



BANK FRICK

Annual Report 2018





Andreas Thode

Head of Brokers and Exchanges Blockchain

Employee of Bank Frick since 2017

Photographed at Schwendisee, Wildhaus, Switzerland

My introduction to swimming came via surfing. I lived in Australia for three years, studied there and went swimming or surfing each morning in the ocean. At uni, I also participated in surfing competitions. Surfing is one of Australia's favourite sports, like skiing is for us – many people can surf and enjoy it. I play a lot of sport, relatively speaking – surfing, swimming, tennis, golf. Swimming helped me to become better at each type of sport, because it is very intensive. It trains the legs, upper body and entire body posture – and yet it is tremendously relaxing. In summer I usually swim in the lake and in winter in the indoor swimming pool. The year before last I reached the 1,000 kilometres mark and in 2018 approximately 550 kilometres. Currently I live in Zurich and travel to work by train, which takes around one hour. However, I plan to move to the region because it is a beautiful place to live. The mountains and rural surroundings remind me of my home – I come originally from Starnberg in Bavaria. I feel comfortable in Liechtenstein and at Bank Frick. The Bank is agile and forward-looking with a focus on blockchain technology, and there is an extremely steep learning curve. There is room here to make things happen and implement things, which would hardly be possible in other banks. This challenges me and I enjoy it.

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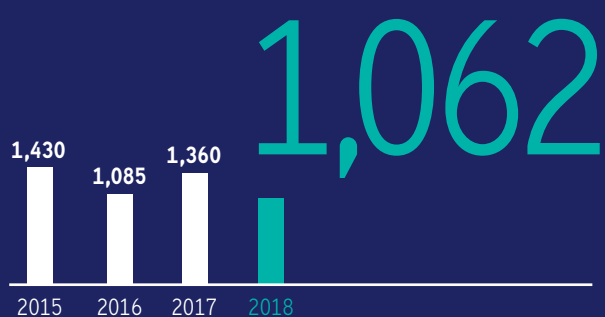
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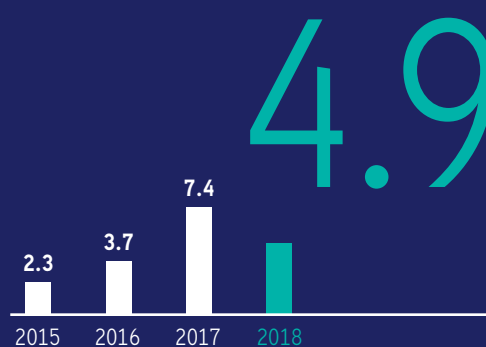
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Selected financial ratios 2018

Total assets
in CHF m



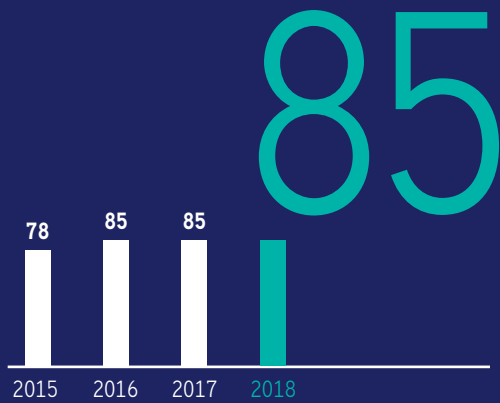
Return on equity
in %



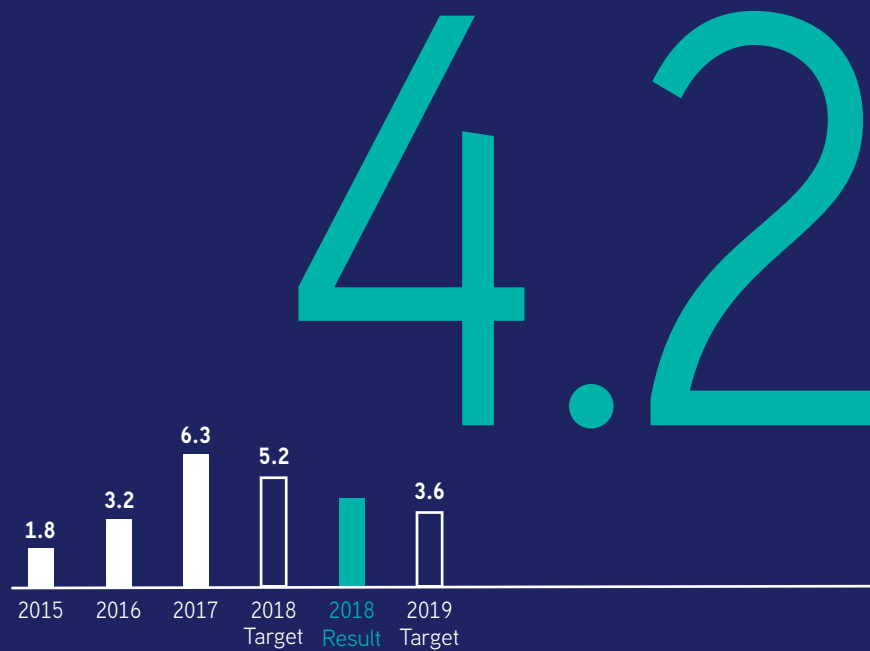
Cost-income ratio
in %



Equity in CHF m

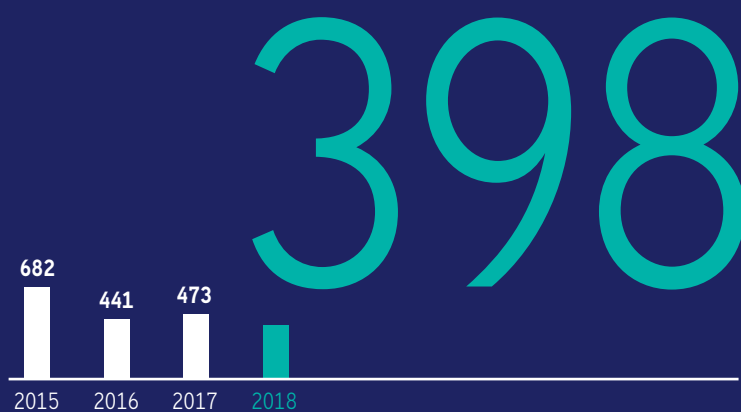


Profit in CHF m



Our earnings forecast for 2019 is CHF 3.6 million. Our caution can be attributed to the fact that we have calculated the growth on the income side very conservatively. With respect to expenditure, significant investments will be made once more in new business models and the IT infrastructure.

Due from clients in CHF m



The client portfolio was adjusted and optimised in the 2018 financial year. Planned volume increases in the area of working capital could not be realised as a strategic partner withdrew from this business field.

Net new money in CHF m

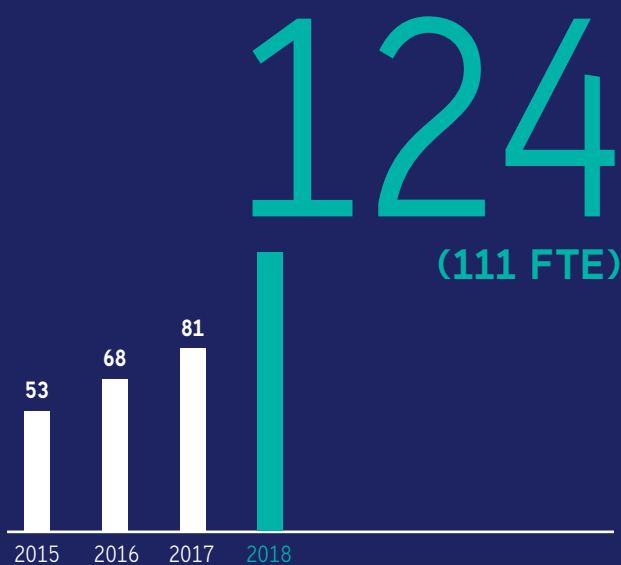


Assets under management in CHF m

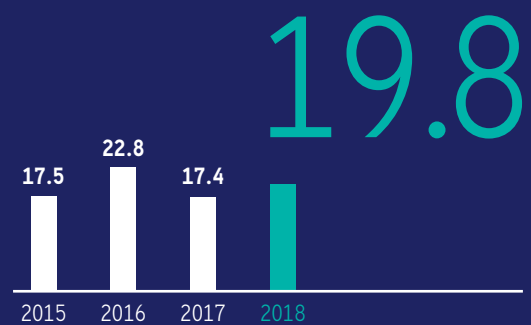


The decline can be ascribed to the negative developments on the markets. A further factor was the withdrawal of a business client due to the regulatory requirements of a third country, which stipulated that in future the assets would have to be held in the client's country of domicile.

Work force



Tier 1 capital ratio in %



Company bodies / Organisation chart



Dr. Mario Frick
Chairman



Roland Frick
Vice-Chairman



Rolf Jermann



Herman Kotzé



Michael Kramer



Edi Wögerer
CEO



Hubert Büchel
CCO



Melanie Gstöhl
CFO

Members of the Operational Risk Board (ORB)

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

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

General Meeting

External Auditors
ReviTrust Grant
Thornton AG, Schaan

Board of Directors

Internal Auditors
BDO AG, Zürich

Management Board

Legal

Project Management

Compliance

Management Office

Business
Development

Communication and
Marketing

Human Resources

Services

Bank Administration and
Information Technology

Finance, Risk and
Controlling

Private and
Institutional Clients

Report of the Board of Directors and the Management Board

Bank Frick's 20th financial year was dominated by its growth strategy, which involved higher investments in staff and infrastructure than originally planned. The income situation was extremely pleasing, with income clearly exceeding the budget. The annual result was CHF 4.2 million.

We celebrated Bank Frick's 20th anniversary in style. On 24 November 2018, we enjoyed a fantastic party together with our staff at the Technopark Liechtenstein in Vaduz. This exciting celebration was the well-earned high point of an extraordinarily eventful year.

Bank Frick first went into operation a few days before Christmas 1998, with a workforce of just four people. Then as today, Bank Frick's client base mostly consisted of financial intermediaries and private clients looked after by intermediaries. We continue to follow this business model to this day, albeit under completely different circumstances than in 1998.

A great effort on the part of the staff

We employed 81 members of staff at the start of 2018. By the end of the year this figure had risen to 124 (111 full-time employees) – an increase of 50%. Managing this growth in staff numbers from an organisational perspective

alone is a Herculean task that is yet to be completed. In 2019 Bank Frick will consolidate its headcount and structures accordingly, although individual departments may be reinforced on an ad-hoc basis.

The fact that so many employees were integrated comparatively smoothly is a great credit both to the leadership team and the entire workforce, who ensured with a minimum of fuss that their new colleagues could get their bearings and feel at home quickly. We would like to take this opportunity to say thank you for their great efforts.

Securing a leading position

The workforce expansion is the continuation of the growth strategy we had already embarked upon, which will secure a leading position for us in the areas of blockchain banking, capital market products, alternative payment solutions, credit card processing and financing. In this process, we are working closely with various firms including

the financial technology company Net 1 UEPS Technologies, Inc., which is also a minority shareholder in Bank Frick.

Given the challenging organisational situation, the financial result for 2018 was extremely encouraging. We surpassed our forecasts for all sources of revenue.

This was offset by operating expenditure (personnel costs) that was substantially above budget. We pressed ahead with the workforce expansion in the second half of the year in order to achieve the (interim) targets we had set more quickly and effectively. Operating expenditure amounted to CHF 24.9 million, which was CHF 5.0 million higher than budgeted.

Avoiding internal bottlenecks

The smooth functioning of the Bank is heavily dependent on good, effective cooperation between the different departments. Therefore the number of employees was increased across all departments in order to avoid internal bottlenecks.

We made various organisational adjustments over the course of the financial year so as to ensure that the larger organisation could still function efficiently. The further development and adjustment of our company's structures were still incomplete at the end of the financial year 2018.

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The workforce
expansion is the continuation
of the growth strategy.



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

In the midst of the Bitcoin hype

The 2018 financial year began where the previous year had left off: in the midst of the Bitcoin hype, with prices still exceeding USD 18,000 for one bitcoin. Interest in Bank Frick's services was very high at the end of 2017 and the start of 2018. In February 2018, Bank Frick was one of the first banks in Europe to announce that it would enable direct investments in leading crypto assets and offer professional custody services for them. The response to this offer was overwhelming, both from clients and the media.

Bank Frick successfully supported a range of initial coin offerings (ICO). It ensured on a fiduciary basis that assets purchased by investors could not be put to a different use than intended. Before we become involved in an ICO, we assess the integrity of the applicants very carefully. The rejection rate for blockchain clients was around 95%, although the quality of the requests did improve in the second half of the year. In our view, this is because word got around in the sector that inadequate applications for the establishment of a business relationship are futile.

As cryptocurrency prices fell, appetite among start-ups to finance themselves via ICOs decreased, with the result that there was little demand for the ICO advisory business model in the second half of the year. By contrast, interest in token sales increased over the course of 2018.

ICOs often fail for trivial reasons

Even celebrated and supposedly solid ICOs failed spectacularly – the reasons for this were very trivial, however, and were not causally related to the blockchain business models with their own cryptocurrencies. At the crypto-mining firm Envion AG, a dispute broke out between the founders and the CEO, and the two parties were unable to reach an agreement. Envion is now in liquidation. The Frankfurt-based start-up savedroid, which developed a kind of piggy bank app, sought to attract additional attention with a clumsy PR stunt: the company management made a false announcement that it had run away with investors' money. With this stunt savedroid squandered the trust it had built up in the community.

The money from the savedroid ICO that was kept in custody at Bank Frick was held on a fiduciary basis and investors were therefore safe in the knowledge that the assets could not be misappropriated.

Bank Frick stands for professional, regulated blockchain banking

As a Bank, we take great care to offer professional, regulated blockchain banking that meets the standards of traditional banking. We only support token offerings for companies based in Switzerland or Liechtenstein. We only provide blockchain banking services in Liechtenstein for clients and companies based in the European Economic Area (EEA) or Switzerland. We passport a large proportion of our services to the EEA.

Swiss banks have been extremely reticent with regard to blockchain-based business models. As a result, it was almost impossible for entrepreneurs from the Zug Crypto Valley to open a company account for payment transactions (salaries, rent, accounts payable)

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We view ourselves as being significantly ahead of our competitors.



Garnering media attention: In the course of the financial year, more than 60 interviews were given to business, financial and specialist media outlets from across Europe. Pictured: Olivia Chang from CNN Money Switzerland with Mario Frick, Chairman of the Board of Directors of Bank Frick.

with our fellow banks in Switzerland. We have now welcomed about 300 of these blockchain-friendly firms as clients here at Bank Frick. With our services, we enable them to carry out classic banking transactions.

The same standards as in traditional banking

As a consequence, we were overwhelmed by applications to enter into a business relationship with us. We rejected many of the requests, as they did not comply with our service and/or client profile. These included business cases with little potential, requests from outside Europe, unsustainable business models, fortune-seekers and, in individual cases, obvious pyramid schemes.

Over the course of the financial year, the enormous backlog of enquiries to process was significantly reduced, which in turn cut down the processing time. It now takes around 10 working days to open a blockchain banking account – depending on the quality of

the documentation submitted. During this time, we assess the crypto assets, the company and the beneficial owners thoroughly and with great care. In doing so, we follow the same standards as apply in traditional banking with regard to identifying the client and the origin of the funds.

Significantly ahead of the competition

We actually go even further when it comes to assessing the origin of crypto assets. Contrary to the common myth, Bitcoin transactions are not anonymous. With technical tools and appropriate specialist knowledge, we can trace a Bitcoin's path using the blockchain entries that every transaction triggers as far back as we want. We have built up the required expertise and infrastructure in both Client Support and the Compliance department over recent years. In this respect, we view ourselves as being significantly ahead of our competitors, who are only now venturing to enter into this field and often underestimate the complexity of the subject matter.

Our edge over other banks in the field of blockchain banking pays off for us not only in terms of our positive perception in the banking environment and the blockchain sector; despite very high investments, blockchain banking is already contributing to the Bank's financial success, too.

We want more than a Wikipedia entry

Precise quantification of the income from blockchain banking is difficult. The following example illustrates the problem: Is a company from the blockchain sector that holds an account with us for payments in traditional currencies a revenue that we allocate to our blockchain activities or not? Clear separation is not possible here.

We will not settle for the role of blockchain banking pioneer. We want more than just a Wikipedia entry honouring our pioneering work. We want to maintain and consolidate our advantage. For that reason, we are continuing to invest considerable funds in the further

development of blockchain banking. Our objective is to make handling more user-friendly and compatible with the traditional financial system. To do this, processes, structures, interfaces and reporting must be simplified. In this way, we will ensure that crypto assets achieve broad acceptance among market participants.

First mover when it comes to product development

We do not approach blockchain banking in an isolated way; instead, we work on a crossover, cross-departmental basis. Our Fund Clients and Issues department,

for example, played a key role in developing Europe's first crypto-asset-based fund by contributing its expertise to the project. Since the launch of the alternative investment funds in the second quarter of 2018, Bank Frick has acted as custodian for the crypto assets.

Our fund and issues experts are also regarded as partners for innovative financial products outside the fund sector. We are the global paying agent for the world's first crypto-index exchange-traded product that is listed on a regulated stock exchange (SIX Swiss Exchange), for example. The product in question is the Amun Crypto Basket Index ETP, which was launched in November 2018.

Stake purchased in multi-asset platform

In the second half of 2018, Bank Frick acquired a 25% stake in the fintech group 21.finance AG, which operates the multi-asset platform area2Invest. The focus of 21.finance AG is on digitalisation and automation of processes, subject to compliance with statutory and regulatory requirements. As a result, 21.finance can offer unlisted issuers more structured, easier and better access to capital. At the same time, the area2Invest platform is an attractive investor portal that our issue clients can use as a distribution channel.



At the end of the year, employees enjoyed a fantastic crossover anniversary celebration at the Technopark Liechtenstein to mark Bank Frick's 20th anniversary.

Our involvement with 21.finance makes us less dependent on the traditional financing business and gives us the opportunity to generate income streams via advisory services for issuers and the development of financial instruments.

Distributing financial instruments all over Europe from Liechtenstein

Thanks to our pioneering role and the innovative financial instruments that we can develop for our financial intermediaries, we are living up to our mission and enabling our clients to differentiate themselves from their competitors and be more successful. Liechtenstein's membership in the EEA means that financial instruments licensed by the Financial Market Authority (FMA) Liechtenstein can be distributed all over Europe by means of simple notification.

Liechtenstein has blossomed into a small but powerful hotspot for fintech and blockchain companies. Encouragingly, this ecosystem – of which we are also a part – is growing continuously. A key factor in this positive development has been the unbiased, progressive approach of the FMA, which has shown itself to be very open-minded towards financial innovations. In the form of the Regulatory Laboratory, the FMA has very successfully established a centre of excellence for digitalisation in the financial sector. The FMA was correct in identifying this as a topic that will become increasingly important going forward and that it is advantageous to monitor it from an early stage without, however, stifling its flexible development.

Liechtenstein becomes a pioneer in blockchain regulation

We are confident that financial products made in Liechtenstein and the financial centre itself will become even more attractive in the future. In the second half of 2018, the Liechtenstein government presented the draft of its Law on Transaction Systems Based on Trustworthy Technologies (TT Act), which is also commonly known as the Blockchain Act. This law is expected to enter into force in the final quarter of 2019 once it has been adopted by Parliament. We have analysed the draft law and believe it to be a highly promising and important building block on which to make the Liechtenstein financial centre fit for the future. In an ideal scenario, it may even serve as a reference point for similar national regulations in other countries.

Today, legal uncertainties surround blockchain applications in many areas. The TT Act will eliminate substantial parts of these uncertainties – for instance with regard to business models based on blockchain systems that are not covered by financial market legislation but are used for activities similar to traditional financial ones.

Innovative financial instruments with legal certainty and added value

We expressly welcome the new TT Act. In regulatory terms, we already apply bank standards when it comes to assessing blockchain clients. For that reason we do not expect that any significant changes will have to be made to our internal processes.

Our clients can also rest assured that the services they receive from us are already for the most part compliant with the TT Act's requirements. Through this legal certainty we offer the added value that clients rightly expect from a premium bank.

In view of the entry into force of the TT Act, we are already working on the development of business models and financial instruments that are adapted to it. The introduction of the token as a new construct which makes it possible to transition from the traditional world of finance to blockchain systems with legal certainty opens up interesting perspectives for new, attractive products for our Fund Clients and Issues department – which is entirely in keeping with our vision of offering financial intermediaries high-quality, modular digital financial services.

Part of the fintech network

The TT Act will become another attractive advantage for Liechtenstein as a location and will bring new companies that work on blockchain-based business models to the country. As a Bank, we offer these firms access to the financial system and the capital market and are a key part of this growing network.

The TT act will also afford existing market participants the opportunity to develop innovative offerings. With our long-standing experience in the blockchain business, we can significantly reduce their time to market. This is an area which we believe holds considerable growth potential for Bank Frick.

Comprehensive fintech cooperation with the University of Liechtenstein to mark anniversary

To mark Bank Frick's 20th anniversary we did not only reward ourselves with a big celebration, but also entered into a five-year partnership with the University of Liechtenstein. As part of this cooperation in the field of fintech and blockchain, Bank Frick will make substantial amounts of funding available to the University. 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 fintech and blockchain course began in February 2019 and will end in June 2019.

With this commitment to the University, our aim is to further strengthen the expertise at the University and in Liechtenstein as a whole and train new staff for the industry.

Balance sheet

Our balance sheet total as at 31 December 2018 was CHF 1.1 billion (previous year: CHF 1.4 billion).

Client assets under management

Client assets under management declined by CHF 1.2 billion to CHF 2.6 billion. This was partly attributable to the negative market developments in 2018, especially in the final quarter of the year. The fall was also a consequence of regulatory requirements imposed by a third country on one of Bank Frick's corporate clients. The third country stipulated that in future, the assets would have to be held in the client's country of domicile.

Sources of income

The income situation is very pleasing. Not only did we achieve substantial year-on-year growth in all areas, we also surpassed our budget targets. Interest earned increased by 3.8% to CHF 20.5 million and interest expenses fell by 48.5% to just CHF 2.4 million thanks to favourable refinancing options.

In 2018, income from commission and service transactions rose by 20.5% to CHF 21.2 million, while commission expenses increased by just 2.4% to CHF 9.1 million.

Trading activities remained stable, with slight growth of 1% to CHF 3.7 million. The decline in profit from financial operations to CHF 0.7 million was the result of write-downs.

Cost-income ratio

The cost-income ratio (CIR) was 69.2% for the reporting year, up from 66.7% in 2017. This means that we have moved away from our target CIR corridor of 65%.

Other significant events during the reporting year

Melanie Gstöhl took up her position as Chief Financial Officer (CFO) on 1 January 2018. Our new Management Board member had been appointed in December 2017.

In February 2018, we announced that Net1 had acquired a further 5% of the share capital from the Kuno Frick Family Foundation. Consequently, Net1 has since held a total of 35% of Bank Frick's share capital. In the first half of 2018 we were able to win the trust of a major UCITS fund with a volume of CHF 115 million (as at 31 December 2018). We took over the function of custodian for the fund.

In August 2018, we expanded the range of cryptocurrencies for which we offer trading and custodian services to nine. They are held in custody offline and trading in them is a straightforward process.

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The blockchain commitment to the University of Liechtenstein will strengthen the Liechtenstein financial centre as a whole.

Bank Frick relaxed its staff dress code. The smart-casual dress guide permits staff to wear trainers as part of their business attire – whereas ties can stay in the drawer.



Events after the balance sheet date

New business models – foundation of subsidiaries

For strategic reasons Bank Frick decided in the reporting year to found subsidiaries for various specialised and technology-oriented business models in order to tap into new sources of income. The subsidiaries enable us to launch the business models on the market and scale them more quickly – of particular relevance against the backdrop of the Blockchain Act, which will allow completely new business models in the Liechtenstein financial industry.

Established market participants that have their sights on fintech solutions have regularly shown an interest in acquiring

a stake in Bank Frick in order to launch individual business models together with us as a regulated universal bank.

We can implement models of this kind quicker and more effectively with specialised spin-offs. In strategic terms, the plan is to enter into joint ventures with the subsidiaries and hold stakes in them – something which is now considerably easier to realise than via stakes in the Bank.

Establishment of a technology-oriented financial ecosystem

With the help of the subsidiaries, we aim to gradually build up a technology-oriented financial ecosystem, which will benefit Bank Frick thanks to new business with the subsidiaries and which, in an ideal situation, will enable us to offer

various services along the value chain from the Bank Frick universe.

We want our subsidiaries to be independent, however, and there is no obligation to obtain services from Bank Frick. If a company decides to enlist services from a third-party firm, this can only motivate us to keep on improving.

The subsidiaries' brand architecture will be part of an endorsed branding system. As a result, every spin-off will maintain its own market presence. The affiliation with Bank Frick will only be documented by means of the endorsement "a Bank Frick company". In this way we will ensure that the power of the Bank Frick brand is transmitted to the subsidiaries without restricting them unnecessarily. The endorsement will be adapted in consultation with investors.

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In 2019 we will market our successful funds and issues business more offensively.

Distributed Ventures AG – an incubator and accelerator for fintech and blockchain

At the start of February 2019, we announced the establishment of the subsidiary Distributed Ventures AG, an incubator and accelerator for project teams developing innovative business models in the areas of fintech and blockchain.

Prospective founders receive support from Distributed Ventures from the seed phase all the way through to a possible exit. Through Bank Frick they also gain uncomplicated access to a regulated universal bank and its links to the financial system, enabling them to quickly test and implement their ideas. We view Distributed Ventures as an important strategic addition that provides us with the opportunity to build on and consolidate our advantage as a fintech bank.

The DLT Markets AG – secure multi-exchange access to the digital token asset class

At the end of February 2019 we founded the company The DLT Markets AG. The spin-off provides institutional investors with an independent platform with fully regulated and secure multi-exchange access to the digital token asset class. This will allow institutional clients to trade and manage digital tokens in a regulated environment, as they are used to from the traditional securities

business. Thanks to the close collaboration with Bank Frick, clients of The DLT Markets also enjoy the certainty of knowing that there is a trustworthy, reliable partner in the background. For Bank Frick, this too represents a further step towards developing a future-oriented financial ecosystem.

Outlook for 2019

The public perception of Bank Frick as the European blockchain bank has become an important asset for us. The flip side is that our service range for financial intermediaries in the field of traditional banking and our fund services and product development does not receive the attention it deserves.

Our earnings forecast for 2019 is CHF 3.6 million. Our caution can be attributed to the fact that we have calculated the growth on the income side very conservatively. With respect to expenditure, significant investments will be made once more in new business models and the IT infrastructure.

Strategic expansion of additional business areas

In 2019 we will market our successful funds and issues business more offensively in order to give our competitive service offering a higher profile. Another focus will be on developing tokenisation options for financial products – a challenge from both a technical and a

regulatory perspective. These activities are an exemplary demonstration of the fact that the possibilities of blockchain banking are incorporated into all our fields of business.

Making technology easily accessible to the finance industry

Our goal is to seize the opportunities offered by technology and make them easily accessible to the finance industry, as is stated in our vision: establishing Bank Frick as a recognised provider of modular digital banking services, be this through the integration of services made possible by blockchain or the provision of interfaces for client-specific requirements which accelerate and simplify the exchange of data.

We also intend to strengthen the business of the private clients and external asset managers department by gaining a better understanding of how to focus our market strategy even more closely on our clients. We believe that there is considerable potential here, particularly in the Swiss franc area.

Focus on business with alternative payment systems

We will prioritise growth in our business with the settlement of credit card payments for payment service providers. In this area we are working – partly in collaboration with our minority share-



Bank Frick cooperates with the University of Liechtenstein in the fields of blockchain and fintech. Edi Wögerer (left), CEO of Bank Frick, and Dr Volker M. Rheinberger, President of the University Council of the University of Liechtenstein.

holder Net1 – on interesting solutions for the European market. We are the only Liechtenstein bank in possession of acquiring licences for MasterCard and Visa.

We also hope to gain additional momentum from the introduction of the Blockchain Act. The law is expected to be adopted by the Liechtenstein Parliament in the fourth quarter of 2019.

Strategic investments financed from income

At the time of going to press there was considerably less clarity regarding the future relationship of the United Kingdom with the European Union (EU). If passporting is no longer possible for banks from the EEA, we will have to apply for a licence from the British regulator in order to continue operating our London branch. Our presence at the heart of the international finance metropolis

is a valuable asset with which we will offer clients access to the European and Swiss market even after the United Kingdom's exit from the EU.

In summary, we can state that our growth strategy of recent years is bearing fruit, that we are capable of financing our strategic investments in staff and technology from our income, and that we have been able to position ourselves successfully as a premium bank. We aim to consolidate and expand our position, and have laid a good foundation on which to do this. We are well-equipped financially and have the knowledge and skills required to continue along this path successfully. And we have outstanding employees. We look forward to another 20 years of success with Bank Frick.

Dr Mario Frick

Edi Wögerer



Pascal Gstöhl

Personal Advisor in the Private Clients and External Asset Managers department

Employee of Bank Frick since January 2015

Photographed at the Grossabünt football pitch in Gamprin

My enthusiasm for the sport presumably comes from my family: both my father and grandfather played football. I started out with FC Schaan, the football club of my home municipality in Liechtenstein. Together with a couple of friends, I set up a second football team within the club as we transitioned from the youth section to the senior ranks. This was very challenging as I took on several roles: coach, player, organiser. It was relatively difficult to begin with as we usually lost. Two years ago, we gained promotion to the fourth division. I am a striker and usually score 10 to 15 goals a season. I have also played in goal in instances where the goalie has been unable to take his place. While I don't possess any real talent in this position, I always give my best, just as I do in my professional life. At Bank Frick, I recently switched from the Client Data department to the area of client advisory services. This new position provides me with the opportunity to develop knowledge and gain experience in a new field. Alongside my work, I am currently studying Business Administration. I also like to learn in my free time and am an open person who travels a lot and wants to discover new things. But I also love my home: Liechtenstein.





Balance sheet

in CHF 1,000	31.12.2018	31.12.2017
Assets		
Liquid assets	97,715	118,868
Due from banks	374,348	613,720
→ of which repayable upon demand	104,137	252,609
→ of which other receivables	270,211	361,112
Due from clients	398,443	473,464
→ of which mortgage-backed claims	103,977	111,803
Bonds and other fixed-interest securities	44,905	36,885
→ of which bonds issued by public bodies	27,200	3,516
→ of which bonds issued by other borrowers	17,705	33,369
Shares and other non-fixed-interest securities	80,456	85,053
Participations	–	493
Shares in affiliated companies	–	–
Intangibles	–	–
Property, plant and equipment	10,401	10,857
Other assets	49,004	13,727
Accrued expenses and deferred income	6,325	6,712
Total assets	1,061,597	1,359,779

Balance sheet

in CHF 1,000

31.12.2018

31.12.2017

Liabilities

Due to banks	15,937	5,564
→ of which repayable on demand	15,937	5,564
→ with agreed terms or notice period	–	–
Due to clients	769,577	1,133,443
→ of which savings deposits	–	–
→ of which other liabilities repayable on demand	653,103	826,524
→ of which other liabilities with agreed terms or notice periods	116,474	306,920
Certificated liabilities	111,449	100,935
→ of which medium-term notes	16,860	17,122
→ of which other certificated liabilities	94,589	83,813
Other liabilities	69,500	23,685
Accrued expenses and deferred income	4,661	3,041
Provisions	1,229	1,816
→ of which tax provisions	1,229	1,816
→ of which other provisions	–	–
Provisions for general banking risks	16,400	16,400
Subscribed capital	25,000	25,000
Capital reserves	1,000	1,000
Retained profit	42,644	42,612
→ of which statutory reserves	6,000	6,000
→ of which other reserves	36,644	36,612
Profit carried forward	1	5
Profit	4,200	6,278
Total liabilities	1,061,597	1,359,779

Income statement from 1 January to 31 December 2018

in CHF 1,000	2018	2017
Items		
Interest earned *	20,535	19,778
→ of which income from fixed-interest securities	889	568
Interest paid **	-2,403	-4,951
Current income from securities	21	17
→ of which shares and other non-fixed-interest securities	21	17
Income from commission and service transactions	21,209	17,606
→ of which commission income on loan transactions	363	538
→ of which commission income from securities and investment transactions	9,962	8,622
→ of which commission on other service activities ***	10,884	8,446
Commission payable	-9,085	-8,876
Profit on financial operations	706	2,054
→ of which from commercial activities	3,666	3,630
Other ordinary income	5,767	1,190
General administrative expenses	-24,879	-17,575
→ of which staff costs	-14,779	-10,791
→ of which operating expenditure	-10,100	-6,784
Depreciation on intangible assets as well as on property, plant and equipment	-730	-476
Other ordinary expenditure	-794	-451
Valuation allowances on claims and transfers to reserves for contingencies and credit risks	4,373	-1,144
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	-1,174	-
Income from write-ups of shareholdings, shares in affiliated companies and securities treated as non-current assets	-	125
Income from normal business activities	4,801	7,172
Extraordinary income	-	-
Extraordinary expenditure	-	-
Income tax	-601	-894
Other taxes	-	-
Allocations to provisions for general banking risks	-	-
Profit for the year from 1 January to 31 December 2018	4,200	6,278

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

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

*** Following a change to the booking process, bookings are now carried out on an accrual basis. As a result, there are five quarters in the income from custodian banking business (with an income of CHF 460,000 relating to other periods).

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	10,674	5,485
Total contingent liabilities	10,674	5,485
Derivative financial instruments		
Contract volumes	593,351	527,610
Positive replacement values	1,300	2,839
Negative replacement values	1,310	2,684
Fiduciary transactions		
Fiduciary transactions	141,024	151,303
Fiduciary loans	–	–
Total fiduciary transactions	141,024	151,303

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	4,200	–	6,278	–
Depreciation on securities as current assets	–	–	–	–
Depreciation on securities as non-current assets	–	–	–	–
Write-off and write-ups on participations	1,193	–	–	41
Depreciation on intangible assets and property, plant and equipment	730	–	476	–
Valuation allowances and provisions	4,045	–	8	–
Tax provisions	–	587	632	–
Provisions for general banking risks	–	–	–	–
Accrued income and prepaid expenses	387	–	–	1,346
Accrued expenses and deferred income	1,620	–	–	3,151
Distribution of dividends previous year	–	6,250	–	3,145
Distribution of interim dividend	–	–	–	–
Balance	5,338	–	–	289
Flow of funds from equity transactions				
Capital increase	–	–	–	–
Premium on capital increase	–	–	–	–
Balance	–	–	–	–
Flow of funds from investment transactions				
Shares in affiliated companies	–	–	–	–
Participations	–	700	155	–
Real estate	–	–	–	–
Other property, plant and equipment	100	373	–	893
Intangible assets	–	–	–	–
Securities and precious metals as non-current assets	15,627	23,647	1,608	36,885
Balance	–	8,993	–	36,015

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	–	262	–	–
Other certificated liabilities	3,271	–	5,602	–
Due from clients	–	–	4,718	–
Mortgage claims	–	2,091	–	630

Short-term business

Due to banks	10,373	–	–	2,401
Due to clients (other liabilities)	–	363,867	289,401	–
Medium-term notes	–	–	589	–
Other certificated liabilities	7,505	–	–	28,834
Other liabilities	45,815	–	9,443	–
Due from banks	239,372	–	–	165,590
Due from clients	63,149	–	–	13,409
Mortgage-backed claims	9,917	–	–	22,680
Shares and other non-fixed-interest securities	4,598	–	1,035	–
Other assets	–	35,278	–	65
Balance	–	17,498	77,179	–

Liquidity

Liquid assets	21,153	–	–	40,875
Balance	21,153	–	–	40,875



Marco Probst

Head of Finance

Employee of Bank Frick since 2016

Photographed at Nenzinger Himmel, Austria

I discovered a love for Nenzinger Himmel from my wife Claudia. She comes from Nenzing, a small municipality near Feldkirch in Vorarlberg in Austria, where we also live. The “Himmel” (German for heaven), as we call it, is a local holiday area, which connects Vorarlberg with Malbun, Liechtenstein’s skiing and hiking area. We often go walking and hiking here because it’s peaceful and there is always a beautiful spot to discover. We enjoy spending the day with family or friends on this mountain. The sight of the wonderful landscape with impressive mountains provides great balance from work in the office. To see the Panüeler Kopf mountain from the valley during sunset is simply unforgettable. After having worked almost 10 years in Liechtenstein, the Principality has become like my second home – and I also enjoy spending some free time there. I meet colleagues after work, go shopping – and on weekends am drawn here to Liechtenstein with my wife for excursions. Therefore, it greatly pleases me that a management position was offered to me at Bank Frick. My area of responsibility is exciting, challenging and diverse. Above all, it is the new technology and business models, which must also be reflected in the context of financial accounting, that make my day’s work multifaceted. It makes me very happy to carry a lot of responsibility, including the financial strategy of the Bank.





Notes on business activities and workforce

Funds and Issues

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 (Europe/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 placed 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 (European AIFs and UCITS funds) or a depositary bank (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/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.

As at 31 December 2018, we fulfilled the role of custodian bank for 41 AIFs and UCITS funds, 6 of which find themselves in the subscription phase. The funds' assets under management total CHF 661 million (previous year: CHF 605 million).

We also act as custodian bank or sub-custodian bank for third-country funds, in which a further CHF 138 million is invested.

On the product side, we held a total of 37 paying agent mandates for third-party issuers at the end of the financial year and have a total of 32 own certificates outstanding. Own certificates are generally launched on behalf of clients 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 summer 2017).

During the financial year, we strengthened our ranks with proven experts in the areas of products and funds. The department's headcount stands at 8.2 FTEs (previous year: 6.2 FTEs).

Key activities during the financial year

The topic of crypto assets has had a significant impact on both funds and the issues business. A large share of the enquiries for fund and product solutions have a link to crypto assets.

As the only bank in Liechtenstein to do so, we serve as a custodian bank for crypto assets for alternative investment funds under the AIFM Directive. During the course of 2018, we thus tapped into a new business area and as at year end were the mandated custodian bank for crypto assets for a total of four AIFs.

Outside the fund area, we are also viewed as a partner for innovative products. We act as a global paying agent for the world's first crypto-index exchange-traded product that is listed on a regulated stock exchange, for example.

In September 2018, Bank Frick acquired a stake in the fintech group 21.finance AG and its multi-asset platform area2Invest. The issuer and investor portal provides us with an attractive digital information and distribution channel via which products can be presented and sold efficiently.

Market overview

2018 was a challenging year for almost all asset classes. The stock market correction and heightened level of volatility during the third quarter, in particular, served to dampen sentiment among many market participants. For many crypto assets, the negative price developments and a renewed spike in volatility towards the end of the year gave rise to caution among larger investors.

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We are the only bank in
Liechtenstein to serve as a custodian
bank for crypto assets for AIF.

As we primarily operate in the area of tailor-made solutions for professional investors, we are less dependent on the prevailing mood. Expertise for the individual designing and structuring of investment instruments is always sought.

We still believe there is great potential for marketable investment instruments in the area of non-traditional target investments (receivables, real estate, infrastructure and cryptocurrencies). The ever-advancing level of regulation for crypto assets will increasingly provide clarity and offer a reliable framework for innovative business models and products. We believe we are well positioned here to contribute expertise to the development process and also to continue benefiting from new business in this area.

Our focus remains the same for the 2019 financial year. A new area of focus will be the development of tokenisation solutions for financial products. The implementation of this service offering is a challenging task from both a technical and regulatory perspective even if the so-called Blockchain Act has opened various doors here.

Blockchain and Payment Service Providers

Due to the increasing importance of blockchain banking, the Business Clients and Payment Service Providers department was renamed accordingly during the financial year.

The area focuses on the active management of business clients from various fields. These include classic business clients, fintechs and payment service providers as well as an increasing number of clients who operate a business model based on blockchain. The services from the blockchain area can primarily be divided into three categories: token offering services for ICOs/STOs, brokerage/exchange/OTC services and classic banking services for companies with a blockchain link.

Key activities during the financial year

Despite price losses in the area of cryptocurrencies, we were able to support numerous clients who are active in the blockchain sector. For blockchain companies from Switzerland, we are the bank of choice – in part also due to the lack of alternatives in Switzerland. At present, we are the principal bank for more than 300 crypto companies with their registered office in Switzerland. We offer them current accounts and cold storage solutions as well as the option to invest in crypto assets and to exchange crypto assets via us provided all of the regulatory conditions have been met.

During the onboarding process, we subject our clients to a very detailed check – more comprehensive than required in the classic banking sector. As a bank, we take on business risks that we are able to manage very well thanks to our coordinated processes, know-how and experience.

We work very closely together with our clients. This allows us to gear our systems towards their needs. For example, we are able to adjust quickly to market changes together with them (including with respect to blockchain technology).

In order to handle the additional volume, we have considerably expanded our team. During the financial year, our headcount increased from 5 to 13.

Business Development, which is not formally part of the department, was also strengthened through the addition of four people.

Our goal for 2019 is to optimally support and manage our clients with our expertise. A central project for new clients is the fully digitalised onboarding process for business clients, which is currently being developed.

We see potential for new business due to the fact that Liechtenstein is a first mover in the area of blockchain banking – although the relevant legislation is now not expected to enter into force before the start of 2020 in light of the ongoing legislative process.

One challenge is that more and more banks are addressing the topic of blockchain. Here, it is our aspiration to maintain our advantage over the Bank's competitors.

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We are the principal bank for more than 300 crypto companies with their registered office in Switzerland.

Our target markets are Liechtenstein, Switzerland and other European countries. Our target clients are companies/corporations with interesting projects and business activities in the area of blockchain.

We are following developments as regards the recognition of crypto-currencies in the USA with keen interest. The more legal security that investors have, the more confidence they will gain in crypto assets.

Lending

The Lending 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, draw up contractual documents and monitor existing loan positions. Claims management and the creation of reporting analyses affecting the credit portfolio also takes place within the Lending department.

The strength of our Lending department is demonstrated by the variety of different financing solutions. On the one hand, we offer standard financing in the form of Lombard loans and mortgages for real estate properties in Switzerland and Liechtenstein. On the other, our daily business also comprises the financing of real estate development projects, real estate developers and refinancing activities for so-called fine traders. These are lending areas that require specific know-how in order to guarantee processing and monitoring. In recent

years, we have been able to develop this expertise in these fields as well as in connection with other specialist topics.

What distinguishes us is that we are trying to move away from old paths in the lending business in order to actively contribute to ensuring a successful future for Bank Frick.

In 2018, new financial agreements were entered into with promising clients with good credit ratings. However, the last 12 months were also characterised by adjustments. Some important clients failed to meet their contractual obligations, meaning that we had no choice but to terminate their loans. Claims management demands a great deal in terms of personnel and financial resources.

The planned volume increase in the area of working capital could not be realised as a strategic partner took the decision to no longer actively operate in this business field.

Overall, the situation saw the lending volume decline to CHF 398 million (previous year: CHF 473 million).

By filling vacancies with employees with experience in the area of lending, we were able to strengthen the department's workforce. The organisation was optimised and the monitoring of loans was greatly improved once more. The headcount stands at 5.7 FTEs (previous year: 4.6 FTEs).

In 2019, we will invest further in the organisational optimisation of the depart-

ment in order to reduce lead times, increase quality and further strengthen our control mechanisms. In doing so, we want to strengthen our basis in order to expand the credit portfolio. We are also working intensely on the implementation of the Mortgage Credit Directive, which is set to enter into force in 2020. Other regulatory changes likewise require ongoing implementations within the organisation.

Real Estate

The area of real estate has developed into an important business field for Bank Frick in recent years. The Real Estate department manages financing solutions of large real estate clients and partner companies in Germany, Austria and Switzerland (DACH region) and in the UK. The team works as a front-office department with a focus on real estate and works closely with the Lending department.

Its activities include group financing for professional real estate companies in attractive European cities (core) as well as direct property financing in selected niche markets.

For clients seeking financing solutions on the capital market, Bank Frick has various USPs including the dynamic and flexible structure of its financing solutions, short communication pathways within the Bank as well as institutionalised and predictable processes in the involved departments such as Compliance and Lending.

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The dynamic and flexible structure of our financing solutions is one of our USPs.

Key activities during the financial year

During the first half of 2018, new long-term agreements in the amount of EUR 15 million were concluded in the area of group financing in Germany and Austria.

In 2018, the department gained information locally about all relevant real estate exposures, verified the plausibility of market value assessments and expanded its reporting to the Management Board.

In the specific segment of real estate project planning, which is subjected to heightened supervision from a risk perspective, a standardised financing framework was developed.

At the end of the year, the Real Estate department had two employees (2 FTEs).

Market overview

The real estate markets in the DACH region continued to boom in 2018. Due to the advanced stage of the market cycle, uncertainty is growing about future market developments.

The UK economic outlook is uncertain. In the residential segment, the regional variation in price developments is very marked. Overall, practically no value gains are being recorded by the real estate market. The luxury segment remains under pressure and is exposed to greater volatility. The weakness of the

pound sterling, however, is continuing to attract foreign investors on the lookout for real assets.

Due to demographics, residential construction remains one of the major trends. Price growth is being observed, in particular, at very good macro locations (core) due to the ongoing demand.

The continued attractiveness of real estate investments is triggering significant demand for construction services, which is leading to higher building costs at very good macro locations (e.g. Berlin or Vienna). In Switzerland, the flood of money spanning many years is in some cases leading to massive overproduction, especially in the rental apartment segment in peripheral areas.

Overall, the outlook for the real estate markets is positive due to the stable economic environment. However, an eye must be kept on geopolitical risks or a medium-term economic downturn. Initial negative implications for price developments are to be expected in 2020 due to possible changes on the interest rate front.

In 2019, Bank Frick has set itself the objective of increasing its credit volume for the group financing solutions of professional real estate companies and for direct property financing, and providing refinancing at the same level.

Clients and their companies require a very good track record, a solid capital base and expertise on the ground. With

respect to project development, calculable risks are key. We are involved in projects which focus on low-risk usages (long-term demand and low volatility).

The risk tolerance of market participants has increased considerably due to the loose monetary policy. A rigorous selection process is therefore challenging. In the late phase of the real estate cycle, we want to support solid companies that can take on more market risks countercyclically and generate competitive advantages through Bank Frick.

Private Clients and External Asset Managers

The department manages financial intermediaries and wealthy private individuals (HNWIs) referred by them. We view ourselves as a partner of both stakeholder groups. For intermediaries, our partnership is built on the basis of offering services “From professionals to professionals”. Focus is placed on companies that take on the management of end clients, for example asset managers, fiduciary companies, lawyers, family offices and insurance companies. Our acquisition activities are also geared towards these service providers. For the beneficial owners, we are a competent and uncomplicated point of contact for all banking matters. However, we do not perform any asset management services and do not offer advice with respect to investment decisions. We also provide our partners with access to our network, meaning we can create added value for everyone.

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With our crossover approach, we can develop tailor-made solutions.

The client portfolio also comprises private individuals who are not managed by an intermediary. Bank Frick does not acquire these clients actively.

With our crossover approach, we can develop tailor-made solutions and products for classic banking services. We also develop white-label products for clients.

Key activities during the financial year

2018 was marked by administrative activities relating to the MiFID II regulations and the automatic exchange of information (AEOI). Other issues such as EMIR and the implementation of the guidelines for correspondent banks took up further resources within the team. From March 2018, in particular, focus was then also placed on the distribution of our new blockchain banking services. We offer clients secure custody and trading with crypto assets at the same regulatory level as for classic banking. The uniqueness of the offer was reflected accordingly in the large number of new client enquiries.

A painful development was the loss of a major client with assets totalling around USD 550 million. This was due to regulatory requirements imposed on the business client by a third country, which stipulated that in future the assets would have to be held in the client's country of domicile. Despite the massive outflow, earnings remained stable, a fact that we consider to be extremely pleasing.

A total of 11 people are employed in the Private Clients and External Asset Managers department (9.9 FTEs; previous year: 6.5 FTEs).

During 2019, working together with intermediaries, we as a Bank with considerable experience in the field of blockchain banking want to appeal to individuals who have acquired their wealth through cryptocurrencies. We will present our service range to them in the area of blockchain and classic banking.

We view our blockchain expertise as an asset that enables us to access new intermediaries from the classic and the blockchain world. Here, we increasingly find ourselves in competition with other banks which are beginning to tap into this theme.

Trading

The Trading department of Bank Frick processes orders exclusively on an execution-only basis for internal and external clients (financial intermediaries).

The segments we trade in comprise securities, derivatives, foreign exchange, precious metals, money market and cryptocurrencies. In the case of cryptocurrencies, we are 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 16,000 (+10.3% relative to the previous year) stock exchange and fund orders with an equivalent value of CHF 1,774 million were executed (+30.4% relative to the previous year). For fiduciary, fixed-term and call-money transactions, the trading volume stood at CHF 2,790 million (+25.2% relative to the previous year). While the number of tickets in the foreign exchange area fell by a quarter, the increase in the volume per ticket was much more marked. This resulted in a foreign exchange gain of CHF 3.67 million (+1% relative to the previous year).

In 2019, measures aimed at increasing efficiency for crypto trading will be implemented in order to ensure that the expected rise in volumes could be handled.

At the start of the year, a total of four people (3.6 FTEs) worked in the Trading department. As at year end, this figure had increased to five (4.2 FTEs).

Processing

The Processing department comprises the two core areas of settlement and reconciliation as well as securities administration and securities events.

During the reporting year, around 34,000 trade confirmations, transactions, fund subscriptions, fund redemptions and securities events were processed.

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For all innovations, focus is placed on customer experience.

In the financial year, a vacancy was successfully filled. The headcount thus totalled six at the end of the year, including one intern.

Business Technologies and Innovation Management

The IT department was renamed during the reporting year. The choice of name underlines the growing importance of the department and the central role it occupies for the successful transformation of the company into a recognised provider of modular digital banking services for intermediaries.

At the start of the year, we had 5 employees. By year end, our headcount had increased to 12. New employees were recruited for the newly created Business Support, Business Engineering and Business Consulting teams, which are part of the department's new life cycle. The new teams supplement System Engineering and Application Engineering.

We have been able to successfully absorb and channel the Bank's massive growth within the teams. The high number of projects and requirements were – largely – successfully implemented.

During the 2019 financial year, the Business Development department will be integrated with us. Until now, the department has been part of the Management Office. The objectives are to systematically push forward with the

digitalisation of the Bank and significantly improve the time to market. For all innovations, focus is placed on customer experience.

System Engineering

The team is responsible for the client/server infrastructure and security. In addition to daily business support, the department is also responsible for the further development of Internet access, firewalls, backup systems, networks, etc. Within the Bank, e-mail, Internet and server availability stood at 100%.

During the 2019 financial year, among others, the Mobile Workplace 2.0 project will be implemented, which will allow for secure and easy access to relevant data.

Application Engineering

The Application Engineering team operates the core banking system and is responsible for the operation of the peripheral systems and their interfaces. It creates and manages business intelligence reporting. In the reporting year, regulatory requirements such as EMIR, MiFID II and the AEOI were implemented in cooperation with other stakeholder groups within the Bank. Despite the massive increase in the number of employees, operations were always ensured. The availability of the core banking system stood at 100% and at 99% for the peripheral systems.

Customer Support

The team was established during the course of the financial year. It supports clients and employees with the use of the Bank's digital service offerings. The team ensures that know-how is secured and is accessible. Due to the considerable headcount increase, the number of enquiries from employees increased accordingly. The team enjoys a great level of acceptance.

Business Engineering

Within the Business Engineering team, workflows, processes and applications are developed and external software development is coordinated. The team assumes responsibility for software testing and is an integration partner in the area of APIs. During the reporting year, the team successfully oversaw several significant projects up to the go-live stage.

Business Consulting

The Business Consulting team acts as a partner to internal and external clients for the recording of specifications and requirements during the development of solutions. It is the interface between clients and the Business Engineering team. The team was established during the course of the financial year.



The Compliance staff unit comprises the Due Diligence Compliance and Blockchain Compliance teams.

Risk Management

The Risk Management department identifies, assesses, manages and monitors all material risks at an overall Bank level. The creation of internal and external reports (Swiss National Bank, Financial Market Authority, audit) are part of the monitoring activities. The department ensures the implementation of international and national regulations.

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

At the start of the reporting year, one person was employed in the Risk Management department (1 FTE). At year end, the headcount stood at 2.4 FTEs (three people). The increase in headcount can be attributed to the development of an adequate risk management structure for the blockchain business as well as the further expansion within the department.

During the 2019 financial year, focus will be placed on the expansion of risk management for the blockchain business as well as the implementation of a new governance, risk and compliance tool.

Master Data

The Master Data department is responsible for the recording and adjustment of all client master data as well as the indexing and archiving of forms and documents. In the reporting year, the

Master Data department's focal projects included the implementation of the MiFID II regulatory requirements and the AEOL. It is also responsible for AEOL and FATCA tax reporting to the authorities and the corresponding provision of information to the affected clients.

During the course of the financial year, various other processes for the recording of further client data were implemented on the basis of regulatory requirements. The Master Data department was part of the project team for the development of an electronic onboarding process for legal entities.

At the start of the financial year, the regular headcount stood at seven employees (7 FTEs). In addition, a team comprising seven other individuals worked on the digitisation and adjustment of client data. This team's work was performed for a limited period up to the end of February 2018. The master data adjustment was completed at this time.

In the 2018 financial year, a further full-time position was added to the department. In 2019, the department was divided into two teams, namely Client Data Services and Client Data Management.

During 2019, the new digital onboarding process will go live.

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.

At the start of the year, the Legal and Compliance staff unit was divided into two separate staff units. During the course of the year, the Due Diligence Compliance and Blockchain Compliance teams were established within the Compliance staff unit in order to ensure further focus and specialisation in the different subject areas. At the start of the year, three people (3 FTEs) were employed within the staff unit. During the course of the year, further staff members were recruited, including employees with extensive knowledge and experience in the field of blockchain. At year end, the headcount stood at nine employees (8.5 FTEs). With the know-how within the Compliance staff unit and the resources now available, we are well prepared for current and future challenges.

Over the year, the processes in the area of transaction monitoring were optimised and automated. The Compliance staff unit also contributed to the onboarding process.

Compliance has developed a training and continuing professional development system within the department that ensures employees are always up to date with respect to due diligence obligations.

The external auditors gave Bank Frick a good report as regards its due diligence obligations. With respect to the Bank's overall risk, the final report

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Individual departments may be reinforced on an ad-hoc basis in 2019.

emphasised that it takes account of this with corresponding measures, reducing the level of risk in the process. Already implemented and additionally planned improvements were likewise positively received by the auditors.

For the 2019 financial year, the further optimisation of internal processes such as transaction monitoring, business profiles, risk classification and the PEP approval procedure will be central. The requirements of Compliance will be integrated in the future onboarding process. Further focal projects include: the implementation of Compliance processes in the area of blockchain, the further optimisation of inspection activities with respect to market abuse and inspection activities in the area of MiFID II.

Human Resources staff unit – personnel

At the start of 2018, 81 people (67 FTEs) worked at Bank Frick. At year end, we employed 124 individuals (111 FTEs). This development is in line with HR planning. The headcount expansion took place in all areas. A focus was placed, however, on the Business Technologies and Innovation Management department. The development of technical solutions and business models is of great strategic significance for Bank Frick. No growth is planned for 2019. Individual additions are, however, possible on a selective basis.

Project Management staff unit

The staff unit was created during the reporting year and managed by a single individual. It establishes efficient, common and standardised project management processes and methods with the projects and provides support for their active utilisation. It advises and supports project managers and employees with operative project handling and project management. The staff unit assists the Management Board in selecting projects and performing strategy controls.

At the end of 2018, a total of nine projects were supported by the department.

Communication and Marketing staff unit

The overriding goal of Bank Frick's communication is to manage the company's brand and reputation, increase the company's visibility and ensure coherent, credible communication with internal and external stakeholder groups.

During the reporting year, communication was greatly driven by blockchain and crypto hype. As a first mover, the Bank attracted significant media attention. In the course of the financial year, the Bank gave more than 60 interviews with leading general interest, business, financial and specialist media outlets from across Europe.

The business news service AWP has had access to a Bank Frick blockchain

expert for weekly analyses since the second half of the year. Over the course of the year, we also provided dozens of speakers and podium participants for symposiums, expert meetings and conferences. The focus here was likewise issues relating to blockchain and crypto assets.

Within the framework of the Gold sponsorship of the Finance Forum Liechtenstein, we created our own flagship event and invited financial professionals to a workshop in the run-up to the Finance Forum. Our workshop entitled "How to make fintech bankable" was quickly booked out with around 120 registrations.

In 2018, the first elements of the social media strategy were implemented. Bank Frick has been tweeting daily since the end of February on specialist topics and providing information about market developments and developments at the Bank. The microblogging service is an ideal instrument for Bank Frick for reaching industry experts and maintaining contact with media professionals. Emphasis is placed on the provision of information. The channel is growing exclusively organically. Within one year, around 1,000 people now follow us on www.twitter.com/bankfrick.

In the Bank Frick blog (blog.bankfrick.li), we reinforce our claim with respect to the transfer of knowledge with the provision of detailed specialist articles. On the advertisement-free blog, both internal and external experts can address a particular facet of the banking and financial world in detail and provide readers with added

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As a first mover, the Bank attracted significant media attention.

value through the transfer of knowledge. The blog went live in the third quarter and will be added to with new articles every two to three weeks.

As part of the introduction of social media, corresponding monitoring was institutionalised. We also introduced additional instruments for improved media observation.

The branding of Bank Frick was advanced systematically across the company. The utilisation of intellectual property of Bank Frick (brand name, logo) by third parties is conclusively governed in cooperation with different departments and has been implemented accordingly since the third quarter.

At the end of 2018, the Bank celebrated its 20th anniversary. We developed a communication concept in order to shape the perception of Bank Frick over the long term. Internally, a fantastic crossover anniversary celebration held at the Technopark Liechtenstein in Vaduz formed the focal point of festivities for employees. This took place at the end of November.

The most significant gift as part of the anniversary activities was a long-term gift to the public in Liechtenstein and the region: we cooperate with the University of Liechtenstein in the areas of blockchain and fintech. The University of Liechtenstein will receive substantial financial resources from Bank Frick during a planned five-year cooperation. Partnership-based research projects, projects with students and a Certificate programme are the main aims of the collaboration, which began for the first time in mid-February 2019.

At the start of the financial year, the department had three employees (2.2 FTEs). As at year end, four people worked with us (3.5 FTEs). By mid-2019, a headcount expansion to 4.3 FTEs is planned.

In the 2019 financial year, we will scrutinise internal communication structures. This will be 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.

In 2019, we will work on the establishment of a more comprehensive communication control system and the further development of issue and reputation management. Active use will be made of a further channel with LinkedIn in order to develop our brand experience and expand our brand presence. Together with Human Resources, the opportunities provided by digital recruitment will be utilised.

Services staff unit

In order to be able to optimally manage the Bank premises and the rented properties with more than 120 workplaces, a new head was appointed to the Facility Management department. In total, nine people, including the cleaning team, work in Facility Management.

Outsourcing

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

Risk management

Banking for us means managing risks. A key part of our business model is entering into a calculable and well-monitored risk. We do this by paying attention to risk diversification and an adequate and sustainable risk premium. 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 19.8% 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 7.8% as of 31 December 2017. As a result, Bank Frick's risk-bearing capacity can be rated as very good.

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

Financial risks

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

Credit risks

Client receivables totalled around CHF 398 million as of the balance sheet date. This includes loans of around CHF 192 million (48.2%) collateralised as Lombard loans with securities, precious metals and cash balances. Approximately CHF 104 million (26.1%) are receivables collateralised with mortgages. The remaining receivables, in turn, largely reflect working capital financing, which is secured by the assignment of receivables.

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

The credit portfolio as a whole is already distributed across many different clients, credits and collateral. The

broad diversification also reflects our risk-conscious lending policy. Loans are always granted on the basis of national and international regulations and internal credit instructions. In order to adequately account for credit risks, provisions are also set up on a regular basis.

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

Market risks

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

Trading and banking book

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

Share price risk

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

Interest rate risk

In relation to refinancing, high priority is given to ensure matching maturities

within the credit portfolio. As a result, the interest rate risk can be kept correspondingly low. Periodic stress tests (parallel shift of the yield curve by +100 basis points, etc.) are carried out to determine the interest rate risk.

Exchange rate risk

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

Bank Frick uses the standard approach in accordance with Article 325 et seqq. CRR to calculate equity capital requirements for market risks.

Liquidity risk

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

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

The liquidity coverage ratio (LCR) amounted to 322.2% as of 31 December 2017, 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 regulatory 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 risks result from the inability to recognise risks and manage them appropriately. Reputational risks are significantly reduced by the efficient design and implementation of risk management processes.

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.

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.

Corporate governance

Management principles of the Management Board

Three members of the Management Board are responsible for operations at Bank Frick: Edi Wögerer (CEO), Hubert Büchel (CCO) and Melanie Gstöhl (CFO). 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.



Melanie Orban

Assistant in the Private Clients and
External Asset Managers department

Employee of Bank Frick since 2017

Photographed at the Rhine in Ruggell, Liechtenstein

When I am inline skating, I feel free. In the summer, I have to get out on my skates once a week. I usually skate with friends along the Rhine dam that separates Switzerland and Liechtenstein. We stop for a break in a small bar where we grab a bite to eat and a drink. We then head back at a leisurely pace. Every now and again, I play tennis with colleagues during our lunch break. There are a lot of sporty individuals at Bank Frick and to mark the 20th anniversary of the Bank this year we fittingly received trainers. Many of us do fitness training on a regular basis and the annual company football tournament in Liechtenstein is also a fixed component of the Bank's programme – including for me. I played for a women's football team for 15 years and am always in attendance at such events as our midfield general. During the winter, I switch between skiing and snowboarding and usually head to the Montafon valley in Austria. The ski resort is around 40 minutes away from my home in the Swiss village of Sennwald. Ruggell, Liechtenstein's most northerly municipality, is located across from Sennwald. A friend of mine lives there and we often head out for walks with the dogs of my sister and parents. I feel very comfortable at Bank Frick. I have a lot of responsibility and also a great deal of freedom. And thanks to our international clientele, I can also regularly put my English skills to use. A good mix that is right for me.





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), Four Quarters Development (27.17% share), Rogmel SA (13.33% share), Priller Immo AG (11.76% share) and 21.finance AG (25.93% 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 31.12.2018

in CHF	Financial year	Previous year	in CHF	Financial year	Previous year
EUR	1.1266	1.1703	JPY	0.8944	0.8652
USD	0.9839	0.9747	CAD	0.7225	0.7773
GBP	1.2542	1.3175	ZAR	0.0685	0.0788

Overview of collateral

in CHF 1,000	Type of collateral			
	Mortgage-backed	Other	Without	Total
Lending				
Due from clients (excluding mortgage claims)	17,795	173,989	102,683	294,466
Total Lending	17,795	173,989	102,683	294,466
Mortgage claims				
Residential properties	81,938	1,658	8,261	91,857
Office and commercial buildings	–	–	–	–
Trade and industry	8,544	–	–	8,544
Other	3,571	–	5	3,576
Total Mortgage claims financial year	94,053	1,658	8,266	103,977
Total lending for the financial year	111,847	175,647	110,949	398,443
Previous year	122,849	275,717	74,898	473,464
Off-balance sheet				
Contingent liabilities	–	10,674	–	10,674
Irrevocable commitments	–	–	–	–
Call and additional funding obligations	–	–	–	–
Obligation-establishing loans	–	–	–	–
Total off-balance sheet financial year	–	10,674	–	10,674
Previous year	–	5,485	–	5,485
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	6,569	–	–	6,569
Previous year	2,644	–	–	2,644

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 *	80,456	85,053	90,608	92,501	86,576	88,105
→ of which equity instruments of at least 10% of the capital or voting rights	-	-	-	-	-	-
Precious metals	-	-	-	-	-	-
Total	80,456	85,053	90,608	92,501	86,576	88,105
Lent securities and precious metals from the current assets (excl. trading stock, claims against banks or clients)	-	-	-	-	-	-

* Fund units, of which CHF 10,054,000 (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"	44,905	36,885	45,826	36,846	45,040	37,047
→ of which own bonds and medium-term notes	-	-	-	-	-	-
→ of which valued using the "accrual method"	44,905	36,885	45,826	36,846	45,040	37,047
→ of which valued according to lowest value	-	-	-	-	-	-
Fund unit certificates	-	-	-	-	-	-
Participation securities	-	493	1,201	501	-	493
→ of which qualified participations with at least 10% of the capital or voting rights	-	493	1,201	501	-	493
Precious metals	-	-	-	-	-	-
Total	44,905	37,378	47,027	37,348	45,040	37,539
→ of which securities eligible for discount with the central bank	26,213	3,511	27,144	3,463	26,365	3,664

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	543	50	493	700	-	-	-	1,193	0
Total securities and precious metal portfolios held as non-current assets	36,885	-	36,885	23,647	15,627	-	-	-	44,905
Other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Real estate									
→ Bank building	2,617	2,941	9,676	-	-	-	-	315	9,361
→ Other real estate	-	-	-	-	-	-	-	-	-
Other property, plant and equipment	3,743	2,561	1,181	373	100	-	-	414	1,040
Total property, plant and equipment	16,360	5,502	10,857	373	100	-	-	730	10,401
Fire insurance value of property, plant and equipment (buildings) for the reporting period and the previous year									14,674
Fire insurance value of other property, plant and equipment for the reporting period									2,500
Fire insurance value of other property, plant and equipment for the previous year									2,500

Depreciation took place on the basis of operating results

Participations and shares in affiliated companies

in CHF 1,000	Equity capital		Holding	
	Financial year	Previous year	Financial year	Previous year
BF RECEIPTS Limited *, London				
Share capital (in GBP)	–	–	100%	100%
Annual profit / loss ** (in GBP)	–	–		
MZ-Holding AG *, Balzers				
Share capital (in CHF)	50	50	100%	100%
Annual profit / loss ** (in CHF)	–	–		
REAL PRO INV. LTD *, Malta				
Share capital (in EUR)	2	2	100%	100%
Annual profit / loss ** (in EUR)	–	–		
MINAL SA *, Paradiso (CH)				
Share capital (in CHF)	–	200	0%	30%
Annual profit / loss ** (in CHF)	–	–		
STEAMBOAT SA *, Paradiso (CH)				
Share capital (in CHF)	100	100	15%	15%
Annual profit / loss ** (in CHF)	–	–		
ROGMEL SA *, Paradiso (CH)				
Share capital (in CHF)	200	200	13,33%	13,33%
Annual profit / loss ** (in CHF)	–	–		
PRILLER IMMO AG *, München				
Share capital (in EUR)	255	255	11,76%	11,76%
Annual profit / loss ** (in EUR)	–	–		
Four Quarters Development *, London				
Share capital (in GBP)	18	18	27,17%	27,17%
Annual profit / loss ** (in GBP)	–	–		
21.finance AG *, Ruggell				
Share capital (in GBP)	616	–	25,93%	0%
Annual profit / loss ** (in GBP)	–	–		

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

* Not including market value.

** The 2018 financial statements had not yet become available at the time of the compilation of the table.

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

in CHF 1,000	Financial year	Previous year
Premium	36	178

in CHF 1,000	Financial year	Previous year
Discount	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	22,165	–	18,296	–
Total	22,165	–	18,296	–

* Nominal values



Lucia Kalberer

Assistant to the Chief Client Officer

Employee of Bank Frick since 2007

Photographed at Chapfensee, Mels, Switzerland

Snowshoe trekking became a hobby of mine only a few years ago. If there is enough snow, I begin right at the front door to the house. I live in the Swiss municipality of Mels, which is approximately 10 minutes by car from Bank Frick in Balzers. I enjoy walking in snowshoes beside the Chapfensee – a small dammed lake in the mountains located not far from my home. This reconnects me with lovely memories as relatives of mine have a little mountain hut there and I was often there during the summer holidays as a child. Only later was it so apparent to me just how beautiful the Chapfensee is – not only in good weather but also bad. When there is fog, it is mystical and when it snows, the lake is idyllic. The subdued quiet of the snowy winter landscape never ceases to fascinate me. Even though the winter pathways are mostly clear and easily accessible, often there is no one else around. I also enjoy hiking during the warm seasons of the year – and since last summer I jog on a regular basis. The progress is significant and motivates me. My area of responsibility as Assistant to our CCO Hubert Büchel is multifaceted and so diversified that it seems to me I have changed jobs a few times in recent years.





Total company equity

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

Major shareholders and groups of shareholders with voting rights

in CHF 1,000	Financial year		Previous year	
	Nominal	Holding in %	Nominal	Holding in %
With voting rights				
Kuno Frick Familienstiftung, Balzers	13,000	65	14,000	70
Net1 UEPS Technology, Johannesburg	7,000	35	6,000	30
Total	20,000	100	20,000	100
Without voting rights				
Participation certificate capital	5,000	100	5,000	100
Total	5,000	100	5,000	100

Profit distribution

in CHF 1,000	Financial year	Previous year
Profit for the year	4,200	6,278
Profit carried forward	–	5
Total	4,200	6,282
Profit distribution		
Allocation to the statutory reserves	–	–
Allocation to the free reserves	4,200	32
Dividend on company capital	–	6,250
Profit carried forward	–	–

Equity capital statement

in CHF 1,000

2018

Equity capital at the start of the financial year

Subscribed capital	25,000
Subtotal paid-up subscribed capital	25,000
Capital reserves	1,000
Statutory reserves	6,000
Reserves in accordance with the articles of association	–
Other reserves	36,612
Provisions for general banking risks	16,400
Accumulated profit for the year	6,282
Total equity at the start of the financial year (before appropriation of net income)	91,294
+ Capital increase	–
+ Premium	–
+ Allocation to provisions for general banking risks	–
- Dividends and other distributions from the net annual profit for the previous year	-6,250
- Interim dividend	–
+ Annual profit for the financial year	4,200
Total equity at the end of the financial year (before appropriation of net income)	89,244
→ of which subscribed capital	25,000
→ of which subtotal paid-up subscribed capital	25,000
→ of which capital reserves	1,000
→ of which statutory reserves	6,000
→ of which reserves in accordance with the articles of association	–
→ of which other reserves	36,644
→ of which provisions for general banking risks	16,400
→ of which accumulated profit for the year	4,200

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	97,715	–	–	–	–	–	–	97,715
Due from banks	104,137	28,001	197,009	45,201	–	–	–	374,348
Due from clients	98,270	–	280,720	13,056	5,770	627	–	398,443
→ of which mortgage-backed claims	28	–	97,552	–	5,770	627	–	103,977
Securities and precious metals held as current assets (excl. trading positions)	125,360	–	–	–	–	–	–	125,360
Securities and precious metals held as non-current assets	–	–	–	–	–	–	–	–
Other assets	55,231	–	–	–	7	92	10,401	65,730
Total assets financial year	480,713	28,001	477,729	58,257	5,776	719	10,401	1,061,597
Previous year	658,583	12,756	619,429	55,029	2,079	2,227	9,676	1,359,779
Liabilities								
Due to banks	15,937	–	–	–	–	–	–	15,937
Due to clients								
a) Savings deposits	–	–	–	–	–	–	–	–
b) Other liabilities	653,103	35,541	62,513	18,420	–	–	–	769,577
Certificated liabilities								
a) Issued bonds	5,100	–	–	–	5,000	6,760	–	16,860
→ of which medium-term notes	5,100	–	–	–	5,000	6,760	–	16,860
b) Other certificated liabilities	34,344	–	–	17,463	42,782	–	–	94,589
Provisions	1,229	–	–	–	–	–	–	1,229
Other liabilities	74,161	–	–	–	–	–	–	74,161
Total liabilities financial year	783,874	35,541	62,513	35,883	47,782	6,760	–	972,353
Previous year	889,790	19,530	274,072	33,560	44,511	7,022	–	1,268,485

Selected balance sheet items due in the 2019 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	–	5,100

Breakdown of assets and liabilities by location

in CHF 1,000	Financial year		Previous year	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	94,997	2,718	113,553	5,315
Due from banks	316,809	57,539	421,323	192,397
→ of which repayable upon demand	97,582	6,555	181,657	70,952
→ of which other receivables	219,227	50,984	239,666	121,445
Due from clients	139,552	258,892	202,108	271,356
→ of which mortgage-backed claims	54,903	49,074	63,665	48,138
Bonds and other fixed-interest securities	–	44,905	–	36,885
→ of which bonds issued by public bodies	–	27,200	–	3,516
→ of which bonds issued by other borrowers	–	17,705	–	33,369
Shares and other non-fixed-interest securities	47,301	33,154	45,219	39,834
Participations	–	–	493	–
Shares in affiliated companies	–	–	–	–
Intangibles	–	–	–	–
Property, plant and equipment	10,401	–	10,857	–
Other assets	48,747	257	12,295	1,431
Accrued expenses and deferred income	1,624	4,701	2,714	3,998
Total assets	659,431	402,166	808,562	551,217
Switzerland is considered domestic pursuant to Article 24e(1) of the Liechtenstein Banking Ordinance (Bankenverordnung – BankV).				
Liabilities				
Due to banks	11,275	4,662	1,889	3,676
→ of which repayable on demand	11,275	4,662	1,889	3,676
→ with agreed terms or notice period	–	–	–	–
Due to clients	286,811	482,766	432,670	700,772
→ of which savings deposits	–	–	–	–
→ of which other liabilities repayable on demand	250,532	402,570	402,418	424,106
→ of which other liabilities with agreed terms or notice periods	36,278	80,196	30,252	276,668
Certificated liabilities	111,449	–	100,935	–
→ of which medium-term notes	16,860	–	17,122	–
→ of which other certificated liabilities	94,589	–	83,813	–
Other liabilities	69,153	347	23,534	151
Accrued expenses and deferred income	4,565	96	2,881	160
Provisions	1,229	–	1,816	–
→ of which tax provisions	1,229	–	1,816	–
→ of which other provisions	–	–	–	–

Provisions for general banking risks	16,400	–	16,400	–
Subscribed capital	25,000	–	25,000	–
Capital reserves	1,000	–	1,000	–
Retained profit	42,644	–	42,612	–
→ of which statutory reserves	6,000	–	6,000	–
→ of which other reserves	36,644	–	36,612	–
Profit carried forward	1	–	5	–
Profit	4,200	–	6,278	–
Total liabilities	573,726	487,871	655,020	704,759

Assets and liabilities by country

in CHF 1,000	Financial year		Previous year	
	Nominal	in %	Nominal	in %
Assets				
Switzerland	405,231	38.17	538,827	39.62
Europe	276,561	26.05	423,689	31.15
Liechtenstein	254,201	23.95	269,735	19.83
Oceania	70,665	6.66	69,289	5.09
Caribbean	46,037	4.34	52,014	3.82
North America	5,838	0.55	2,600	0.19
Africa	3,020	0.28	3,565	0.26
Asia	43	0.00	41	0.00
Latin America	0	0.00	19	0.00
Total	1,061,597	100.00	1,359,779	100.00
Liabilities				
Liechtenstein	477,233	44.95	584,450	42.98
Europe	327,198	30.82	554,227	40.75
Switzerland	96,493	9.09	70,614	5.19
Caribbean	90,945	8.57	115,340	8.48
Asia	44,796	4.22	14,147	1.04
Oceania	10,331	0.97	15,108	1.11
North America	9,175	0.86	507	0.03
Latin America	4,202	0.40	1,950	0.14
Africa	1,224	0.12	3,434	0.25
Total	1,061,597	100.00	1,359,779	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	10,405	39,992
Liabilities vis-à-vis qualified parties		
Due to banks	–	–
Due to clients	156	89
Liabilities vis-à-vis affiliated companies		
Due to legal entities	413	342
Receivables from loans to directors		
→ Board of Directors	–	–
→ Management Board	1	790

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	776,212	1,030,575
→ of which in EUR	290,504	353,976
→ of which in USD	364,859	524,202
→ of which in CAD	9,700	9,894
→ of which in JPY	473	10,237
→ of which in GBP	87,717	109,865
Debts	765,784	1,024,664
→ of which in EUR	286,651	353,509
→ of which in USD	363,047	522,622
→ of which in CAD	9,688	9,887
→ of which in JPY	540	10,237
→ of which in GBP	83,122	105,665

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	49,004	13,727
→ Positive replacement costs of forward foreign exchange transactions	1,300	2,839
→ Settlement account balance replacement costs for forward foreign exchange transactions	–	–
→ Premium on financial investment bonds (accrual method)	36	178
→ Settlement accounts	47,669	10,710
Other liabilities	69,500	23,685
→ Negative replacement costs of forward foreign exchange transactions	1,310	2,684
→ Settlement account balance replacement costs for forward foreign exchange transactions	-10	155
→ Discount on financial investments bonds (accrual method)	-7	–
→ Settlement accounts	68,208	20,846

Structure of client assets

in CHF 1,000	Financial year	Previous year
Type of client assets		
Assets in funds under own management (investment company)	1,074,890	984,992
Assets with management mandate	75,940	70,043
Other client assets	1,507,378	2,754,430
Total client assets (incl. duplication)	2,658,208	3,809,465
→ of which duplication	632,000	666,197
→ Net influx of new funds	-554,634	350,062



Melanie Gstöhl

Chief Financial Officer

Employee of Bank Frick since 2006

Photographed at the Gargellen via ferrata, Austria

I got into climbing many years ago through a course at school. Liechtenstein and the surrounding region offer the perfect conditions for it. In the meantime, I have switched to via ferratas. The benefit here is that you can secure yourself well to wire ropes. They are therefore also not as demanding as classic climbing routes. I am usually joined by my parents who themselves are via ferrata enthusiasts. If the plan is to tackle an easier via ferrata, my partner and son occasionally come along. My four-year-old daughter is still too small for such tours. However, I don't go climbing often as it is a very time-intensive sport. We live in the municipality of Mauren in Liechtenstein. The via ferrata I do most is located in Gargellen in Vorarlberg, which is an hour away from my home. I became a mother at a young age and following the birth of my son I no longer did as much sport as I had in the past. I changed this a year ago. The Bank provided us with a coach as part of a fitness programme which saw us complete two training sessions per week in the group and also provided each of us with an individual running plan. At the end, we in the team completed an energy-sapping obstacle course – I crossed the finishing line totally exhausted but happy. It is unbelievable what you can achieve in a short space of time. I also noticed how much I had been missing regular sport. My next goal: the Bank Frick LieMudRun in autumn 2019 – the first event of its kind in Liechtenstein and the surrounding region.





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	10,674	10,674	–	5,485	5,485	–
Warranties and similar	–	–	–	200	200	–
Irrevocable liabilities	–	–	–	–	–	–
Other contingent liabilities	–	–	–	–	–	–

Open derivative financial instruments

in CHF 1,000	Financial year			Previous year		
	Replacement values		Contract-volume*	Replacement values		Contract-volume*
	positive *	negative *		positive *	negative *	
Forward foreign exchange contracts	1,300	1,310	593,351	2,839	2,684	527,610

* 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	141,024	151,303
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	5,115	3,630
→ of which foreign exchange transactions	4,390	3,262
→ of which cash transactions	725	367
→ of which securities trading	–	–
→ of which precious metal transactions	–	–
Breakdown of staff costs	14,779	10,791
→ of which wages and salaries	11,439	8,851
→ of which remuneration of the members of the Board of Directors	2,002	–
→ of which social insurance contributions and support	1,140	899
→ of which pension expenses	649	475
→ of which other staff costs	1,551	566
Breakdown of operating expenditure	10,100	6,784
→ of which cost of business premises	709	494
→ of which IT expenditure	4,401	2,559
→ of which furniture	124	42
→ of which other equipment	–	–
→ of which other operating expenditure	4,865	3,689

Based on art. 24e, para. 1, clause 6 BankV the return on capital is 0.40%.

in CHF 1,000	Financial year	Previous year
Breakdown of the item "Other income from ordinary activities"	5,767	1,190
→ Income from property	484	468
→ Other income from ordinary activities	5,283	722

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 65) and the annual report (pages 10 to 19) of Bank Frick & Co. AG for the year ended 31 December 2018.

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

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

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

The annual report is consistent with the financial statements.

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

ReviTrust Grant Thornton AG



Egon Hutter
Certified
Public Accountant
(Auditor in charge)



Rainer Marxer
Certified
Public Accountant

Schaan, 22 March, 2019



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