

SWISS BANKERS



Half-Year Report

2021

Business performance and economic position

In the wake of the gradual lifting of the COVID-19 restrictions, business performance has developed favourably since the second quarter of 2021 and has already shown a clear recovery compared to the previous year. Nevertheless, the effects of COVID-19 are still reflected in the Swiss Bankers Group's business performance. Both the sales volume and the half-year result are below the previous year's figures as of 30 June 2021 and lead to a loss for the first half of 2021. The negative deviations from the previous year's results are mainly due to the first quarter, as COVID-19 did not have any impact on business performance in the previous year until mid-March 2020.

As was already the case for large parts of the previous year, business performance in the first half of 2021 was strongly influenced by the effects of COVID-19, leading to a half-year loss of CHF 2.9 million (previous year: half-year loss of CHF 2.0 million). Although Swiss Bankers has achieved great success in building up new products outside the travel business in recent years, business with private and business trips all over the world still accounts for more than half of the sales volume. Despite the year-on-year increase in travel activity in the second quarter of 2021, travel was still nowhere near as frequent as in 2019. The monthly sales volume – i.e. the sum of all card loads, bank note shipments and money transfers via Send – nevertheless increased steadily from CHF 46.0 million in January to CHF 64.6 million in June.

In the second quarter of 2021, the sales volume increased by 21.7% compared to 2020. This is partly due to the very good development of the Life product, the growth in e-commerce and the increased consumer and travel activity at home and abroad. As the first quarter of 2021 was significantly more affected by the consequences of COVID-19 than the same period of the previous year, the sales volume as at 30 June 2021 is thus still lower than the previous year's amount.

The sales volume as of 30 June 2021 is CHF 21.5 million or 6.4% lower than the previous year's result. However, there was an increase of CHF 30.2 million or 21.7% in the second quarter of 2021 compared to the previous year. Swiss Bankers' clients have continued to use our products during the various lockdowns (albeit with lower volumes) and are now actively using the various services during the pandemic recovery phase. This is a good indicator for the expected increase of sales volumes as soon as the applicable travel restrictions are further relaxed worldwide. While the volume of card products purchased in Switzerland and the rest of Europe was slightly higher in the first half of the year and significantly higher in the second quarter, the volume of card products purchased outside Europe has so far been significantly lower than at the same time last year.

The decline in sales volume is largely due to the travel restrictions. This is shown by the fact that the sales volume has decreased especially for the Travel and banknotes dispatch products, which are designed for travelling. In the case of Life, the product for daily use, the amount of card loads was gratifyingly increased compared to the previous year.

Funding

The Swiss Bankers Group's financial situation remains very stable. The Group's equity amounted to CHF 80.3 million as of 30 June 2021 (31 December 2020: CHF 83.2 million). This corresponds to an equity ratio, i.e. equity as a percentage of total assets, of 18.2% (31 December 2020: 18.4%). The reserves for general banking risks for CHF 4.8 million were fully released as at 31 December 2020. Equity as at 30 June 2021 decreased compared to 31 December 2020. The reason for this is the half-year loss in 2021.

Net liquidity decreased from CHF 432.3 million at the end of 2020 to CHF 421.2 million in mid-2021. Financial assets held for short-term liquidity management amount to CHF 237.7 million (31 December 2020: CHF 247.1 million).

Business performance

With a lower sales volume in the first quarter of 2021, the gross profit is also lower, which affects the income statement as at 30 June 2021. Commission income fell by 6.8% and trading income by 23.7% compared to the first half of 2020. Commission expenses were reduced by 23.4% overall. The gross profit of CHF 9.8 million is only 3.6% below the previous year's amount of CHF 10.2 million.

Despite the internal expansion of both call centre and expert positions as a result of the ongoing transformation process and the temporary use of third-party services, operating expenses (personnel and non-personnel expenses) remained stable compared to the previous year (CHF 10.4 million in the first half of 2021 compared to CHF 10.3 million in the first half of 2020). Provisions and other value adjustments as well as losses increased by CHF 0.3 million as of 30 June 2021 from CHF 0.3 million for the first half of 2020 to CHF 0.6 million for the first half of 2021. This increase is related to charge-backs and card losses.

Because of the COVID-19 pandemic and the resulting continued impairment of business, a half-year loss of CHF 2.9 million was recorded. A half-year loss of CHF 2.0 million was reported for the first half of 2020.

At mid-year 2021, Swiss Bankers had 93.3 employees (full-time equivalents). As of 30 June 2020, the number of employees was 89.7 (full-time equivalents).

The number of cards held as of 30 June 2021 was around 624,000, the same level as in the previous year.

Outlook 2021

The outlook for the 2021 financial year is still subject to great uncertainty due to the unclear further course of the pandemic. However, due to the current geopolitical and pandemic situation, Swiss Bankers assumes that the recovery in the second quarter of 2021 will continue in the second half of the year, and that the sales volume in the second half of the year can be increased by slightly more than 20% compared to the same period of the previous year. A tightening of restrictions due to a pandemic situation later in the year is not included in these calculations.

In general, the assumptions for the third and fourth quarters are similar to those for the second quarter. However, for the period of the summer holidays in the months of July and August, Swiss Bankers assumes a larger share of foreign currencies in bank note shipments than in the other months, which should lead to a slight increase in trading income.

Based on these considerations, the loss in the second half of 2021 should be lower than the loss for the first half of 2021. Nevertheless, a net loss – i.e. after depreciation – will result at the end of the year, as it will not be possible to compensate for the COVID-19 impact at the beginning of 2021 in the second half of the year.

The solid substance and sufficient financial resources ensure that Swiss Bankers will master the pandemic-related effects.

Outlook 2022 and 2023

Despite the still difficult environment, Swiss Bankers is optimistic for the coming years. Thanks to the progress made in vaccination campaigns, there is great confidence that further pandemic waves and countermeasures will be limited. As a result, Swiss Bankers expects pent-up demand to develop over the next two years due to the travel absences over the past 15 months. As a result, demand for Swiss Bankers' products is expected to return to normal by 2023 and rise to pre-COVID-19 levels. The modern and user-friendly Swiss Bankers app and the Life, Life Digital, Prime, Value and Send products introduced in recent years, which are significantly less dependent on travel behaviour, will help this. Thanks to the interesting and innovative offering, Swiss Bankers is convinced to benefit from the digitalisation accelerated by COVID-19 and will tap into new customer segments with attractive digital products and build on the growth of the pre-COVID-19 years.

Strategy 2022

The digitalisation and innovation strategy has already put Swiss Bankers on a successful growth path before the Corona pandemic. COVID-19 has further increased the popularity of online shopping and cashless payments. A further digitalisation push is to be expected. The acceleration of the spread of new technologies such as 5G will create additional use cases for digital payment.

The biggest challenge is the necessary volume growth. Anyone who operates payment today must have excellently trained and specialised employees and have 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 increasingly under pressure. Although this will continue to pose major challenges, Swiss Bankers is convinced to be able to benefit from this pressure in the medium term. In connection with this growth requirement, Swiss Bankers is currently examining selective market entry into various European markets.

Swiss Bankers will continue to push ahead with the digital transformation, specialisation and innovation. In the area of digitalisation of its offering, Swiss Bankers already has the necessary unique selling points to successfully master the future. Due to its innovative power and the financial strength it has built up in recent years, Swiss Bankers is well equipped to meet the challenges of the coming years.

Consolidated Income Statement

(in CHF thousand)

	01/01–30/06/2021	01/01–30/06/2020
RESULT FROM INTEREST INCOME		
Interest and discount income	163	242
Interest and dividend income from financial investments	999	1,023
Net result from interest income	1,162	1,265
RESULT FROM COMMISSION BUSINESS AND SERVICES		
Commission income from other services	10,127	10,867
Commission expense	-4,999	-6,529
Result from commission business and services	5,128	4,338
RESULT FROM TRADING ACTIVITIES	3,245	4,262
OTHER RESULT FROM ORDINARY ACTIVITIES		
Result from real estate	39	39
Other ordinary income	251	273
Other ordinary expenses	-23	0
Other result from ordinary activities	268	312
OPERATING INCOME	9,803	10,177
OPERATING EXPENSES		
Personnel expenses	-6,806	-6,551
General and administrative expenses	-3,636	-3,807
Operating expenses	-10,442	-10,358
GROSS RESULT	-639	-181
Depreciation of tangible fixed assets	-1,813	-1,582
Changes to provisions and other value adjustments and losses	-610	-271
OPERATING RESULT	-3,062	-2,034
Extraordinary income	1	0
Taxes	168	-3
Consolidated half-year loss	-2,893	-2,037

Consolidated Balance Sheet

(in CHF thousand)

	30/06/2021	31/12/2020
ASSETS		
Cash & cash equivalents	66,467	74,941
Amounts due from banks	111,862	104,750
Amounts due from customers	5,255	5,475
Financial investments	237,746	247,131
Accrued income and prepaid expenses	5,323	2,965
Tangible fixed assets	10,288	11,296
Other assets	3,629	4,877
Total assets	440,570	451,435
LIABILITIES		
Amounts due to banks	332	601
Amounts due in respect of customer deposits	356,520	363,691
Accrued expenses and deferred income	2,004	2,283
Other liabilities	1,255	1,508
Provisions	200	200
Reserves for general banking risks	0	0
Share capital	10,000	10,000
Capital reserve	9,116	9,116
Retained earnings reserve	64,036	64,425
Loss for the period	-2,893	-389
Total liabilities	440,570	451,435
OFF-BALANCE-SHEET TRANSACTIONS		
Irrevocable commitments	4,188	4,188

SWISS BANKERS

Swiss Bankers Prepaid Services Ltd
Kramgasse 4
3506 Grosshöchstetten
Switzerland
Phone +41 31 710 11 11
info@swissbankers.ch
www.swissbankers.ch