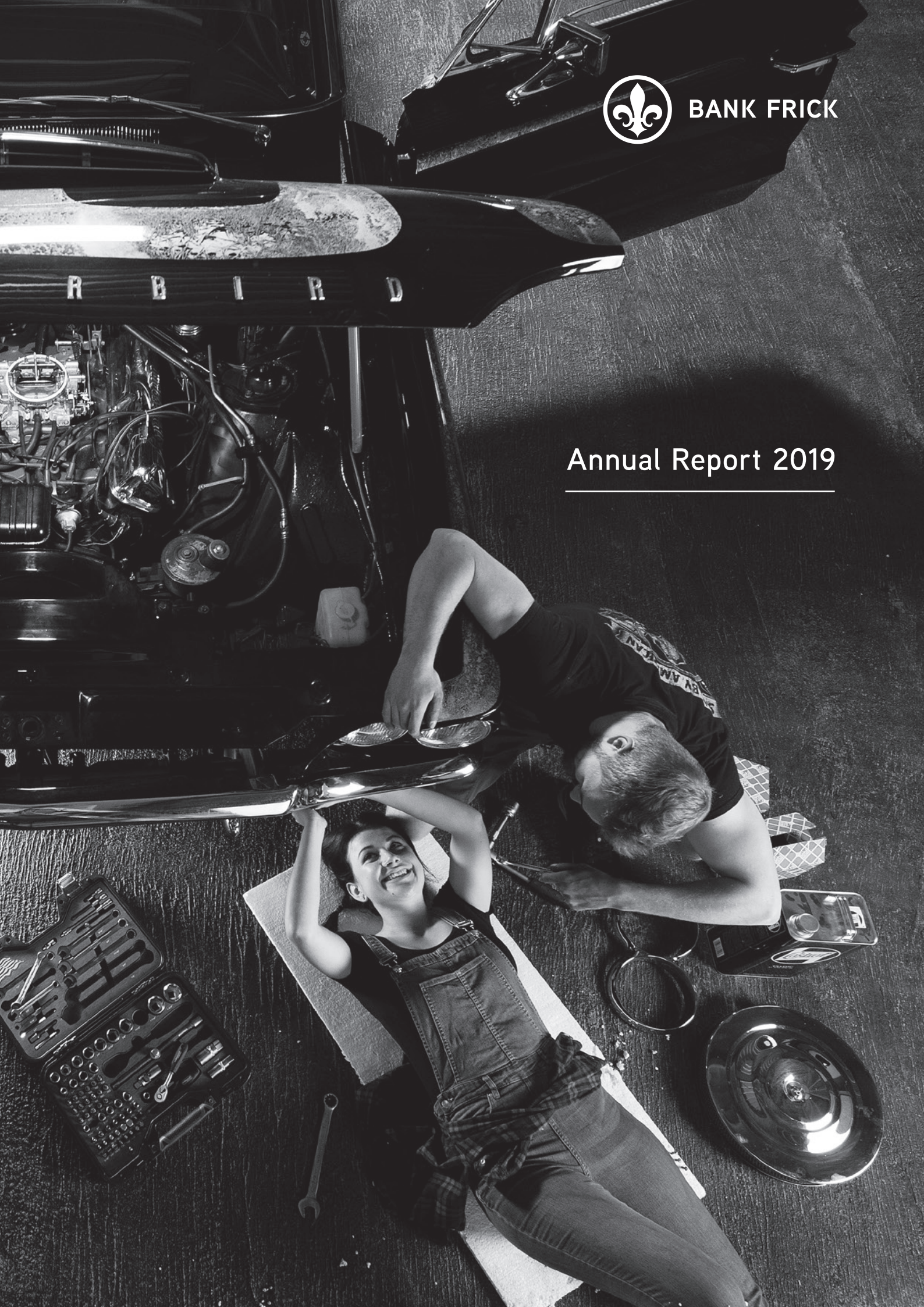




BANK FRICK

Annual Report 2019



Belinda Dal Ponte

Accountant

Employee of Bank Frick since 2017

A year and a half ago, my partner, Marc, and I bought a Ford Thunderbird together. It was made in 1964, has a V8 engine with 300 HP – and it turns heads wherever it goes. Of course, there's always some work that needs doing on a car like that: so far we've replaced the original brakes, overhauled the engine and replaced quite a few seals and tubes. My partner is a qualified mechanic and I completed my initial training in the technical field, so we both know our way around an engine and do all the work ourselves. The most important thing about working on the Thunderbird is that we do it as a team. We both know each other's strengths, and that means we can rely on each other completely.

My parents encouraged my love of motor vehicles from an early age, from cars to motorbikes. They are passionate about motorbikes, so it's no surprise that my first ride came when I was just 14 on a Puch Condor.

Our next project is to restore our old mopeds and take them on a tour of Switzerland.

Tinkering with our car is a great way to unwind after the working day, although there are similarities between that and what I do at Bank Frick. Whether I'm in our garage or in the office, working as a team with those around me is very important. My team at Bank Frick is a well-oiled machine; we know each other's strengths and we are on the same wavelength.

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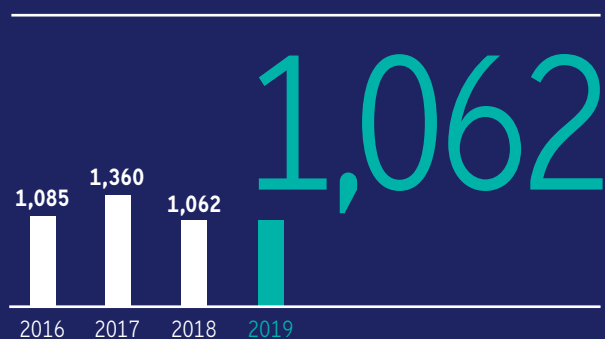
 linkedin.com/company/bank-frick

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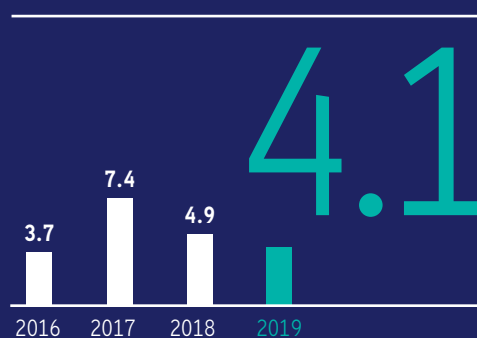
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Selected financial ratios 2019

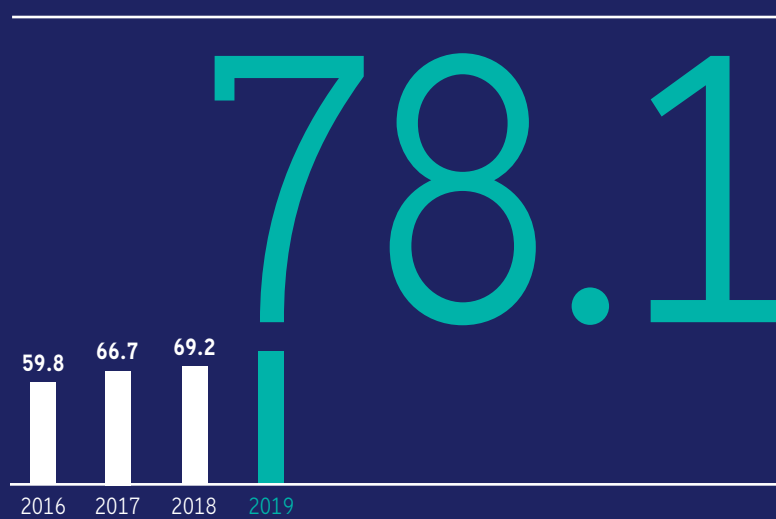
Total assets
in CHF m



Return on equity
in %

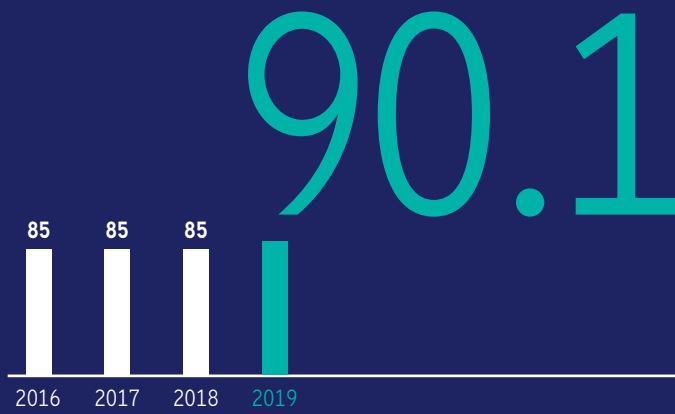


Cost-income ratio
in %

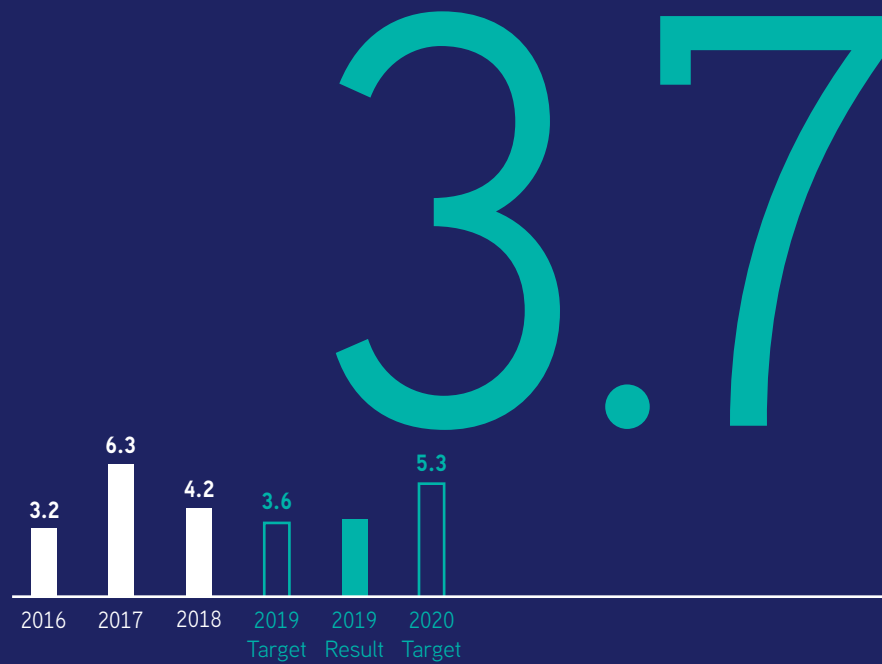


The increase in the cost-income ratio can primarily be attributed to the investments in personnel.

Equity
in CHF m

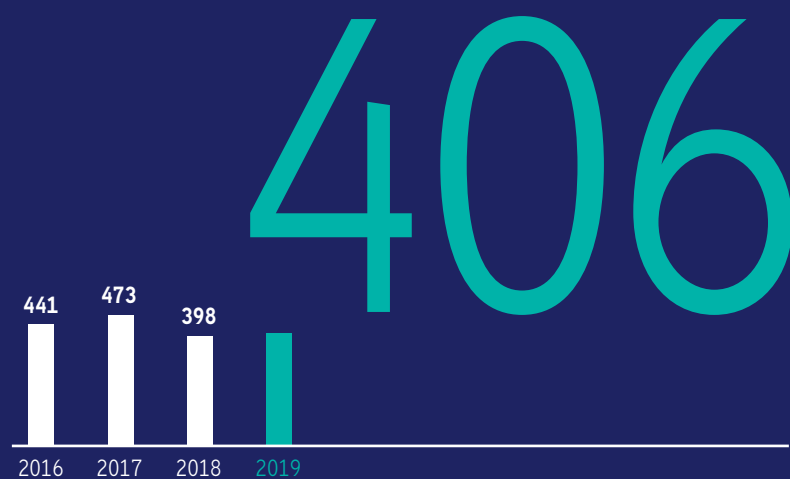


Profit
in CHF m

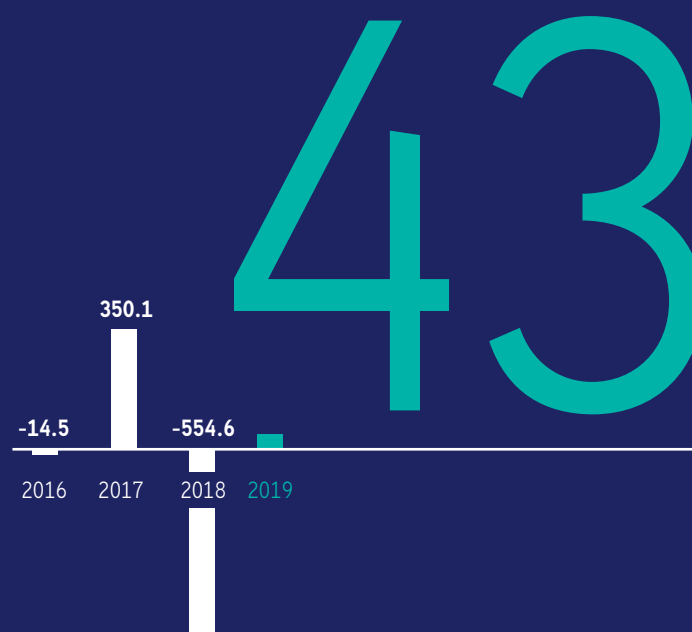


The forecast for net income in 2020 of CHF 5.3 million was made prior to the current coronavirus pandemic. The impact of the crisis cannot be foreseen at this time.

Due from clients
in CHF m



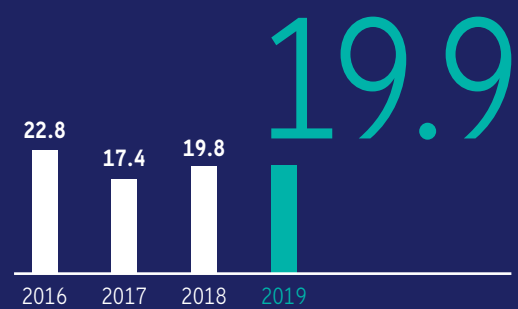
Net new money
in CHF m



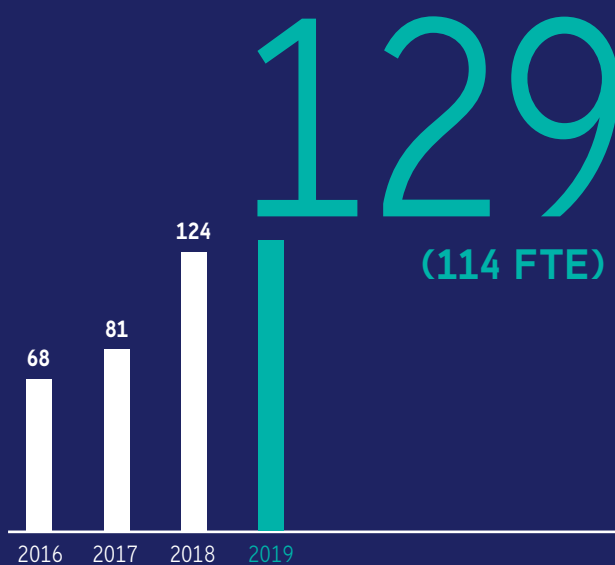
Assets under management in CHF m



Tier 1 capital ratio in %



Work force



Company bodies / Organisation chart



Dr Mario Frick
Chairman



Roland Frick
Vice-Chairman



Rolf Jermann



Herman Kotzé



Michael Kramer



Edi Wögerer
CEO



Michael Dolzer
COO



Melanie Mündle
CFO

General Meeting

External Auditors
Grant Thornton AG, Schaan

Board of Directors

Internal Auditors
BDO AG, Zürich

Management Board

Blockchain Lab

**Corporate Communications
and Marketing**

Compliance

Legal

**Management Office
CEO/VRP**

Customer Relations

**Business Technologies and
Innovation Management**

**Finance, Risk
and Controlling**

Report of the Board of Directors and the Management Board

Report of the Chairman of the Board of Directors and the CEO

We are very satisfied with the business performance and the annual results for 2019. All investments in holdings and subsidiaries were financed from our cash flow. Income continued to rise in all business areas. In addition, commission income exceeded interest income for the first time. Because we continue to make significant investments in personnel and infrastructure, the solid business performance has admittedly not yet fully translated into profit. Due to the now flattening growth in costs, we expect – subject to the still unclear effects of the coronavirus crisis – significantly higher net income of CHF 5.3 million for 2020.

The encouraging trend of growth in operating income continued in 2019. Both in terms of commission income and trading activities, we were able to once again increase net income. It was only interest income that did not increase, remaining slightly under the level of the previous year.

We are very pleased with the trend in gross income from commission and service transactions, which in 2019 exceeded interest income for the first time. This income was generated across all business areas. This clearly shows that our investments in recent years have paid off and that the developed business models are taking hold. Our approach of making blockchain an integral part of all business areas is bearing fruit. We are convinced that this trend will continue, and in 2020 we once again expect that income in this area will increase distinctly.

Expenses also came in over budget, owing to the mentioned investments. The sharp rise in operating and personnel expenses has now come to an end, and expenses will increase only slightly in 2020. Investments in additional subsidiaries or holdings are still possible if the corresponding strategic opportunities arise.

Management Board reorganised

In May, we reorganised the composition of our Management Board. The organisational structure has been adapted to the needs of a tech-savvy bank for intermediaries. Michael Dolzer became a Management Board member and COO on 1 May 2019. Michael Dolzer had formerly served as Head of Business Technologies and Innovation Management. He replaces CCO Hubert Büchel, who has stepped down in order to take on a new position at a different financial institution. CEO Edi Wögerer assumed responsibility for the new Customer Relations division.

Michael Dolzer came from another financial institution to Bank Frick in 2012, where he took over as Head of the IT department. At the time, IT was primarily a support department whose job was to keep business operations up and running. Today, technology has taken centre stage in the Bank's activities, influencing all business models and the customer experience. For that reason, the Board of Directors had already decided in 2018 to make digital leadership skills a key part of the Management Board.

Since May 2019, the Management Board thus consists of Edi Wögerer (CEO), Melanie Mündle (CFO) and Michael Dolzer (COO).



Michael Dolzer has been a Management Board member and COO since 1 May 2019. He is responsible for the Business Technologies and Innovation Management division.

Classic banking the most important pillar

Bank Frick specialises in banking for intermediaries. In this regard, we provide a fully integrated offering of classic banking and blockchain banking services. Although Bank Frick is primarily known to the public through its activities in the area of blockchain banking, the area of classic banking as well as fund services and product development is a pillar that is at least equally important. Even



Chairman Dr. Mario Frick (left)
and CEO Edi Wögerer.

though classic banking does not get as much notice on the market because of the strong interest in blockchain banking, it is still heavily used.

It is difficult to distinguish between revenues from classic banking services and those from blockchain banking services. We consider blockchain technology to be an integral part of our business. Therefore, it is not possible to allot generated revenues to the one or the other area with precision. Nevertheless, it can be said that classic banking generates the larger share of income.

Business volume in the funds area very satisfying

The Fund and Capital Markets department is responsible for the development, management and monitoring of individually designed financial instruments. In terms of business volume, 2019 was very successful in the area of funds. Cumulative assets from Liechtenstein alternative investment funds (AIFs) and undertakings for collective investment in transferable securities (UCITS) increased by 22% from approximately CHF 660 million to CHF 807 million. The assets were spread among some 47 funds.

In the area of fund solutions that are not subject to Liechtenstein legislation,

we likewise succeeded in acquiring additional mandates. As at the end of 2019, business volume here amounted to CHF 200 million, which represents an increase of more than 40% compared with the previous year.

Gain of new assets

The Private Clients and External Asset Management department is responsible for all client concerns and manages both day-to-day business and after-sales service.

The assets of the department increased slightly year on year owing to rising stock markets and the acquisition of new money.

Customised financing for investment properties

Our service offering also includes customised financing for investment properties, i.e. larger residential and commercial properties that are backed by investors. The Credit Office department covers the entire service range of the lending business.

We have a balanced yet differentiated credit portfolio. This includes, in particular, standard financing in the form of Lombard loans and mortgages for real estate properties in Switzerland and Liechtenstein.

Lending business is an important part of our business. In 2020, we will therefore continue to invest in strengthening lending business in qualitative and quantitative terms.

In addition to lending business, we provide support to real estate projects, mainly in Germany, Austria, Switzerland and Liechtenstein (DACHLI region) and in the UK. In doing so, we focus on collaborating with brokers and business partners who in turn service end customers. This also reflects our approach of being a bank for intermediaries.

Bank Frick and blockchain

We are one of Europe's pioneers of the regulated blockchain banking sector. In this regard, we have always applied the same strict standards as we do for classic banking transactions. The offering covers trading and custody of crypto assets and token sales. The Bank also develops tailored crypto-structuring solutions for intermediaries.

Our innovative spirit is the reason Bank Frick has a leading position and enjoys an outstanding reputation throughout Europe in the area of blockchain banking. For instance, in 2017 we were the first bank in the CHF area to set up a tracker based on cryptocurrencies. We were also the first regulated bank in the European Economic Area (EEA) to facilitate the trading and custody of cryptocurrencies, and the first to launch a regulated crypto fund under EU law. We are a paying agent for on-chain share issues, and, at the end of 2019, we were able to publicly announce that we took part in developing the first tokenised AIF.

Our expertise in the areas of blockchain, funds and capital markets, and regulation as well as the know-how of our employees help us to maintain our leading position in blockchain banking. The strong regulation of our Bank also

” **The Blockchain Act
creates legal certainty.**

To mark the introduction of the Blockchain Act in Liechtenstein on 1 January 2020, we presented our "Boost your blockchain business" bus in Switzerland's Crypto Valley in Zug. We thus drew the attention of the industry to Bank Frick's pioneering role in blockchain banking.



works in our favour: institutional clients can keep their counterparty risk low if they do business with us.

Blockchain Act

The Liechtenstein Law on Tokens and TT Service Providers (TTTL, commonly known also as the "Blockchain Act") entered into force at the start of 2020. It will help us to defend and expand our leading position. Europe's most comprehensive blockchain regulation establishes groundbreaking framework conditions for the token economy in Liechtenstein, thus underscoring the country's pioneering role in this area. As Europe's leading blockchain bank, we emphatically welcome the new law. The law creates legal certainty for the still fledgling blockchain industry and plays a key role in its professionalisation.

Preparations successfully completed

In the reporting year, we grappled extensively within the Bank with the ramifications of the new law. In particular, the Business Development and Blockchain Lab departments were responsible for developing potential

future business cases, for studying possible changes in the course of the existing blockchain activities and for training Bank Frick employees. We subsequently prepared the registration of the individual functions in the TT Service Provider Register maintained by the Financial Market Authority (FMA) Liechtenstein and submitted the application for this. As at March 2020, we were the first Liechtenstein bank to be registered as a token producer, TT token custodian and token issuer, which makes us very happy and proud.

In addition, we reviewed the entire organisation with respect to the new obligations under the TTTL and, where necessary, made adjustments.

Mainstream adoption

The acceptance of blockchain technology and cryptocurrencies in the financial industry heralds the start of mainstream adoption. As a result, a growing number of new participants will enter the market, including large financial institutions. Competition will increase massively.

Setting up and developing a one-stop solution

Because of increased competitive pressure, we began setting up and developing a comprehensive Bank Frick ecosystem in the reporting year, modelled on a one-stop solution.

To create a Bank Frick ecosystem, we invested in a variety of subsidiaries and holdings. This is intended to enable us to service client needs in the blockchain area as a one-stop solution. In addition, special business activities were placed outside the Bank through spin-offs and strategic holdings so that these companies can act more quickly and flexibly. This ecosystem particularly covers the business activities of token offering and trading in cryptocurrencies. We will address these holdings on page 15.

Development of the ecosystem remains a topic

The further development of the Bank Frick ecosystem will also occupy us in 2020. We will continue to keep our eyes and ears open. We will examine strategic opportunities and, if they appear

After going to press of the 2019 Annual Report of Bank Frick:

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Contrary to the statement on page 14 of Bank Frick's Annual Report 2019, Net 1 UEPS Technologies, Inc. (Net1) will not become the majority shareholder of the Bank. The majority stake in Bank Frick will continue to be held by Kuno Frick Family Foundation (KFS). It will thus continue to hold 65% of the shares in Bank Frick. Net1 will retain a 35% stake as minority shareholder. Net1 and KFS have reached a contractual agreement in this regard. Further information can be found in the press release of 15 April 2020:

<https://frick.ly/Net1-e>

reasonable, implement them. In this regard, we will devote our attention first and foremost to German-speaking regions.

Net1 exercises option to acquire a majority holding in Bank Frick

In October 2019, Net1 UEPS Technologies, Inc. (Net1) exercised its option to acquire a majority holding in Bank Frick. At the time of publication, the transaction was still awaiting approval by the FMA. Following approval by the FMA, Net1's holding in Bank Frick will increase to 70%, making it the majority shareholder. The Frick family will maintain a 30% minority stake through the Kuno Frick Family Foundation (KFS).

Minority shareholder for two years

Net1 has been a minority shareholder of Bank Frick for two years. During this time, we were able to impress Net1 with the scope of our classic banking services, our know-how in blockchain banking and the acquired reputation. As a result, our advantages as a vertically integrated platform for banking and payment services are linked with the technical capabilities of Net1. Going forward, Net1 expects to achieve from this a further expansion of its fintech, payment and blockchain services, which will complement the products and services currently offered by the Bank.

Implementing a joint fintech strategy

Net1 possesses enormous digital know-how and expertise with regard to worldwide payment transactions. We know that Net1 shares our enthusiasm for and commitment to our clients, employees and strategy. Together, we will be in a position to strengthen our current business areas, push ahead with our fintech strategy, develop new digital business models and implement them throughout Europe.

Together, we will ensure the reliability of the classic banking system and create new opportunities that digitalisation and blockchain technology offer us.

Important component of Net1's European strategy

For Net1, we form a decisive component of its European strategy for providing all-encompassing financial technology and services for SMEs in the region. The Bank's high common equity of CHF 90 million, the memberships with Visa and MasterCard, a license to operate as a full-service bank throughout Europe and the recognised leadership in terms of fintech banking services, particularly in the areas of virtual assets/crypto, will considerably increase the breadth, scope and development pace of additional fintech business offerings by Net1 and Bank Frick.

Valuable cooperation with the University of Liechtenstein

Since its inception, Bank Frick has supported Liechtenstein associations and institutions in fulfilment of its social responsibility. In doing so, we gladly depart from well-worn paths and enter into collaborations that at first glance do not seem typical for a bank. This openness is well suited to our Crossover Finance approach and ensures inspiration and new perspectives from which we benefit.

To mark Bank Frick's 20th anniversary in 2018, we entered into a five-year partnership with the University of Liechtenstein. As part of this collaboration in the areas of fintech and blockchain, Bank Frick is providing the university with substantial financial resources. Partnership-based research projects, projects with students and the establishment and provision of an annual certificate programme are the main aims of the collaboration. The first Blockchain and Fintech certificate programme was launched in February 2019, and the 18 successful graduates received their certificates in August. We were very pleased that one of our employees was awarded the top mark for the course.

We are convinced that the programme can be a key to the success of Liechtenstein and the Liechtenstein financial centre. This collaboration will help the fintech industry in Liechtenstein to achieve even greater success, and the graduates will play an important role in ensuring a successful future for our small but growing hotspot for fintech and blockchain.

The collaboration also includes the awarding of a scholarship of CHF 9,800.00 to enable free participation in the Blockchain and Fintech certificate programme. The scholarship was awarded for the second time at the end of 2019.



The Bank Frick employees Felix Saible, Mirela Georgieva, Pascal Müller and Fabio Tomaschett (from left to right) were among the successful participants of the first Blockchain and Fintech certificate programme at the University of Liechtenstein.

The second course began in January 2020 and is fully booked with 24 participants. There is already a waiting list for the course that starts in 2021.

In this regard, it should be noted that two of our employees were invited to give lectures in the area of blockchain and fintech and pass on their expertise to students. This underscores the significant know-how of our employees in this area and makes us justifiably proud.

Holdings

In conformity with our expansion strategy and our goal of establishing and developing an all-encompassing Bank

Frick ecosystem modelled on a one-stop solution, we examined various strategic opportunities in the 2019 financial year and also implemented them. We took a stake in the fintech companies Tradico AG and 21.finance AG. We also founded two subsidiaries: The DLT Markets AG and Distributed Ventures AG.

21.finance AG

In the second half of 2018, we acquired a 25.93% stake in the fintech group 21.finance AG, which operates the multi-asset platform area2Invest. We increased our stake to 50.14% in the second quarter of 2019.

21.finance AG focuses on brokering investments to issuers of financial

products. The area2Invest platform gives the opportunity to offer primary market placements to a wide investor audience. This makes it an attractive investor portal that issue clients of Bank Frick can use as a highly targeted distribution channel. The shareholding in 21.finance AG thus allows us to expand our service offering and offer issue clients a digital showcase.

With the majority stake in 21.finance AG, we further strengthened our commitment to establishing a financial ecosystem for primary market placements.

Now that the establishment phase has concluded, we will soon be publicly launching the area2Invest platform of 21.finance AG for the brokering of investors and issuers. Investors are fully identified on the user-friendly platform. For us as a bank, an additional, wide-reaching sales channel is available.

Initially, the platform will primarily make available those products for which we provide support in connection with issues (paying agent and custody functions). However, we intend to fully open the platform to other product banks in order to be able to ensure an offering that is as diverse as possible.

”

We examined various strategic opportunities and implemented them.

The DLT Markets AG

In February 2019, we founded the company The DLT Markets AG, which further expanded our pioneering role in the area of blockchain banking. The subsidiary will provide institutional investors with professional access to the multi-exchange trading of digital tokens.

A German securities bank has been trading by way of the platform since October 2019, and other institutional clients are currently in the process of being onboarded by Bank Frick. With Bitstamp and Kraken, the platform provides two of the largest crypto exchanges as trading venues, and we are in the final phase of discussions with others.

In 2020, the focus will continue to be on client acquisition and on expanding the technological foundation.

Distributed Ventures AG

Bank Frick's ecosystem also includes the subsidiary Distributed Ventures AG. Likewise founded in February, Distributed Ventures AG supports founders every step of the way – from the birth of an idea to the reaching of market maturity – and offers help in implementing future-oriented business models for the financial sector. The company also offers consulting services to other financial service providers with regard to blockchain and crypto compliance.

The expert team at Distributed Ventures AG can provide in-depth forensic analyses for virtual assets, making a meaningful contribution to reducing money laundering and fraud risks. As a pioneer in the area of blockchain banking, Bank Frick is thus underlining its goal of promoting the development of the financial ecosystem. At the same time, the subsidiary will give Bank Frick access to promising business ideas.

Together with Bank Frick as a custodian bank and 21.finance AG, Distributed Ventures AG was able to successfully

conclude the consultations concerning the establishment of an AIF, which was approved by the FMA in early 2020.

Distributed Ventures AG also filed an application in the financial year for approval to act as fiduciary, which was granted in early 2020. Distributed Ventures AG focuses on providing comprehensive corporate and financial advice to start-ups and established financial institutions.

Tradico AG

Bank Frick took steps to strengthen its fintech expertise in June with the total takeover (100%) of Tradico AG. The Liechtenstein-based company offers finance for goods purchasing, primarily to enterprises in Germany, Austria and Switzerland (DACH region). The acquisition of Tradico AG has opened up access to an innovative technological solution that enables us to expand the Bank's financing business strategically. Tradico AG has achieved turnover of over EUR 60 million since it was founded in 2015; several thousand transactions have been successfully implemented on its www.tradi.co platform. It exceeded its defined target of generating a transaction volume of EUR 15 million in 2019.

Events after the balance sheet date

Range of crypto assets for which trading and custodian services are available expanded to include Bitcoin Cash

At the end of January 2020, we expanded the offering of cryptocurrencies for which we provide trading and custodian services, and we now offer trading and secure custody of Bitcoin Cash (BCH) to professional market participants and wealthy private clients. Trading takes place within the fully regulated environment of the Bank.

Since 2018, Bank Frick has been offering investors a smooth and secure way to

trade the leading cryptocurrencies Bitcoin (BTC), Litecoin (LTC), Ripple (XRP), Ether (ETH), Ethereum Classic (ETC), NEM (XEM), Qtum (QTUM) and Stellar (XLM). Clients can also deposit these assets with the Bank for safekeeping.

We have designed this offer particularly for institutional clients, miners and mining firms, and wealthy cryptocurrency investors.

New service architecture for greater guidance

Our focus is always on the customer experience. For this reason, we put in place a new service architecture in February 2020 that spotlights client orientation and pioneering service packages.

Intermediaries will now find it even easier to navigate the Bank's range of products and services and identify the right solution faster. Each bundle has been carefully designed to provide what clients need today in classic and blockchain banking – and these requirements become all the more complex where these two areas meet. By introducing this clear and transparent service architecture, Bank Frick has underlined its commitment to combining the conventional financial world with that of crypto finance.

We also introduced our new onboarding tool in the first quarter of 2020. With the tool, we want to significantly shorten the onboarding process and thus increase client benefits. In this regard, we have set ourselves the goal of carrying out the process in less than seven days. This is by all means an ambitious goal for a bank for financial intermediaries. However, we are working hard on achieving it so as to improve the customer experience. The onboarding tool differs considerably from comparable tools of competitors, who normally limit themselves to the onboarding of individuals. In conformity with the crossover concept, Bank Frick's

onboarding tool can be used to open accounts for individuals and legal entities of any nature.

This will enable our intermediary clients to link their systems with our online banking through the provided interfaces.

Outlook for 2020

Establishment and expansion of our distribution structures

In the coming financial year, we will continue to keep our eyes and ears open for strategic opportunities, particularly in German-speaking regions. An acquisition in the custody area is of great interest to us. We are, however, also interested in additional holdings if they help us to broaden our one-stop solution.

We are focusing on the further expansion of our distribution structure. In recent years, we have made significant investments in technology, regulatory issues, compliance and the establishment of new business models. Now we intend to bring these assets to clients even more efficiently.

For this purpose, we are planning to develop an innovative distribution concept and at the same time invest in the training of the relevant front-office units. These measures will enable us to actively expand distribution and acquire new and attractive target clients, thereby increasing turnover on a sustained basis.

We see great potential here, and we are convinced that these investments will have a positive impact on our operating result.

Bank Frick online banking

We are also planning to expand the features of Bank Frick online banking in the first half of 2020. We are particularly pleased that the trading of cryptocurrencies will be possible through online banking. This once more underscores our pioneering role in the area of crypto and blockchain banking.

In addition, we are planning to improve and expand the interface architecture.

Conclusion

Successful 2019 ...

In summary, we can state that we are very satisfied with the 2019 financial year. We financed all investments with our own cash flow and did not have to take on any additional capital. Despite the non-budgeted investments in holdings and the acquisition of subsidiaries, we achieved the budgeted profit. Our financial position was once again very good, and income continued to rise in all business areas.

... and great uncertainty in 2020 due to coronavirus

The coronavirus was raging across Europe at the time our annual report went to print. Due to the global distortions triggered by the virus, we anticipate an extremely challenging year. Without the impact of the coronavirus, we expected net income of CHF 5.2 million in 2020. We can no longer work on the assumption that we will achieve this figure. Given the extremely volatile situation, no reliable forecasts can be made at present.

In this situation, it is also imperative that we do everything possible to ensure that our employees survive this global crisis from a physical, mental and economic perspective.



Dr Mario Frick

Edi Wögerer

Report of the CFO

We closed the 2019 financial year with a profit of CHF 3.7 million. We thus exceeded the budgeted profit of CHF 3.6 million. The encouraging trend of growth in operating income also continued in 2019. Investment in personnel and infrastructure were also high during the reporting year. Thanks to the flattening growth in costs in 2020, we expect – subject to the still unclear effects of the coronavirus crisis – significantly higher net income of CHF 5.3 million.



Melanie Mündle, Chief Financial Officer (CFO): "The participation programme for employees is an expression of our thanks to them".

In the 2019 financial year, profits came in at CHF 3.7 million, which was slightly over budget. Because of non-budgeted investments in the first half of the year, we lowered the earnings forecast to CHF 2.0 million in the 2019 semi-annual report. Owing to the encouragingly good business performance in the second half of the year, we were even able to exceed the originally budgeted profit of CHF 3.6 million. For 2020, we expect a profit of CHF 5.3 million.

We made this forecast prior to the current coronavirus pandemic. While the impact of the crisis cannot be foreseen at this time, it will certainly have a considerable effect on the 2020 annual results.

Capital base

Capital base increased to CHF 90.1 million in the reporting period, which corresponds to a rise of 6%. The main reasons for the increase were, on the one hand, retained earnings. On the other, participation certificates were issued to employees at the start of the financial year. The participation programme was initiated as an expression of thanks to the employees and formed part of their special payments.

Balance sheet

Our balance sheet total as at 31 December 2019 was unchanged at CHF 1.1 billion.

Cost-income ratio

The cost-income ratio increased from 69.2% in 2018 to 78.1%. The reason for the increase was that the full effect of the investments in staff that were made in the 2019 financial year was felt on the expenses side. The cost-income ratio accordingly rose as a result of the higher expenses.

Client assets under management

In terms of client assets under management, we were able to post a slight increase of CHF 75.5 million. We were thus able to confirm the trend in rising client assets in the commenced financial year.

Sources of income

The encouraging trend of growth in operating income continued in 2019. Both in terms of commission income and trading activities, we were able to once again increase net income. It was only

interest income that did not increase, remaining slightly under the level of the previous year. This is attributable to the fact that last year's interest income was unusually high due to extraordinary items.

Gross income from commission and service transactions fell from CHF 21.2 million in 2018 to CHF 18.9 million in 2019. Because commission expenses were also lower, coming in at CHF 6.2 million (2018: CHF 9 million), net income from commission and service transactions rose to CHF 12.7 million (2018: CHF 12.1 million).

Trading activities remained stable, growing by CHF 1.0 million to CHF 4.7 million.

Interest income amounted to CHF 18.9 million, which was somewhat lower than in the previous period (CHF 20.6 million). Interest expenses rose year on year by CHF 0.7 million to CHF 3.1 million. Because of the above-mentioned extraordinary items in last year's interest income, net interest income of CHF 15.8 million was below the figure of CHF 18.1 million for the previous year. However, looking at interest income in recent years, a rising trend is discernible here.

We are very pleased with the trend in gross income from commission and

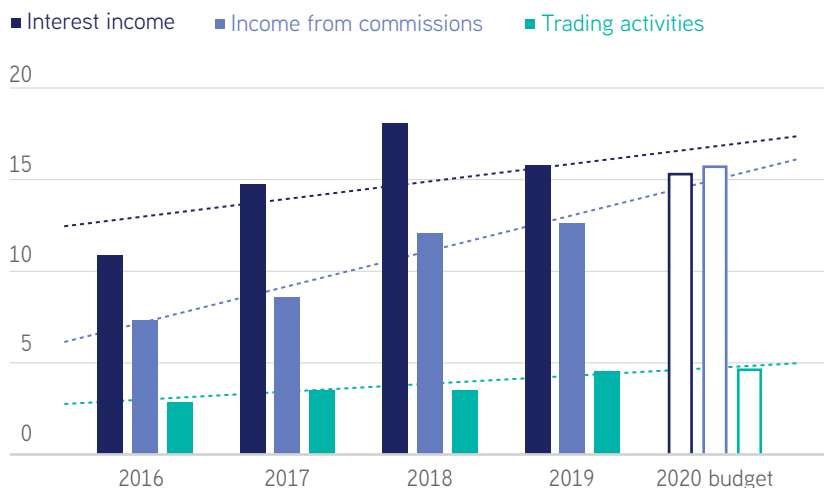
service transactions, which in 2019 exceeded interest income for the first time. This income was generated across all business areas. This clearly shows that our investments in recent years have paid off and that the developed business models are taking hold. The approach of making blockchain an integral part of all business areas is bearing ever more fruit. We expect that this trend will continue, and in 2020 we

once again expect that income in this area will increase distinctly.

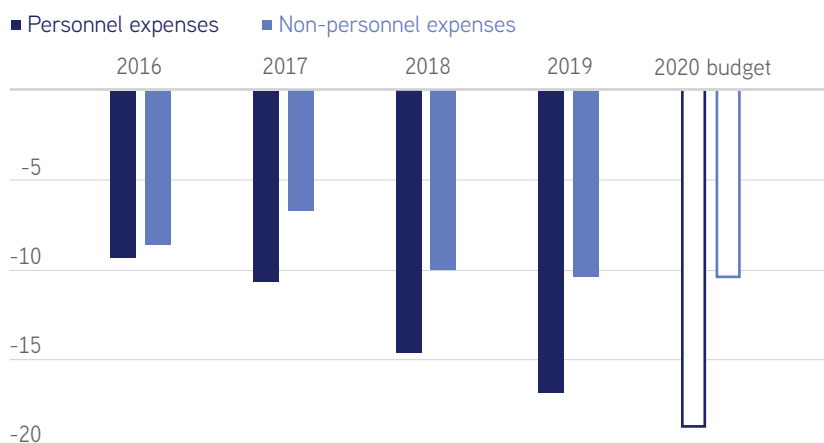
Headcount

As at 31 December 2019, the headcount stood at 129 (114 FTEs) (2018: 124 [111 FTEs]). The strong headcount growth that was undertaken as part of the growth strategy has thus come to an end.

Operating income in CHF million



Personnel and non-personnel expenses in CHF million



Operating income has grown continuously over recent years and this trend also continued in 2019. Both in terms of commission income and trading activities, we were able to once again increase net income (table above). The sharp rise in non-personnel and personnel expenses has come to an end, and expenses will increase only slightly in 2020 (table below).

Dominik Jocham

Project development

Employee of Bank Frick since 2018

When I was a teenager, I went to the toy store to buy a component for my model railway, and there happened across the Warhammer figures on the shelves. It was love at first sight. Since then, I have been obsessed with the game. Warhammer is similar to chess: the aim is to skilfully position the figures and their different attributes, anticipate your opponent's move and achieve an advantage by deploying your own strategy. The use of dice adds the element of chance. The rich background story provides a great stage for the games and has served as the basis for various films and series. My job at Bank Frick is to anticipate developments in the market, the opportunities these afford and how Bank Frick can utilise such business opportunities. It takes me around 20 hours to complete a Warhammer figure, breathing life into it with modelling clay and paint. I can then switch off completely and give my creativity free rein. Over the years, my painting style has changed and evolved – in the same way that I am always intellectually on the move with my work, I also try and continuously develop in my hobby.





Balance sheet

in CHF 1,000

31.12.2019

31.12.2018

Assets

Liquid assets	125,601	97,715
Due from banks	245,176	374,348
→ of which repayable upon demand	142,411	104,137
→ of which other receivables	102,766	270,211
Due from clients	406,456	398,443
→ of which mortgage-backed claims	100,899	103,977
Bonds and other fixed-interest securities	99,376	44,905
→ of which bonds issued by public bodies	59,360	27,200
→ of which bonds issued by other borrowers	40,016	17,705
Shares and other non-fixed-interest securities	79,394	80,456
Participations	541	–
Shares in affiliated companies	–	–
Intangibles	–	–
Property, plant and equipment	9,889	10,401
Other assets	93,790	49,004
Accrued expenses and deferred income	2,063	6,325
Total assets	1,062,285	1,061,597

Balance sheet

in CHF 1,000

31.12.2019

31.12.2018

Liabilities

Due to banks	8,370	15,937
→ of which repayable on demand	8,370	15,937
→ with agreed terms or notice period	–	–
Due to clients	775,572	769,577
→ of which savings deposits	–	–
→ of which other liabilities repayable on demand	718,867	653,103
→ of which other liabilities with agreed terms or notice periods	56,706	116,474
Certificated liabilities	75,696	111,449
→ of which medium-term notes	11,510	16,860
→ of which other certificated liabilities	64,186	94,589
Other liabilities	101,433	69,500
Accrued expenses and deferred income	6,090	4,661
Provisions	1,311	1,229
→ of which tax provisions	1,311	1,229
→ of which other provisions	–	–
Provisions for general banking risks	16,400	16,400
Subscribed capital	25,299	25,000
Capital reserves	1,598	1,000
Retained profit	46,844	42,644
→ of which statutory reserves	6,000	6,000
→ of which other reserves	40,844	36,644
Profit carried forward	–	1
Profit	3,671	4,200
Total liabilities	1,062,285	1,061,597

Income statement from 1 January to 31 December 2019

in CHF 1,000	2019	2018
Items		
Interest earned	18,877	20,535
→ of which income from fixed-interest securities	660	889
Interest paid *	-3,098	-2,403
Current income from securities	26	21
→ of which shares and other non-fixed-interest securities	26	21
Income from commission and service transactions	18,893	21,209
→ of which commission income on loan transactions	89	363
→ of which commission income from securities and investment transactions	10,208	9,962
→ of which commission on other service activities	8,597	10,884
Commission payable	-6,214	-9,085
Profit on financial operations	5,416	706
→ of which from commercial activities	4,670	3,666
Other ordinary income	1,972	5,767
General administrative expenses	-27,405	-24,879
→ of which staff costs	-16,943	-14,779
→ of which operating expenditure	-10,462	-10,100
Depreciation on intangible assets as well as on property, plant and equipment	-758	-730
Other ordinary expenditure	-761	-794
Valuation allowances on claims and transfers to reserves for contingencies and credit risks	-1,499	-4,373
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	-1,096	-1,174
Income from write-ups of shareholdings, shares in affiliated companies and securities treated as non-current assets	-	-
Income from normal business activities	4,353	4,801
Extraordinary income	-	-
Extraordinary expenditure	-	-
Income tax	-682	-601
Other taxes	-	-
Allocations to provisions for general banking risks	-	-
Profit for the year from 1 January to 31 December 2019	3,671	4,200

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

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	10,284	10,674
Total contingent liabilities	10,284	10,674
Derivative financial instruments		
Contract volumes	748,965	593,351
Positive replacement values	3,654	1,300
Negative replacement values	-3,360	-1,310
Fiduciary transactions		
Fiduciary transactions	138,764	141,024
Fiduciary loans	–	–
Total fiduciary transactions	138,764	141,024

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	3,671	–	4,200	–
Depreciation on securities as current assets	–	–	–	–
Depreciation on securities as non-current assets	2,444	–	–	–
Write-off and write-ups on participations	1,096	–	1,193	–
Depreciation on intangible assets and property, plant and equipment	758	–	730	–
Valuation allowances and provisions	–	501	4,045	–
Tax provisions	82	–	–	587
Provisions for general banking risks	–	–	–	–
Accrued income and prepaid expenses	4,262	–	387	–
Accrued expenses and deferred income	1,429	–	1,620	–
Distribution of dividends previous year	–	–	–	6,250
Distribution of interim dividend	–	–	–	–
Balance	13,241	–	5,338	–
Flow of funds from equity transactions				
Capital increase	299	–	–	–
Premium on capital increase	598	–	–	–
Balance	897	–	–	–
Flow of funds from investment transactions				
Shares in affiliated companies	–	–	–	–
Participations	–	1,636	–	700
Real estate	–	–	–	–
Other property, plant and equipment	–	246	100	373
Intangible assets	–	–	–	–
Securities and precious metals as non-current assets	33,208	90,123	15,627	23,647
Balance	–	58,797	–	8,993

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	–	250	–	262
Other certificated liabilities	–	25,204	3,271	–
Due from clients	–	–	–	–
Mortgage claims	–	2,038	–	2,091

Short-term business

Due to banks	–	7,567	10,373	–
Due to clients (other liabilities)	5,995	–	–	363,867
Medium-term notes	–	5,100	–	–
Other certificated liabilities	–	5,200	7,505	–
Other liabilities	31,933	–	45,815	–
Due from banks	129,172	–	239,372	–
Due from clients	–	10,589	63,149	–
Mortgage-backed claims	5,116	–	9,917	–
Shares and other non-fixed-interest securities	1,063	–	4,598	–
Other assets	–	44,786	–	35,278
Balance	72,545	–	–	17,498

Liquidity

Liquid assets	27,886	–	–	21,153
Balance	27,886	–	–	21,153

Carla Ferrari

Fund Services team leader

Employee of Bank Frick since 2018

I have always made music. Either with instruments or as a vocalist in various bands and ensembles. I have performed with these at large venues including KKL Lucerne and the Montreux Jazz Festival. Singing in the Divertimento Chor Schaan is a whole different experience. Although no one individual voice should stand out above another in the choir, each singer's voice is important and cannot hide itself away. Compared with an instrument, the human voice is also more personal and direct.

When I was asked to perform a solo at the annual concert last year, I agreed and viewed it as a challenge. Before the performance, however, I died a thousand deaths. I come from the Central Swiss canton of Uri and was welcomed into the Divertimento Chor three years ago. Singing in a club made it very easy for me to meet people in Liechtenstein and put down roots. The social aspect continues to be very important to me. My work as a lawyer is very demanding and requires a lot of intellectual work – singing, however, is for the heart, and I'm completely in the moment then. I believe my work benefits from this unity of the intellectual and the emotional. My best experience on stage? I've been privileged enough to have a few – whether it's performing at special locations such as the castle ruins at Schellenberg, or collaborating with famous musicians. But the most wonderful experience is always when you notice that your music is connecting with the audience – and the Divertimento Chor is very good at this.





Notes on business activities and workforce

Fund and Capital Markets

In the first quarter of 2019, the Funds and Issues department was renamed and is now called Fund and Capital Markets. This did not result in any significant change to the service offering.

The department is responsible for the development, management and monitoring of individually designed financial instruments. The service offering comprises both offers requiring a prospectus (public offerings) and offers that do not require a prospectus (private placements). The geographic focus is the core markets of Bank Frick (EEA and Switzerland).

With respect to the type of financial instruments, the service offering can essentially be summarised using the collective terms collective investment schemes/funds and capital market products. In the case of the latter, focus is on debt capital transactions, such as fixed-interest bonds (straight bonds), asset-backed bonds and certificates (structured products).

While Bank Frick is generally appointed as a custodian bank (for European alternative investment funds [AIFs] and pure securities funds [undertakings for collective investments in transferable securities, UCITS]) or as a depositary bank (for non-European funds) for funds, it acts as a paying agent and/or issuer in connection with capital market products.

The objective of the department is to offer clients (promoters) a one-stop-shop package. The offering thus ranges

from initial advisory services and conception to the acquisition of relevant third-party officials and the subsequent issuing and launch of the product. Bank Frick is the single point of contact for the promoter during the entire process and thus provides them with efficient support throughout. The department is divided into three teams staffed with specialists, plus a support team that assists the entire department with administrative tasks and makes a key contribution to maintaining a high level of quality in terms of client support.

During the course of the year, the Token Offerings team was integrated into the department to complement the existing Funds and Capital Markets teams. It is composed of three people who had previously worked mainly in the Initial-Coin-Offering-Banking (ICO-Banking) department and were thus affiliated with the Blockchain department. Because ICOs are closely related to capital market transactions, and in light of the fact that a clear trend is discernible in the direction of security token offerings (STO), the need for a higher degree of regulation is thus taken into account.

An important milestone was reached particularly in the area of the tokenisation of securities, which in the previous year was highlighted as a clear topic of focus for the reporting year. Following long and intensive efforts on our part, the Financial Market Authority (FMA) Liechtenstein authorised the first AIF in Europe that, in addition to classic fund units, is also permitted to issue tokenised fund units (security tokens). Bank Frick

acts here both as custodian bank and paying agent, and it played a key role in obtaining the authorisation. In particular, Bank Frick is also responsible for drafting and managing smart contracts and thus for the issue of blockchain fund units.

So-called “large AIFs” are among the most highly regulated financial products in the EU and the EEA. Thus, with the realisation of this project, we were able to lay the foundation for a long-term, promising expansion of our business model.

Also in terms of business volume, 2019 was very successful in the area of funds. Cumulative assets from Liechtenstein AIFs and UCITS rose from approximately CHF 660 million to CHF 807 million, which corresponds to growth of CHF 147 million (or 22%). The assets were spread among some 47 funds (see www.lafv.li [Fund Net Assets by Day]).

In the area of fund solutions that are not subject to Liechtenstein legislation, we likewise succeeded in acquiring additional mandates. Business volume here amounted to approximately CHF 200 million (previous year: approximately CHF 138 million) as at the end of 2019.

On the product side, we substantially increased the number of paying agent mandates for third-party issuers, and as at year end, we maintained a total of 65 mandates, of which 10 related to exchange-traded products and 55 to bonds. A total of 18 own certificates were outstanding. Own certificates are generally launched on behalf of clients

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A clear trend towards security token offerings is apparent.

or third parties. In individual cases, however, the Bank also acts as initiator itself (e.g. for the first certificate based on cryptocurrencies in the Swiss franc area launched in the summer of 2017).

As at 31 December 2019, the headcount for the entire department stood at 9.8 full-time equivalents (FTEs) (previous year: 8.2 FTEs).

Key activities during the financial year

In order to comply with constantly rising regulatory requirements and to ensure the scalability of planned growth, new fund software was put in place during the reporting year. The introduction took place from January to June and required a great deal of time and resources; however, we received competent support from our provider and thus made great strides on the technical side.

In the summer of 2019, Bank Frick acquired the majority of the shares of 21.finance AG in connection with a capital increase. The aim of the acquisition is to mutually develop a digital investment platform (area2Invest) that connects issuers and investors, thus becoming a showcase for interesting investment opportunities with a focus on primary market transactions. At the same time, the acquisition is designed to add a valuable component to the issuing services of Bank Frick so as to be able to support clientele also in the area of sales in the future. The specialist departments in the Fund and Capital Markets department coordinated closely with the ambitious start-up. This will also remain a focus looking ahead to 2020.

By setting up the Token Offerings team, Bank Frick responded boldly to technological developments in issuing business. Accordingly, the primary focus was on integrating the unit and elaborating its strategic alignment, and this process will also extend into the new reporting year. The aim is to be in a position to provide clients in the area of ICO and STO with service that is competent and as comprehensive as possible so that issuers can continue to focus on their core business and leave the technical challenges to Bank Frick.

Outlook

In 2020, Bank Frick plans to make it possible for its new and existing clients to submit their applications for new products and to open accounts in a fully digital manner. This is intended to increase efficiency and, as a result, to shorten processing times. In order to be able to manage client groups and business cases in a customised and targeted manner, we developed corresponding service bundles and implemented them in a workflow in collaboration with the Business Technologies and Innovation Management division. It was introduced in February 2020.

With respect to the market launch of area2Invest, i.e. the digital issuing market of the subsidiary 21.finance AG, we are planning in the first half of 2020 to take the measures that are necessary in order to be able to carry out the public launch as quickly as possible. This will open entirely new and interesting opportunities for the Fund and Capital Markets department and their target clients with respect to the sale of financial products.

Another focus will be on the tokenisation of assets. The aim here is to develop the infrastructure and partner network in such a way as to achieve better scalability and faster implementation compared with the pilot case in the fourth quarter of 2019. In the process, production costs also are to be lowered.

Moreover, we intend to increase business volume in the area of actively managed certificates (AMCs) through targeted partnerships and in this regard to enhance bank services for securitisation companies in connection with issues.

Blockchain and service provider

The token economy made great advances in 2019. Prior to the reporting year, we were virtually the only bank in Europe that offered blockchain banking. In 2019, however, other banks made an effort to gain a foothold in the blockchain industry. We see this as a sign that blockchain is gaining in importance and that competitive pressure will increase. Moreover, it shows that we correctly anticipated trends in the area of blockchain. Bank Frick did pioneering work in the area of blockchain banking, acquiring significant expertise in the process. We will continue to work hard on maintaining this position and staying ahead of our competitors.

In the area of crypto private clients, we maintained and expanded close contacts with major crypto private investors. The area of crypto business clients has also been booming since Bank Frick

got involved in the area of blockchain banking. In order to become more efficient and be able to offer clients the best possible service, we improved our processes during the reporting year in terms of onboarding. The adjusted processes provide us with the skills we need in order to be able to do an even better job of meeting client needs in the future. This is an important component of our efforts to defend our leading position.

The Broker and Exchanges department pursues the objective of supporting the important crypto exchanges on the market with our banking expertise. Since we began offering blockchain banking several years ago, we have been applying the same strict statutory standards as we do to classic financial transactions. In order to keep this commitment, we employ business and compliance specialists with proven banking and crypto experience. Because we have strict acceptance criteria that are consistent with those under the fully regulated banking standard, we frequently have to refuse clients. Only in this way can we guarantee that clients are protected at all times. In the 2019 reporting year, our efforts were focused, in particular, on successfully setting up our FIAT gateway and expanding it to our client basis.

We offer trading and secure custody of various cryptocurrencies for professional market participants and wealthy private clients. Since 2018, Bank Frick has been offering investors a smooth and secure way to trade the leading cryptocurrencies Bitcoin (BTC), Litecoin (LTC), Ripple (XRP), Ether (ETH), Ethereum Classic (ETC), NEM (XEM), Qtum (QTUM) and Stellar (XLM). Clients can also deposit these assets with the Bank for safekeeping. In February 2020, the offer was expanded to include Bitcoin Cash (BCH). These cryptocurrencies can be bought using euros, US dollars and Swiss francs.

We have designed this offer particularly for institutional clients, miners and mining firms, and wealthy crypto investors. This enables us to offer our clients an additional way to diversify their portfolios. By offering these attractive cryptocurrencies, we are underscoring our aim to be Europe's leading blockchain bank.

In addition to trading, we also offer the secure custody of cryptocurrencies. On behalf of our clients, we hold their crypto assets in cold storage wallets. These are physically separated from the Internet and therefore cannot be externally hacked. The wallets and their backup copies are held securely on a geo-redundant basis.

With the Law on Tokens and TT Service Providers (TTTL, also known as the "Blockchain Act"), which came into force in January 2020, Liechtenstein has created Europe's most comprehensive blockchain regulation, thereby underscoring its pioneering role in the token economy. Liechtenstein now has a comprehensive blockchain regulation in the form of the Blockchain Act, which establishes groundbreaking framework conditions for the token economy. The Act creates legal certainty for the blockchain industry. It also makes an important contribution to the professionalisation of the industry.

The TTTL offers all industries sufficient flexibility for new business models and allows companies to occupy niches in which to grow. The regulation raises the barrier to entry and ensures that all market participants will have to meet the same high requirements. This enhances the reputation, and we are convinced that the entire blockchain industry will benefit from this.

Credit Office

The Credit Office department covers the entire service range of the lending business. We support our front-office employees with the provision of client advisory services, assess loan requests,

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We employ business and compliance specialists with proven banking and crypto experience.

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We pursue a more or less conservative approach for real estate mortgages.

draw up contractual documents and monitor existing loan positions. Claims management and the creation of reporting analyses affecting the credit portfolio also take place within the Credit Office department.

The credit portfolio of Bank Frick is very homogeneous and includes standard financing in the form of Lombard loans and mortgages for real estate properties in Switzerland and Liechtenstein. In addition, we provide financing for real estate development projects and real estate developers in various European countries. The refinancing of companies that offer working capital financing also makes up a significant share of our day-to-day business. These lending areas require specific know-how in order to guarantee processing and monitoring. In recent years, we have been able to develop great expertise in these fields as well as in connection with other specialist topics.

Moreover, in 2019 we were able to place financing in the aforementioned areas with a number of promising clients with strong credit ratings. Despite a variety of loan repayments, we were able to slightly expand the lending volume to CHF 406 million (previous year: CHF 398 million). As at the end of the reporting year, the stood at 4.7 FTEs (previous year: 5.7 FTEs). In 2019, we laid the foundation for further optimisation of the Credit Office department.

In 2020, we will continue to invest in strengthening lending business in qualitative and quantitative terms. We will also be dividing the department into two teams: Credit Advice and Credit Risk. In January 2020, the headcount will be increased by a 1.0 FTE position (Credit Advice). This will enable us to strengthen client service support and better exploit client potential. Other measures to improve client support are also being implemented. In addition to regulatory requirements, internal requirements and processes are reviewed on a continuous basis and adapted to conform to the business policy. There are many new, interesting loan requests in the pipeline, and this makes us optimistic about the prospects for lending business in 2020.

Real Estate

Bank Frick provides support to real estate projects, mainly in Germany, Austria, Switzerland and Liechtenstein (DACHLI region) and in the UK. In doing so, we focus on collaborating with brokers and business partners who service end customers. Although the real estate market in continental Europe developed in a stable and positive manner, our lending commitments in the UK in particular demanded a lot of work during the reporting period.

Uncertainty on the British market, nervousness in the construction industry

and a lack of buyers for completed projects was omnipresent. We pursue a more or less conservative approach and normally provide real estate mortgages only up to about 50% of market value. With the UK's withdrawal from the EU in February 2020, we expect that the real estate market in the UK will stabilise again.

Real estate business in the DACHLI region was successful. Projects in Germany, Liechtenstein and Austria are proceeding positively, as expected.

Private Clients and External Asset Management

The Private Clients and External Asset Management department is responsible for all client concerns and manages both day-to-day business and after-sales service. In addition to handling classic private client business, the team collaborates with internationally operating financial intermediaries such as fiduciaries, tax advisers, lawyers, independent asset managers and insurance companies. On the basis of our Crossover Finance approach, the employees aim to provide their private clients as well as institutional clients with comprehensive financial services from a single source and in that way to create added value.

In the first half of the year, Management Board member Hubert Büchel left the Bank. He had been responsible, inter

alia, for the Private Clients and External Asset Management department. As a result, the department was reorganised in 2019. The change in the Management Board and in the department did not lead to any significant outflows of assets or losses of clients, nor did fluctuation increase in the department.

Bank Frick considers itself to be a bank for intermediaries. Our target clients are financial intermediaries. Our services, products and expertise help them to achieve even greater success. This strategic approach also proved to be correct in the reporting year. Our approach is to concentrate on the professional execution of banking transactions and to leave services – such as the setting up of structures, the diversifying of portfolios or the providing of advice on tax issues – to external professionals, but always with the focus on clients and their needs.

The assets of the Private Clients and External Asset Management department increased slightly year on year owing to rising stock markets and the acquisition of new money.

Although we parted company with several clients in 2019 because profitability was too low, resulting in a reduction in the number of clients being serviced, we were able to post a strong rise in earnings.

Bank Frick UK Branch

2019 was marked by the topic of Brexit. The withdrawal of the UK from the EU entails many uncertainties. Since formation of the Bank Frick UK Branch in 2011, we and thus our clients have benefited from what is known as passporting. In that regard, the EEA Agreement made it possible for us to have our services licensed by the FMA. By giving notification of these services in the UK, we were able to also offer them in the UK without much effort.

” We have benefited from Brexit until now.

As a result of the UK's withdrawal, we expect that these conditions will change. However, Liechtenstein has negotiated a transition period with the UK, and this would enable us to continue to offer our services in the accustomed manner. It remains to be seen what the process will look like in the future. We will be monitoring this development closely in order to be prepared for all eventualities.

The uncertainty surrounding Brexit has prompted many of our British clients to strive for financial diversification by transferring money out of the UK. This resulted in new money from British clients flowing to Bank Frick in Liechtenstein. In other words, we have so far benefited from Brexit. The degree to which this success can be sustained depends on how this issue develops.

Trading and Treasury

The Trading department of Bank Frick processes orders exclusively on an execution-only basis for its clients (including financial intermediaries and funds). The segments we trade in comprise securities, derivatives, foreign exchange, precious metals, money market and cryptocurrencies. In

the case of cryptocurrencies, we were also responsible for settlement and reconciliation.

The Trading department manages its own foreign currency holdings and monitors maturities in the areas of forward foreign-exchange transactions, money market and nostro transactions.

In the reporting year, a total of around 13,500 (–8.5% relative to the previous year) stock exchange and fund orders with an equivalent value of CHF 1,428 million were executed (–10.7%). Interest rates, which were low worldwide, resulted in a further fall in the volume of fiduciary, fixed-term and call-money transactions. They amounted to CHF 2,161 million (–22.5%). We were able to expand currency business. Trading volume rose by 38.3% to CHF 4,063 million, resulting in a foreign exchange gain of CHF 4.7 million (+27.4%). Revenues from crypto trading also trended very positively, rising 163% in the past year.

The new Treasury and Trading department was formed in the spring of 2019 through the integration of the Treasury department into the Trading department. Treasury is responsible for managing

and controlling liquidity in order to ensure smooth payment processing and optimisation of earnings.

In 2020, we plan to further increase efficiency and make use of synergies. At the start of the year, a total of five people (4.2 FTEs) worked in the department. As at year end, this figure had increased to six (5.0 FTEs).

E-Commerce

Since 2012, Bank Frick has been a principal member of Visa and MasterCard, and today it is the only bank in Liechtenstein that offers this service. In the area of acquiring, Bank Frick works exclusively with the main partner Masterpayment AG. In 2018/2019, it was decided to close the operations of Masterpayment AG in Germany and shift all activities to the sister company Masterpayment Financial Services Limited in Malta.

This transition resulted in fundamental operational changes, which made it necessary for Bank Frick to strengthen the core functions in the E-Commerce team in Liechtenstein. Building on the current operating model, new employees were hired in order to strengthen merchant acceptance, risk management and financial coordination. Three new employees were hired, which increased the total number of employees to 5.0 FTEs. The department is supported by other departments, particularly the Business Development, Legal, Compliance and Business Analysis departments. Additional external resources support the department in connection with various tasks.

European acquirers, whose clients include payment service providers, were confronted with new requirements from Visa in 2018. Since Bank Frick did not fully meet these new requirements, particularly the equity capital require-

ment of EUR 100 million, the Bank had to apply for Visa's waiver programme. This included an on-site audit by Visa, which was performed in Balzers in June 2019. The second part was performed in the offices of Masterpayment Financial Services Limited (Malta) in November 2019. The outcome of the audit was still outstanding at the time of publication.

Prior to the audit by Visa Payment Facilitators, all processes, guidelines and procedures were reviewed and updated.

In 2018, Bank Frick already made a strategic decision to expand the exclusive partnership with Masterpayment with the aim of adding additional strategic partners. This project was launched in 2019. We expect to have the initial results of this project in the first half of 2020.

Similarly, it was decided in 2018 to start an issuing programme with Visa in partnership with Net1 and the International Payment Group (IPG). Following preliminary work and a final evaluation in mid-2019, it was decided to suspend the project and concentrate on the acquiring solution in the near future.

Processing

The Processing department consists of three teams: Crypto Settlements and Reporting, Payments and Reconciliation, and Securities and Products. It was realigned in the 2019 reporting year with an eye to the future. The headcount was increased from 6.0 FTEs to 6.6 FTEs. We were successful in offsetting departures.

A significant topic of focus continues to be digitalisation and automation. In 2019, we performed situation analyses. In the next 12 months, we will push ahead with automation in great strides.

In 2019, approximately 36,700 securities transactions were executed, and approximately 290,000 payments were processed. The trend continues to be upward.

In mid-December, the Crypto Settlements and Digital Assets Custody unit was successfully integrated into the department. New processes and work descriptions were accordingly modified and implemented. New tasks, such as the introduction of smart contracts, will occupy us in the short term.

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Crypto trading turnover increased by 163%.

The amendment of the Payment Services Directive (PSD2), which entered into force on 1 October 2019, prompted us to draft a new work instruction for processing and to modify existing processes.

The reporting of derivative transactions to public registers became a key issue. Existing reporting under the European Market Infrastructure Regulation (EMIR) was augmented by new daily reporting to the Chicago Mercantile Exchange (CME). In addition, derivative positions that we hold at our depositaries are regularly checked in terms of the reporting thresholds.

The new year will be marked by the introduction and implementation of various directives. We expect the following directives in 2020:

- Protection of client assets
- Shareholder Rights Directive II (SRD II)
- Discipline in the case of securities transactions (Central Securities Depositories Regulation, CSDR II)

We continuously expand and deepen the knowledge in the department by actively participating in various working groups at the Liechtenstein Bankers Association and at international workshops.

Risk Management

The Risk Management department identifies, assesses, manages and monitors all material risks at an overall Bank level. The implementation of an effective risk management process is essential in order to ensure this. Monitoring activities include creating internal and external reports (Swiss National Bank [SNB], FMA, audit).

The strategic goal is to ensure the achievement of business objectives and thus also the Bank's future success.

Risk management fundamentally contributes to safeguarding the Bank's existence. The operational objective is to achieve risk diversification in order to obtain an adequate risk premium under a calculable and well-monitored risk.

Another task is the implementation of international and national regulations. It is assured at all times that existing regulations are complied with and that new regulatory requirements are implemented in a timely manner.

In the reporting year, the department successfully implemented all new and existing regulatory requirements and projects. In this regard, the key activities in the financial year just ended focused on revising the Internal Capital Ade-

quacy Assessment Process (ICAAP)/ Internal Liquidity Adequacy Assessment Process (ILAAP) and the recovery plan, implementing the additional liquidity monitoring metrics (ALMM), providing support in connection with the introduction of an internal control system tool, setting up risk management for blockchain business, and creating a reporting system for blockchain business.

In the new financial year, the focus will be on expanding risk management for all areas with relevance to business, implementing the internal control system (ICS) and simplifying the reporting of damage claims. In addition, we intend to expand internal reporting and establish a management information system. The array of planned banking regulations will pose challenges. For this reason, the Liechtenstein Bankers Association plans to establish several working groups, and representatives from the Risk Management department will be members of them.

Business Development

Business Development was restructured in March 2019 and now consists of 3.0 FTEs. Because of the scope of work, it will be necessary to hire another full-time equivalent in 2020.

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The upward trend for securities transactions was also confirmed in 2019.

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Develop business ideas,
follow market developments,
advance innovations.

Business Development is tasked with developing business ideas, tracking market developments, advancing innovations and explaining their influence on Bank Frick. In this regard, the focus is on value to clients, accompanied by sustainable economic meaningfulness and the conformity of the business case with Bank Frick's strategy.

In the financial year, the principal activity mainly consisted of evaluating the business cases brought to Business Development in terms of their benefit for our clients and for the Bank itself, as well as prioritising them and efficiently implementing them.

One team member was occupied for the entire year primarily with supporting and structuring the linkage of two subsidiaries to the Bank. On the one hand, The DLT Markets AG, a spin-off formed in 2019, had the first client on the platform, and the minimum viable product (MVP) was finalised in the first quarter of 2020. On the other, the preparations for the public launch of the area2Invest platform of 21.finance AG have progressed to the point that it will be publicly accessible at the start of the second quarter of 2020. Initial testing was successful.

In the E-Commerce department, a new business relationship was established

with a strategic partner in 2019. This made it necessary to restructure this department and increase its personnel. This restructuring will also be supported by Business Development in the first half of 2020.

We have been following with great anticipation the introduction of the new TTTL by the Liechtenstein legislator. In this respect, Business Development was responsible, together with the Blockchain Lab, for developing potential future business models, for studying possible changes in the process regarding existing blockchain activities and for training the Bank Frick employees concerned. It also prepared the registration of the individual functions in the TT Service Provider Register maintained by the FMA in coordination with the authorities in order to be able to submit these in a timely manner in the 2020 financial year. Finally, it was tasked with reviewing the entire organisation with respect to the new obligations under the TTTL and, where necessary, making adjustments.

During the reporting year, we also supported the Management Board in developing the medium-term strategy of Bank Frick and prioritising the work packages required in this regard.

In the fourth quarter of the financial

year, we were directly involved in the first tokenisation of an AIF in Europe. A fund company was interested in issuing fund units in tokens instead of, as is traditionally the case, in units. We were tasked with developing within a very short period of time the target operating model necessary for this, which depicted the processes and relationships between the involved parties, including the fund company, the investor, the software provider for the tokenisation and Bank Frick. Individual contract negotiations with the software provider were also involved. In addition, the necessary resources and know-how had to be created internally. At the end of November, the investment fund received approval from the FMA.

In summary, Business Development processed and evaluated 44 business cases, requests and projects during the financial year. Of these, 22 projects were successfully implemented, and seven requests were either deferred or rejected. A total of 15 projects are currently being processed, and we expect to complete them in 2020. Of these 15 open topics, two projects relate primarily to the subsidiaries of Bank Frick, 7 topics concern the blockchain banking area and the remaining 6 topics involve classic banking business.

In the 2020 financial year, Business Development will continue to be predominantly occupied with driving forward new business cases and projects in order to strengthen the leading position of Bank Frick in blockchain banking, press ahead with digitalisation and automation, and continually improve service quality in the entire banking area.

Business Engineering

Business Engineering is divided into the PEGA Development department (two employees) and the Digital Product and Requirements Management department (one person).

2019 was marked above all by exciting client projects. Among other things, the FIAT gateway interface was further expanded and improved, and various direct integrations in the client system were undertaken. With the expansion of this interface, our clients are now connected with their accounts in a fully automated manner, which enables them to make payments directly from their own application.

In addition, online banking was augmented with securities notices and interfaces. Clients now have a complete overview of their assets available to them in online banking.

The first Bank Frick app for approving orders in online banking was made available in the Apple App Store (iOS) and Google Play Store (Android) in 2019.

In addition to developments in online banking and with regard to interfaces, the first digital onboarding for blockchain bank clients also went into operation. This solution was developed internally on a completely independent basis and was adapted to meet client needs in this area.

In the three months since it went live, more than 110 requests were accepted and then processed further in the tool.

In addition, a digital onboarding solution was prepared for all clients of Bank Frick. This went live in the first quarter of 2020.

Business Analysis

In the course of the internal reorganisation in May 2019, the former Business Consulting team, consisting of two employees, was restructured as the Business Analysis department. The headcount was increased to five employees for this purpose.

” The FIAT gateway was further expanded and improved.

The Business Analysis department develops, coordinates and manages change processes (change the Bank) with the clear focus on added value for clients (customer experience).

The responsibilities of the Business Analysis department can be grouped into the following three areas of activity: requirements management, process management and change management.

Central to the area of requirements management is recording and documenting client needs. The department was tasked with managing the project involving the development of a digital onboarding portal for blockchain clients. The key requirement for the new portal was to increase customer experience (inter alia, through reduced processing time). For this purpose, the evaluated client needs were first converted into specific development projects and then passed on to the Business Engineering department for development. The development process consisted of constant coordination between the departments – always with respect to optimising customer experience. Following development, testing and user training, the portal went live in early September. By the end of the year, more than 110 prospective blockchain companies had used the portal to digitally submit their detailed requests for blockchain banking services.

Concurrently with the portal going live for blockchain clients, the follow-up project started with the objective of introducing a digital onboarding portal for all clients of Bank Frick. Following recording of the requirements, the elaboration of development projects and the start of development, introduction took place in the first quarter of 2020.

Process management performs process recording, modelling and analysis. Business Analysis recorded the relevant business processes with respect to the creation of a Bank-wide process map. These are successively worked up and depicted in a tool. The internal control system, GDPR conformity and the satisfaction of other regulatory requirements are implemented on that basis.

The main responsibilities of change management are internal coordination and prioritisation of Bank-wide requests for changes. In order to guarantee this, a new category was implemented in the internal ticket system. Every Bank employee can submit such requests for changes (RfCs). Since introduction, more than 80 RfCs have already been submitted. All of them were prioritised and analysed. Most of them were resolved/implemented.

Other responsibilities of change management relate to the review and

assurance of minimum requirements regarding the content for project ideas, and the provision of support in connection with the design and carrying out of projects. Among the projects overseen by Business Analysis, a new custody solution for crypto assets was evaluated and successfully introduced.

Application Engineering

The Application Engineering department ensures the uninterrupted operation of the core banking system, the associated peripheral systems and the supplementary applications (run the Bank).

In addition, it is responsible for developing interfaces and preparing reports, and for expanding and extending the business intelligence solution. Worthy of particular note is the development of an interface to a portfolio management system for asset managers and the migration to a new fund billing software. The availability of all applications was ensured at all times during the reporting year.

System Engineering

The System Engineering team is responsible for systems in the area of infrastructure and IT security, which

form the backbone of our daily work. Our mission is to offer external and internal stakeholders maximum availability and security. In addition, we see ourselves daily in the role of business enabler in digital transformation.

Various projects were successfully implemented in the financial year just ended, such as the introduction of Skype for Business, SCCM and the migration to Windows 10 as well as various projects in the area of IT security. In the 2020 financial year, the focus will clearly be on consolidation in the area of IT security.

Client Data

The Client Data department is responsible for recording and adjusting all data of Bank clients as well as for archiving and indexing the original forms and documents.

Other department responsibilities include the constantly rising requirements concerning the backing up of data for regulatory reports from the core banking system, such as EMIR, ELS, MiFID, etc. In addition, Client Data is responsible for AIA and FATCA reports.

The key projects of the Client Data department in the reporting year

included digitalisation and adjustment of client data, implementation of the project for an onboarding process for legal entities, and conversion and maintenance for modern online banking.

In the financial year, the Client Data department, with a headcount of seven people, was reorganised into two teams: Client Data Services (5.0 FTEs) and Client Data Management (2.0 FTEs).

Through the reorganisation and the adjustment of processes, the department is ready to meet additional challenges in the coming financial year, such as form management and the coordination of mass mailings.

Business Support

The expanded and new offering of digital services placed a high demand on Business Support in the reporting year.

The department ensures that new releases are tested and, where necessary, employees receive training. The deployment of an e-learning platform was also planned and initiated in 2019.

In the reporting year, we processed more than 1,500 internal requests and supported System Engineering in the conversion to Windows 10 with regard to

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The digital onboarding portal for all clients was successfully introduced.

planning, installation, and PC and Office support.

In 2020, the department and its four employees will meet the challenges associated with implementation and institutionalisation of e-learning and testing, thus covering, in addition to internal and external support, two other important areas of the Bank.

Compliance staff unit

The Compliance staff unit provides advice and support with respect to adherence to due diligence obligations. The head of the staff unit assumes the role of Compliance Officer.

In October 2018, the Compliance staff unit was divided into the Blockchain Compliance (BCC) and Due Diligence Compliance (DCC) teams, and this has proved to be a success. We were able to ensure specialisation in the blockchain area, and responsibilities are clearly defined.

The Compliance staff unit has nine employees (8.5 FTE), which is the same number as the previous year. With the know-how and resources available in the Compliance staff unit, we consider ourselves well prepared for current and future challenges.

By holding annual plenary training sessions, ad hoc events and specific introductory sessions for new employees in connection with the training and continuing professional development system within the department, Compliance ensures that employees are always kept up to date with regard to due diligence obligations.

In 2019, the processes in the area of transaction monitoring were further optimised and automated. In addition, periods for prompt processing were defined and continuously monitored by Compliance. In order to continue to ensure high quality, requirements for transaction monitoring and business profiles were set down in an internal manual.

The automatic checking of all client data against World-Check was optimised in 2019 and now takes place on an ongoing basis. The processes relating to politically exposed persons (PEPs) were also redesigned and expanded in the financial year just ended. In addition, the review processes in the area of MiFID II were optimised and documented.

On 1 August 2019, the Management Board approved the Profile+CRM project. The Compliance staff unit will revise all business profiles from a risk perspective and submit them to the personal advisors. This ensures compliance with statutory requirements concerning the checking of whether business profiles are up to date. Starting in 2021, business profiles will be maintained electronically as part of customer relationship management (CRM).

The risk classification of business relationships was gradually optimised in 2019. In the first quarter of 2020, Liechtenstein's new National Risk Assessment (NRA) will be finalised, and the Liechtenstein Bankers Association is preparing a Sectoral Risk Assessment (SRA) based on it. In order to meet the growing requirements in the area of risk-based monitoring, Bank Frick will revise its Institutional Risk Assessment (IRA) in 2020 and accordingly modify the risk classification of business relationships. In doing so, it intends to use new opportunities to achieve a higher degree of automation.

Another important project, which is required by law, is the conclusion of what is known as "Level 2 DDO". The beneficial owners in all business relationships must be identified by 31 December 2020 using Forms C and T. In addition, pursuant to FMA requirements contained in its Guidelines 2018/7, the Bank must confirm the information concerning beneficial owners for business relationships in the risk classes

” The specialisation in the field of blockchain in the Compliance staff unit proved successful.

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We invested around CHF 500,000.00 in training and continuing professional development.

“High” and “Very high” with third-party documentary evidence.

The basic information concerning the transposition of the 5th EU Anti-Money Laundering Directive in Liechtenstein has already been published in a consultation report, which the Liechtenstein government uses to issue a draft law for public comment. In this respect, particular attention must be paid to the planned amendment of the Liechtenstein Due Diligence Act (DDA; Sorgfaltspflichtgesetz, SPG) on 1 January 2021. The amendment calls not only for an increase in due diligence obligations when offering safe deposit boxes and for an increase in terms of enhanced due diligence obligations but also for a new data retrieval system/account register and the planned requirements concerning virtual asset transfers. Together with the implementation of the data retrieval system/account register, Liechtenstein must, pursuant to EU requirements, put in place a process that enables the FMA and the Financial Intelligence Unit (FIU) to directly access account data without banks knowing about it. The type of implementation is currently being discussed, and then the interfaces will have to be developed. In addition, requirements concerning virtual asset transfers are to be addressed for the first time in the Liechtenstein Due Diligence Ordinance (DDO; Sorgfaltsp-

lichtverordnung, SPV). In this regard, Bank Frick intends to contribute its own expertise and also modify internal processes accordingly.

Human Resources staff unit – personnel

At the start of 2019, 125 people (112 FTEs) worked at Bank Frick. At year end, we employed 129 individuals (113.6 FTEs). This development is in line with HR planning. Personnel growth has thus been completed, and no further increases are planned for 2020. Individual additions are, however, possible on a selective basis.

Building for people – for us, this means exploiting all potentials at Bank Frick as best as possible.

Working together, we were able to achieve a great deal once again in 2019. We are continually expanding our expertise. In order to remain in good shape for the future, we invested around CHF 500,000.00 in training and continuing professional development courses for our employees. The Blockchain and Fintech certificate programme at the University of Liechtenstein, which Bank Frick helped to initiate and financially supports, is a great success and has been met with keen interest also from

our employees. Bank Frick employees also can contribute their expertise as lecturers, meaning that they also serve as brand ambassadors.

The employees are the greatest capital of our Bank. Therefore, their satisfaction is of utmost importance to us. In 2019, the Bank once again conducted an employee survey. The response rate was 98%, and the result was very gratifying overall.

In 2019, we also succeeded in recruiting additional specialists. Our Bank brings extensive banking expertise together with creative innovation. This combination is the ideal key to finding motivated employees and integrating them successfully.

Bank Frick trains commercial apprentices in collaboration with the Chamber of Commerce. This is also a contribution to the promotion of the very successful dual system of vocational education and training as practised, in particular, in Liechtenstein and Switzerland.

Corporate Communications and Marketing staff unit

The overriding goal of Bank Frick's communication is to increase the company's visibility and ensure coherent, credible communication with internal

and external stakeholder groups, and to manage the company's brand. These individual goals enhance the reputation among the stakeholder groups of Bank Frick.

In our communication with external stakeholder groups, we focus on earned-media and owned-media communication and on word-of-mouth marketing. With a comparatively small budget and a great deal of thought leadership, we have been able to further improve the reputation among our stakeholder groups.

As a result of the high visibility of Bank Frick as the leading blockchain bank, we receive many requests for media interviews. In all, the department arranged for more than 30 interviews with leading business, financial and specialist media outlets and portals, primarily from German-speaking regions. The feedback in the media has in all cases been neutral to positive. Approximately three quarters of all requests were directly or indirectly related to cryptocurrencies and Bank Frick's offer in this sector. Compared with the previous year (about 60 interview requests), when Bank Frick still had a unique selling point in the area of blockchain banking, the number of requests has settled in at a good level.

Corporate Communications also actively approaches the media and arranges for interview partners on topics for which Bank Frick can provide proven expertise (such as crypto compliance, blockchain banking and tokenised funds). In the summer of 2019, as part of a media roadshow, Chairman of the Board of Directors Mario Frick and CEO Edi Wögerer visited the editorial offices of various major business media outlets in Germany and made themselves available to the editors and reporters.

Since the fourth quarter of the reporting year, analyses by Bank Frick's crypto experts can regularly be found in market

reports published on the app of the Finanz und Wirtschaft journal. During the entire reporting year, our blockchain analysts analysed the crypto market for the business news service AWP.

With regard to thought leadership in the area of blockchain banking, Bank Frick is moreover positioning itself by having its employees speak at symposiums, expert meetings and conferences. At most of the events, which sprung up in the course of the crypto hype, the great challenge is to identify pearls and not fall victim here to FOMO, or the fear of missing out.

By appearing at industry events, we ensure visibility on the market and help our personal advisors generate leads. The most important event for Bank Frick is still the Finance Forum Liechtenstein.

We also underscore our pioneering role through our collaboration with the University of Liechtenstein, which began in 2018. In connection with this partnership, the first Blockchain and Fintech certificate programme commenced in February 2019. Although the registration

period was very short, 18 people took part in order to acquire further expertise in this specialised area. The story of success continues: the 2020 programme was already fully booked by December of the reporting year with 24 participants. In addition to the certificate programme, the collaboration with the university includes joint research projects and bidirectional knowledge transfers. The partnership has been set up for a period of five years, with the Bank having the option to extend it.

In the reporting year, the Bank supported the first edition of the Bank Frick LieMudRun, a challenging race on a dirt obstacle course that drew some 700 participants. The department ensured the Bank's visibility before, during and after the event in September 2019.

We also used the social media channels Twitter and LinkedIn to promote the Bank as a thought leader. The activities in the media and on social networks were monitored by the department.

We supplemented our tweets on Twitter with extensive, in-depth specialised

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Thought leadership enhances the reputation of Bank Frick.



The Bank is the main sponsor of the Bank Frick LieMudRun. The first edition of the race on a dirt obstacle course in Liechtenstein took place in the reporting year. Around 700 participants took part, including around 30 employees from Bank Frick (in image).

posts on the Bank Frick blog, where experts share their financial and blockchain knowledge.

In the 2019 financial year, we scrutinised internal communication structures. This was done against the background of a quickly acting company in which the rapid provision of information at the appropriate level is a decisive factor for business success. At the time this Annual Report went to press, release 2 of Bank Frick's intranet was about to be introduced. Release 2 will simplify the interaction between employees on the intranet and offer new digital opportunities for collaboration across all departments.

In addition to the routine communication of semi-annual and annual results, financial communication in the reporting

year included the supporting of financial transactions: in the fourth quarter, Net 1 UEPS Technologies, Inc. (Net1) exercised its option to supplement its current 35% shareholding in the Bank by acquiring an additional 35% of the shares from the former majority owner Kuno Frick Family Foundation. The department assisted with the transaction from the very beginning and ensured timely communication with internal and external stakeholder groups. At the time of going to press, the acquisition of 35% of the shares by Net1 was still awaiting approval by the Financial Market Authority (FMA) Liechtenstein.

During the reporting year, we provided regular reports to the Board of Directors, the Management Board, staff units and specialist departments on communication issues.

At the start of the financial year, the department had four employees (3.5 FTEs). As at year end, five people worked with us (4.3 FTEs).

Blockchain Lab

In order to continue to be a pioneer in the area of distributed ledger technology (DLT) and blockchain, internal Bank know-how must be more strongly structured and coordinated. For this reason, the Blockchain Lab was set up in the first half of the year. We are responsible for all strategic blockchain developments, optimisations, processes, infrastructures and activities. The objective is to aggregate blockchain expertise centrally in the Blockchain Lab so that each department can access it when needed. This allows us to make better

use of synergy effects and in the process to strengthen know-how in the individual departments in a targeted manner and foster collaboration. Hence, the Blockchain Lab is taking over business development in the blockchain area. It is also strengthening the expertise for all involved departments and handling strategic issues, such as the Bank's blockchain road map development.

In the reporting year, we were particularly focused on the Blockchain Act (TTTL), which entered into force at the start of 2020. Together with the Business Development department, we were responsible for developing potential

future business cases, for studying possible changes in the process regarding existing blockchain activities and for training the employees concerned. At the same time, in collaboration with Business Development, we prepared and submitted the licence applications for all activities of Bank Frick.

In addition, the Blockchain Lab developed the Crypto Industry Report, which was introduced at the end of September, and it is responsible for its content. Each week, the report summarises important news, market developments and regulatory changes for its readers.

Another subject area of the Blockchain Lab is the development of novel and innovative products with a blockchain connection. One example of this is the recently launched miner banking product, which makes liquidity management considerably easier for miners. Other products will be launched over the course of 2020.

Outsourcing

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

” Miner banking simplifies liquidity management for miners.

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. The risk policy defined by the Board of Directors forms an integral part of the general business policy.

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.

During the reporting year, it was possible to expand the business with the trading and custody of crypto assets, meaning Bank Frick is increasingly exposed to risks in new, non-traditional markets. The key risks have been identified in the areas of trade and custody as well as compliance. These should be further limited through the advancing standardisation and optimisation of processes.

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 19.9% 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 8.2% as of 31 December 2019. 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 406 million as of 31 December 2019. This includes Lombard loans of around CHF 193 million (47%) collateralised with safe custody account assets and bank deposits. Approximately CHF 115.4 million (28%) 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 distributed across many different clients, credits and collateral. The 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. The volume of non-interest-bearing securities in the banking book is just 5%.

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 (six scenarios, including a parallel shift of the yield curve by +100 basis points) are carried out to determine the interest rate risk.

Exchange rate risk

Bank Frick's internal regulations stipulate that no open foreign exchange positions of > CHF 1 million or equivalent may be held overnight in any currency.

The total of all open foreign currency positions must not exceed CHF 3 million. This essentially helps to minimise the exchange rate risk.

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 230% as of 31 December 2019, which was well above the regulatory minimum of 100%.

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. The Internal Liquidity Adequacy Assessment Process (ILAAP) also ensures solvency and the associated refinancing capacity.

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. Furthermore, the new blockchain banking business area entails new technological and operational risks that are also being integrated in existing risk models and stress tests. 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.

Regulatory Risks

By entering new markets and pushing forward with innovative technologies, Bank Frick is also exposing itself to additional regulatory risk. New regula-

tory and legal developments as well as trends in the area of distributed ledger technology and crypto assets could thus have a significant impact on the future of Bank Frick's blockchain banking.

Reputational risks

Reputational risk for the Bank is characterised as the risk of negative economic implications which could result from damage to the Bank's reputation. The Bank's reputation is based on the trust of the public and the Bank's employees, clients and investors. 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.

Regulatory disclosure

Detailed information can also be found in the Bank Frick Disclosure Report in accordance with Regulation (EU) No. 575/2013 (Capital Requirements Directive), Part 8, Articles 431 to 455 at www.bankfrick.li/en/downloads.

Corporate governance

Management principles of the Management Board

Three members of the Management Board are responsible for operations at Bank Frick: Edi Wögerer (CEO), Michael Dolzer (COO) and Melanie Mündle (CFO). 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.

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 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.



Michael Dolzer

Chief Operating Officer

Member of the Management Board

Employee of Bank Frick since 2012

I began riding motor bikes in my youth. Now the children are older, my wife Carmen and I have resumed touring. In search of a new ride, I quickly settled on a Moto Guzzi – the epitome of what a motorbike should be, in my opinion. With 105 hp, it isn't a huge beast of an engine – the look is much more important to me in any case. The Moto Guzzi doesn't come with a glut of assistance systems, so your skill as a rider is still required. My wife and I have previously completed extensive tours of France and Italy. We choose the most scenic and curving routes, as opposed to the quickest. The luggage box generally contains our swimming costumes and walking gear, and – depending on our choice of hotel – the occasional smart outfit. In addition to our extensive tours, we often also enjoy an after-work ride on the sinuous Schwägalp Pass up to the foot of Mount Säntis, where we meet up with other bikers. Motorbiking in combination with hiking is a good way to unwind from hectic office life. There are also parallels between the two worlds: the question of how much risk you are willing to take is one you must ask yourself time and again when in the saddle of a motorbike and as a member of the management board. I wouldn't describe my biking style as risk-taking, though I do like to open the throttle occasionally. I've had one or two speeding tickets (laughs). In future, we still want to do a family tour of the States, riding from the east coast to the west coast. We'll have to do this in authentic style, however, in the saddle of a machine made by Indian, the legendary US motorbike manufacturer.



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 the companies BF Receipts Ltd. (100% share), MZ-Holding AG (100% share), Real Pro Inv. Ltd. (100% share), Steamboat SA (15% share), Priller Immo AG (11.76% share), 21.finance AG (50.14% share) Distributed Ventures AG (95% share), The DLT-Markets AG (93% share) and Tradico AG (100% share) 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 31.12.2019

in CHF	Financial year	Previous year	in CHF	Financial year	Previous year
EUR	1.0851	1.1266	JPY	0.8911	0.8944
USD	0.9671	0.9839	CAD	0.7425	0.7225
GBP	1.2742	1.2542	ZAR	0.0690	0.0685

Overview of collateral

in CHF 1,000	Type of collateral			
	Mortgage-backed	Other	Without	Total
Lending				
Due from clients (excluding mortgage claims)	18,896	200,488	86,172	305,556
Total Lending	18,896	200,488	86,172	305,556
Mortgage claims				
Residential properties	79,790	2,122	2,293	84,205
Office and commercial buildings	–	–	–	–
Trade and industry	13,134	–	–	13,134
Other	3,559	–	1	3,560
Total Mortgage claims financial year	96,483	2,122	2,294	100,899
Total lending for the financial year	115,379	202,610	88,466	406,456
Previous year	111,847	175,647	110,949	398,443
Off-balance sheet				
Contingent liabilities	3,450	6,734	100	10,284
Irrevocable commitments	–	–	–	–
Call and additional funding obligations	–	–	–	–
Obligation-establishing loans	–	–	–	–
Total off-balance sheet financial year	3,450	6,734	100	10,284
Previous year	–	10,674	–	10,674
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	8,937	–	–	8,937
Previous year	6,569	–	–	6,569

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*	79,394	80,456	87,806	90,608	85,097	86,576
→ of which equity instruments of at least 10% of the capital or voting rights	-	-	-	-	-	-
Precious metals	-	-	-	-	-	-
Total	79,394	80,456	87,806	90,608	85,097	86,576
Lent securities and precious metals from the current assets (excl. trading stock, claims against banks or clients)	-	-	-	-	-	-

* Fund units, of which CHF 15,562,000 (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"	99,376	44,905	105,541	45,826	102,878	45,040
→ of which own bonds and medium-term notes	-	-	-	-	-	-
→ of which valued using the "accrual method"	99,376	44,905	105,541	45,826	102,878	45,040
→ of which valued according to lowest value	-	-	-	-	-	-
Fund unit certificates	-	-	-	-	-	-
Participation securities	541	-	2,830	1,201	541	-
→ of which qualified participations with at least 10% of the capital or voting rights	541	-	2,830	1,201	541	-
Precious metals	-	-	-	-	-	-
Total	99,917	44,905	108,371	47,027	103,418	45,040
→ of which securities eligible for discount with the central bank	32,036	26'213	33,460	27,144	32,937	26,365

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	1,243	1,243	-	1,636	8	-8	-	1,096	541
Total securities and precious metal portfolios held as non-current assets	44,905	-	44,905	90,123	33,208	-	-	2,444	99,376
Other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Real estate									
→ Bank building	12,617	3,256	9,361	-	-	-	-	315	9,045
→ Other real estate	-	-	-	-	-	-	-	-	-
Other property, plant and equipment	4,016	2,976	1,040	246	-	-	-	442	844
Total property, plant and equipment	16,633	6,232	10,401	246	-	-	-	758	9,889
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									4,750
Fire insurance value of other property, plant and equipment for the previous year									4,750

Depreciation took place on the basis of operating results

Participations and shares in affiliated companies

in 1,000	Equity capital		Holding	
	Financial year	Previous year	Financial year	Previous year
BF RECEIPTS Limited *, London				
Share capital and reserves (in GBP)	6	4	100%	100%
Annual profit/loss ** (in GBP)	2	1		
MZ-Holding AG *, Balzers				
Share capital and reserves (in EUR)	60	65	100%	100%
Annual profit/loss (in EUR)	-4	-4		
REAL PRO INV. LTD *, Malta				
Share capital and reserves (in EUR)	4	4	100%	100%
Annual profit/loss ** (in EUR)	-	-		
STEAMBOAT SA *, Paradiso (CH)				
Share capital and reserves (in CHF)	100	100	15%	15%
Annual profit/loss ** (in CHF)	-	-		
ROGMEL SA *, Paradiso (CH)				
Share capital and reserves (in CHF)	-	200	-	13,33%
Annual profit/loss ** (in CHF)	-	-307		
PRILLER IMMO AG *, München				
Share capital and reserves (in EUR)	-61	-41	11,76%	11,76%
Annual profit/loss (in EUR)	4	-20		
Four Quarters Development *, London				
Share capital and reserves (in GBP)	-	18	-	27,17%
Annual profit/loss ** (in GBP)	-	18		
21.finance AG *, Ruggell				
Share capital and reserves (in GBP)	1,665	1,166	50.14%	25.93%
Annual profit/loss (in GBP)	-1,022	-501		
Distributed Ventures AG*, Balzers				
Share capital and reserves (in CHF)	150	-	95%	0%
Annual profit/loss (in CHF)	-262	-		
The DLT-Markets AG*, Balzers				
Share capital and reserves (in CHF)	225	-	93%	0%
Annual profit/loss (in CHF)	-1,384	-		
Tradico AG*, Ruggell				
Share capital and reserves (in EUR)	1,838	-	100%	0%
Annual profit/loss (in EUR)	-116	-		

The consolidation was not included on the basis of Article 1104(1)(4) of the Liechtenstein Persons and Companies Act (Personen- und Gesellschaftsrecht – PGR).

* Without market value.

** The 2019 annual financial statements were not yet available at the time the table was prepared.

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	88	36	Discount	583	7

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	11,520	–	22,165	–
Total	11,520	–	22,165	–

* Nominal values

Sandra Amport

Credit Advisor

Employee of Bank Frick since 2013

I saw a TV programme in which a woman made her own soap. I thought to myself, "That would be a fun thing my son and I can do together." My son only joined in the once, but I stuck with it. Before my sister gave me a kind of recipe book for soaps, I simply indulged in a little trial and error. I love to cook, and making soap is kind of similar in some ways: here too, you have to take your time and be in the mood for it in order to achieve good results. The basis for soap is simple: water, oil and sodium hydroxide. Yes, you have to be careful with the latter. I work with gloves and make the mixture on my balcony, because of the fumes. You add fragrance during the next stage. My favourites are rosemary, lavender or essential oils. During the Christmas season, I like to work with cinnamon and orange fragrances. Because I don't like square soaps, I now have quite a large selection of variously shaped soap cakes. I have soaps shaped like May bugs, butterflies, hearts, Easter eggs and Christmas stars. I don't earn any money with my hobby, even though I have sold them at Christmas markets in the past – I can't use all that soap just by myself. I like to give my soaps away to friends and relatives. They all pretty much expect me to keep them supplied with soap now. I do always aim to develop my skills further in this hobby. For example, I can't walk past a shop selling fragrances without going in to browse, and I am always on the lookout for new moulds for my soaps.





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	5,299	10,598	5,299	5,000	500	5,000
Total company equity	25,299	50,598	25,299	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	13,000	65	13,000	65
Net1 UEPS Technology, Johannesburg	7,000	35	7,000	35
Total	20,000	100	20,000	100
Without voting rights				
Participation certificate capital	5,299	100	5,000	100
Total	5,299	100	5,000	100

Profit distribution

in CHF 1,000	Financial year	Previous year
Profit for the year	3,671	4,200
Profit carried forward	–	–
Total	3,671	4,200
Profit distribution		
Allocation to the statutory reserves	–	–
Allocation to the free reserves	3	4,200
Dividend on company capital	3,668	–
Profit carried forward	–	–

Equity capital statement

in CHF 1,000

2019

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	36,644
Provisions for general banking risks	16,400
Accumulated profit for the year	4,200
Total equity at the start of the financial year (before appropriation of net income)	89,244
+ Capital increase	299
+ Premium	598
+ Allocation to provisions for general banking risks	–
- Dividends and other distributions from the net annual profit for the previous year	–
- Interim dividend	–
+ Annual profit for the financial year	3,671
Total equity at the end of the financial year (before appropriation of net income)	93,812
→ of which subscribed capital	25,299
→ of which subtotal paid-up subscribed capital	25,299
→ of which capital reserves	1,598
→ of which statutory reserves	6,000
→ of which reserves in accordance with the articles of association	–
→ of which other reserves	40,844
→ of which provisions for general banking risks	16,400
→ of which accumulated profit for the year	3,671

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	125,601	–	–	–	–	–	–	125,601
Due from banks	142,411	2,846	99,920	–	–	–	–	245,176
Due from clients	77,204	–	309,573	11,243	6,685	1,750	–	406,456
→ of which mortgage-backed claims	–	–	92,464	–	6,685	1,750	–	100,899
Securities and precious metals held as current assets (excl. trading positions)	178,770	–	–	–	–	–	–	178,770
Securities and precious metals held as non-current assets	–	–	–	–	–	–	–	–
Other assets	96,393	–	–	–	–	–	9,889	106,282
Total assets financial year	620,379	2,846	409,493	11,243	6,685	1,750	9,889	1,062,285
Previous year	480,713	28,001	477,729	58,257	5,776	719	10,401	1,061,597
Liabilities								
Due to banks	8,370	–	–	–	–	–	–	8,370
Due to clients								
a) Savings deposits	–	–	–	–	–	–	–	–
b) Other liabilities	718,867	31,173	11,141	14,392	–	–	–	775,573
Certificated liabilities								
a) Issued bonds	–	–	–	–	5,000	6,510	–	11,510
→ of which medium-term notes	–	–	–	–	5,000	6,510	–	11,510
b) Other certificated liabilities	32,416	–	–	14,192	17,578	–	–	64,186
Provisions	1,311	–	–	–	–	–	–	1,311
Other liabilities	107,523	–	–	–	–	–	–	107,523
Total liabilities financial year	868,487	31,173	11,141	28,583	22,578	6,510	–	968,473
Previous year	783,874	35,541	62,513	35,883	47,782	6,760	–	972,353

Selected balance sheet items due in the 2020 financial year

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

Breakdown of assets and liabilities by location

in CHF 1,000	Financial year		Previous year	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	103,888	21,714	94,997	2,718
Due from banks	207,650	37,527	316,809	57,539
→ of which repayable upon demand	107,730	34,681	97,582	6,555
→ of which other receivables	99,920	2,846	219,227	50,984
Due from clients	126,467	279,989	139,552	258,892
→ of which mortgage-backed claims	56,735	44,165	54,903	49,074
Bonds and other fixed-interest securities	6,588	92,788	–	44,905
→ of which bonds issued by public bodies	6,588	52,772	–	27,200
→ of which bonds issued by other borrowers	–	40,016	–	17,705
Shares and other non-fixed-interest securities	47,979	31,415	47,301	33,154
Participations	541	–	–	–
Shares in affiliated companies	–	–	–	–
Intangibles	–	–	–	–
Property, plant and equipment	9,889	–	10,401	–
Other assets	93,404	234	48,747	257
Accrued expenses and deferred income	1,829	386	1,624	4,701
Total assets	596,371	465,913	659,431	402,166
Switzerland is considered domestic pursuant to Article 24e(1) of the Liechtenstein Banking Ordinance (Bankenverordnung – BankV).				
Liabilities				
Due to banks	3,842	4,528	11,275	4,662
→ of which repayable on demand	3,842	4,528	11,275	4,662
→ with agreed terms or notice period	–	–	–	–
Due to clients	300,098	475,475	286,811	482,766
→ of which savings deposits	–	–	–	–
→ of which other liabilities repayable on demand	276,666	442,201	250,532	402,570
→ of which other liabilities with agreed terms or notice periods	23,432	33,274	36,278	80,196
Certificated liabilities	75,696	–	111,449	–
→ of which medium-term notes	11,510	–	16,860	–
→ of which other certificated liabilities	64,186	–	94,589	–
Other liabilities	100,749	684	69,153	347
Accrued expenses and deferred income	6,076	14	4,565	96
Provisions	1,311	–	1,229	–
→ of which tax provisions	1,311	–	1,229	–
→ of which other provisions	–	–	–	–

Provisions for general banking risks	16,400	–	16,400	–
Subscribed capital	25,299	–	25,000	–
Capital reserves	1,598	–	1,000	–
Retained profit	46,844	–	42,644	–
→ of which statutory reserves	6,000	–	6,000	–
→ of which other reserves	40,844	–	36,644	–
Profit carried forward	0	–	1	–
Profit	3,671	–	4,200	–
Total liabilities	581,584	480,700	573,726	487,871

Assets and liabilities by country

in CHF 1,000	Financial year		Previous year	
	Nominal	in %	Nominal	in %
Assets				
Switzerland	372,003	35.02	405,231	38.17
Europe	300,250	28.26	276,561	26.05
Liechtenstein	224,369	21.12	254,201	23.95
Oceania	58,937	5.54	46,037	4.34
Caribbean	50,751	4.77	70,665	6.66
North America	35,143	3.30	5,838	0.55
Africa	16,462	1.54	3,020	0.28
Asia	3,577	0.33	43	0.00
Latin America	794	0.07	0	0.00
Total	1,062,285	100.00	1,061,597	100.00
Liabilities				
Liechtenstein	521,554	49.09	477,233	44.95
Europe	365,957	34.45	327,198	30.82
Switzerland	78,307	7.37	90,945	8.57
Caribbean	60,031	5.65	96,493	9.09
Asia	22,709	2.13	44,796	4.22
Oceania	8,313	0.78	10,331	0.97
North America	2,369	0.22	4,202	0.40
Latin America	1,987	0.18	9,175	0.86
Africa	1,059	0.09	1,224	0.12
Total	1,062,285	100.00	1,061,597	100.00

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	–	–
Receivables from affiliated companies		
Due from banks	–	–
Due from clients	17,888	10,405
Liabilities vis-à-vis qualified parties		
Due to banks	–	–
Due to clients	150	156
Liabilities vis-à-vis affiliated companies		
Due to legal entities	2,890	413
Receivables from loans to directors		
→ Board of Directors	–	–
→ Management Board	1,519	1

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	773,343	776,212
→ of which in EUR	360,688	290,504
→ of which in USD	302,851	364,859
→ of which in CAD	2,593	9,700
→ of which in JPY	9,888	473
→ of which in GBP	79,544	87,717
Debts	769,126	765,784
→ of which in EUR	359,329	286,651
→ of which in USD	299,548	363,047
→ of which in CAD	2,571	9,688
→ of which in JPY	9,880	540
→ of which in GBP	79,870	83,122

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	93,790	49,004
→ Positive replacement costs of forward foreign exchange transactions	3,654	1,300
→ Settlement account balance replacement costs for forward foreign exchange transactions	–	–
→ Settlement accounts	90,135	47,669
Other liabilities	101,433	69,500
→ Negative replacement costs of forward foreign exchange transactions	3,360	1,310
→ Settlement account balance replacement costs for forward foreign exchange transactions	295	-10
→ Settlement accounts	97,779	68,208

Structure of client assets

in CHF 1,000	Financial year	Previous year
Type of client assets		
Assets in funds under own management (investment company)	1,219,299	1,074,890
Assets with management mandate	–	75,940
Other client assets	1,514,428	1,507,378
Total client assets (incl, duplication)	2,733,728	2,658,208
→ of which duplication	694,871	632,000
→ Net influx of new funds	43,352	-554,634

Markus Beck

Head of Compliance

Employee of Bank Frick since 2017

I have always been a *Fasnächtler* or carnival trouper, and a big fan of *Guggamusiken* (carnival musicians), whose cacophonous sounds and colourful costumes are part of the *Fasnacht* (carnival) tradition in our region. This is why I joined the Wildmandli Guggenmusik group at the tender age of 18. That's also where I met my wife Claudia. We enjoyed those wild times to the utmost. After 10 years, I finally put away my trumpet and we got busy starting our family. However, we both maintained links with the carnival world as members of the Narrenzunft Triesenberg (a carnival troupe), and still take part in the troupe's processions together with our children. Three years later, the Fasnacht band 7up asked me if I wanted to join them – as a big fan, I immediately agreed. In contrast to Guggenmusik, the time commitment with 7up is manageable, something that very much suits the band-members – all eight of us are men of somewhat advanced years. For over 20 years now, 7up has taken part in Fasnacht, playing its unique Träsch Bräss (trash brass) style. The band's hallmarks include the wearing of dungarees and cat make-up (*Minzilischmink*). And some of the songs we perform, such as "Killing in the name" by Rage against the Machine, have now achieved cult status. Does Fasnacht represent the polar opposite of my work in Compliance, you ask? There's some truth to that: to play the fool once in a while, and escape from the conventional – that's not really possible in everyday working life. At the same time, I did serve as conductor of the Guggenmusik players and as the chairman of the carnival troupe, and in these roles – and within organised carnival groups in general – you also learn a lot about team spirit and leadership. In both worlds, it's important to me that people have fun together and forge good relationships. I am convinced that this is essential in order to perform at one's best – whether on stage or in the office.





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	10,284	6,734	100	10,674	10,674	–
Warranties and similar	–	–	–	–	–	–
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	3,654	3,360	748,965	1,300	1,310	593,351

* 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	138,764	141,024
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	4,670	5,115
→ of which foreign exchange transactions	4,727	4,390
→ of which cash transactions	-57	725
→ of which securities trading	-	-
→ of which precious metal transactions	-	-
Breakdown of staff costs	16,943	14,779
→ of which wages and salaries	11,454	9,437
→ of which remuneration of the members of the Board of Directors	2,180	2,002
→ of which social insurance contributions and support	1,343	1,140
→ of which pension expenses	859	649
→ of which other staff costs	1,107	1,551
Breakdown of operating expenditure	10,462	10,100
→ of which cost of business premises	674	709
→ of which IT expenditure	4,627	4,401
→ of which furniture	13	124
→ of which other equipment	-	-
→ of which other operating expenditure	5,147	4,865

Based on art. 24e, para. 1, clause 6 BankV the return on capital is 0.35%.

in CHF 1,000	Financial year	Previous year
Breakdown of the item "Other income from ordinary activities"	1,972	5,767
→ Income from property	497	484
→ Other income from ordinary activities	1,475	5,283

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 22 to 71) and the annual report (pages 10 to 19) of Bank Frick & Co. AG for the year ended 31 December 2019.

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.

Grant Thornton AG



Egon Hutter
Certified
Public Accountant
(Auditor in charge)



ppa Ricarda Gassner
Certified
Public Accountant

Schaan, 8 April, 2020



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