

**SWISS BANKERS**



**Half-Year Report**

**2023**

## Business Development and Economic Situation

The Swiss Bankers Group reports an operating profit (EBTDA) of CHF 1.4 million for the first half of 2023. After depreciation and taxes, a balanced result is achieved. The slight decline in the comparison to the same period of the previous year is due to the current consumer sentiment and the intensified competitive situation of the payment industry in the Swiss market. Despite the depressed consumer sentiment, spending on foreign travel increased in the first half of the year, which is reflected very positively at Swiss Bankers in the banknote dispatch and in individual card products. Compared to the previous year, banknote dispatch alone increased by 15.7 percent.

The current market situation (consumer sentiment and competition within the payment industry) means that the sales volume – the total of all card loads, banknote dispatches and money transfers via Send – in the first half of 2023 cannot keep pace with the sales volume in the first half of 2022. Compared to the previous year, the sales volume of CHF 369.8 million (previous year: CHF 391.6 million) is almost CHF 22.0 million or 5.6 percent lower than in the previous year in the same period (CHF 391.6 million). The decline can primarily be attributed to a large part of the card products, which are struggling with the current market situation and therefore cannot continue last year's strong growth.

The continued increase in foreign travel is having a very positive effect on two Swiss Bankers products: Banknote dispatch and Value card. In the case of banknote dispatch, it is the Swiss population that travels outside Switzerland and takes foreign currency banknotes (cash) with them on holiday to spend. Compared to the previous year, the sales volume increased from CHF 54.5 million to CHF 63.1 million. This corresponds to an increase of CHF 8.6 million or 15.7 percent. In the first half of the year, the sales volume in the banknote dispatch business was in line with the same period in 2019, which is a very strong result after the COVID-19 pandemic.

The second product that developed very positively compared to the previous year is the Value card product. The sales volume increased by CHF 6.2 million or 56.1 percent from CHF 11.1 million to CHF 17.3 million. In addition to the acquisition of new customers, this is also due to the return of travel activity, as the card product is used in the sense of a "corporate card" as an expense card for travel and congress events that take place at various locations around the world.

The fact that Swiss Bankers card products are used when travelling is also reflected in the usage behaviour of Swiss Bankers customers. Compared to the previous year, the number of transactions increased by 17.2 percent, especially in non-European countries. The volume of purchases in these countries also increased by 12.0 percent.

However, these encouraging developments show the dependence of Swiss Bankers' business model on the international travel activities of its clients. Further development into new products and services will help to reduce this dependency and further diversify the product range.

### Financing situation

The Swiss Bankers Group's financing situation is stable. The Group's equity amounted to CHF 34.6 million as of 30 June 2023 (31 December 2022: CHF 34.3 million). This corresponds to an equity ratio, i.e. equity as a percentage of total assets, of 9.2 percent (31 December 2022: 9.0 percent).

Net liquidity decreases slightly from CHF 358.3 million at the end of 2022 to CHF 354.5 million in mid-2023. Financial assets held for short-term liquidity management amount to CHF 224.0 million (31 December 2022: CHF 223.8 million).

### Business development

With the lower sales volume in the first half of 2023, the gross profit is also lower. Commission income fell by 0.2 percent, while trading income rose by 0.4 percent compared to the first half of 2022. The return of travel activity is still noticeable, especially in trading income from banknote dispatch.

Due to the positive interest rate development on the market, net interest income increased by CHF 0.4 million from CHF 1.0 million to CHF 1.4 million compared to the previous year. Due to the lower number of transactions and the lower subscription volume, commission expenses also fell compared to the previous year. The decrease amounts to 8.7 percent. The operating result (gross profit, EBTDA) of CHF 1.4 million is slightly below the previous year's value of CHF 1.7 million.

Operating expenses (personnel and non-personnel expenses) are higher than in the previous year: CHF 11.8 million for the first half of 2023 compared to CHF 10.4 million for the first half of 2022. This increase is mainly related to the shortage of skilled workers. Provisions and other value adjustments as well as losses remain at a very low CHF –0.1 million, as was already the case as of 30 June 2022.

The Swiss Bankers Group can report a net profit of CHF 0.3 million as of 30 June 2023. In 2022, the profit was CHF 0.1 million.

At mid-year 2023, Swiss Bankers had 99.8 employees, adjusted for part-time working. As of 30 June 2022, the number of employees (adjusted for part-time working) was 91.8 (as of 31 December 2022: 91.7 FTE). The increase in the number of employees is partly due to the successful recruitment of employees for vacant positions from the previous year and partly the result of a major internal project at Swiss Bankers (change of payment processor).

As of 30 June 2023, the number of cards was around 557'000, which is below the level of the previous year (around 606,000 cards). This decrease is due to the derecognition of expired cards as part of a clean-up action and is related to the aforementioned major internal project.

### Outlook 2023

Due to the dampened consumer sentiment, the outlook for the future is cautiously optimistic. The strong recovery effect following the lifting of all COVID-19 restrictions in March 2022 has weakened, which is why lower sales volumes than in the previous year are expected for the third and fourth quarters of 2023. For the second half of 2023, Swiss Bankers expects to achieve a sales volume of around CHF 401.6 million (previous year: CHF 422.6 million).

Despite the lower sales volume, the earnings situation of the Swiss Bankers Group remains stable. The budgeted income can be maintained, also thanks to marginal adjustments to the fee model. On the expenditure side, the still prevailing shortage of skilled workers on the Swiss labour market is making itself felt, which means that the required expertise and the missing resources have to be partly procured externally. In addition, Swiss Bankers continues to invest in the renewal and modernisation of its existing IT infrastructure in order to be able to operate and offer secure and innovative financial services in the future.

### Outlook 2024 and 2025

Although the State Secretariat for Economic Affairs SECO still expects positive growth in Switzerland in 2023 and 2024, the economic risks are extremely pronounced. Geopolitical tensions, high inflation rates in the European economic area, rising interest rates and energy prices as well as the loss of purchasing power are impacting the mood of consumers. The financial situation in households is being viewed more critically and major purchases and consumer spending are being postponed to a later date.

Despite the current difficult and challenging environment, Swiss Bankers is optimistic for the coming years and will continue to focus on the transformation strategy, the successful and sustainable market entry into new growth markets and the expansion of the product offering. With its current product range, Swiss Bankers is convinced that it is well equipped for the future of payment – secure and flexible, in real time and easy to integrate. With the attractive products, it should be possible to tap into additional customer segments and new partnerships in the coming years.

### Strategy

Swiss Bankers comprehensively revised its strategy in 2017 and has since repositioned itself ("Strategy 2022": transformation from a single-product company to a multi-product company). The prepaid business segment of Swiss Bankers has so far been comprehensively digitalised and modernised (including new products, expansion of the app, digital cards, online onboarding, new market presence), and the new business segments Remittance (Money Send) and Digital Solutions have been successfully launched. Significant investments in technology, marketing and personnel are required for the next step of the transformation process to ensure a successful and sustainable market positioning and to enable entry into new growth markets.

Swiss Bankers has therefore developed market entry strategies with business plans for four target markets and has clarified and substantiated the external interest in the market for this purpose in the summer of 2021. Following these clarifications, the existing shareholders of Swiss Bankers signed a share purchase agreement with DDM Mergeco Ltd. Due to regulatory requirements of the Swiss Financial Market Supervisory Authority FINMA, the structure of the transaction had to be adjusted. This subsequently led to Nordiska Kreditmarknadsaktiebolaget (a Swedish bank supervised by the Swedish Financial Market Authority FSA) entering into the agreement between the shareholders of Swiss Bankers Prepaid Services Ltd and DDM Group at the time of regulatory approval and taking over Swiss Bankers Prepaid Services Ltd in 2023. By means of a press release as of 7 April 2023, Swiss Bankers was informed without giving any reasons that Bank Nordiska Kreditmarknadsaktiebolaget would not carry out any of the intended transactions. This meant that the regulated entity required for the takeover was missing from the transaction structure.

Regardless of the abrupt termination of this purchase transaction by Nordiska Kreditmarknadsaktiebolaget, the need for substantial investments in Swiss Bankers for the next steps of the transformation process has not changed. The options and scenarios will be explored in greater depth and worked on further in the second half of 2023 with the aim of continuing to be able to implement a sustainably successful strategy. However, the suspended takeover will have no impact on Swiss Bankers' clients. They can continue to expect secure and innovative payment products and personal service in the future.

The biggest challenge is the necessary volume growth. Anyone who operates a payment today must have excellently trained and specialised employees and modern and efficient infrastructures. This causes increasingly higher fixed costs and regular investments, regardless of whether a make or buy strategy is pursued.

An increase in profitability can only be achieved through higher volumes and the resulting economies of scale. In addition, the pressure on margins and thus also on growth is increased by aggressive competitors. The role of a niche player in the consumer payment sector is thus becoming increasingly difficult. Although this development will continue to pose a major challenge for Swiss Bankers, it is convinced that it will also be able to benefit from this environment in the medium term.

Swiss Bankers will continue to drive forward the digital transformation, specialisation and innovative capacity. In the area of digitalisation of its offering, Swiss Bankers already has the necessary unique selling points to successfully master the future. Thanks not least to the innovative strength it has built up in recent years, its new organisation with very well-trained employees and its financial strength, Swiss Bankers is well equipped to meet the challenges of the coming years.

# Consolidated Income Statement

(in CHF thousand)

	01.01.-30.06.2023	01.01.-30.06.2022
<b>NET INTEREST INCOME</b>		
Interest and discount income	333	120
Interest and dividend income from financial investments	1,018	840
Interest expense	0	-1
<b>Gross interest income</b>	<b>1,351</b>	<b>959</b>
Changes in value adjustments due to default risks as well as losses from the interest business	0	0
<b>Net interest income</b>	<b>1,351</b>	<b>959</b>
<b>NET COMMISSION AND SERVICES INCOME</b>		
Commission income	10,984	11,222
Commission expenses	-4,892	-5,361
<b>Net commission and services income</b>	<b>6,092</b>	<b>5,861</b>
<b>NET INCOME FROM TRADING</b>	<b>5,540</b>	<b>5,169</b>
<b>OTHER ORDINARY NET INCOME</b>		
Real estate income	39	39
Other ordinary income	267	132
Other ordinary expenses	-5	-8
<b>Other ordinary net income</b>	<b>301</b>	<b>163</b>
<b>OPERATING INCOME</b>	<b>13,284</b>	<b>12,152</b>
<b>OPERATING EXPENSES</b>		
Personnel expenses	-6,584	-6,582
General and administrative expenses	-5,241	-3,757
<b>Operating expenses</b>	<b>-11,825</b>	<b>-10,339</b>
<b>GROSS PROFIT/(GROSS LOSS)</b>	<b>1,459</b>	<b>1,813</b>
Depreciation of property, plant and equipment	-1,118	-1,541
Changes in provisions and other allowances and losses	-55	-146
<b>BUSINESS RESULT</b>	<b>286</b>	<b>126</b>
Taxes	-3	10
<b>Consolidated half-year profit</b>	<b>283</b>	<b>136</b>

# Consolidated Statement of Financial Position

(in CHF thousand)

	<b>30.06.2023</b>	31.12.2022
<b>ASSETS</b>		
Cash and cash equivalents	33,585	33,802
Receivables from banks	90,776	94,708
Receivables from customers	6,142	6,002
Financial assets	223,976	223,820
Accrued income and prepaid expenses	3,343	1,876
Property, plant and equipment	11,521	10,166
Other assets	6,366	10,352
<b>Total assets</b>	<b>375,709</b>	<b>380,726</b>
<b>LIABILITIES</b>		
Due to banks	383	602
Due to customer deposits	333,613	337,004
Accrued expenses and deferred income	4,560	3,284
Other liabilities	2,370	5,336
Provisions	200	200
Share capital	10,000	10,000
Capital reserves	9,116	9,116
Retained earnings	15,184	14,818
Consolidated half-year profit	283	366
<b>Total liabilities</b>	<b>375,709</b>	<b>380,726</b>
<b>OFF-BALANCE SHEET BUSINESS</b>		
Irrevocable commitments	4,542	3,392

# Consolidated Cash Flow Statement

(in CHF thousand)

	30.06.2023	30.06.2022
<b>CASH FLOW STATEMENT</b>		
<b>Consolidated half-year profit</b>	<b>283</b>	<b>136</b>
Depreciation of property, plant and equipment	1,118	1,541
Accrued income and prepaid expenses	-1,467	2,139
Accrued expenses and deferred income	1,276	-1,316
<b>Cash flow from operating result</b>	<b>927</b>	<b>2,364</b>
Extraordinary dividend payment	0	-16,000
<b>Cash flow from equity transactions</b>	<b>0</b>	<b>-16,000</b>
Real estate	0	0
Acquired software	-2,421	-1,180
Other property, plant and equipment	-52	0
<b>Cash flow from transactions in property, plant and equipment</b>	<b>-2,473</b>	<b>-1,180</b>
Medium and long-term business (> 1 year)		
Receivables from banks	-481	-3,081
Receivables from customers	0	0
Financial assets	-2,980	10,122
Short-term business		
Due to banks	-219	-929
Due to customer deposits	-3,392	5,063
Other liabilities	-2,966	-520
Receivables from banks	4,412	4,553
Receivables from customers	-140	-421
Financial assets	2,825	-8,103
Other assets	3,987	-992
<b>Cash flow from banking business</b>	<b>1,046</b>	<b>5,692</b>
<b>LIQUIDITY</b>		
<b>Decrease in cash and cash equivalents</b>	<b>-217</b>	<b>-8,988</b>
Position at 1 January	33,802	43,749
Position at 30 June	33,585	34,761

# Consolidated Statement of Changes in Equity

(in CHF thousand)

	Share capital	Capital reserves	Retained earnings	Consolidated result	Total
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>					
<b>Equity at the beginning of the reporting period</b>	<b>10,000</b>	<b>9,116</b>	<b>14,818</b>	<b>366</b>	<b>34,300</b>
Other allocations from reserves			366	-366	0
Consolidated result				283	283
<b>Equity at the end of the reporting period</b>	<b>10,000</b>	<b>9,116</b>	<b>15,184</b>	<b>283</b>	<b>34,583</b>



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