



BANK FRICK

Annual Report 2017





Ivo Beck

Head of Trading

Employee of Bank Frick since 2009

Photographed above Malbun, Liechtenstein

I live where other people go on holiday: right in the heart of the mountains. In the 1970s, my parents built a restaurant with apartments in Malbun – Liechtenstein's only ski resort. That's where I grew up. All my friends were also part of the restaurant industry in Malbun. We spent most of our free time outdoors. In the summer we played and grilled sausages, and in the winter, we went skiing. When my parents died, my wife and I built a large apartment for ourselves on the old property. We love living in Malbun. Although neither of us ski any more, we often go hiking in the Alps, especially at the weekend and in the evening. Sometimes we go a little further afield. We particularly enjoy cruises. For example, we crossed the Atlantic from Hamburg via Iceland and Greenland, ending up in New York after a week and a half. We've also visited the Norwegian fjords and the Black Sea by boat. But there's plenty of beauty to be found closer to home, too. Here in Malbun, we have stunning mountain panoramas and nature right outside our door. You can take the chairlift up to Sareis, at 2,000 metres above sea level. From there, you can look out over the Alpine peaks in three different countries – Liechtenstein, Austria and Switzerland. I love city breaks, but I couldn't imagine living in a big city. The mountains are where I feel at home. I also have plenty of wild "pets" waiting for me in Malbun, like Methuselah, an old tame squirrel who has been picking up nuts from our living room table for years.

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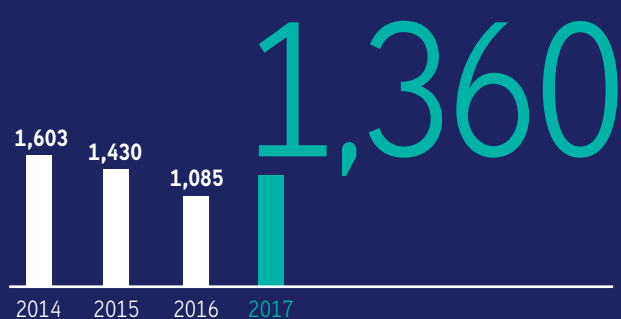
 [@bankfrick](https://twitter.com/bankfrick)

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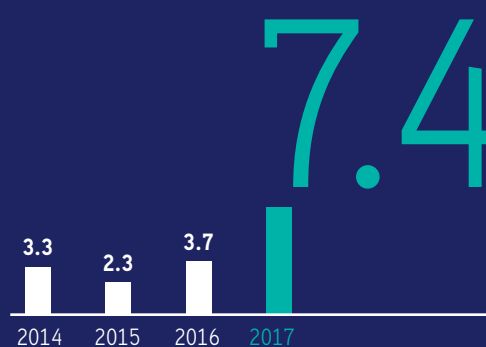
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Selected financial ratios 2017

Total assets
in CHF m



Return on equity
in %

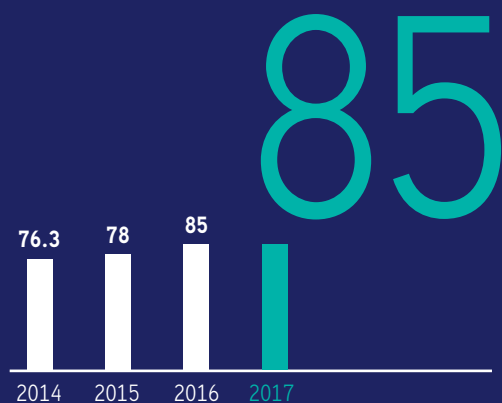


Cost-income ratio
in %

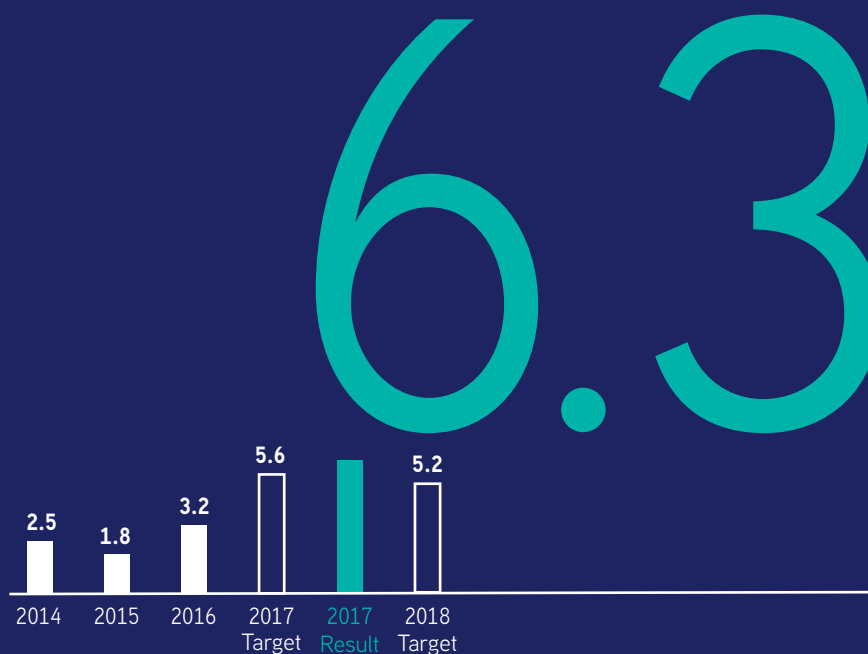


Thanks to one-time extraordinary gains, the cost-income ratio in 2016 was lower than expected. This indicator is heavily dependent on individual items. Over the medium term, we are targeting a cost-income ratio of 65%.

Equity in CHF m



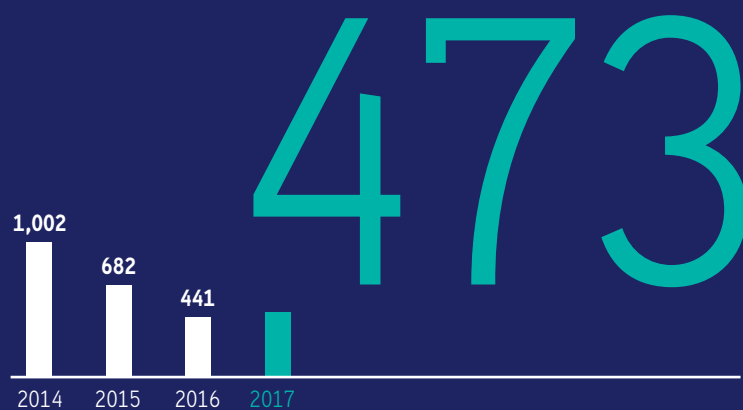
Profit in CHF m



A high volume of currency trading transactions from a new client resulted in an extraordinary item in December 2017. Net profit was therefore higher than budgeted.

The expected slight fall in profit in 2018 is down to investments in IT. The main part of the IT expansion relates to the expansion of a business process management platform. We are budgeting around CHF 3 million of costs for this. We expect to see continual growth in these business areas.

Due from clients
in CHF m



After the targeted reduction of significant items in 2014 and 2015, we are now within our target range and have posted healthy growth in the lending business since 2016.

Net new money
in CHF m



Assets under management in CHF m

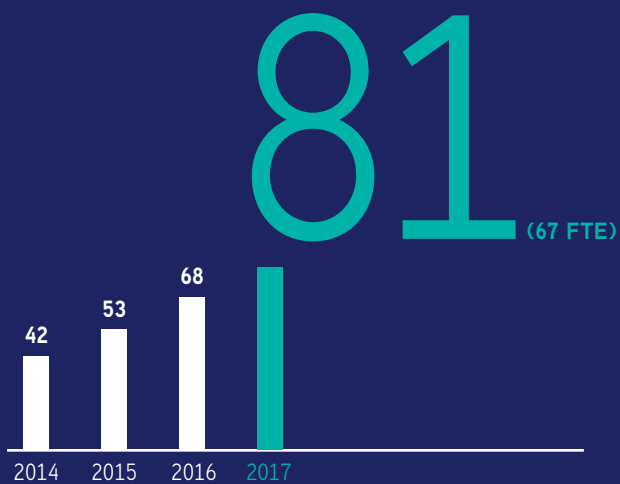


Tier 1 capital ratio in %



The higher credit exposure results in a slightly lower Tier 1 ratio.

Work force



Company bodies / Organisation chart



Dr Mario Frick
Chairman



Roland Frick
Vice-Chairman



Rolf Jermann



Herman Kotzé



Michael Kramer



Edi Wögerer
CEO



Hubert Büchel
CCO

Members of the Operational Risk Board (ORB)

Emanuel Bargetze
Hubert Büchel
Mauro Casellini
Michael Dolzer
Stefano Frick
Melanie Gstöhl
Raphael Haldner

Erwin Keller
Maria Köster
Christoph Lingg
Gabriel Tschui
Edi Wögerer
Sigvard Wohlwend

General Meeting

External Auditors
ReviTrust Grant
Thornton AG, Schaan

Board of Directors

Internal Auditors
BDO AG, Zürich

Management Board

**Legal &
Compliance**

Management Office

Services

UK Branch

**Bank Administration &
Information Technology**

**Finance, Risk &
Controlling**

**Private &
Institutional Clients**

Report of the Board of Directors and the Management Board

The 2017 financial year followed on seamlessly from the previous successful year. We were able to achieve all our financial targets. The business lines custodian function for funds and our issuing business continued to generate sustainable value. New business models in the areas of blockchain technology and cryptocurrencies are already generating solid results. We have taken on additional staff in order to accommodate this growth.

As a small bank in a small country, we have less influence on international changes and developments of an economic and political nature. We actively address these changes, developing new business models and making the best out of them. At Bank Frick, change is part of our company's DNA.

And indeed, the 2017 financial year was marked by change for both us and our employees. Right at the start of the year, we announced that Net 1 UEPS Technologies, Inc. (Net1), which is listed on the Nasdaq in New York, was to become a minority shareholder in Bank Frick. In the middle of the year, our Bank's founder, Kuno Frick Sr, passed away aged 78. In autumn, we became the first bank in the CHF area to launch a certificate based on a basket of cryptocurrencies. Before Christmas, the first employees relocated to our second office, which is situated close to our headquarters. Then shortly before the end of 2017, the Bank's new vision and mission entered into force.

Liechtenstein as a European hub for clients

The stock market performances and the positive economic situation in Europe both played their part in helping banks in the Liechtenstein financial centre continue to grow. The business models of many major players in the financial centre are traditionally focused on private banking and wealth management. Innovative business models are primarily developed and promoted by new operators. The Liechtenstein government and authorities have a very positive view of fintech models. The Financial Market Authority (FMA) Liechtenstein operates a regulation laboratory, which takes into account the needs of fintech companies, while also ensuring that they are subject to high-quality supervision.

This potential with new, dynamic innovations is barely noticeable outside of Liechtenstein. We expect Liechtenstein to not only market itself as a haven of stability, but also as an ideal location in

Europe to rapidly develop and operate new fintech business models.

Because Liechtenstein is a member of the European Economic Area (EEA; EU, Norway, Iceland, Liechtenstein), as a regulated bank we enjoy the full freedom to provide services within the entire European single market. At the same time, Liechtenstein is also part of the Swiss economic area. This makes it the ideal hub for up-and-coming financial companies from Switzerland to be active across Europe. Conversely, European companies are able to serve the interesting Swiss market from Liechtenstein.

Increased regulation has made business more challenging and costly. During the reporting year, we deployed significant human and financial resources for the implementation of MiFID II and the automatic exchange of information.

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We can develop more flexible and user-friendly solutions for intermediaries.



CEO Edi Wögerer (left) and Chairman of the Board of Directors Dr Mario Frick.

Subject to scrutiny

In Switzerland, the consolidation of private banks is ongoing, albeit at a slower pace than before. In its private banking study from September 2017, advisory company KPMG stated that one of the main reasons for this was that too many banks are excessively focused on cutting costs and developing their existing business models. “In doing so, they overlooked what is really needed: a more profound, radical transformation that will allow them to use their core competencies to generate competitive advantage and sustainable growth.”

For many years now, we have scrutinised our Bank, looking at how we can generate sustainable growth outside our traditional business areas. The fact that we have been looking at digital business models since 2011 and have since gained experience in this area is now paying off. This means our clients are not faced with a steep learning curve. For a long time now, blockchains, initial coin offerings (ICOs) and cryptocurrencies have not been uncharted territory. We are one of the leading crypto banks both in the CHF area and across all of Europe.

This is in line with our strategy of focusing on intermediaries as clients: we provide intermediaries – asset managers, payment providers and exchange service providers – with the services they need to add value for their clients.

Fully regulated blockchain and crypto business

On the one hand, we offer intermediaries and business clients products and services in the crypto area. We also advise and support fintech companies in structuring their business models so that they meet all the requirements with regard to client identification, origin of money, and anti-money laundering guidelines. We apply the same strict legal measures as we do for classic financial transactions. We have rigid standards when it comes to selecting clients for blockchain solutions and ICOs. We reject over 95% of all requests, whether this is due to the potential client not presenting us with a convincing business model or because they are not looking to be subject to full regulation.

Full regulation in line with European standards is a unique selling point, which

we apply to all our products and actively market. Thanks to this regulation, our fintech business clients benefit from high levels of trust in the market and they do not need to worry about the future regulation of crypto business models and financial instruments. We also adopt an equally calm approach to regulation. We would like to see a smart regulatory system. If this happens – and it will happen – and it represents a challenge for other market participants, we will already be prepared. This will further strengthen our position in the European crypto market.

Added value for intermediaries with crypto assets

With our crypto products, we allow financial intermediaries to differentiate themselves from their market competitors with non-correlating investments in crypto assets and give them the chance to learn about this new asset class. This, in turn, enables them to add value for their clients. We always emphasise that these investments are of a highly speculative nature. The volatility of cryptocurrencies alone calls for a cautious approach.

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We have rigid standards when it comes to selecting clients for blockchain solutions and Initial Coin Offerings. We reject over 95% of requests.

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With our crypto products, we allow financial intermediaries to differentiate themselves from their market competitors with non-correlating investments in crypto assets.

First crypto certificate in the CHF area

In September 2017, we became the first bank in the CHF area to offer professional investors and financial intermediaries access to a certificate based on cryptocurrencies. This certificate represents a straightforward way for them to gain experience with cryptocurrencies. Various fund and product promoters have engaged our experts to develop white-label products for them. At the time this Annual Report went to press, these products were undergoing the approval process with the regulator.

One of our goals is to make crypto-based models more user-friendly for clients. At present, for example, it takes a great deal of effort to invest directly in cryptocurrencies and to then store them securely. One approach, which we have already successfully adopted, is the structuring of virtual currencies, as we did with our Cryptocurrency Basket Tracker investment certificate. Professional market participants can easily acquire the certificate from any bank by using the ISIN. Our experts take care of trading and securely storing them. This is a clear example of how we add value for our clients.

This commitment to cryptocurrencies shows how we are fulfilling the promise set out in our Crossover Finance slogan: we are strong in the classic financial business, non-traditional investments and crypto products. This allows us to work together with strong clients to develop new, improved, more sustainable solutions – similar to when musicians with different ways of thinking come together to develop themselves further.

Blockchain technology and the business models based on it are here to stay

The spectrum of opinions about crypto business expressed by market participants, the media, governments and supervisory authorities ranges from “ban it!” right through to “that’s how the future will look”. The current crypto hype we are experiencing draws parallels with the Internet bubble at the turn of the millennium. There will still be many nonsensical business models, and there will be winners and losers. After the dot-com bubble burst, the Internet did not disappear – quite the opposite. Blockchain technology and the crypto models based on it are here to stay. Bank Frick does not buy any

cryptocurrencies for its own account. We allow market participants to implement their business models as successfully as possible and with unique selling points.

Risks restructured and scaled back

We rolled out our new business model back in 2016. This includes our paying agent and custodian offering, which have been given additional resources and expanded. We operate in the area of classic investments. As at 31 December 2017, we acted as the custodian for 44 Liechtenstein funds. We are able to also apply the specialist knowledge we developed in our custodian function to crypto business models. In 2017, we developed funds investing in cryptocurrencies for three fund management companies. ICOs also benefit from our in-depth experience as an issuer.

With our activities in the crypto business model area, we intentionally take calculated business risks in order to remain competitive going forward and to provide our minority shareholder Net1 with access to new digital business models, which it then markets.

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We have significantly scaled back our business with private clients from Eastern Europe in order to reduce reputational risk.

In other areas, we have – also intentionally – reduced our risk. One example is our business with clients from Eastern Europe (non-EU countries), which we have significantly scaled back in order to reduce reputational risk. Furthermore, in the current financial year, we have not carried out any new non-strategic transactions.

Balance sheet

As at 31 December 2017, our balance sheet total was CHF 1.4 billion. This represents an increase of 25.2% compared to the previous year.

Client assets under management

In the reporting year, client assets under management rose significantly to CHF 3.8 billion (+50%). Firstly, this solid rise is a result of the assets already under management increasing in value, while secondly, net new money inflows amounted to CHF 350 million. In 2018, we expect a further increase in client assets under management, which we also intend to acquire within the scope of client relationships from the crypto area. In addition to our dedicated crypto business models, we provide these companies with the full range of banking services they need for their

business activities. We believe there is great potential to win our crypto clients and other B2B clients for our one-stop banking.

Sources of income

In 2017, income from commission and service transactions rose by 7.1% to CHF 17.6 million, while commission expenses pleasingly fell slightly to CHF 8.9 million (–1%).

We were also able to increase net interest income by 28.3%. Income thus amounted to CHF 19.8 million. Refinancing costs rose less sharply (+9.9%), as we were able to finance these using our

large liquidity reserves. Overall, we lent CHF 473 million to clients. We tapped into an interesting new business area with our working capital financing. This area now accounts for approximately one-tenth of our client receivables.

We occupy an interesting niche in the United Kingdom (UK), where we are financing real estate developments within the M25 London ring road. The expertise required to analyse projects in this area is provided by our Real Estate department, which we opened during the reporting year.

Income from financial operations amounted to CHF 2.1 million (–30.5%). We believe this decline is a result of the

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We believe there is great potential to win our B2B clients for our one-stop banking.

comparatively calm political situation during the reporting year as opposed to during 2016 (US presidential election, Brexit).

Increased cost-income ratio

In 2017, our cost-income ratio (CIR) rose to 66.7% (previous year: 59.8%). This increase came as no surprise to us, as it is a result of the investments we made in our business during the year. We assume that the CIR will also remain at a similar level in 2018. This is due to the investments we have planned totalling CHF 3 million.

Other significant events during the reporting year

Investment by Net1

In January 2017, Bank Frick and technology company Net1 announced that the latter would be acquiring 30% of the voting rights in Bank Frick from the previous sole owner, the Kuno Frick Family Foundation. Following approval from supervisory authorities in September 2017, Net1 acquired this stake in the Bank.



Net1 CEO Herman Kotzé (left) and entrepreneur Michael Kramer were elected to the Board of Directors of Bank Frick in September 2017.

After the contract was executed, the General Meeting of Bank Frick elected Herman Kotzé to the Board of Directors. He is the CEO of Net1. Michael Kramer was also elected to the Board of Directors. His specialist area is the implementation of innovative ideas in the areas of technology, payment transactions and banking. Previous member of the Board of Directors Johann Fahrnberger stepped down from the Board. We would like to thank him for his valuable contribution to our Bank's development over recent years.

As a strategic banking partner of Net1, we now process some of the business generated by Net1 at Bank Frick. By working together with a universal bank in the EEA, Net1 is able to offer its full range of services across the EU, including its regulated financial services in the area of e-money.

We are also working together with Net1 to develop various business models in the crypto business area. Some of these projects have materialised since the balance sheet date with Net1's acquisition of a further 5% of Bank Frick's share capital. We are putting in place and expanding a joint team, which will focus on the development of blockchain solutions.



Bank founder Kuno Frick Sr passes away



Bank founder Kuno Frick Sr (1938–2017)

On 27 June 2017, Kuno Frick Sr passed away at the age of 78. The founder of our Bank had become weak following a major operation and was unable to fight off a serious infection. Our employees 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.

More staff – more space

Our headcount also grew significantly in 2017, meaning there were 81 people working for Bank Frick by the end of the year (previous year: 68 people). Given this increase in staff, our existing offices at our headquarters were no longer large enough to accommodate them all. We therefore rented out additional office space nearby. As a result of our expansion plans in the area of fintech and blockchain solutions that we are pursuing together with Net1, we have already had to reassess our latest office planning and we will have to decide by mid-2018 to what extent we have to further increase our office space.

In any case, we expect to significantly increase our headcount in 2018, with our total number of staff likely to increase to over 120 by the end of 2018. A key factor driving the rise in the number of employees at Bank Frick is the continuing strong demand for services and products. Regulatory requirements are also resulting in an increase in headcount.

In 2017, we invested in our corporate communication and marketing in order to raise Bank Frick's profile and visibility among our internal and external stakeholder groups, and reduce our reputational risk. We will also continue to expand our communication and marketing in 2018.

When recruiting staff, we focus on their specialist and personal suitability. For us, it is extremely important that we have a friendly working atmosphere across all

hierarchy levels, while maintaining the Bank's growth.

We would like to take this opportunity to thank all of our employees for their hard work at the Bank. The year 2017, which was full of changes and developments, was extremely challenging for us all. And things are likely to continue at a similar speed going forward.

Vision and mission

In the reporting year, we continued to develop our strategic business models. We will also refine these further after the balance sheet date. In December 2017, the Board of Directors approved Bank Frick's new vision and mission. Our challenging vision is to position ourselves with intermediaries in our core markets (in German-speaking regions and the UK) as a recognised provider of modular digi-

tal banking services. We aim to offer them user-friendly and high-quality services. Our mission is to simplify the business of financial intermediaries and add value for them, thus enabling them to successfully differentiate themselves in the market.

Even though our stakeholder groups may not always realise it, in the past we did not operate a classic private banking business either. Our focus has always been on providing services for intermediaries. Our approach is simple: financial intermediaries know their clients and support them; we assist the intermediaries – and thus also their clients.

This vision again underlines the fact that we are investing our energy and resources in the new business in financial intermediaries. We have direct clients in our portfolio, who will also receive the usual high-quality support from Bank Frick going forward.



In December 2017, the Board of Directors approved Bank Frick's new vision and mission.

Events after the balance sheet date

In December 2017, the Board of Directors appointed Melanie Gstöhl as a member of the Management Board as of 1 January 2018. She is a Swiss certified expert in accounting and controlling and is now responsible for the Finance, Risk & Controlling department. Melanie began her career at Bank Frick over 10 years ago when she joined the former Finance and Compliance department. We are extremely pleased that we can strengthen our Management Board with somebody who has been part of our company for so long.



Melanie Gstöhl has been a member of the Management Board of Bank Frick since 1 January 2018.

A strategic HR development manager started work in mid-January 2018.

As mentioned above, Net1 further increased its shareholding in Bank Frick. On 8 February 2018, we announced that Net1 had acquired a further 5% of Bank Frick's share capital from the majority shareholder, the Kuno Frick Family Foundation. This purchase price includes a surcharge to be transferred to the Bank, where it will be used to accelerate the formation and expansion of a joint team focusing on the development of blockchain solutions and applications. In the meantime, the first employees in this team have started work.

Outlook for 2018

Our business models put in place in 2016 in the areas of funds, paying agent functions and the lending business proved successful in 2017 and will make a key contribution towards a successful 2018 financial year.

As part of our 2018 budgeting process, we calculated our anticipated net income at CHF 5.2 million (2017: CHF 6.3 million). This expected fall in net income is not a result of an expected downturn in business, but has more to do with major investments we are making to expand our IT capacities. The main part of this expansion is a business process management (BPM) platform, which will become the centrepiece of our IT architecture; it will enable us to offer more flexible and user-friendly processes and applications for our clients. The budgeted operating expenditure amounts to CHF 2 million. We assume that the project will incur an additional CHF 1 million of internal costs.

We will expand our business in the areas of blockchain solutions, services related to cryptocurrencies and ICO services together with Net1. This will also allow us to add value for our own business. We will achieve this by offering our clients an easily accessible, high-quality crypto platform which they can use to obtain all the services they require in the crypto area.

We assume that crypto business models will not yet gain complete acceptance in 2018. We cannot rule out experiencing any setbacks in implementing our plans. However, our early adoption of these business models is not geared to turning a profit in the short term, but instead is focused on long-term profitability.

The form the UK's exit from the European Union (Brexit) will take still remains unclear. If passporting is no longer possible for banks from the EEA, we will have to obtain a license from the British

regulator in order to continue operating our London branch post-Brexit. We are retaining our London office, meaning we will still be able to offer our UK clients access to the European and Swiss market after Brexit.

We are extremely optimistic about the 2018 financial year and look forward to implementing our challenging projects together with our employees.

Dr Mario Frick

Edi Wögerer



Kimsey Jordan

Assistant to CEO Edi Wögerer

Employee of Bank Frick since 2015

Photographed in Eggersriet in the
canton of St. Gallen, Switzerland

I live in a small town above Lake Constance in Eastern Switzerland, around 50 minutes by car from Liechtenstein. It's a beautiful area. To one side is Lake Constance, on the other is Säntis – the highest mountain in the Alpstein range. I've lived in Switzerland for 30 years. I feel right at home here. I've always loved sports. I used to participate in athletics at high school. I used to smoke, too, before giving up at the age of 19. One day, a friend told me about road biking. We had a look into it, and I was totally hooked. Ever since then, it's been my hobby. I'm passionate about it, but not particularly talented. It's another story for my husband, though. He's a former racing professional, and now he runs the family farm. We got to know each other when he took part in the 1986 UCI Road World Championships in Colorado. I moved to Switzerland because of him. Our two grown-up sons are very sporty, too. One of them is also into road biking, and the other is a successful runner. When I go cycling, I usually go with a friend. The number of kilometres doesn't matter. The route is much more important. We're usually on the road for around three hours. I don't really have a favourite route – there are too many options in the local area, from flat to hilly to mountainous. I feel completely at one with my bike. It's like flying, yet you always have the ground right beneath your feet. It's simply an indescribable feeling.





Balance sheet

in CHF 1,000

31.12.2017

31.12.2016

Assets

Liquid assets	118,868	77,992
Due from banks	613,720	448,130
→ of which repayable upon demand	252,609	183,207
→ of which other receivables	361,112	264,923
Due from clients	473,464	441,471
→ of which mortgage-backed claims	111,803	88,539
Bonds and other fixed-interest securities	36,885	1,608
→ of which bonds issued by public bodies	3,516	–
→ of which bonds issued by other borrowers	33,369	1,608
Shares and other non-fixed-interest securities	85,053	86,088
Participations	493	607
Shares in affiliated companies	–	–
Intangibles	–	–
Property, plant and equipment	10,857	10,441
Other assets	13,727	13,662
Accrued expenses and deferred income	6,712	5,365
Total assets	1,359,779	1,085,365

Balance sheet

in CHF 1,000

31.12.2017

31.12.2016

Liabilities

Due to banks	5,564	7,965
→ of which repayable on demand	5,564	7,965
→ with agreed terms or notice period	–	–
Due to clients	1,133,443	844,042
→ of which savings deposits	–	–
→ of which other liabilities repayable on demand	826,524	778,595
→ of which other liabilities with agreed terms or notice periods	306,920	65,447
Certificated liabilities	100,935	123,578
→ of which medium-term notes	17,122	16,533
→ of which other certificated liabilities	83,813	107,045
Other liabilities	23,685	14,242
Accrued expenses and deferred income	3,041	6,192
Provisions	1,816	1,184
→ of which tax provisions	1,816	1,184
→ of which other provisions	–	–
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	–
Profit	6,278	3,150
Total liabilities	1,359,779	1,085,365

Income statement from 1 January to 31 December 2017

in CHF 1,000	2017	2016
Items		
Interest earned	19,778	15,413
→ of which income from fixed-interest securities	568	54
Interest paid *	-4,951	-4,503
Current income from securities	17	8
→ of which shares and other non-fixed-interest securities	17	8
Income from commission and service transactions	17,606	16,437
→ of which commission income on loan transactions	538	1,137
→ of which commission income from securities and investment transactions	8,622	8,078
→ of which commission on other service activities	8,446	7,222
Commission payable	-8,876	-8,967
Profit on financial operations	2,054	2,957
→ of which from commercial activities	3,630	2,989
Other ordinary income	1,190	11,693
General administrative expenses	-17,575	-18,064
→ of which staff costs	-10,791	-9,315
→ of which operating expenditure	-6,784	-8,749
Depreciation on intangible assets as well as on property, plant and equipment	-476	-494
Other ordinary expenditure	-451	-2,799
Valuation allowances on claims and transfers to reserves for contingencies and credit risks	-1,144	-1,728
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	-	125
Income from normal business activities	7,172	10,078
Extraordinary income	-	-
Extraordinary expenditure	-	-
Income tax	-894	-468
Other taxes	-	-
Allocations to provisions for general banking risks	-	-6,460
Profit for the year from 1 January to 31 December 2017	6,278	3,150

* In accordance with FINMA Circular 15/1, negative interest rates in the deposit business must be recorded as a reduction in interest expenses.

Off-balance sheet items

in CHF 1,000	Financial year	Previous year
Off-balance sheet items		
Contingent liabilities		
Liabilities from guarantees and warranty contracts as well as liability from provision of collateral	5,485	19,446
Total contingent liabilities	5,485	19,446
Derivative financial instruments		
Contract volumes	527,610	492,503
Positive replacement values	2,839	6,593
Negative replacement values	2,684	6,394
Fiduciary transactions		
Fiduciary transactions	151,303	138,115
Fiduciary loans	–	–
Total fiduciary transactions	151,303	138,115

Cash flow statement

in CHF 1,000	Financial year		Previous year	
	Origin of funds	Appropriation of funds	Origin of funds	Appropriation of funds
Flow of funds from operating result (internal financing)				
Annual profit	6,278	–	3,150	–
Depreciation on securities as current assets	–	–	–	–
Depreciation on securities as non-current assets	–	–	129	–
Write-off and write-ups on participations	–	41	–	125
Depreciation on intangible assets and property, plant and equipment	476	–	494	–
Valuation allowances and provisions	8	–	1,344	–
Tax provisions	632	–	205	–
Provisions for general banking risks	–	–	6,460	–
Accrued income and prepaid expenses	–	1,346	–	402
Accrued expenses and deferred income	–	3,151	2,057	–
Distribution of dividends previous year	–	3,145	–	1,250
Distribution of interim dividend	–	–	–	–
Balance	–	289	12,062	–
Flow of funds from equity transactions				
Capital increase	–	–	–	–
Premium on capital increase	–	–	–	–
Balance	–	–	–	–
Flow of funds from investment transactions				
Shares in affiliated companies	–	–	–	–
Participations	155	–	150	631
Real estate	–	–	–	–
Other property, plant and equipment	–	893	–	45
Intangible assets	–	–	–	–
Securities and precious metals as non-current assets	1,608	36,885	2,163	–
Balance	–	36,015	1,637	–

in CHF 1,000	Financial year		Previous year	
	Origin of funds	Appropriation of funds	Origin of funds	Appropriation of funds

Flow of funds from bank business

Medium and long-term business (> 1 year)

Medium-term notes	–	–	–	–
Other certificated liabilities	5,602	–	–	4,571
Due from clients	4,718	–	–	2,939
Mortgage claims	–	630	–	5,170

Short-term business

Due to banks	–	2,401	6,736	–
Due to clients (other liabilities)	289,401	–	–	352,885
Medium-term notes	589	–	–	63
Other certificated liabilities	–	28,834	–	7,180
Other liabilities	9,443	–	2,678	–
Due from banks	–	165,590	86,838	–
Due from clients	–	13,409	246,961	–
Mortgage-backed claims	–	22,680	–	–
Shares and other non-fixed-interest securities	1,035	–	5,477	–
Other assets	–	65	–	3,818
Balance	77,179	–	–	27,936

Liquidity

Liquid assets	–	40,875	14,237	–
Balance	–	40,875	14,237	–



Gaby Morger

Receptionist

Employee of Bank Frick since 2000

Photographed by the Rhine in Vaduz, Liechtenstein

When I moved to Balzers – in the southernmost municipality of Liechtenstein – 30 years ago, I said to my husband: I won't be staying here for long. I felt almost as if the mountains were crushing me, and I missed the lake. I grew up in a small Swiss community overlooking Lake Constance. But over time, I grew to appreciate Balzers. Step outside and you're already right in the heart of the countryside – and in my case, it's just a short step to the Bank as well. I live just a few doors down, so I can walk to work. That's a real stroke of luck. I really enjoy going for walks in the local area. I can feel the fresh air doing me good, and there's water close by too – the Rhine is just a few minutes' walk away. I like to stroll along the river to my favourite bench, where I sit and watch the sparkling current flow by, and enjoy the stunning view. I also like getting into the countryside during my holidays. My husband and I go camping in the summer – something we've done for many years, a tradition we inherited from my parents. We set up our 40-year-old house tent and that's where we sleep. There's no TV, no radio – nothing but nature for three whole weeks. But there always has to be some water nearby – ideally a lake, or the sea. I look forward to it every year. But last year we didn't go camping. The reason? Our first grandchild was born in June 2017.





Notes on business activities and workforce

Funds and Issues

We offer fund promoters and financial intermediaries comprehensive advice on the conception of European (AIF/UCITS) and national (IUA) fund solutions. Our objective in each case is to develop an overall concept for the respective applicant. This means that, in addition to assuming the position of custodian bank, we also view ourselves as bridge-builders to various other market participants, which take on important roles in this context. In particular, these include management companies, auditors, asset managers and, last but not least, the regulator.

As of 31 December 2017, we performed the role of custodian bank for 44 AIF, UCITS and IUA funds. The total volume of European funds stagnated at CHF 605 million owing to adjustments made to crossover investments. The consequences of these adjustments were largely offset by new money.

Funds according to Liechtenstein law (IUA) were greatly restricted due to legislative changes made in the reporting year with respect to permissible use cases. IUA funds can only be utilised appropriately in a few use cases in which a closed group of people act as investors. Nevertheless, there may be potential here in the future. Funds are now generally divided into alternative investment funds (AIF) and pure securities funds (UCITS); IUA funds are in future to be designated for special solutions.

During the year under review, we therefore had to analyse a large portfolio of former IUA funds (around 35) and convert, liquidate or merge them with

other funds accordingly. This generated a large volume of work and took up resources. The final conversions will be completed during the course of the first quarter of 2018.

In 2018, focus in the fund area will be placed on attracting new money. Towards the end of the 2017 financial year, we were already able to attract two further fund management companies as clients in addition to our four existing partner companies, underlining our independence in this area of activity.

Financial products

In addition to fund solutions, we are also primarily active in the development of customised financial products. The selection ranges from normal corporate bonds to complex structured notes.

Our advisory services already start with the issue of corporate structuring, ensuring compliance with the applicable legislative requirements. In the reporting year, for example, in addition to the issuing and/or structuring of traditional financial instruments, we also successfully provided advisory services for initial coin offerings (ICO) during the development of regulatory and legally compliant corporate structures. Here, we manage the issuing of payment tokens and utility tokens that provide access to services.

Our focus is placed on advisory services and the production of products. Distribution is performed by the client.

In a few cases, we initiate financial products ourselves. During the year

under review, this applied to the cryptocurrency certificate. This product is aimed exclusively at qualified and professional investors. It has been a success: thanks to the mix within the certificate (currently two cryptocurrencies), the level of volatility is lower than is the case for investments in individual cryptocurrencies.

Non-traditional target investments

We have great know-how in the area of product structuring, which allows our specialists to structure non-traditional target investments (receivables, real estate, infrastructure, cryptocurrencies) and integrate these in distributable investment instruments. Bank Frick focuses on the development of AIF funds, which are targeted at professional clients.

For easy-to-structure investments, we offer ready-made products and individually designed solutions.

In the area of real estate, significant added value is generated for all involved parties (intermediary, client of intermediary) by means of securitisation. This added value ranges from improved legal protection to the outsourcing of administrative tasks and simple tradability and transferability. For family offices and pension funds requiring products with a high level of transparency, this allows us to offer suitable structures. These are our new target clients.

For the 2018 financial year, we are planning to enter into new collaboration arrangements in the fintech sector in

order to build bridges to the capital market. This will allow us to offer investors standardised investments in fintech companies. In the reporting year, for example, we already structured bonds for the peer-to-peer lending portal CreditGate24.

In keeping with Bank Frick's crossover approach, we want to win existing clients for the fund business.

Business Clients and Payment Service Providers

2017 was characterised by strong growth in this area. In order to manage this growth, we added four people to our team. The expansion of the department and the service offering will also continue in 2018.

Despite the massive expansion on all fronts, we were able to place a focus on the professionalisation of our processes.

We are combining the range of services for clients from the credit card acquiring/payment solutions segment with classic banking services for our clients (Crossover Finance). This will allow us to provide them with practical one-stop-banking at Bank Frick: credit card acquiring, settlement account, company account, connection to alternative payment methods, loans and much more.

Payment service providers

We work together strategically with regulated European payment service providers. A clear USP of Bank Frick is

that we are a regulated universal bank, meaning that we can offer services such as the holding of client assets and bridge financing for payment flows. Services of this kind are reserved for regulated financial institutions.

In some cases, we also offer payment service providers regulatory support by performing those tasks that necessitate licenses. We also support market participants in working towards attaining their own payment service or e-money licenses.

Fintech

During the year under review, we cooperated with different fintech companies in various areas such as working capital financing and factoring. We had mixed experiences during 2017 (see also the report of the Lending department in this regard). Nevertheless, we believe that there is appropriate potential here. We are working on providing ever more intensive support to providers.

Blockchain/crypto

We work together closely with companies that develop new services and systems with the help of blockchain technology. We provide them with access to the full range of banking services that they require in order to operate. We act in an advisory function and support the companies in their search for new, sustainable solutions for the financial sector.

As one of Europe's leading banks in the field of blockchain technology and solu-

tions based on it, Bank Frick establishes and maintains close contact with leading minds and companies within the sector around the world.

Lending

During the year under review, the credit volume increased from CHF 441 million to around CHF 473 million. The lion's share of this increase (approximately CHF 23 million) was made up of loans with mortgage collateral, which were almost equally split between secured properties in Switzerland and the UK (Greater London) (see also the Real Estate section below in this regard).

The real estate market in the UK has deteriorated considerably since the Brexit referendum. Nevertheless, we are convinced that we are operating in a very interesting market with strict selection criteria and close monitoring in place. The Bank is currently primarily supporting projects in the area of retirement living. This is a modern form of housing for the elderly that should not be confused with retirement and care homes. The area of retirement living is the strongest growing real estate area in the UK at present.

With our other financing in the UK, we are primarily active in the area of development financing for residential units in the mid-price segment situated in the London catchment area.

The expansion of the credit volume can also be attributed to new client contacts from the real estate developer sector in German-speaking regions. When initiat-

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In Greater London we anticipate strong demand momentum at top locations.

ing a business relationship, we check, in particular, that positive business figures have been posted over several years and that a strong capital base is in place. The developers chiefly operate in large urban centres such as Vienna and Berlin in the area comprising relatively small residential units that are affordable to the middle classes.

In the year under review, we increasingly pursued the strategy of pushing forward with refinancing activities in the area of working capital financing and finetrading. Our experiences in 2017 showed, however, that significantly more resources had to be deployed for this refinancing business model than had been planned for. The risks we entered into were also greater than expected. During the financial year, these findings led us to undertake an in-depth review of this business and introduce an improved organisational structure.

In terms of organisation, 2017 was characterised by the implementation of many optimisations, especially in the technical area. This meant that practically all client documents could be digitised, greatly simplifying daily workflows. We also succeeded in optimising monitoring and reporting tasks with technical aids. The headcount of the Lending department stood constantly at five people (4.6 full-time equivalents) throughout 2017.

Real Estate

Market overview

In Switzerland, low and even negative interest rates of recent years have strongly driven both private and institutional investors towards real estate investments. Around 22 per cent of pension fund assets are invested in real estate. The prevailing investment pressure has led to an increasing number of portfolio shifts towards real estate. Over the past 10 years, total returns have on average been around 6.5 per cent p.a. (Swiss market). Due to the constant cash flow returns and protection against inflation, real estate is also increasingly finding its way into the asset allocations of institutional investors.

The downside to the extremely pleasing market developments is the resulting increase in risks. On the one hand, prices for real assets such as equities and real estate are already at a very high level (cyclical view) in a persistently low interest rate environment. On the other, the real estate market, in particular, is being fuelled by other price-driving factors, such as net immigration, the scarcity of available building land and the high level of demand for investment opportunities at first-class locations. This may lead to the development of partial or regional bubbles.

Special features of real estate as an asset class

In light of the complexity and the specific know-how in the real estate sector,

especially with respect to the real estate markets, we consolidated our expertise in a new department in 2017. Within the department, the financing solutions of professional real estate clients and partner companies in Germany, Austria and Switzerland (DACH region) as well as in the UK are managed (see also the Lending section in this regard). Both in German-speaking regions and in Greater London, we anticipate strong demand momentum at top locations due to dynamic population developments and demographic change.

Thanks to our solid capital base and corresponding level of risk-bearing capacity, we support successful partners with their core business of real estate project development. In the current late stage of the real estate cycle, we are working together with companies that have the capability to take on more market risks countercyclically. We expect that core investments will continue to attract high demand among end investors.

Outlook

Due to the more restrictive monetary policy of the central banks, we expect increasing capital/opportunity costs over the medium term. This leads to considerable challenges on the real estate market. In order to remain successful on the market in future, we select partner companies on the basis of sound qualitative and quantitative financing principles, which reflect calculable risk/return positions and contribute to ensuring success over the long term.

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We are not a competitor for asset managers, but rather a fair partner.

In the current market environment, it is, in particular, regulatory requirements and high capital requirements, i.e. high shares of land value at top locations, that are inhibiting real estate development. We make co-investments and create competitive advantages for partner companies that act quickly on the market and have short decision-making processes.

The Real Estate department is responsible for the monitoring of current financing and ensuring the provision of information to the Management Board. Financing requests are also selected, carefully examined with respect to their recoverability and presented to the decision-making bodies.

Private Clients and External Asset Managers

We focus on financial intermediaries, external asset managers, fiduciaries, lawyers and insurance companies. The Bank intentionally does not offer its own asset management or asset management advisory services. We work as a producer for certificates and funds. It is therefore awkward to recommend your own products to clients as part of an “independent consultation”. We are not a competitor for asset managers, but rather a fair partner.

In the reporting year, we were also successfully able to acquire new Bank clients in this way. A further focus area during the 2017 financial year was the acquisition of new intermediaries as partners and the opening of new banking relationships. The fact that we actively maintained existing client relationships

and visited our clients on a regular basis also contributed to our success. Client proximity – even in times of modern means of communication – remains an important and valued factor.

We have implemented the Bank’s strategic requirements, which include focusing on core markets within the EEA and on intermediaries as target clients. This was also done with a view to ensuring requirements were met in terms of risk minimisation. We also adjusted our internal processes accordingly. The strategic focus gave rise to various personnel changes within the department. As at the end of 2017, the team comprised nine people.

Role as an international pioneer in the crypto sector

Bank Frick’s role as an international pioneer in the area of fintech, blockchain technology and systems based on it, including cryptocurrencies, was especially appreciated by our clients from the middle of the year. Thanks to our comprehensive expertise within the Bank, we were able to provide clients with professional advice with respect to their investments in the crypto world. Clients thus benefited from our crossover approach. We combine classic banking with crypto solutions, meaning that intermediaries can add attractive wealth management solutions to their range of offers. This allows intermediaries to successfully set themselves apart on the market.

In the reporting year, the implementation of issues relating to MiFID II and the automatic exchange of information

(AEOI) tied up substantial capacity internally. With the help of new processes and IT support, we want to reverse the trend towards ever more administrative activities, meaning we can focus on our core business, namely the provision of professional advice and support to our partners and direct clients.

Human Resources

At the beginning of 2017, 68 people worked for Bank Frick. Over the course of the year, we hired a further 13 employees who will support us in growing our business. While until recently it had been possible for us to manage HR matters without a dedicated HR department, the Management Board took the decision in the fourth quarter to push forward with strategic HR development and appoint a HR manager to this end.

Bank Frick plans the biggest expansion of its workforce to date during 2018. Our planning anticipates that by the end of the year we will employ around 120 staff members. The personnel expansion will be focused on the IT segment and our new technology areas, which are of great strategic importance for the development of new business models. The search for specialists in the fields of fintech and cryptocurrencies is proving challenging. In order to find new employers for these areas in a quicker and more efficient manner, we are working together exclusively with one recruitment agency.

With the increase in headcount, the issue of spatial resources is also coming into the spotlight. Solutions in this regard will be developed over the coming months.

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Since the first quarter of 2018, holders of accounts at Bank Frick have been able to invest directly in leading cryptocurrencies.

Trading

The Trading department of Bank Frick performs orders exclusively on an execution-only basis. We do not advise clients with respect to investment decisions, as Bank Frick does not offer any asset management services. As of the balance sheet date of 31 December 2017, four people worked in the Trading department: two senior traders, one junior trader and a person for backup.

In the reporting year, around 14,500 stock exchange and fund orders with an equivalent value of CHF 1,360 million were executed, while 2,500 tickets with a total volume of CHF 2,190 million and fiduciary orders worth CHF 2,230 million were processed.

The Trading department serves both internal and external clients. External clients are direct clients of Bank Frick, but primarily comprise intermediaries

for which we execute orders. Significant clients include the Funds and Issues as well as the Private Clients and External Asset Managers departments. For the Funds department, we conduct all trading for internal and external funds.

The department trades all asset classes. Since the first quarter of 2018, holders of accounts at Bank Frick have been able to invest directly in leading cryptocurrencies.

Outsourcing

Bank Frick did not outsource any areas during the year under review.

Risk management

Banking for us means managing risks. A key part of our business model is entering into a calculable and well-monitored risk. We do this by paying attention to risk diversification and an adequate and sustainable risk premium. Responsibility for defining and implementing the risk policy lies with the Board of Directors.

Risk development

Bank Frick is increasingly focusing on lower-risk business relationships by explicitly focusing on core markets and core clients in business with private clients. This has already enabled a significant reduction in risks. At the same time, however, the entrepreneurial risk was increased by new financing models and innovative e-business models.

Strategy for equity capital

Bank Frick insists on having above-average, high-quality equity capital coverage to ensure the long-term security of the Bank. Its CET1 ratio of 17.4% is well above the lower limit of 10.5% required by the Financial Market Authority (FMA) Liechtenstein (including a capital preservation buffer of 2.5%). The leverage ratio was at 5.5% as of 31 December 2017. As a result, Bank Frick's risk-bearing capacity can be rated as very good.

The Internal Capital Adequacy Assessment Process (ICAAP) ensures the risk-bearing capacity and associated equity capital base.

Financial risks

Calculable financial risks are accepted deliberately to take advantage of opportunities and achieve income. The conservative handling of risks is of central importance. Transactions are not executed unless Bank Frick has ensured the basis for controlling the associated risks.

Credit risks

Client receivables totalled around CHF 473 million as of the balance sheet date. This includes loans of around CHF 280 million (59.1%) collateralised as Lombard loans with securities, precious metals and cash balances. Approximately CHF 112 million (24%) are receivables collateralised with mortgages. The remaining receivables, in turn, largely reflect working capital financing, which is secured by the assignment of receivables.

Our collateral in the Lombard and mortgage business is deposited with conservative, standard bank collateral values, and monitored on an ongoing basis. The main markets for mortgage-backed loans are Switzerland, Liechtenstein and the United Kingdom. In the United Kingdom, mortgage-backed loans mainly relate to real estate development financing. In this niche, we have been able to build up good know-how in recent years.

The credit portfolio as a whole is already distributed across many different clients, credits and collateral. The broad diversification also reflects our risk-conscious lending policy. Loans are always granted on the basis of national and international regulations and internal credit instructions. In order to adequately account for credit risks, provisions are also set up on a regular basis.

Bank Frick uses the standard approach in accordance with Article 111 CRR to calculate equity capital requirements for credit risks.

Market risks

Market risk refers to all systemic risks where their common characteristic is that they result from price changes on the money, capital and commodity markets. Accordingly, we divide market risk into the following four categories:

Trading and banking book

In order to keep market risk positions low and limit them, trading and derivative transactions are not conducted for the Bank's own account and, if necessary, only to a very minor extent and only with first-class counterparties. As a result, market risk at Bank Frick consists largely of risk positions in the banking book.

Share price risk

The share price risk is massively limited since the Bank does not have its own trading book positions.

Interest rate risk

In relation to refinancing, high priority is given to ensure matching maturities within the credit portfolio. As a result, the interest rate risk can be kept correspondingly low. Periodic stress tests (parallel shift of the yield curve by +100 basis points, etc.) are carried out to determine the interest rate risk.

Exchange rate risk

Bank Frick's internal regulations stipulate that no open foreign exchange positions (> CHF 200,000 or equivalent) may be held. This essentially helps to minimise the exchange rate risk.

Bank Frick uses the standard approach in accordance with Article 325 et seqq.

CRR to calculate equity capital requirements for market risks.

Liquidity risk

Bank Frick's liquidity management ensures optimal monitoring and controlling of liquidity and ensures solvency and access to sources of refinancing.

Bank Frick had very good liquidity coverage in the past financial year. This is due to a very high level of high-quality liquid assets and cash and cash equivalents.

The liquidity coverage ratio (LCR) amounted to 348.5% as of 31 December 2017, which was well above the regulatory minimum of 80%.

In addition, very strict stress tests show that Bank Frick would still have sufficient liquidity even under extreme circumstances (e.g. default of an important counterparty).

In the course of the scenario analyses, alternative sources of financing were also defined to ensure sufficient liquidity in situations of extreme stress.

Operational risks

Bank Frick endeavours to reduce operational risk to a minimum by specifying clear powers and responsibilities, a complete limit system, appropriate controls and the resulting precautions. The management is continuously informed about operational risks by means of a report.

In addition, business continuity management (BCM) ensures that critical business processes and functions can be maintained or restored as quickly as possible in the event of massive, incisive internal or external events (worst-case scenarios).

Bank Frick uses the basic indicator approach in accordance with Article 315 CRR to calculate equity capital requirements for operational risks.

Strategic risk

Strategic risks are identified and managed by the Management Board. Strategic risks may result from the following events:

- Resolutions adopted by management
- Insufficient decision-making process
- External events (unanticipated events)
- Economic and technological environment
- Poor implementation

The goal of securing the Bank's existence in the long run is a priority in the strategic orientation in order to minimise the strategic risk.

Reputational risks

Reputational risks result from the inability to recognise risks and manage them appropriately. Reputational risks are significantly reduced by the efficient design and implementation of risk management processes.

Banking supervision

The Basel III reform package issued by the Basel Committee on Banking Supervision (BCBS) defines requirements for financial institutions on the one hand and standards for their supervisory bodies on the other. Basel III also sets forth the introduction of a global liquidity standard and stricter equity capital requirements in comparison to previous reform packages.

As an EEA member, Liechtenstein is subject to the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV), which form the European legal framework for banks and financial service providers.

Equity capital coverage as of 31.12.2017

in CHF 1,000	Financial year	Previous year
Eligible equity capital	85,017	85,012
Risk-weighted assets in total	489,304	373,069
→ of which credit risk (according to standardised approach)	434,052	323,355
→ of which market risk (according to standardised approach)	11,151	8,552
→ of which operational risk (according to basic indicator approach)	43,406	40,524
→ of which credit value adjustment (CVA)	695	638
Required equity capital	51,377	29,846
Equity capital surplus	33,640	55,166
CET1 Ratio	17,4%	22,8%

* For the 2017 financial year, 8.0% of required equity capital has been included in accordance with the CRR, plus a 2.5% risk buffer pursuant to the Liechtenstein Banking Act. This results in a total of 10.5%. Only 8.0% was taken into account in the 2016 financial year.

Corporate governance

Management principles of the Management Board

Three members of the Management Board are responsible for operations at Bank Frick: Edi Wögerer (CEO), Hubert Büchel (CCO) and Melanie Gstöhl (CFO since 1 January 2018). In the event of departure at short notice (accident, illness, etc.), a corresponding business continuity management plan is in place, which ensures that operational management processes remain intact. The number of other mandates held by members of the Management Board is set such that their main duties at Bank Frick are not compromised and that conflicts of interest are avoided.

The Management Board takes decisions on an equal footing in their weekly Board meetings. The agenda is drawn up by the Management Board members as well as by the heads of department to ensure the meeting is prepared and carried out in an orderly manner.

The functions of the Management Board and the Board of Directors are rigorously separated from each other. The Management Board is responsible for operational management and for preparing most of the business carried out by the Board of Directors. The Board of Directors is responsible for the Bank's long-term strategy and for monitoring business activities. Furthermore, certain business is assigned to the Board of Directors where such is required by law or business regulations.

Process of regular review of relevant regulations

Compliance acts as an independent "control body" to ensure the separation of responsibilities and the avoidance of conflicts of interest within Bank Frick. Compliance is therefore required to carry out periodic factual checks of relevant regulations. When a regulation is introduced or revised, Compliance must review it prior to approval.

All risk-related regulations should be assessed at least once a year. Proposals for revisions should be submitted to Compliance, the Management Board and the Board of Directors in their function as approval bodies.

Members of the Board of Directors

All management bodies are staffed by people with the corresponding professional qualifications. It was thus ensured that the Board of Directors included Dr Mario Frick, a legal specialist, lawyer and expert in the fiduciary business; Roland Frick, an expert in accounting and financial reporting; and Rolf Jermann, an expert in the lending and general banking business; these three members of the Board of Directors work for the Bank on a full-time basis. Since September 2017, the Board of Directors of Bank Frick has also included Michael Kramer, an entrepreneur in the fintech and banking sector, and Herman Kotzé, CEO of Net1.

The number of other mandates held by members of the Board of Directors is set such that their duties at Bank Frick are not compromised and that conflicts of interest are avoided.

If they do not already have proven specialist knowledge, new members of the Board of Directors are given external training and inducted into their roles internally. This is done by explaining the available directives and regulations on the basis of corresponding documentation with the laws and ordinances (Liechtenstein Banking Act, Liechtenstein Banking Ordinance, Due Diligence Act, excerpt from Liechtenstein Persons and Companies Act).

The Board of Directors holds ordinary Board meetings at least four times a year, as well as a budget and planning meeting. The Board of Directors Committee meets in those months when there is no full Board of Directors meeting. Regulations and directives are prepared in their own department, and the Board of Directors is notified at regular intervals of any regulatory changes and new requirements. Because of members' of the Board of Directors other activities, information on these changes is also communicated via other channels. The Board of Directors has sufficient knowledge of accounting, financial controlling, credit facilities, legal matters, international corporate structures and fintech companies to ensure that an adequate control on an ongoing basis can be maintained without interfering in

day-to-day business operations. Internal Audit regularly receives mandates from the Board of Directors to provide information on specific sub-areas of the Bank. The Chairman and Vice-Chairman of the Board of Directors are responsible for maintaining contact with the Management Board and – in consultation with the Management Board – the various departments, so that they can receive timely information on key developments. The minutes of the meetings of the Management Board are distributed to the Chairman and Vice-Chairman of the Board of Directors.

The Annual Report is prepared by the Management Board and the Finance department. The Chairman and Vice-Chairman of the Board of Directors carry out the necessary preparations for the ordinary Board meeting.

performance as well as on individual performance. At a joint meeting with the Chairman and Vice-Chairman of the Board of Directors, the Management Board explains its rationale for allocating the special payments.

At this meeting, the general remuneration policy and the development of profits are also analysed. Safeguarding the Bank's future, increasing its equity capital and hedging against future risks take priority over special payments and similar remuneration. A sustainable equity capital policy is the best safeguard for employees.

The exemption provided for in Article 1092(b 9) of the Liechtenstein Persons and Companies Act was applied for the remuneration report.

Remuneration policy

Bank Frick considers it important to pay appropriate salaries in line with the market. Qualified staff are employed, who are expected to work to the best of their abilities. In principle, the fixed component of the salary covers the work carried out for the Bank. No special payments are promised or guaranteed. If the targets set out in the annual budget are met, the Board of Directors determines an amount that can be used to make individual special payments. Variable remuneration components are contingent on Bank Frick's overall



Hubert Büchel

Member of the Management Board, Chief Client Officer

Employee of Bank Frick since 2010

Photographed in Gams in the Rhine Valley, St. Gallen, Switzerland

I'm a typical Liechtensteiner. "Born and bred", as the English say. I was born and raised in Ruggell, the northernmost municipality of Liechtenstein. After an apprenticeship at a bank, I wanted to go abroad – gain some experience, learn some languages, just see a little of what's out there and find out about other cultures. But in the end, a language stay in England was all I got round to. I stayed true to my roots, got married, started a family and built a house. I was also a passionate footballer. My motto was always: if I'm running, it should be after a ball. Over the years, the ball has become a little smaller. I like to play golf with friends, although none of us are particularly ambitious – it's the fun that counts. We play a round and chat about all sorts of things, then at the end, the loser buys everyone a beer. There are lots of wonderful golf courses in the local area, each more stunning than the last. They all have incredible views over the mountains. And yes, I do also go running when ball games aren't involved. It took a long time, but I finally discovered jogging. Now, I would miss my regular circuits on the weekend. I usually go jogging with my two brothers in the Ruggeller Riet – a beautiful nature reserve right on my doorstep. I love going places, and I also travel a lot on business. But coming home is always nice. Because I'm abroad so often, I appreciate what we have here. The quality of life is very high. It might sound paradoxical, but you need to see the world to truly discover and appreciate your homeland.





Accounting and valuation principles for the financial statements

Basic principles

Accounting, reporting and valuation are conducted in accordance with the provisions of the Liechtenstein Persons and Companies Act (*Personen- und Gesellschaftsrecht*) and Liechtenstein Banking Act (*Bankengesetz*), together with the applicable Ordinance and any directives issued by the Liechtenstein Financial Market Authority on accounting standards.

Recognition and accounting

All business transactions are recorded in the accounts of the Bank on the closing date and are valued as of that point in time in accordance with the principles specified below.

General valuation principles

The most important valuation principles can be summarised as follows:

Foreign currencies

Receivables and liabilities denominated in foreign currencies are valued in accordance with the mean foreign exchange rates valid on the balance sheet date.

Liquid assets, receivables and liabilities

These are entered in the balance sheet at nominal value. Recognisable risks are adjusted in accordance with the principle of prudence. If a debtor is in default with his interest payments by more than 90 days, the outstanding interest is then allocated directly to valuation allowances and is booked as income only after the interest has actually been paid.

Securities held as current assets

Securities held as current assets are valued according to the lower of cost or market principle. Interest income is shown under the "interest earned" item, dividend income under the "current income from securities" item. Participations are essentially shown under the "securities held as current assets" balance sheet item.

Securities held as non-current assets

In the case of fixed-interest securities which are to be held to maturity, the accrual method is used for valuation. In this connection, the premium or discount is accrued or deferred over the term to maturity. Interest-related realised profits or losses arising from premature sale or redemption are deferred using the accrual method over the residual term to maturity, i.e. until the original maturity date. Interest income is shown under the "interest earned" item. Securities

without fixed interest are valued according to the lower of cost or market principle. Dividend income is included under the "current income from securities" item. Debt securities are essentially included under the "securities held as non-current assets" item.

Shares in affiliated companies and participations

Shares in affiliated companies and participations are valued in accordance with the historical cost principle less any necessary deductions for valuation allowances.

Property, plant and equipment

Property, plant and equipment is essentially capitalised at cost of purchase and depreciated on a straight-line basis over the conservatively estimated useful life of the objects.

Accruals and deferrals

Interest expenses and income, personnel and non-personnel expenses as well as credit commission, custodian and asset management fees are accounted for on an accrual basis.

Valuation allowances and provisions

Individual valuation allowances and provisions are formed for all risks that can be identified on the balance sheet date, in accordance with the principle of prudence. Valuation allowances are set off against the corresponding assets.

Taxes are calculated on the basis of results and are shown under the "provisions for taxes" item.

Precious metal accounts

Precious metal accounts are entered in the balance sheet at the prices applicable on the balance sheet date.

Contingent liabilities

These are entered under off-balance-sheet transactions at nominal value.

Derivative financial instruments

The positive and negative replacement values as well as the contract values of the derivative financial instruments open on the balance sheet date are shown under off-balance-sheet transactions.

Fully traded foreign exchange transactions are valued at market prices on the balance sheet date. If there is no representative market, then valuation is performed using the lower of cost or market principle.

Remarks on the Annual Report notes

All of the amounts in the notes are given in Swiss francs unless otherwise specified.

Information about the balance sheet

Selected foreign exchange rates (mean balance sheet rates) as at 31.12.2017

in CHF	Financial year	Previous year
EUR	1.1703	1.0722
USD	0.9747	1.0159
GBP	1.3175	1.2534

in CHF	Financial year	Previous year
JPY	0.8652	0.8697
CAD	0.7773	0.7567
ZAR	0.0788	0.0743

Overview of collateral

in CHF 1,000	Type of collateral			
	Mortgage-backed	Other	Without	Total
Lending				
Due from clients (excluding mortgage claims)	21,492	272,785	67,385	361,662
Total Lending	21,492	272,785	67,385	361,662
Mortgage claims				
Residential properties	76,937	158	478	77,573
Office and commercial buildings	5,848	–	–	5,848
Trade and industry	2,552	–	–	2,552
Other	16,020	2,774	7,035	25,829
Total Mortgage claims financial year	101,357	2,932	7,513	111,802
Total lending for the financial year	122,849	275,717	74,898	473,464
Previous year	103,493	278,631	59,346	441,470
Off-balance sheet				
Contingent liabilities	–	5,485	–	5,485
Irrevocable commitments	–	–	–	–
Call and additional funding obligations	–	–	–	–
Obligation-establishing loans	–	–	–	–
Total off-balance sheet financial year	–	5,485	–	5,485
Previous year	–	19,446	–	19,446

in CHF 1,000	Gross debt	Estimated amount realised from the sale of securities	Net debt rescheduling	Individual bad debt charges
Vulnerable debts				
Financial year	2,644	–	–	2,644
Previous year	2,521	–	–	2,521

Securities and precious metals held as current assets (excl. trading portfolio)

in CHF 1,000	Carrying amount		Cost		Market value	
	Financial year	Previous year	Financial year	Previous year	Financial year	Previous year
Debt instrument	-	-	-	-	-	-
→ of which own bonds and Medium-term notes	-	-	-	-	-	-
Equity instruments*	85,053	86,088	92,501	92,028	88,105	87,026
→ of which equity instruments of at least 10% of the capital or voting rights	-	-	-	-	-	-
Precious metals	-	-	-	-	-	-
Total	85,053	86,088	92,501	92,028	88,105	87,026
Lent securities and precious metals from the current assets (excl. trading stock, claims against banks or clients)	-	-	-	-	-	-

* Fund units, of which CHF 9,993,000 (at carrying amount) not stock market listed

Securities and precious metals held as non-current assets

in CHF 1,000	Carrying amount		Cost		Market value	
	Financial year	Previous year	Financial year	Previous year	Financial year	Previous year
Debt instrument "accrual method"	36,885	1,608	36,846	1,779	37,047	1,613
→ of which own bonds and medium-term notes	-	-	-	-	-	-
→ of which valued using the "accrual method"	36,885	1,608	36,846	1,779	37,047	1,613
→ of which valued according to lowest value	-	-	-	-	-	-
Fund unit certificates	-	-	-	-	-	-
Participation securities	493	607	501	657	493	607
→ of which qualified participations with at least 10% of the capital or voting rights	493	607	501	657	493	607
Precious metals	-	-	-	-	-	-
Total	37,378	2,215	37,348	2,436	37,539	2,220
→ of which securities eligible for discount with the central bank	-	-	-	-	-	-

Statement of asset additions and disposals

in CHF 1,000	Cost previous year	Depreciation to date	Carrying amount end of previous year	Financial year					
				Investments	Divestments	Account transfers	Additions	Depreciations	Carrying amount at end of financial year
Total shares in affiliated companies	-	-	-	-	-	-	-	-	-
Participations	657	50	607	-	155	-	41	-	493
Total securities and precious metal portfolios held as non-current assets	1,779	171	1,608	36,885	1,608	-	-	-	36,885
Other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Real estate									
→ Bank building	12,617	2,626	9,991	-	-	-	-	315	9,676
→ Other real estate	-	-	-	-	-	-	-	-	-
Other property, plant and equipment	2,850	2,400	450	893	-	-	-	161	1,181
Total property, plant and equipment	15,467	5,026	10,441	893	-	-	-	476	10,857
Fire insurance value of property, plant and equipment (buildings) for the reporting period and the previous year									14,674
Fire insurance value of other property, plant and equipment for the reporting period									2,500
Fire insurance value of other property, plant and equipment for the previous year									2,500

Depreciation took place on the basis of operating results

Participations and shares in affiliated companies

in CHF 1,000	Equity capital		Holding	
	Financial year	Previous year	Financial year	Previous year
BF RECEIPTS Limited *, London				
Share capital (in GBP)	–	–	100 %	100 %
Annual profit / loss ** (in GBP)	–	–		
MZ-Holding AG *, Balzers				
Share capital (in CHF)	50	50	100 %	100 %
Annual profit / loss ** (in CHF)	–	–		
REAL PRO INV. LTD *, Malta				
Share capital (in EUR)	2	2	100 %	100 %
Annual profit / loss ** (in EUR)	–	–		
FABILOR SA *, Paradiso (CH)				
Share capital (in CHF)	500	500	0 %	30 %
Annual profit / loss ** (in CHF)	–	–		
MINAL SA *, Paradiso (CH)				
Share capital (in CHF)	200	200	30 %	30 %
Annual profit / loss ** (in CHF)	–	–		
STEAMBOAT SA *, Paradiso (CH)				
Share capital (in CHF)	100	100	15 %	15 %
Annual profit / loss ** (in CHF)	–	–		
ROGMEL SA *, Paradiso (CH)				
Share capital (in CHF)	200	200	13,33 %	13,33 %
Annual profit / loss ** (in CHF)	–	–		
PRILLER IMMO AG *, München				
Share capital (in EUR)	255	255	11,76 %	11,76 %
Annual profit / loss ** (in EUR)	–	–		
Four Quarters Development *, London				
Share capital (in GBP)	18	18	27,17 %	27,17 %
Annual profit / loss ** (in GBP)	–	–		

On the basis of Art. 1104 (1) subsection 4 of the Liechtenstein Persons and Companies Act, this is not included in the scope of consolidation.

* Not including market value.

** The 2017 financial statements had not yet become available at the time of the compilation of the table.

Reporting of premium and discount on securities valued according to the accrual method

in CHF 1,000	Financial year	Previous year	in CHF 1,000	Financial year	Previous year
Premium	178	3	Discount	–	–

List of assets pledged or assigned to secure own liabilities and third-party liabilities (including contingent liabilities) as well as assets subject to reservation of title

in CHF 1,000	Financial year		Previous year	
	Carrying amount	of which claimed	Carrying amount	of which claimed
Securities (financial assets)*	–	–	–	–
Due from banks	18,296	–	29,013	–
Total	18,296	–	29,013	–

* Nominal values



Maria Köster

Head of the Legal Department

Employee of Bank Frick since 2015

Photographed on the Ardetzenberg in Feldkirch, Austria

Yoga is not for me. I do everything fast, I need exercise – and I need nature to relax. So running is perfect for me. I'm from Sweden – I grew up near Stockholm, and I studied there too. My family drove out to the countryside to visit my grandparents at least once a month. That was always great. Years later, when I moved to work in Frankfurt and then Vienna, I noticed how much I missed recharging my batteries by getting out into nature. Of course, there are parks – but it just isn't the same. Since 2015, I've been living in Feldkirch with my husband and our two children. It's a small town in the Austrian province of Vorarlberg, which borders Liechtenstein. We love it here in the countryside. The region reminds me of my native Sweden. People are happy, they treat each other with respect, everything is well organised. We also appreciate the fact that our children have the opportunity to grow up here. In winter, we go downhill skiing or cross-country skiing in Steg – an idyllic little hamlet in the mountains in Liechtenstein. In the summer, we can often be found on the Ardetzenberg mountain – a recreational area near Feldkirch. There's a wildlife park with lots of unusual animals – our children love the wolf – and a play area right in the heart of the forest, which is wonderfully cool and shady. I also like to go jogging around our local mountain, preferably at the weekend, with friends or with my husband. Do I miss big city life? Yes, sometimes. There's a lot more going on there. But here, if you're prepared to drive for around an hour, you'll find everything you need. For me, the whole Rhine valley is like a big city – but right in the heart of the countryside.





Valuation allowances and provisions / provisions for general banking risks

[illegible]

Total company equity

in CHF 1,000	Financial year			Previous year		
	Total nominal value	Quantity	Dividend-bearing capital	Total nominal value	Quantity	Dividend-bearing capital
Share capital	20,000	2,000	20,000	20,000	2,000	20,000
Participation capital	5,000	500	5,000	5,000	500	5,000
Total company equity	25,000	2,500	25,000	25,000	2,500	25,000

Major shareholders and groups of shareholders with voting rights

in CHF 1,000	Financial year		Previous year	
	Nominal	Holding in %	Nominal	Holding in %
With voting rights				
Kuno Frick Familienstiftung, Balzers	14,000	70	20,000	100
Net1 UEPS Technology, Johannesburg	6,000	30	–	–
Total	20,000	100	20,000	100
Without voting rights				
Participation certificate capital	5,000	100	5,000	100
Total	5,000	100	5,000	100

Profit distribution

in CHF 1,000	Financial year	Previous year
Profit for the year	6,278	3,150
Profit carried forward	5	–
Total	6,282	3,150
Profit distribution		
Allocation to the statutory reserves	–	–
Allocation to the free reserves	32	–
Dividend on company capital	6,250	3,145
Profit carried forward	–	5

Equity capital statement

in CHF 1,000

2017

Equity capital at the start of the financial year

Subscribed capital	25,000
Subtotal paid-up subscribed capital	25,000
Capital reserves	1,000
Statutory reserves	6,000
Reserves in accordance with the articles of association	–
Other reserves	36,612
Provisions for general banking risks	16,400
Accumulated profit for the year	3,150
Total equity at the start of the financial year (before appropriation of net income)	88,162
+ Capital increase	–
+ Premium	–
+ Allocation to provisions for general banking risks	–
- Dividends and other distributions from the net annual profit for the previous year	-3,145
- Interim dividend	–
+ Annual profit for the financial year	6,278
Total equity at the end of the financial year (before appropriation of net income)	91,294
→ of which subscribed capital	25,000
→ of which subtotal paid-up subscribed capital	25,000
→ of which capital reserves	1,000
→ of which statutory reserves	6,000
→ of which reserves in accordance with the articles of association	–
→ of which other reserves	36,612
→ of which provisions for general banking risks	16,400
→ of which accumulated profit for the year	6,282

Maturity structure of the assets as well as liabilities and provisions

in CHF 1,000	On demand	Subject to notice	due				Immobi- lised	Total
			0–3 m	3–12 m	1–5 y	5–∞ y		
Assets								
Liquid assets	118,868	–	–	–	–	–	–	118,868
Due from banks	252,608	12,756	310,482	37,874	–	–	–	613,720
Due from clients	143,056	–	308,947	17,155	2,079	2,227	–	473,464
→ of which mortgage-backed claims	12,449	–	95,048	–	2,079	2,227	–	111,803
Securities and precious metals held as current assets (excl. trading positions)	121,938	–	–	–	–	–	–	121,938
Securities and precious metals held as non-current assets	–	–	–	–	–	–	–	–
Other assets	22,112						9,676	31,788
Total assets financial year	658,583	12,756	619,429	55,029	2,079	2,227	9,676	1,359,779
Previous year	441,141	45,843	397,541	182,451	6,797	1,600	9,991	1,085,365
Liabilities								
Due to banks	5,564	–	–	–	–	–	–	5,564
Due to clients								
a) Savings deposits	–	–	–	–	–	–	–	–
b) Other liabilities	826,524	19,530	274,072	13,318	–	–	–	1,133,444
Certificated liabilities								
a) Issued bonds	–	–	–	5,100	5,000	7,022	–	17,122
→ of which medium-term notes	–	–	–	5,100	5,000	7,022	–	17,122
b) Other certificated liabilities	29,160	–	–	15,142	39,511	–	–	83,813
Provisions	1,816	–	–	–	–	–	–	1,816
Other liabilities	26,726	–	–	–	–	–	–	26,726
Total liabilities financial year	889,790	19,530	274,072	33,560	44,511	7,022	–	1,268,485
Previous year	808,178	24,521	27,466	91,030	34,575	11,433	–	997,203

Selected balance sheet items due in the 2018 financial year

	Financial year	Previous year
Total asset items No. 5 Securities and precious metals held as non-current assets	–	2
Total liability items No. 3a Issued debt securities	5,100	–

Statement of receivables and liabilities

of affiliated companies in which participating interests are held, as well as significant shareholders; loans to members of governing bodies and transactions with close associates

in CHF 1,000	Financial year	Previous year
Receivables from qualified parties		
Due from banks	–	–
Due from clients	–	466
Liabilities vis-à-vis qualified parties		
Due to banks	–	–
Due to clients	89	104
Liabilities vis-à-vis affiliated companies		
Due to legal entities	–	–
Receivables from loans to directors		
→ Board of Directors	–	700
→ Management Board	790	791

No significant transactions were recorded with closely-associated persons during the year under review.
All transactions with closely-associated persons are concluded in accordance with standard market conditions.

Foreign currency-denominated assets and debts in CHF

in CHF 1,000	Financial year	Previous year
Assets	1,030,575	766,692
→ of which in EUR	353,976	217,573
→ of which in USD	524,202	390,378
→ of which in CAD	9,894	10,335
→ of which in SGD	1	1
→ of which in JPY	10,237	8,058
→ of which in GBP	109,865	129,876
Debts	1,024,664	766,059
→ of which in EUR	353,509	216,988
→ of which in USD	522,622	390,173
→ of which in CAD	9,887	10,284
→ of which in SGD	1	1
→ of which in JPY	10,237	7,137
→ of which in GBP	105,665	130,268

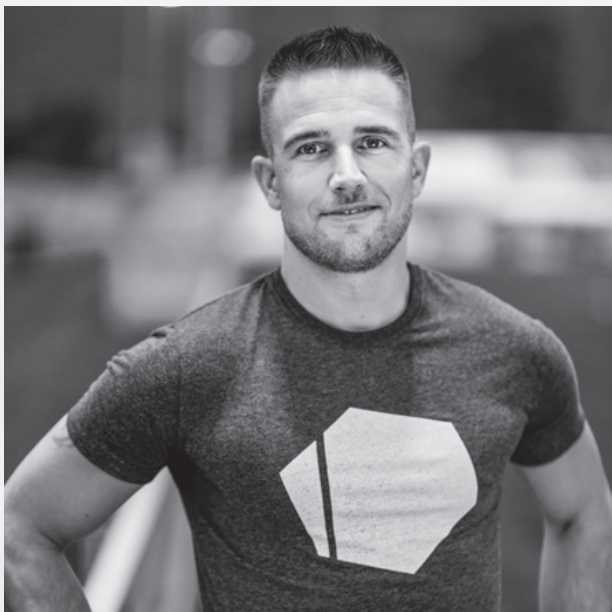
All foreign currency items worth more than CHF 10 million are listed in the table.

Composition of the balance sheet items “Other assets” and “Other liabilities”

in CHF 1,000	Financial year	Previous year
Other assets	13,727	13,662
→ Positive replacement costs of forward foreign exchange transactions	2,839	6,593
→ Settlement account balance replacement costs for forward foreign exchange transactions	–	–
→ Premium on financial investment bonds (accrual method)	178	3
→ Settlement accounts	10,710	7,065
Other liabilities	23,685	14,243
→ Negative replacement costs of forward foreign exchange transactions	2,684	6,394
→ Settlement account balance replacement costs for forward foreign exchange transactions	155	199
→ Discount on financial investments bonds (accrual method)	–	–
→ Settlement accounts	20,846	7,649

Structure of client assets

in CHF 1,000	Financial year	Previous year
Type of client assets		
Assets in funds under own management (investment company)	666,197	616,063
Assets with management mandate	70,043	63,580
Other client assets	3,073,225	1,863,675
Total client assets (incl, duplication)	3,809,465	2,543,318
→ of which duplication	666,197	616,063
→ Net influx of new funds	350,062	-14,495



Raphael Haldner

Head of Fund Clients and Issues

Employee of Bank Frick since 2014

Photographed on the FC Haag football pitch in the Rhine Valley, St. Gallen, Switzerland

Without sport, I would only feel half human. I started playing football at the age of six. I grew up in Haag, a small village in the Rhine valley in the canton of St. Gallen, Switzerland. The Rhine is a natural border separating Haag from Liechtenstein. I still live in Haag today, along with my family and a lot of my friends. My father also played football at our village sports club. He often took me to the home matches. As a teenager, I got the opportunity to complete a sponsorship programme. I played for the regional selection, and later in the first team for FC Haag – a total of almost a quarter of a century, many years of which were as a striker. I still remember how my father would motivate me to improve by promising me five francs for every goal I scored. One season, I scored 29 goals. I don't play any more, but football still plays an important role in linking me to my home village. Not least because one of my two brothers plays for FC Haag. I also act as a fitness coach for the first team. We only train using our own body weight. All we need is a space two metres by two metres – you can find a spot like that anywhere, whether it's out in the countryside, or in your own home. Plenty of my colleagues from the Bank also train using this programme. Summer and winter alike, we use our lunch break to keep fit in the great outdoors. We do things like one-armed push-ups. I love being able to pass on to others things that I have discovered myself.





Information about off-balance sheet transactions

Contingent liabilities

in CHF 1,000	Financial year			Previous year		
	Total	of which secured with Lombard collateral	of which without collateral (unsecured)	Total	of which secured with Lombard collateral	of which without collateral (unsecured)
Collateralization guarantees and similar	5,485	5,485	–	19,246	19,246	–
Warranties and similar	200	200	–	200	200	–
Irrevocable liabilities	–	–	–	–	–	–
Other contingent liabilities	–	–	–	–	–	–

Open derivative financial instruments

in CHF 1,000	Financial year			Previous year		
	Replacement values		Contract-volume*	Replacement values		Contract-volume*
	positive *	negative *		positive *	negative *	
Forward foreign exchange contracts	2,839	2,684	527,610	6,593	6,394	492,503

* from trading activities

The replacement values correspond to the balance of the adjustment account.

Fiduciary transactions

in CHF 1,000	Financial year	Previous year
Fiduciary investments at third-party banks	151,303	138,115
Fiduciary investments at affiliated banks and finance companies	–	–
Fiduciary loans	–	–
Other fiduciary financial transactions	–	–

Information about the income statement

in CHF 1,000	Financial year	Previous year
Profits from trading activities	3,630	2,989
→ of which foreign exchange transactions	3,262	3,017
→ of which cash transactions	367	-28
→ of which securities trading	-	-
→ of which precious metal transactions	-	-
Breakdown of staff costs	10,791	9,315
→ of which wages and salaries	8,851	7,667
→ of which remuneration of the members of the Board of Directors	-	-
→ of which social insurance contributions and support	899	796
→ of which pension expenses	475	425
→ of which other staff costs	566	427
Breakdown of operating expenditure	6,784	8,749
→ of which cost of business premises	494	548
→ of which IT expenditure	2,559	2,597
→ of which furniture	42	36
→ of which other equipment	-	-
→ of which other operating expenditure	3,689	5,568

In accordance with Art. 1092 subsection 9 lit. d of the Liechtenstein Persons and Companies Act, the salaries of the members of the Board of Directors and Management Board are not disclosed.

Based on art. 24e, para. 1, clause 6 BankV the return on capital is 0.46%.

in CHF 1,000	Financial year	Previous year
Breakdown of the item "Other income from ordinary activities"	1,190	11,694
→ Income from property	468	449
→ Other income from ordinary activities	722	11,244

Report of the statutory auditors

Report of the statutory auditor to the General Assembly

As statutory auditors, we have audited the financial statements (balance sheet, income statement, cash flow statement and notes; pages 20 to 57) and the annual report (pages 10 to 17) of Bank Frick & Co. AG for the year ended 31 December 2017.

The Board of Directors is responsible for the financial statements and the annual report, while our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements regarding qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Liechtenstein profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements and the annual report are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the net assets, financial position and results of operations in accordance with Liechtenstein law. In addition, the financial statements and the annual report as well as the proposal on the appropriation of retained earnings comply with Liechtenstein law and the articles of incorporation.

The annual report is consistent with the financial statements.

We recommend that the financial statements submitted to you be approved.

ReviTrust Grant Thornton AG



Egon Hutter
Certified
Public Accountant
(Auditor in charge)



Rainer Marxer
Certified
Public Accountant

Schaan, 26 March, 2018



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