

**SWISS BANKERS**



**Half-Year Report**

**2022**

## Business Development and Economic Situation

The lifting of the COVID-19 restrictions leads to a positive overall performance for the first half of 2022 compared to the previous year. Swiss Bankers Group reports an operating profit of CHF 1.8 million (EBTDA) for the first half of 2022, following a loss in the same period of 2021. After depreciation and taxes, a break-even result is achieved. The recovery after two difficult years under Corona is also a testament to the strengths of Swiss Bankers and its loyal and travel-oriented customers, who greatly appreciate the advantages of the prepaid products, such as security and reliability, coupled with one of the most customer-friendly apps in the card market and a personalized service.

After a difficult start to the year due to Corona, Swiss Bankers has grown strongly operationally after the first two months since March 2022. The complete lifting of the COVID-19 restrictions at the end of the first quarter of 2022 has led to a noticeable return of travel and leisure among Swiss Bankers' clientele. Compared to the previous year, this can be seen in all products, but particularly clearly in the sale of banknotes and the product "Travel". As a result of these positive developments, the sales volume and the half-year result as of 30 June 2022 are significantly above the previous year's figures. Compared to the same period last year, Swiss Bankers posted an operating profit of CHF 1.8 million for the first half of 2022 (previous year: half-year loss of CHF 0.6 million) and a net profit of CHF 0.1 million (previous year: half-year loss of CHF 2.9 million).

The return of travel activity among Swiss Bankers clients is reflected in the increase in sales volume – the total of all card loads, banknote consignments and money transfers via Send – compared to the previous year from CHF 315.4 million to CHF 391.6 million. This corresponds to an increase of 24.2% or CHF 76.2 million. This increase is mainly due to the lifting of the COVID-19 restrictions (as of March 2022). While Swiss Bankers achieved a monthly sales volume of around CHF 52.1 million in each of the first two months of 2022, this figure increased to around CHF 71.8 million in the months from March to June 2022.

This positive development is particularly evident in two Swiss Bankers products: "Travel" and the "Sale of Banknotes". The sales volume of Travel increased by 17.7% or CHF 32.7 million compared to the same period last year. The percentage increase in banknotes is even more pronounced. Here, the volume of banknotes delivered almost doubled: Increase of 82.5% or CHF 24.7 million. Both are products that Swiss Bankers' clients need for their travels and use accordingly.

Furthermore, the return of travel and leisure activities is also reflected in the increase in withdrawal transactions outside Switzerland and Europe. In the first half of the year, cardholders in non-European countries made around 570'000 transactions (83.3% more than in the same period of the previous year). The transaction volume in these countries also increased by 48.7%.

These developments in both sales and transaction volumes, both very encouraging, show the dependency of the Swiss Bankers business model on international travel activities of our clients. The further development of new products and services is helping to reduce this dependency – meanwhile they account for a good third of earnings – but the business model of the Swiss Bankers Group continues to be largely shaped by the travel and leisure activities of its customers.

### Financial situation

The financial situation of the Swiss Bankers Group is stable. The Group's equity amounted to CHF 34.1 million as of 30 June 2022 (31 December 2021: CHF 49.9 million). This corresponds to an equity ratio, i.e. equity as a percentage of total assets, of 8.8% (31 December 2021: 12.4%). Shareholders' equity as at 30 June 2022 decreased compared to 31 December 2021. The reason for this is the payment of an extraordinary dividend of CHF 16.0 million approved at the Extraordinary General Meeting of 16 March 2022. This distribution was made in the course of optimising the capital structure in connection with the sale of Swiss Bankers to DDM Group, which is subject to approval by various regulatory authorities.

Net liquidity decreased from CHF 382.2 million at the end of 2021 to CHF 370.3 million in mid-2022. Financial assets held for short-term liquidity management amount to CHF 223.2 million (31 December 2021: CHF 225.2 million).

### Business development

With a higher sales volume in the first half of 2022, the gross profit is also higher. Commission income rose by 10.8% and trading profit by 59.3% compared to the first half of 2021. The growth in both positions is due to the return of travel activities. This is particularly noticeable in net trading income. Due to the higher number of transactions and the higher purchasing volume, commission expenses also increased compared to the previous year. The increase amounts to 7.3%. The operating result (EBTDA) was positive for the first time since the beginning of the COVID-19 pandemic in the first half of 2020, and is at CHF 1.8 million, significantly above the previous year's figure of CHF -0.6 million.

Operating expenses (personnel and general and administrative expenses) remained stable compared to the previous year (CHF 10.4 million for the first half of 2022 compared to CHF 10.3 million for the first half of 2021). Provisions and other value adjustments as well as losses decrease as at 30 June 2022 by CHF 0.5 million from CHF 0.6 million in the first half of 2021 to CHF 0.1 million in the first half of 2022. The strong decrease is mainly due to adjustments in the area of fraud prevention in 2020 and 2021.

Due to the full lifting of the COVID-19 pandemic counter-measures at the beginning of March 2022 and the increased travel activity of Swiss Bankers' clients, the Swiss Bankers Group will be able to report a net income of CHF 0.1 million in the first half of the year. In the first half of 2021, a loss of CHF 2.9 million was reported.

At mid-year 2022, Swiss Bankers had 91.8 employees (full-time equivalents). As of 30 June 2021, the number of employees was 93.3 (full-time equivalents).

The number of cards held as of 30 June 2022 was around 606'000, slightly below the level of the previous year (around 624'000 cards; reduction due to the de-recognition of inactive cards).

### Outlook 2022

The outlook for 2022 suggests that sales volumes will improve by around 15% compared with the previous year. This is due to the return of travel and leisure activities among Swiss Bankers' clientele and Swiss Bankers' strong positioning in the prepaid business. In the summer months (July and August), Swiss Bankers expects to achieve sales volumes close to pre-COVID-19. In the remaining months of 2022 it can be assumed that the average sales volume of the months March to June 2022 (around CHF 71.8 million per month) will be achieved, provided that no further drastic Corona measures are adopted in autumn 2022.

The increases in sales volumes lead to higher commission income and, above all, to higher FX margins, which have a positive impact on the result of the Swiss Bankers Group. The projection at mid-year shows that the positive influences will lead to a significantly better operating profit (EBTDA) than in 2021. After depreciation from strategic and operationally necessary investments (CAPEX) made in previous years as well as in 2022, Swiss Bankers will probably show a balanced result at the end of the year.

To the extent that year-over-year COVID-19 developments repeat in the fourth quarter of 2022, this will slow the business. Despite the diversification of Swiss Bankers' product range, the last two years with COVID-19 have clearly shown that travel products have a strong impact on the business.

In spite of the distribution of an extraordinary dividend, the solid substance and sufficient financial resources ensure that Swiss Bankers would be able to cope with a further slowdown caused by pandemic-related special factors on its own.

### Outlook 2023 and 2024

Although the overall environment is still difficult, Swiss Bankers is optimistic for the coming years. Thanks to the progress made in the vaccination campaigns, there is great confidence that further pandemic waves and the associated counter-measures will be limited. Swiss Bankers therefore assumes that after the travel abstinence in the period from March 2020 to March 2022, the normalisation that has set in since then will continue. As a result, demand for Swiss Bankers' products is expected to return to pre-COVID-19 levels by 2023. The modern and user-friendly Swiss Bankers app and the new Life, Life Digital, Prime, Value and Send products introduced in recent years, which are much less dependent on travel behaviour, will help. Thanks to its innovative offering, Swiss Bankers is convinced that it will benefit from the accelerated digitalisation brought about by COVID-19 and will be able to tap into new customer segments and new partnerships with attractive digital products.

### Strategy

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 in infrastructure (CAPEX), 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 examined the selective market entry into various European markets. For this reason, the Diana strategy project, which aims to expand the international business, was the focus of the further development of the existing business in the 2021 financial year.

Swiss Bankers comprehensively revised its strategy in 2017 and has since repositioned itself. The prepaid business segment has been extensively digitalised and modernised in recent years (including new products, expansion of the app, digital cards, online onboarding, new market presence). Furthermore, Swiss Bankers successfully launched the new business areas Remittance (Send) and Digital Solutions.

For the next step of the growth strategy, a successful and sustainable market entry into new growth markets in Europe, high investments in technology, marketing and personnel are required. Swiss Bankers has therefore developed market entry strategies with business plans for four target markets and clarified and substantiated the external interest in the market in summer 2021. With the signing of a share purchase agreement in December 2021, Swiss Bankers has found a new owner with extensive international experience in the form of the DDM Group. This group is to acquire 100% of the share capital. The transaction is subject to regulatory approvals. However, the planned change in the shareholder structure will have no impact on Swiss Bankers' clients. They can continue to expect secure and innovative payment products and a personal service in the future.

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.-30.06.2022	01.01.-30.06.2021
<b>INTEREST INCOME</b>		
Interest and discount income	120	163
Interest and dividend income from financial investments	840	999
Interest expense	-1	0
<b>Net interest income</b>	<b>959</b>	<b>1,162</b>
<b>COMMISSION AND SERVICES INCOME</b>		
Commission income	11,222	10,127
Commission expenses	-5,361	-4,999
<b>Commission and services income</b>	<b>5,861</b>	<b>5,128</b>
<b>INCOME FROM TRADING</b>	<b>5,169</b>	<b>3,245</b>
<b>OTHER ORDINARY INCOME</b>		
Real estate income	39	39
Other ordinary income	132	252
Other ordinary expenses	-8	-23
<b>Other ordinary income</b>	<b>163</b>	<b>268</b>
<b>OPERATING INCOME</b>	<b>12,152</b>	<b>9,803</b>
<b>OPERATING EXPENSES</b>		
Personnel expenses	-6,582	-6,806
General and administrative expenses	-3,757	-3,636
<b>Operating expenses</b>	<b>-10,339</b>	<b>-10,442</b>
<b>GROSS PROFIT/LOSS</b>	<b>1,813</b>	<b>-639</b>
Depreciation of property, plant and equipment	-1,541	-1,813
Changes in provisions and other allowances and losses	-146	-610
<b>BUSINESS RESULT</b>	<b>126</b>	<b>-3,062</b>
Extraordinary income	0	1
Taxes	10	168
<b>Consolidated half-year profit/loss</b>	<b>136</b>	<b>-2,892</b>

# Consolidated Statement of Financial Position

(in CHF thousand)

	<b>30.06.2022</b>	31.12.2021
<b>ASSETS</b>		
Cash and cash equivalents	34,761	43,749
Receivables from banks	106,259	107,731
Receivables from customers	6,138	5,560
Financial assets	223,152	225,170
Accrued income and prepaid expenses	3,734	6,030
Property, plant and equipment	9,329	9,690
Other assets	4,739	3,747
<b>Total assets</b>	<b>388,112</b>	<b>401,677</b>
<b>LIABILITIES</b>		
Due to banks	484	1,413
Due to customer deposits	348,239	343,176
Accrued expenses and deferred income	2,967	4,283
Other liabilities	2,151	2,671
Provisions	200	200
Share capital	10,000	10,000
Capital reserves	9,116	9,116
Retained earnings	14,819	36,036
Consolidated half-year profit/loss	136	-5,218
<b>Total liabilities</b>	<b>388,112</b>	<b>401,677</b>
<b>OFF-BALANCE SHEET BUSINESS</b>		
Irrevocable commitments	3,764	3,764

# Consolidated Cash Flow Statement

(in CHF thousand)

	30.06.2022	30.06.2021
<b>CASH FLOW STATEMENT</b>		
<b>Consolidated half-year profit/loss</b>	<b>136</b>	<b>-2,892</b>
Depreciation of property, plant and equipment	1,541	1,813
Accrued income and prepaid expenses	2,139	-2,358
Accrued expenses and deferred income	-1,316	-279
<b>Cash flow from operating result</b>	<b>2,364</b>	<b>-824</b>
Extraordinary dividend payment	-16,000	0
<b>Cash flow from equity transactions</b>	<b>-16,000</b>	<b>0</b>
Real estate	0	0
Acquired software	-1,180	-766
Other property, plant and equipment	0	-44
<b>Cash flow from transactions in property, plant and equipment</b>	<b>-1,180</b>	<b>-810</b>
Medium and long-term business (> 1 year)		
Receivables from banks	-3,081	342
Receivables from customers	0	0
Financial assets	10,122	-7,208
Short-term business		
Due to banks	-929	-269
Due to customer deposits	5,063	-7,171
Other liabilities	-520	-253
Receivables from banks	4,553	-7,454
Receivables from customers	-421	220
Financial assets	-8,103	16,597
Other assets	-992	1,248
<b>Cash flow from financing business</b>	<b>5,692</b>	<b>-3,948</b>
<b>LIQUIDITY</b>		
<b>Decrease in cash and cash equivalents</b>	<b>-8,988</b>	<b>-8,474</b>
Position at 1 January	43,749	74,941
Position at 30 June	34,761	66,467

# 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>36,036</b>	<b>-5,218</b>	<b>49,934</b>
Dividends and other distributions			-16,000		-16,000
Other allocations			-5,218	5,218	0
Consolidated result				136	136
<b>Equity at the end of the reporting period</b>	<b>10,000</b>	<b>9,116</b>	<b>14,819</b>	<b>136</b>	<b>34,070</b>



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