



BANK FRICK

Half-yearly-results

H1 2023

# Report of the Management Board

**Bank Frick generated a net profit of CHF 7.2 million in the first half of 2023 and thus built on the success of the prior financial year. The marked increase in profit, coupled with solid utilisation and good capitalisation, provides us with encouragement for the second half of the year. We therefore anticipate an annual profit in the region of CHF 13 million for 2023.**

During the first half of the year, we once again confirmed that our growth strategy is bearing fruit, with all four business areas making a positive contribution to our success. We closed the first half of 2023 with a net profit of CHF 7.2 million, meaning that we are well on track to exceed our expectations for the current financial year. The half-year result shows us that our investments in implementing the growth strategy are paying off. Our strategic direction and focus on the four business segments are also proving to be correct.

## Bank Frick launches its new PULSE payment service

With PULSE, we launched a new payment service on the market in the first half of the year. PULSE enables clients to settle fiat transactions within the same currency on the Bank Frick network within a very short period of time. Payments are made directly – regardless of cut-off and business hours – seven days a week.

## Bridging the gap between fiat and crypto

Bank Frick's clients include traditional financial intermediaries, investors and private individuals. As a European blockchain pioneer, Bank Frick also counts crypto infrastructures such as crypto exchanges and crypto brokers among its clients. With the PULSE payment service, Bank Frick is bridging the gap between

these two worlds. Thanks to PULSE, traditional clients now have the option, for example, of making fiat payments on crypto exchanges outside of regular banking hours.

## Bank Frick now offers staking as a service for digital assets

In February, Bank Frick became the first Liechtenstein financial institution to offer staking as a new service. Staking enables clients to generate passive income by holding their cryptocurrency, similar to the way in which interest is paid on a savings account. Staking also contributes to the stability of the networks.

As a fully regulated bank, Bank Frick ensures business continuity and full control over the associated funds at all times. In an initial stage, the cryptocurrencies Tezos (XTZ) and Polkadot (DOT) were introduced.

Bank Frick holds all delegated cryptocurrencies independently and has sole control over them. Client assets are held separately and securely and only Bank Frick can access the private keys. In June, we expanded our staking offering and now also offer the cryptocurrencies Ethereum (ETH) and Cardano (ADA). This means that our clients can generate additional income with their digital assets.

## Balance sheet

Our balance sheet total amounted to CHF 2,295 million as at the reporting date of 30 June 2023 and is very strong and liquid. Bank Frick has a very broad capital base.

## Client assets under management

Client assets under management amounted to CHF 3,850 million, a decrease of CHF 151 million (–3.77%) compared to the result as at 31 December 2022 (CHF 4.0 billion). This decline can primarily be attributed to negative market developments and rising inflation in a generally difficult market environment.

## Sources of revenue

### Fund and Capital Markets

The Fund and Capital Markets department experienced difficult market conditions in the area of custodian and depository bank services for Liechtenstein funds and was confronted with some challenges owing to fund liquidations that led to considerable investor losses. Nevertheless, with its existing broad range comprising 35 individual fund mandates, 29 umbrellas and 42 sub-funds, Bank Frick remains a central and in-demand point of contact for fund initiators from Liechtenstein and neighbouring countries. Fund assets under management domiciled in Liechtenstein amounted to approximately CHF 1,346 million as at 30 June 2023

(compared to CHF 1,553 million as at 30 June 2022). In summary, we can say that we are continuing to observe a significant pipeline and unabated interest in our services despite the difficult environment for funds.

We find ourselves with a similar starting position to the one last year. In the issuing business for other securities offerings, in particular in the area of debt capital transactions, we recorded a pleasing increase in new mandates. In the first half of 2023, products dependent on price developments were exposed to the expected turbulence observed on the financial markets. Nevertheless, we succeeded in obtaining five new payment agent mandates during this period. This brought the outstanding issuing volume from own and third-party issues to approximately CHF 1,801 million as at 30 June 2023 (compared to approximately CHF 1,610 million as at 30 June 2022).

We are finding that the rising interest rates have led to greater demand for fixed-income financial instruments. At the same time, the crypto markets have recovered, giving rise to price gains for crypto-linked tracker certificates.

#### **Classic Banking**

The Classic Banking department focuses on business development in cooperation with financial intermediaries such as trust and insurance companies as well as asset management companies. In the first half of the year, the department posted good results with strong income. However,

there were also losses in terms of client assets under management (AUM). These outflows can be attributed to extraordinary items. In our core markets, we were able to expand our cooperation with various new and existing financial intermediaries.

Following an outstanding 2022, everything continues to point towards further successful developments. The current year also looks set to be a promising 12-month period from the perspective of Classic Banking. In particular, traditional financial intermediaries such as asset managers and fiduciaries are increasingly looking for solutions for clients who are interested in cryptocurrencies. We have a great wealth of experience in this area.

In addition to traditional banking services, there is currently particular demand for services from established financial intermediaries that serve clients who are interested in investing in cryptocurrencies. We also provide support to individuals who have been successful in the digital asset segment in recent years and are now looking for conventional investment solutions. We have extensive expertise in this area.

Income was increased by 19.7% in the reporting period. In light of the strong interest rate environment, we also expect to post solid results in the second half of the year. Our aim is to continue the strong earnings growth achieved in the first half of the year during the second half of 2023.

#### **Blockchain Banking**

The prices for cryptocurrencies largely find themselves on an upwards trend and hit an annual high at the end of the second quarter. During the first quarter, the industry was rocked by the downfall of two major US banks that focussed on the blockchain business. This event opened up new opportunities for Bank Frick and led to an increase in the number of account queries from international firms towards the end of the first quarter. During the course of the second quarter, several new clients were acquired and the high level of demand continues to persist. We are observing an increase in regulated companies and trading companies. Thanks to the introduction of Bank Frick's new PULSE network, we are expecting an increased level of client interaction and a rise in transaction activities during the second half of the year.

The marked up and down movements are not significantly influencing the trading behaviour of our clients. Income from the trading business remains stable, while we are seeing an increase in transaction income. The changing interest rate environment is presenting new opportunities for clients and the bank itself. In 2023, for example, it has already been possible to generate additional income. Overall, the Blockchain Banking department continues to find itself in a growth phase with income set to increase by up to 30% in the second half of the year.

### E-Commerce

The E-Commerce department has posted continuous growth during the past two years. The cooperation with our business partners has been expanded further in order to maintain this development and fulfil all relevant regulatory updates and amendments. According to our planning, the outlook is promising and we expect to generate positive results in the next three to six months.

In the first half of 2023, we made several updates to industry regulations. We did so in close collaboration with our partners in order to strengthen our processes and guidelines for the future. We anticipate further growth in the second half of 2023.

The E-Commerce team has started preliminary work to ensure that the upcoming changes and additions to version 4.0 of the Payment Card Industry Data Security Standard (PCI DSS), i.e. with respect to the connection system between microprocessors and connected devices, can be taken into account and the required and improved security measures can be implemented. PCI DSS 4.0 thus offers enhanced security through multi-factor authentication, updated password requirements and defence mechanisms against phishing and data thefts. It also provides for improved assistance, clear roles and responsibilities, supported IT security options, cyber security measures and more frequent controls required to check compliance with the relevant standards.

### Outlook for the second half of 2023

We are very satisfied with the generated net profit of CHF 7.2 million. This result confirms that the investments we have made in the future over recent years were correct and we will continue our efforts in this area.

We are pursuing our goals in a systematic fashion and the half-year result confirms that we are on the right track. Above all else, we are committed to generating continued growth in our four business segments. We have always placed a focus on our clients here and are endeavouring to win new ones. We are working continuously on the implementation of our strategy in order to ensure that we are prepared for the future and can successfully overcome the challenges that lie ahead.

We are celebrating our 25th anniversary this year. Bank Frick's roots can be traced back to 1998 in the garage of a residential building. Today, we have more than 220 committed employees and are a permanent fixture in the Liechtenstein financial centre. Our entrepreneurial DNA has not changed. Our willingness to try new things remains palpable. This is a quality valued by our clients.

Bank Frick is known for great celebratory events. We will celebrate the anniversary together with our employees as a token of our gratitude for the past 25 years and as a prelude to a promising future, which was discussed and planned in detail in an intensive alignment process in 2022.

Current economic developments are proving to be challenging, and this is especially true in the banking sector. The positive effect of higher interest rates is leading to increased success in terms of interest income, meaning we are optimistic for the second half of the year. Despite advancing inflationary pressures, we see opportunities for sustainable growth. Our focus lies on responding flexibly to changing market conditions and – in keeping with the style of Bank Frick – finding innovative solutions. We will master these challenges and continue to achieve positive results.

Based on our starting position as we enter the second half of 2023, we are adjusting our expectations for the current business year and anticipate a net profit of CHF 13 million.

Edi Wögerer  
CEO

## Balance sheet as at 30 June 2023

in CHF 1,000	30.06.2023	31.12.2022
<b>Assets</b>		
Liquid assets	159,446	213,760
Receivables owed by banks	1,305,715	1,464,991
→ of which receivables due on demand	134,775	93,286
→ of which other receivables	1,170,940	1,371,705
Receivables owed by clients	505,867	458,563
→ of which mortgage claims	210,116	193,105
Bonds and other fixed-interest securities	173,541	178,547
→ of which bonds issued by public bodies	105,603	108,443
→ of which bonds issued by other borrowers	67,938	70,104
Shares and other non-fixed-interest securities	51,778	56,685
Holdings	–	593
Intangible assets	–	–
Property, plant and equipment	9,322	9,312
Other assets	81,284	96,861
Accruals and deferrals	7,884	5,028
<b>Total assets</b>	<b>2,294,837</b>	<b>2,484,339</b>

## Balance sheet as at 30 June 2023

in CHF 1,000	30.06.2023	31.12.2022
<b>Liabilities</b>		
Liabilities owed to banks	27,515	346,161
→ of which liabilities due on demand	27,515	346,161
→ of which with agreed term or notice period	-	-
Liabilities owed to clients	2,060,640	1,919,525
→ of which savings deposits	-	-
→ of which other liabilities due on demand	1,860,910	1,795,486
→ of which other liabilities with agreed term or notice period	199,730	124,040
Securitised liabilities	40,136	42,174
→ of which medium-term notes	5,869	5,914
→ of which other securitised liabilities	34,268	36,260
Other liabilities	32,203	47,320
Accruals and deferrals	15,331	11,155
Tax provisions	3,975	2,833
Provisions for general banking risks	24,300	24,300
Subscribed capital	26,000	25,810
Capital reserves	6,118	5,643
Retained earnings	51,419	49,166
→ of which legal reserves	6,000	6,000
→ of which free reserves	45,419	43,166
Profit carried forward	-	-
Profit	7,200	10,252
<b>Total liabilities</b>	<b>2,294,837</b>	<b>2,484,339</b>

## Income statement from 1 January to 30 June 2023

in CHF 1,000	30.06.2023	30.06.2022
<b>Positions</b>		
Interest income	33,097	8,567
→ of which from fixed-interest securities	3,342	2,057
Interest expense	-9,334	3,926
Current income from securities	6	2,731
→ of which shares and other non-fixed-interest securities	6	2,731
Income from commission and service transactions	21,759	23,392
→ of which commission income from securities and investment transactions	12,531	14,564
→ of which commission income from other service transactions	9,162	8,643
→ of which commission income on loan transactions	66	185
Commission expense	-6,806	-7,720
Profit from financial operations	7,185	2,903
→ of which from trading transactions	16,612	7,064
→ of which from disposal of securities	7	106
→ of which impairments to securities	-9,433	-4,267
Other ordinary income	653	871
General administrative expenses	-33,687	-23,547
→ of which personnel expenditure	-19,734	-15,573
→ of which operating expenditure	-5,890	-3,787
→ of which IT expenses	-8,063	-4,187
Depreciation of intangible assets and property, plant and equipment	-151	-176
Other ordinary expenditure	-672	-578
Valuation allowances on claims and transfers to provisions for contingent liabilities and credit risks	-2,916	-4,609
Income from the reversal of valuation allowances on claims and from the reversal of provisions for contingent liabilities and credit risks	-	-
Depreciation of holdings, shares in affiliated companies and securities treated as non-current assets	-793	-
Income from write-ups of holdings, shares in affiliated companies and securities treated as non-current assets	-	-
<b>Income from normal business activities</b>	<b>8,342</b>	<b>5,759</b>
Extraordinary income	-	-
Extraordinary expenditure	-	-
Income tax	-1,142	-637
Other taxes	-	-
Allocations to provisions for general banking risks	-	-
<b>Profit from 1 January to 30 June 2023</b>	<b>7,200</b>	<b>5,121</b>

## Off-balance sheet transactions as at 30 June 2023

in CHF 1,000	30.06.2023	31.12.2022
<b>Off-balance sheet items</b>		
<b>Contingent liabilities</b>		
Credit guarantees and similar instruments	2,650	2,766
of which guarantees for warranty obligations and similar instruments	–	–
<b>Total contingent liabilities</b>	<b>2,650</b>	<b>2,766</b>
<b>Derivative financial instruments</b>		
Contract volume	1,297,837	1,738,940
Positive replacement values of forward foreign-exchange transactions	9,787	16,004
Negative replacement values of forward foreign-exchange transactions	-9,604	-20,538
<b>Fiduciary transactions</b>		
Fiduciary transactions	89,718	75,576
Fiduciary loans	–	–
<b>Total fiduciary transactions</b>	<b>89,718</b>	<b>75,576</b>



## Consolidated balance sheet as at 30 June 2023

in CHF 1,000	30.06.2023	31.12.2022
<b>Assets</b>		
Liquid assets	159,446	213,760
Receivables owed by banks	1,305,715	1,464,991
→ of which receivables due on demand	134,775	93,286
→ of which other receivables	1,170,940	1,371,705
Receivables owed by clients	504,544	457,234
→ of which mortgage claims	210,115	193,105
Bonds and other fixed-interest securities	173,541	178,547
→ of which bonds issued by public bodies	105,603	108,443
→ of which bonds issued by other borrowers	67,938	70,104
Shares and other non-fixed-interest securities	49,716	54,606
Non-consolidated holdings	–	493
Intangible assets	–	–
Property, plant and equipment	9,323	9,312
Other assets	81,355	96,973
Accruals and deferrals	7,884	5,053
<b>Total assets</b>	<b>2,291,523</b>	<b>2,480,969</b>

## Consolidated balance sheet as at 30 June 2023

in CHF 1,000	30.06.2023	31.12.2022
<b>Liabilities</b>		
Liabilities owed to banks	27,521	346,166
→ of which liabilities due on demand	27,521	346,166
→ of which with agreed term or notice period	-	-
Liabilities owed to clients	2,060,002	1,918,887
→ of which savings deposits	-	-
→ of which other liabilities due on demand	1,860,272	1,794,847
→ of which other liabilities with agreed term or notice period	199,730	124,040
Securitised liabilities	40,136	42,174
→ of which medium-term notes	5,869	5,914
→ of which other securitised liabilities	34,267	36,260
Other liabilities	32,403	47,537
Accruals and deferrals	15,382	11,204
Tax provisions	3,984	2,949
Provisions for general banking risks	24,300	24,300
Subscribed capital	26,000	25,810
Capital reserves	6,118	5,643
Retained earnings	57,072	54,887
→ of which legal reserves	6,000	6,000
→ of which free reserves	51,072	48,887
Minority interests in equity	-	-
Profit carried forward	-8,652	-9,565
Profit	7,257	10,976
→ of which minority interests in profit for the year	-	-
<b>Total liabilities</b>	<b>2,291,523</b>	<b>2,480,969</b>

## Consolidated income statement from 1 January to 30 June 2023

in CHF 1,000	30.06.2023	30.06.2022
<b>Positions</b>		
Interest income	33,086	8,549
→ of which from fixed-interest securities	3,342	2,057
Interest expense	-9,334	3,923
Current income from securities	6	2,731
→ of which shares and other non-fixed-interest securities	6	2,731
Income from commission and service transactions	21,759	23,391
→ of which commission income from securities and investment transactions	12,531	14,564
→ of which commission income from other service transactions	9,162	8,642
→ of which commission income on loan transactions	66	185
Commission expense	-6,803	-7,717
Profit from financial operations	7,185	2,903
→ of which from trading transactions	16,612	7,064
→ of which from disposal of securities	6	106
→ of which impairments to securities	-9,433	-4,267
Other ordinary income	662	872
General administrative expenses	-33,724	-23,579
→ of which personnel expenditure	-19,734	-15,574
→ of which operating expenditure	-5,928	-3,818
→ of which IT expenses	-8,062	-4,188
Depreciation of intangible assets and property, plant and equipment	-151	-219
Other ordinary expenditure	-683	-590
Valuation allowances on claims and transfers to provisions for contingent liabilities and credit risks	-2,916	-4,609
Income from the dissolution of provisions for credit risks	-	-
Depreciation of holdings, shares in affiliated companies and securities treated as non-current assets	-693	-
Income from write-ups of holdings, shares in affiliated companies and securities treated as non-current assets	-	-
<b>Income from normal business activities</b>	<b>8,393</b>	<b>5,655</b>
Extraordinary income	-	-
Extraordinary expenditure	-	-
Income tax	-1,136	-640
Other taxes	-	-
Allocations to provisions for general banking risks	-	-
<b>Profit from 1 January to 30 June 2023</b>	<b>7,257</b>	<b>5,014</b>

## Consolidated off-balance sheet transactions as at 30 June 2023

in CHF 1,000	30.06.2023	31.12.2022
<b>Off-balance sheet items</b>		
<b>Contingent liabilities</b>		
Credit guarantees and similar instruments	2,650	2,766
of which guarantees for warranty obligations and similar instruments	–	–
<b>Total contingent liabilities</b>	<b>2,650</b>	<b>2,766</b>
<b>Derivative financial instruments</b>		
Contract volume	1,297,837	1,738,940
Positive replacement values of forward foreign-exchange transactions	9,787	16,004
Negative replacement values of forward foreign-exchange transactions	-9,604	-20,538
<b>Fiduciary transactions</b>		
Fiduciary transactions	89,718	75,576
Fiduciary loans		–
<b>Total fiduciary transactions</b>	<b>89,718</b>	<b>75,576</b>

The consolidation was not included on the basis of Article 1104(1)(3) of the Liechtenstein Persons and Companies Act (*Personen- und Gesellschaftsrecht – PGR*) (Priller Immo AG).

The Bank Frick Semi-Annual Report is published in German and English.  
The German version shall be authoritative.

*Crossover Finance*