 (lead photograph). The founder of our Bank had become weak following a major operation and was unable to fight off a serious infection. From a young company with

just four employees in 1998 grew a healthy bank with 78 staff, who continue to further develop the work started by Kuno Frick Sr in the way he would have wanted: thinking entrepreneurially, acting creatively and always being open to new ideas.

## Low-risk and sustainable business relationships

For more than two years now, we have been focusing on lower-risk business relationships. We have identified existing risks and are working in a targeted manner to reduce them. This applies in particular to the private-client business. In order to minimise risk, there is also a clearer focus on core markets and core clients.

The various financial products and our e-business models require specific technical know-how. We have this in-house, which helps us accurately qualify and quantify the intrinsic risks.

## Forgoing opportunistic gains

In the credit card acquiring and issuing business (MasterCard and Visa), we only work with partners that have sustainable business models, which helps us to reduce risk in this area also.

We will forgo – supposedly – opportunistic financial gains in order to strategically minimise the long-term risks and further build upon the Bank's reputation among its stakeholders.

In light of our performance to date and the expected figures for the second half of the year, we and our employees are approaching the second half of 2017 with real confidence.



Edi Wögerer, CEO

## Balance sheet as at 30 June 2017

in CHF 1,000

30.6.2017

31.12.2016

### Assets

Liquid assets	91,060	77,992
Due from banks	314,566	448,130
→ of which repayable upon demand	98,315	183,207
→ of which other receivables	216,251	264,923
Due from clients	454,373	441,471
→ of which mortgage-backed claims	108,317	88,539
Bonds and other fixed-interest securities	2,287	1,608
→ of which bonds issued by public bodies	2,287	–
→ of which bonds issued by other borrowers	–	1,608
Shares and other non-fixed-interest securities	90,931	86,088
Participations	1,152	607
Shares in affiliated companies	–	–
Intangibles	–	–
Property, plant and equipment	10,300	10,441
Other assets	12,468	13,662
Accrued expenses and deferred income	7,736	5,365
<b>Total assets</b>	<b>984,872</b>	<b>1,085,365</b>

## Balance sheet as at 30 June 2017

in CHF 1,000

30.6.2017

31.12.2016

### Liabilities

Due to banks	25,570	7,965
→ of which repayable on demand	25,570	7,965
→ with agreed terms or notice period	–	–
Due to clients	724,562	844,042
→ of which savings deposits	–	–
→ of which other liabilities repayable on demand	645,829	778,595
→ of which other liabilities with agreed terms or notice periods	78,733	65,447
Certificated liabilities	129,616	123,578
→ of which medium-term notes	16,656	16,533
→ of which other certificated liabilities	112,959	107,045
Other liabilities	10,673	14,242
Accrued expenses and deferred income	5,123	6,192
Tax Provisions	1,576	1,184
Provisions for general banking risks	16,400	16,400
Subscribed capital	25,000	25,000
Capital reserves	1,000	1,000
Retained profit	42,612	42,612
→ of which statutory reserves	6,000	6,000
→ of which other reserves	36,612	36,612
Profit carried forward	5	0
Profit	2,737	3,150
<b>Total liabilities</b>	<b>984,872</b>	<b>1,085,365</b>

## Income statement from 1 January to 30 June 2017

in CHF 1,000

30.6.2017

30.6.2016

### Items

Interest earned	8,984	7,643
→ of which income from fixed-interest securities	8	34
Interest expenses	-2,014	-2,363
Current income from securities	8	-
→ of which shares and other non-fixed-interest securities	8	-
Income from commission and service transactions	7,777	8,662
→ of which commission income on loan transactions	273	742
→ of which commission income on securities and investment operations	4,120	4,130
→ of which commission income on other service transactions	3,384	3,791
Commission expenses	-3,830	-4,827
Profit on financial operations	792	1,582
→ of which from trading	1,267	1,573
Other operating income	680	8,880
General and administrative expenses	-8,667	-8,432
→ of which personnel expenses	-5,157	-4,940
→ of which business and office expenses	-3,510	-3,492
Depreciation on intangible assets and property, plant and equipment	-235	-251
Other operating expenses	-67	-11
Valuation allowances on claims and transfers to reserves for contingencies and credit risks	-300	-1,303
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	-	-
Income from write-ups of shareholdings, shares in affiliated companies and securities treated as non-current assets	-	-
<b>Income from normal business activities</b>	<b>3,129</b>	<b>9,579</b>
Extraordinary income	-	-
Extraordinary expenditure	-	-
Income tax	-392	-362
Other taxes	-	-
Allocations to provisions for general banking risks	-	-7,060
<b>Profit for the period from 1 January to 30 June 2017</b>	<b>2,737</b>	<b>2,157</b>

## Off-balance-sheet items as at 30 June 2017

in CHF 1,000

30.6.2017

31.12.2016

### Off-balance sheet items

#### Contingent liabilities

Liabilities from guarantees and warranty contracts as well as liability from provision of collateral	16,246	19,446
<b>Total contingent liabilities</b>	<b>16,246</b>	<b>19,446</b>

#### Derivative financial instruments

Notional value	453,621	492,503
Positive replacement values	1,873	6,593
Negative replacement values	1,714	6,394

#### Fiduciary transactions

Fiduciary transactions	121,111	138,115
Fiduciary loans	–	–
<b>Total fiduciary transactions</b>	<b>121,111</b>	<b>138,115</b>

*Crossover Finance*