



BANK FRICK

Annual Report 2016

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### Mauro Casellini

Head of the Business Clients and  
Payment Service Providers team

Employee of Bank Frick since 2013

Photographed in the Pizol ski area in  
the canton of St. Gallen, Switzerland

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I was just three years old when I first stood on a pair of skis – my father taught me. But I soon switched to snowboarding. Three years ago, however, I felt the urge to switch back to skis. My first run was down an extremely challenging black slope. I was surprised how quickly I picked it up again after a break of almost 20 years.

I am a very sporty person. Whether in the gym or on my mountain bike, for me, sport is all about pushing myself to the limits to make myself stronger, faster and better. This helps me clear my head, and gives me a great feeling and the energy I need for everyday life. Apart from golf, skiing is the only sport I take a relaxed approach to, preferring to enjoy my surroundings with no pressure, no hurry.

I am just as relaxed at the end of the skiing day when I can enjoy a nice cold beer on a sun lounger.

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## Selected financial ratios 2016

Due from clients  
in CHF m

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441

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2015: 682

Assets under management  
in CHF m

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2540

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2015: 2200

Work force

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68 (57FTE)

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2015: 53 (45FTE)

Net new money  
in CHF m

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-14.5

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2015: -43.5

Profit  
in CHF m

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3.2

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2015: 1.8

Equity  
in CHF m

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85

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2015: 78

Tier 1 capital ratio  
in %

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22.8

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2015: 19.5

Cost Income Ratio  
in %

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59.8

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2015: 60.4

## Company bodies / Organisation chart



**Dr Mario Frick**  
Chairman



**Roland Frick**  
Vice-Chairman



**Kuno Frick Sr**



**Rolf Jermann**



**Mag. Johann Fahrnberger**



**Edi Wögerer**  
CEO



**Hubert Büchel**  
CCO

### Members of the Operational Risk Board (ORB)

Emanuel Bargetze	Erwin Keller
Ivo Beck	Maria Köster
Hubert Büchel	Christoph Lingg
Michael Dolzer	Alexander Marxer
Melanie Gstöhl	Gabriel Tschui
Raphael Haldner	Edi Wögerer

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**General Meeting**

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**External Auditors**  
ReviTrust Grant  
Thornton AG, Schaan

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**Board of Directors**

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**Internal Auditors**  
BDO AG, Zürich

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**Management Board**

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**Legal &  
Compliance**

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**Management Office**

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**Services**

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**UK Branch**

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**Bank Administration &  
Information Technology**

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**Finance, Risk &  
Controlling**

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**Private &  
Institutional Clients**

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# Report of the Board of Directors and the Management Board

## Challenging, successful, exciting

In many respects, the 2016 financial year was a success for Bank Frick, and we were able to exceed the targets we had set ourselves. We adapted the Bank's organisational structure according to the business models defined in the strategy, and our employees consistently revised the range of services offered by Bank Frick as well as its brand identity, bringing these into line with the strategy. With regard to the successful operational implementation of the strategy, we selectively expanded our teams with additional personnel.

### Crossover approach is bearing fruit

Our target client segments are private clients, business clients and fund clients. We generally collaborate with external partners – professional intermediaries. Together with them – as well as internally – we implement our crossover approach, which is already bearing fruit. Crossover means that our employees combine the best features of various disciplines and products. This allows us to create financial added value for our clients as well as additional business for the Bank.

Our roots lie in private banking, which – despite facing challenging market and regulatory conditions – represents one of Bank Frick's strategic pillars. The Private Clients and External Asset Managers team looks after discerning,

wealthy clients, for whom we manage safe custody accounts and develop asset management instruments.

### Raising debt capital for companies

These asset management instruments are excellent examples of Bank Frick's crossover concept. They are developed by our Fund Clients and Issues team. For example, unlisted bonds are developed as possible instruments for collective capital investments. Bank Frick is also a successful custodian bank.

Fund advisory expertise, which was previously provided by an external partner company, is now available in-house.

The business of raising debt capital for companies performed extremely well in 2016. Here, Bank Frick operates as the lead manager and assists clients throughout the entire process, acting as the central point of contact. We either issue the securities ourselves, or support clients with their own issues as the paying agent.

### In great demand: PSP advisory services

The third pillar of Bank Frick's strategy is the Business Clients and Payment Service Providers team. There is great demand for legal and regulatory advice from international payment service providers (PSPs). Within this area, we have also created new products for working capital financing, which have been received extremely well in the market.

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The business for raising debt capital for companies performed extremely well in 2016.

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

In 2016, we concluded the Electronic Banking Internet Communication Standard (EBICS) project. EBICS allows for a standardised form of client–bank communication and is primarily aimed at professional market participants requiring a multi-bank-compatible solution. This includes, for example, asset managers and family offices which have deposited their assets not only at Bank Frick but at other banks as well.

### **Cryptocurrencies, wallets and fintechs**

Together with our in-house specialists in the Business Clients and Payment Service Providers team, we have developed comprehensive fintech know-how in the areas of cryptocurrencies and wallets as part of the rapidly proceeding digitalisation of financial products. This know-how will flow into new digital products and services.

During the year under review, we founded a fintech subsidiary, BFC FinTech AG (now Flin Founders AG), which is headquartered in Ruggell, Liechtenstein. Flin advises, establishes, develops and invests in companies in the areas of fintech and digitalisation. Since the end of 2016, Flin has been an independent partner company of Bank Frick.

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Our fintech know-how will flow into new digital products and services.

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## Real estate rounds out our service offering

Bank Frick's service offering is rounded out by our specialist expertise in the area of real estate. Our issuance experts not only have the option of investing directly in individual projects, but are also able to develop attractive crossover investment instruments in the area of real estate. To further strengthen this area, in 2016, we decided to create a specialist real estate desk, which will be staffed in the second quarter of 2017.

Various one-off costs were incurred in implementing our strategy. In addition, a number of newly introduced products and services had to find acceptance in the market. For these reasons, we expected a modest profit for the year under review.

## One-time extraordinary gains help boost our equity capital

Different factors led to our cautious forecast being proved wrong, fortunately – thanks to our extremely motivated employees, who made up for the one-off costs with their spirited, client-focused attitude and conduct, and not least because our new products and services were received extremely well by the market.

Bank Frick's digital and payment strategy took shape in 2011. It was that year that we became the first (and so far the only) bank in Liechtenstein to be granted

acquiring licences from the leading global credit card providers Visa and MasterCard, which facilitated our entry into the area of alternative payment options. In this context, we acquired shares in Visa Europe, which we sold for a profit to Visa Inc. during the year under review. We immediately transferred the profits from this transaction to Bank Frick's reserves, which is why this "extraordinary gain" was not recognised as such.

## Strategic banking partner of Net1

Another part of Bank Frick's digital strategy was our financial commitment to the payment service provider Masterpayment AG. We sold our stake in Masterpayment to the Nasdaq-listed US company Net 1 UEPS Technologies, Inc. (Net1). As part of this sale, we agreed a close cooperation with Masterpayment, and have since been the strategic banking partner and payment processor of Net1, which has a strong corporate presence in Asia and Africa and is now aiming to break into Europe.

By entering into a wide-ranging partnership with Net1 and Masterpayment, we are implementing our strategic target of collaborating with strong partners. In addition to these partnerships, we work together with established financial intermediaries in the Liechtenstein and Swiss financial centres in order to develop our businesses.

## Allocation of CHF 7 million to provisions for general banking risks

Thanks to the one-off effects from the sale of our Visa shares and the sale of Masterpayment, income from normal business activities was CHF 10 million (previous year: CHF 3.6 million). We allocated CHF 7 million to provisions for general banking risks, substantially increasing our capital base to CHF 85 million (Tier 1: 22.8%). This means that our net income for the year amounted to CHF 3.2 million (+72%).

This increase in our capital base will allow us to expand our lending operations as part of the strategy; here, the focus will be on advancing our working capital financing business. A further option for diversification is real estate financing, which offers us a broader base for additional long-term growth.

## Employees developing our company

The culture of our family-run Bank includes the aspect of friendly cooperation across all hierarchy levels. We also maintain a culture of discussion: our office doors are always open, and our decision-making processes are short and binding.

We are proud of our 68 employees, who use their specialist and social expertise each and every day to help develop our company. Thanks to this relationship of trust, they are as committed as we are to implementing our strategy and in our daily business.

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Bank Frick is one of the most efficient banks operating in the CHF area.

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### Regulatory implementation

We continue to face significant regulatory pressure from the various EU/EEA directives and ordinances that are transferred into Liechtenstein law. Requirements in the areas of due diligence, combating money laundering and the automatic exchange of information result in us having to specially re-evaluate the data we already have. In addition, we have had to adapt various regulatory requirements in the area of risk management. During the year under review, we made changes to our account opening process and further optimised our master data quality management.

### Client assets under management

As at the reporting date, assets under management stood at CHF 2.5 billion (+13.6%). This rise is a result of the increase in value of the assets under management. Net new money outflow totalled CHF 14.5 million in the year under review.

### Sources of revenue and cost-income ratio

Earnings from commission and service operations fell by 24.6%. Net interest income rose by 3.0% compared to the previous year. Profit from financial operations increased by 129.0% compared to the previous year.

We were able to further reduce our cost-income ratio (CIR) during the reporting year to 59.8% (previous year: 60.4%). This is an outstanding performance in view of the one-off costs incurred in relation to the implementation of the strategy, increased costs for implementing regulatory requirements and investments made as part of the expansion strategy. With a CIR of 59.8%, Bank Frick is one of the most efficient banks operating in the CHF area.

### Balance sheet

As at 31 December 2016, the balance sheet total amounted to CHF 1.09 billion (-23.8%). The decrease is largely a result of the change in liabilities due to clients and assets due from clients.

We adopt a conservative approach to lending, which means that we lend against high-quality collateral.

### Events after the balance sheet date

As mentioned above, Net1 and Bank Frick already work closely together as partners. During the year under review, the two companies entered into negotiations regarding Net1 acquiring a stake in Bank Frick. On 24 January 2017, the two companies and the owners of the Bank signed agreements to transfer 30% of Bank Frick's voting rights from the Kuno Frick Family Foundation, which wholly controlled the Bank until then. Net1's acquisition of a stake in Bank Frick must be approved by the Liechtenstein Financial Market Authority. This approval was yet to be granted at the time this Annual Report went to press.

Net1 is a leading provider of alternative payment systems, which utilise the company's own Universal Electronic Payment System (UEPS) or its proprietary mobile technologies. It provides the leading payment systems in South Africa and South Korea. With Transact24, Net1 offers the processing and issuance of debit, credit and prepaid cards for Visa, MasterCard and China UnionPay in other countries of the Asia-Pacific region as well as in Europe, Africa and the US. Net1 already offers payment processing services via Masterpayment, allowing for working capital financing in Europe.

In developing and distributing products and services in the areas of card issuance, acquiring, working capital financing and financial transfers, Net1 is aiming to leverage a strategic partnership with a bank holding a universal banking licence, which is why it is acquiring the stake in Bank Frick. The agreements contain an option extending for two years after the completion of the investment to acquire a further 35% of the shares in Bank Frick. Irrespective of the majority position at Bank Frick, a representative of the Kuno Frick Family Foundation will act as the Chairman of the Board of Directors until 2023.

We consider Net1's stake to be the logical consequence of our digital strategy and of the extensive partnership we already have with Net1. With Net1 as a strong strategic partner, we are able to push ahead and monetise our fintech plans and projects.

## Outlook for 2017

After two intense years of investments and restructuring, we are well positioned to face the challenges posed by the rapidly changing financial industry.

The strategic partnership agreed with Net1 and their partner companies has already borne fruits during the year under review. In 2017, we expect to see significant growth in our working capital financing business, which will have a positive impact on our results.

We made further investments in the area of acquiring during the reporting year, which we expect to deliver solid profits. This includes systems we were able to use to automate processes and monitoring activities. In addition, we automated the interfaces between Bank Frick and its partners, which has made processes more efficient.

Various real estate projects that we expect to conclude in 2017 will also make a positive contribution to our results. As mentioned above, we are expanding this area with our real estate desk, which will enter into operation in 2017.

We do not view the various regulatory challenges and changes we face merely as additional burdens and costs. For our Bank – with its efficient, binding decision-making structures – the changing regulatory environment also offers various business opportunities.

In the referendum held in the UK on whether to remain in the EU, the result came out narrowly in favour of leaving the Union, which we view as a regrettable outcome. At present, there is no indication of how the negotiations between the EU and the UK will end, which is giving rise to great uncertainty.

Here, we see great potential to use this uncertainty to generate new business for our London office. Firstly, in these uncertain times, the British are looking for safe investment options outside the GBP area; secondly, Bank Frick can offer various British market participants access to the European market from Liechtenstein, a member of the EEA.

Our broad-based strategy has proved to be the right choice in recent years. In 2017, we will continue on this path with the necessary flexibility and a healthy level of self-confidence, so that, together with our employees, we can achieve the targets we have set ourselves for 2017.



Dr Mario Frick

Edi Wögerer





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### **Géraldine Gantenbein**

Assistant in the Private Clients and External Asset Managers team

Employee of Bank Frick since 2015

Photographed near Domat/Ems in the canton of Graubünden, Switzerland

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Breathing the cool air and feeling refreshed through my entire body – that’s what motivates me to go jogging. Admittedly, I haven’t always seen it that way. I only got a taste for it a little more than a year ago, after separating from my partner. At the time, I needed to get away from the thoughts in my head. At first, my training got off to a slow start. I was often exhausted after just a couple of kilometres. Nowadays, it’s a case of putting on my headphones and getting going! Of course, it’s not always plain sailing. The greatest hurdle is often overcoming my inner laziness. This means that, after work, I can’t take a quick break on the couch, but instead put my running gear on straightaway. It really motivates me knowing that exercise is good for you – no matter how long or far I run. Afterwards, I always have my thoughts in order, and I’ve definitely earned my dinner. I got off to another good start in spring with my new pink running shoes, motivated by the thought of competing in a 5- or 10-kilometre race in autumn.





## Balance sheet

in CHF 1,000	31.12.2016	31.12.2015
<b>Assets</b>		
Liquid assets	77,992	92,229
Due from banks	448,130	534,968
→ of which repayable upon demand	183,207	201,707
→ of which other receivables	264,923	333,261
Due from clients	441,471	681,666
→ of which mortgage-backed claims	88,539	80,014
Bonds and other fixed-interest securities	1,608	3,901
→ of which bonds issued by public bodies	-	500
→ of which bonds issued by other borrowers	1,608	3,401
Shares and other non-fixed-interest securities	86,088	91,566
Participations	607	-
Shares in affiliated companies	-	-
Intangibles	-	-
Property, plant and equipment	10,441	10,890
Other assets	13,662	9,844
Accrued expenses and deferred income	5,365	4,963
<b>Total assets</b>	<b>1,085,365</b>	<b>1,430,027</b>



## Balance sheet

in CHF 1,000	31.12.2016	31.12.2015
<b>Liabilities</b>		
Due to banks	7,965	1,229
→ of which repayable on demand	7,965	1,229
→ with agreed terms or notice period	-	-
Due to clients	844,042	1,196,926
→ of which savings deposits	-	-
→ of which other liabilities repayable on demand	778,595	1,062,839
→ of which other liabilities with agreed terms or notice periods	65,447	134,087
Certificated liabilities	123,578	135,392
→ of which medium-term notes	16,533	16,596
→ of which other certificated liabilities	107,045	118,796
Other liabilities	14,242	11,564
Accrued expenses and deferred income	6,192	4,135
Provisions	1,184	979
→ of which tax provisions	1,184	979
→ of which other provisions	-	-
Provisions for general banking risks	16,400	9,940
Subscribed capital	25,000	25,000
Capital reserves	1,000	1,000
Retained profit	42,612	42,060
→ of which statutory reserves	6,000	6,000
→ of which other reserves	36,612	36,060
Profit carried forward	0	0
Profit	3,150	1,802
<b>Total liabilities</b>	<b>1,085,365</b>	<b>1,430,027</b>

## Income statement for the year from 1.1. to 31.12.2016

in CHF 1,000	31.12.2016	31.12.2015
<b>Items</b>		
Interest earned	15,413	19,071
→ of which income from fixed-interest securities	54	80
Interest paid	-4,503	-8,482
Current income from securities	8	-
→ of which shares and other non-fixed-interest securities	8	-
Income from commission and service transactions	16,437	21,044
→ of which commission income on loan transactions	1,137	428
→ of which commission income from securities and investment transactions	8,078	7,188
→ of which commission on other service activities	7,222	13,428
Commission payable	-8,967	-11,133
Profit on financial operations	2,957	1,291
→ of which from commercial activities	2,989	2,373
Other ordinary income	11,693	383
General administrative expenses	-18,064	-13,156
→ of which staff costs	-9,315	-7,492
→ of which operating expenditure	-8,749	-5,664
Depreciation on intangible assets as well as on property, plant and equipment	-494	-532
Other ordinary expenditure	-2,799	-1,343
Valuation allowances on claims and transfers to reserves for contingencies and credit risks	-1,728	-3,510
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	-	-50
Income from write-ups of shareholdings, shares in affiliated companies and securities treated as non-current assets	125	-
<b>Income from normal business activities</b>	<b>10,078</b>	<b>3,583</b>
Extraordinary income	-	-
Extraordinary expenditure	-	-
Income tax	-468	-341
Other taxes	-	-
Allocations to provisions for general banking risks	-6,460	-1,440
<b>Profit for the year from 1.1. to 31.12.2016</b>	<b>3,150</b>	<b>1,802</b>

## Off-balance sheet items

in CHF 1,000	Financial year	Previous year
<b>Off-balance sheet items</b>		
<b>Contingent liabilities</b>		
Liabilities from guarantees and warranty contracts as well as liability from provision of collateral	19,446	15,684
<b>Total contingent liabilities</b>	<b>19,446</b>	<b>15,684</b>
<b>Derivative financial instruments</b>		
Contract volumes	492,503	400,720
Positive replacement values	6,593	3,030
Negative replacement values	6,394	2,791
<b>Fiduciary transactions</b>		
Fiduciary transactions	138,115	170,994
Fiduciary loans	-	-
<b>Total fiduciary transactions</b>	<b>138,115</b>	<b>170,994</b>

## Profit distribution

in CHF 1,000	Financial year	Previous year
Profit for the year	3,150	1,802
Profit carried forward	0	0
<b>Total</b>	<b>3,150</b>	<b>1,802</b>
<b>Profit distribution</b>		
Allocation to the statutory reserves	-	-
Allocation to the free reserves	-	552
Dividend on company capital	3,145	1,250
<b>Profit carried forward</b>	<b>5</b>	<b>0</b>

## Cash flow statement

in CHF 1,000	Financial year		Previous year	
	Origin of funds	Appropriation of funds	Origin of funds	Appropriation of funds
<b>Flow of funds from operating result (internal financing)</b>				
Annual profit	3,150	-	1,802	-
Depreciation on securities as current assets	-	-	1,547	-
Depreciation on securities as non-current assets	129	-	335	-
Write-off and write-ups on participations	-	125	50	-
Depreciation on intangible assets and property, plant and equipment	494	-	532	-
Valuation allowances and provisions	1,344	-	3,077	-
Tax provisions	205	-	104	-
Provisions for general banking risks	6,460	-	1,440	-
Accrued income and prepaid expenses	-	402	-	2,435
Accrued expenses and deferred income	2,057	-	-	321
Distribution of dividends previous year	-	1,250	-	1,250
Distribution of interim dividend	-	-	-	1,000
<b>Balance</b>	<b>12,062</b>	<b>-</b>	<b>3,880</b>	<b>-</b>
<b>Flow of funds from equity transactions</b>				
Capital increase	-	-	-	-
Premium on capital increase	-	-	-	-
<b>Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Flow of funds from investment transactions</b>				
Shares in affiliated companies	-	-	1,000	-
Participations	150	631	-	-
Real estate	-	-	-	1,713
Other property, plant and equipment	-	45	-	418
Intangible assets	-	-	-	-
Securities and precious metals as non-current assets	2,163	-	1,341	-
<b>Balance</b>	<b>1,637</b>	<b>-</b>	<b>210</b>	<b>-</b>

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	-	-	-	721
Other certificated liabilities	-	4,571	-	35,634
Due from clients	-	2,939	1,771	-
Mortgage claims	-	5,170	350	-

#### Short-term business

Due to banks	6,736	-	1,229	-
Due to clients (other liabilities)	-	352,885	-	180,978
Medium-term notes	-	63	-	-
Other certificated liabilities	-	7,180	40,730	-
Other liabilities	2,678	-	1,190	-
Due from banks	86,838	-	-	137,872
Due from clients	246,961	-	315,518	-
Shares and other non-fixed-interest securities	5,477	-	7,715	-
Other assets	-	3,818	-	433
<b>Balance</b>	<b>-</b>	<b>27,936</b>	<b>12,865</b>	<b>-</b>

#### Liquidity

Liquid assets	14,237	-	-	16,955
<b>Balance</b>	<b>14,237</b>	<b>-</b>	<b>-</b>	<b>16,955</b>





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**Elisabeth Hasler**

Officer in the Master Data department

Employee of Bank Frick since 1998

Photographed above Malbun,  
Liechtenstein

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When I am on my bike, I'm happy. I can let my imagination run free, enjoy the natural surroundings and switch off from the world. And at the same time, I know I'm getting a healthy amount of exercise. I like to choose routes through Liechtenstein's mountains or to Alpine huts in Vorarlberg in Austria. For longer tours, my day begins early at 5 a.m. together with my husband and friends. On days like these, it's not just the sunrise that puts a smile on my face. It is the atmosphere that is fulfilling and that re-energises me for my day-to-day office work. I tend to have less of a smile on my face when a thunderstorm is rolling in or when a cow crosses our path. I have so much respect for these animals that, on occasions, I have put my bike down and made a run for it – much to the displeasure of my husband: he's the one who has to carry my bike along. Something that all tours need is a visit to a cosy hut – as well as a tasty plate of spaghetti bolognese and a nice glass of red wine. I really look forward to enjoying my hobby in two years' time when I retire. Until then, I will be dreaming of the bike tour I'm planning through Germany.







# Notes on business activities and workforce

## Depository functions and fund services

The Bank acts as a custodian bank for a large number of investment companies (investment funds).

## Proprietary trading

Securities and foreign exchange trading is solely undertaken in relation to private clients. As a result, we do not generally engage in securities transactions for our own account.

## Lending business

During the year under review, we expanded our lending business by stepping up our working capital financing business. Here, we are working closely together with our strategic partner Masterpayment.

In principle, loans are extended against collateral. They are provided in conjunction with standard financial and financing transactions.

During 2016, we were able to significantly increase our equity capital, which will allow us to further expand our financing offering for business clients with due care.

## Real estate

Real estate development is another pillar we are strategically expanding. The main target markets are Liechtenstein, Switzerland, Germany, Austria and the UK.

## Main source of income

The main source of income, contributing 51% of operating income, is interest-related activities. This is followed by commission and service transactions (35%) and profit from trading transactions (14%).



## Human Resources

At the end of the 2016 financial year, Bank Frick employed 68 persons (previous year: 53). On a full-time equivalent basis, the Bank had a workforce of 57.2 persons (previous year: 44.9) in 2016.

Employees were recruited to help meet the new regulatory requirements. To implement its growth strategy, the Bank has employed additional specialists in the Private Clients and External Asset Managers team and in the Business Clients and Payment Service Providers team.

## Outsourcing

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

## Main source of income

51.0%  
Interest

35.0%  
Commission and service

14.0%  
Trading

# Risk management / Corporate governance

**Credit and market risks are subject to limits. Compliance with these limits is continuously monitored. The objective is to minimise the Bank's overall risk exposure. In addition, trading or derivative activities are only performed on the Bank's own account in exceptional cases and, if at all, only on a very small scale. The Bank's Tier 1 ratio is 22.8%.**

## Default and country risks

Loans are preferably extended to clients in the context of securities trading, asset management and mortgage lending, as well as working capital financing. Furthermore, in-house refinancing instruments (e.g. deposit certificates or medium-term bonds) can be used to secure loans. The risk resulting from these positions can be assessed as minor. Europe accounts for the majority of liabilities.

## Trading and derivative activities

Trading and derivative activities are conducted with first-class counterparties. Transactions are only performed for the Bank's own account in exceptional cases and, if at all, only on a very small scale.

## Interest rate risk

In general terms, the interest rate risk can be characterised as being very low. In relation to refinancing, high priority is given to ensure matching maturities within the lending portfolio.

## Other market risks

The Bank holds only a very small quantity of foreign exchange positions. These are used mainly to cover the daily foreign exchange requirements of our clients.

## Liquidity risks

Liquidity risks are monitored and controlled in accordance with statutory banking requirements.

## Corporate governance

### Principles of corporate governance

Two members of the Management Board are responsible for operations at Bank Frick: Edi Wögerer and Hubert Büchel. 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 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 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. In addition, certain business is assigned to the Board of Directors. This is determined by the applicable laws or the Bank's business regulations.

## Members of the Board of Directors of Bank Frick

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. The other members of the Board of Directors are Mag. Johann Fahrnberger, an insurance expert, and Kuno Frick Sr, an expert with a Swiss banking diploma.

The number of other mandates held by members of the Board of Directors is set such that their main duties at the Bank 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 using corresponding documentation with the applicable 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 brings together sufficient knowledge of accounting, financial controlling, lending and law to allow for adequate ongoing monitoring without intervening in ongoing business.

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 to employees. Variable remuneration components are contingent on Bank Frick's overall performance as well as on individual performance. The Management Board notifies the Chairman and Vice-Chairman of the Board of Directors in advance of the reasons for allocating any special payments.

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 company's future, increasing the Bank's 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.



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**Roman Gadiet**

IT Systems Engineer and  
Systems Administrator

Employee of Bank Frick since 2012

Photographed on the Montalin peak  
near Chur in the canton of  
Graubünden, Switzerland

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I grew up near Chur in the canton of Graubünden, so I always had the mountains on my doorstep, as they say. Even as a small boy, my father took me on tours with him. When hiking, I can relax and enjoy the sporting challenge – and of course the views, such as those, at 3,300 metres up, from Piz Julier in the Engadin, or from Piz Beverin, another three-thousander in Graubünden. I could list many more peaks. In short: each peak and each tour is unique. I am particularly fascinated by free-standing peaks, which is why my to-do list for 2017 includes Piz Tambo on the Swiss-Italian border and Piz Kesch near Zuoz in the Engadin. Two or three years ago, I began to combine hiking with cycling. I start out on my mountain bike and cycle up to below the summit. There, I swap my cycling shoes for hiking boots and climb the mountain on foot. My children and wife don't think these tours are that cool, though. Family excursions are more restricted to easier terrain or to winter, when we all go skiing together.







# 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 from banks and clients, mortgage claims and liabilities

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

### Securities held as current assets

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

### Securities held as non-current assets

In the case of fixed-interest securities which are to be held to maturity, the accrual method is used for valuation. In this connection, the premium or discount is accrued or deferred over the term to maturity. Interest-related realised profits or losses arising from premature sale or redemption are deferred using the accrual method over the residual term to

maturity, i.e. until the original maturity date. Interest income is shown under the "interest earned" item. Securities without fixed interest are valued according to the lower of cost or market principle. Dividend income is included under the "current income from securities" item. Debt securities are essentially included under the "securities held as non-current assets" item.

### Shares in affiliated companies and participations

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

### Property, plant and equipment

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

### Accruals and deferrals

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

### Valuation allowances and provisions

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

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

### Precious metal accounts

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

### Contingent liabilities

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

### Derivative financial instruments

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

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

### Remarks on the Annual Report notes

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

## Information about the balance sheet

### Selected foreign exchange rates (mean balance sheet rates) as at 31.12.2016

in CHF	Financial year	Previous year	in CHF	Financial year	Previous year
EUR	1.0722	1.0827	JPY	0.8697	0.8243
USD	1.0159	0.9923	CAD	0.7567	0.7145
GBP	1.2534	1.4701	ZAR	0.0743	0.0635

### Overview of collateral

in CHF 1,000	Type of collateral			
	Mortgage-backed	Other	Without	Total
<b>Lending</b>				
Due from clients (excluding mortgage claims)	25,575	275,414	51,988	352,977
<b>Mortgage claims</b>				
Residential properties	73,530	341	561	74,432
Office and commercial buildings	2,343	16	–	2,359
Trade and industry	540	–	–	540
Other	1,505	2,860	6,797	11,162
<b>Total lending for the financial year</b>	<b>103,493</b>	<b>278,631</b>	<b>59,346</b>	<b>441,470</b>
Previous year	108,957	528,854	43,856	681,666
<b>Off-balance sheet</b>				
Contingent liabilities	–	19,446	–	19,446
Irrevocable commitments	–	–	–	–
Call and additional funding obligations	–	–	–	–
Obligation-establishing loans	–	–	–	–
<b>Total off-balance sheet financial year</b>	<b>–</b>	<b>19,446</b>	<b>–</b>	<b>19,446</b>
Previous year	–	15,684	–	15,684

in CHF 1,000	Gross debt	Estimated amount realised from the sale of securities	Net debt rescheduling	Individual bad debt charges
<b>Vulnerable debts</b>				
<b>Financial year</b>	<b>2,521</b>	<b>–</b>	<b>–</b>	<b>2,521</b>
Previous year	1,777	–	–	1,777

## 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*	86,088	91,566	92,028	98,576	87,026	91,954
→ of which equity instruments of at least 10 % of the capital or voting rights	-	-	-	-	-	-
Precious metals	-	-	-	-	-	-
<b>Total</b>	<b>86,088</b>	<b>91,566</b>	<b>92,028</b>	<b>98,576</b>	<b>87,026</b>	<b>91,954</b>
Lent securities and precious metals from the current assets (excl. trading stock, claims against banks or clients)	-	-	-	-	-	-

\* Fund units, of which CHF 8,157,000 (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"	1,608	3,900	1,779	4,253	1,613	3,968
→ of which own bonds and medium-term notes	-	-	-	-	-	-
→ of which valued using the "accrual method"	1,608	3,900	1,779	4,253	1,613	3,968
→ of which valued according to lowest value	-	-	-	-	-	-
Fund unit certificates	-	-	-	-	-	-
Participation securities	607	-	657	175	607	-
→ of which qualified participations with at least 10% of the capital or voting rights	607	-	657	175	607	-
Precious metals	-	-	-	-	-	-
<b>Total</b>	<b>2,215</b>	<b>3,900</b>	<b>2,436</b>	<b>4,428</b>	<b>2,220</b>	<b>3,968</b>
→ of which securities eligible for discount with the central bank	-	-	-	-	-	-



## Statement of asset additions and disposals

in CHF 1,000	Cost previous year	Depreciation to date	Carrying amount end of previous year	Financial year					Carrying amount at end of financial year
				Investments	Divestments	Account transfers	Additions	Depreciations	
Total shares in affiliated companies	-	-	-	-	-	-	-	-	-
Participations	175	175	-	632	150	-	125	-	607
Total securities and precious metal portfolios held as non-current assets	4,458	557	3,900	-	2,163	-	-	129	1,608
Other intangible assets	-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate									
→ Bank building	12,617	2,310	10,307	-	-	-	-	315	9,991
→ Other real estate	-	-	-	-	-	-	-	-	-
Other property, plant and equipment	4,090	3,507	583	45	-	-	-	179	450
<b>Total property, plant and equipment</b>	<b>16,707</b>	<b>5,817</b>	<b>10,890</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>494</b>	<b>10,441</b>
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
<b>Top-Gold AG m.v.K*, Balzers</b>				
Share capital	-	500	0%	25%
Annual profit/loss	-	-71		
<b>BF RECEIPTS Limited*, London</b>				
Share capital (in GBP)	-	-	100%	100%
Annual profit/loss** (in GBP)	-	-		
<b>MZ-Holding AG *, Balzers</b>				
Share capital	50	50	100%	100%
Annual profit/loss**	-	-		
<b>REAL PRO INV. LTD *, Malta</b>				
Share capital (in EUR)	2	-	100%	-
Annual profit/loss** (in EUR)	-	-		
<b>FABILOR SA *, Paradiso (CH)</b>				
Share capital	500	-	30%	-
Annual profit/loss**	-	-		
<b>MINAL SA *, Paradiso (CH)</b>				
Share capital	200	-	30%	-
Annual profit/loss**	-	-		
<b>STEAMBOAT SA *, Paradiso (CH)</b>				
Share capital	100	-	15%	-
Annual profit/loss**	-	-		
<b>ROGMEL SA *, Paradiso (CH)</b>				
Share capital	200	-	13.33%	-
Annual profit/loss**	-	-		
<b>PRILLER IMMO AG *, München</b>				
Share capital (in EUR)	255	-	11.76%	-
Annual profit/loss** (in EUR)	-	-		
<b>Four Quarters Development *, London</b>				
Share capital (in GBP)	18	-	27.17%	-
Annual profit/loss** (in GBP)	-	-		

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

\* Not including market value.

\*\* The 2016 financial statements had not yet become available at the time of the compilation of the table.

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

in CHF 1,000	Financial year	Previous year	in CHF 1,000	Financial year	Previous year
Premium	3	57	Discount	-	-

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

in CHF 1,000	Financial year		Previous year	
	Carrying amount	of which claimed	Carrying amount	of which claimed
Securities (financial assets)*	-	-	506	-
Due from banks	29,013	-	29,194	-
<b>Total</b>	<b>29,013</b>	<b>-</b>	<b>29,700</b>	<b>-</b>

\* Nominal values



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**Stephanie Gall**

Assistant in the Fund Clients and Issues team

Employee of Bank Frick since 2013

Photographed in Triesenberg, Liechtenstein

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My tennis career began when I was six. It was the start of a classic hobby career: first I played children's tennis, then among the juniors, and now I play in a cheerful ladies team at Pizol tennis club, not far away from the Bank in Balzers. The thing I like about tennis is the variety. During a game, I run around, use my body strength and have to concentrate closely. And all of this goes on while I'm having to fight against myself in my head sometimes: organising my thoughts after making a mistake, trying not to lose my self-confidence, maintaining my willpower. I often put myself under real pressure. Ultimately, tennis is a team game and I don't want the team to lose because of any errors I might make. For all of us, tennis is a hobby and nobody has a win-at-all-costs attitude. Of course it is nice to win, but it is far more important whether I play well or badly. If I'm happy with my game, I can be a happy loser.







## Valuation allowances and provisions / provisions for general banking risks

in CHF 1,000	Position at end of previous year	Appropriation according to intended purpose	Change of intended use (reposting)	Recoveries, vulnerable interest, currency differences	Reorganisation at expense of income statement	Dissolution in favour of income statement	Position at end of financial year
Valuation allowances for default risks:							
→ Individual bad debt charges	1,777	381	470	-	655	-	2,521
→ Lumped specific bad debt charges	2,450	-	750	-	470	-	3,670
→ Lump-sum valuation allowances	2,700	-	-1,220	-	600	-	2,080
Only valuation allowances permissible under tax regulations	-	-	-	-	-	-	-
Provisions for contingent liabilities and credit risks	-	-	-	-	-	-	-
Provisions for other business risks	-	-	-	-	-	-	-
Provisions for taxes and deferred taxes	979	263	-	-	468	-	1,184
Other provisions	-	-	-	-	-	-	-
<b>Total valuation allowances and provisions</b>	<b>7,906</b>	<b>644</b>	<b>-</b>	<b>-</b>	<b>2,193</b>	<b>-</b>	<b>9,454</b>
Less valuation allowances directly set off against assets	6,927	381	-	-	1,725	-	8,271
<b>Total provisions according to balance sheet</b>	<b>979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,184</b>
<b>Provisions for general banking risks</b>	<b>9,940</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,460</b>	<b>-</b>	<b>16,400</b>

## 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
<b>Total company equity</b>	<b>25,000</b>	<b>2,500</b>	<b>25,000</b>	<b>25,000</b>	<b>2,500</b>	<b>25,000</b>

## Major shareholders and groups of shareholders with voting rights

in CHF 1,000	Financial year		Previous year	
	Nominal	Holding in %	Nominal	Holding in %
<b>With voting rights</b>				
Kuno Frick Familienstiftung, Balzers	20,000	100	20,000	100
<b>Total</b>	<b>20,000</b>	<b>100</b>	<b>20,000</b>	<b>100</b>
<b>Without voting rights</b>				
Participation certificate capital	5,000	100	5,000	100
<b>Total</b>	<b>5,000</b>	<b>100</b>	<b>5,000</b>	<b>100</b>

## Disclosure pursuant to CRR

in CHF 1,000	Financial year	Previous year
A: Own equity capable of being offset	85,012	78,000
B: Equity required	29,430	31,611
→ of which credit risk	25,452	28,083
→ of which market risk	684	464
→ of which operational risk	3,242	2,956
→ of which CVA	51	107
C: Risks See page 26		

## Equity capital statement

in CHF 1,000

2016

### Equity capital at the start of the financial year

Subscribed capital	25,000
<b>Subtotal paid-up subscribed capital</b>	<b>25,000</b>
Capital reserves	1,000
Statutory reserves	6,000
Reserves in accordance with the articles of association	-
Other reserves	36,060
Provisions for general banking risks	9,940
Accumulated profit for the year	1,802
<b>Total equity at the start of the financial year (before appropriation of net income)</b>	<b>79,802</b>
+ Capital increase	-
+ Premium	-
+ Allocation to provisions for general banking risks	6,460
- Dividends and other distributions from the net annual profit for the previous year	-1,250
- Interim dividend	-
+ Annual profit for the financial year	3,150
<b>Total equity at the end of the financial year (before appropriation of net income)</b>	<b>88,162</b>
→ of which subscribed capital	25,000
→ of which subtotal paid-up subscribed capital	25,000
→ of which capital reserves	1,000
→ of which statutory reserves	6,000
→ of which reserves in accordance with the articles of association	-
→ of which other reserves	36,612
→ of which provisions for general banking risks	16,400
→ of which accumulated profit for the year	3,150



## 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		
<b>Assets</b>								
Liquid assets	77,992	-	-	-	-	-	-	77,992
Due from banks	183,207	45,843	97,635	121,445	-	-	-	448,130
Due from clients	73,769	-	298,298	61,006	6,797	1,600	-	441,470
→ of which mortgage-backed claims	37	-	84,777	-	2,079	1,600	-	88,493
Securities and precious metals held as current assets (excl. trading positions)	86,088	-	-	-	-	-	-	86,088
Securities and precious metals held as non-current assets	-	-	1,608	-	-	-	-	1,608
Other assets	20,085	-	-	-	-	-	9,991	30,076
<b>Total assets financial year</b>	<b>441,141</b>	<b>45,843</b>	<b>397,541</b>	<b>182,451</b>	<b>6,797</b>	<b>1,600</b>	<b>9,991</b>	<b>1,085,365</b>
<b>Previous year</b>	<b>455,118</b>	<b>417,018</b>	<b>281,622</b>	<b>257,536</b>	<b>8,426</b>	<b>-</b>	<b>10,307</b>	<b>1,430,027</b>
<b>Liabilities</b>								
Due to banks	7,965	-	-	-	-	-	-	7,965
Due to clients								
a) Savings deposits	-	-	-	-	-	-	-	-
b) Other liabilities	778,595	24,521	27,466	13,460	-	-	-	844,042
Certificated liabilities								
a) Issued bonds	-	-	-	-	5,100	11,433	-	16,533
→ of which medium-term notes	-	-	-	-	5,100	11,433	-	16,533
b) Other certificated liabilities	-	-	-	77,570	29,475	-	-	107,045
Provisions	1,184	-	-	-	-	-	-	1,184
Other liabilities	20,434	-	-	-	-	-	-	20,434
<b>Total liabilities financial year</b>	<b>808,178</b>	<b>24,521</b>	<b>27,466</b>	<b>91,030</b>	<b>34,575</b>	<b>11,433</b>	<b>-</b>	<b>997,203</b>
<b>Previous year</b>	<b>1,080,747</b>	<b>-</b>	<b>81,231</b>	<b>134,998</b>	<b>41,755</b>	<b>11,496</b>	<b>-</b>	<b>1,350,227</b>

### Selected balance sheet items due in the 2017 financial year

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

## Statement of receivables and liabilities vis-à-vis qualified parties and affiliated companies as well as loans extended to related parties and directors

in CHF 1,000	Financial year	Previous year
<b>Receivables from qualified parties</b>		
Due from banks	-	-
Due from clients	466	1,144
<b>Liabilities vis-à-vis qualified parties</b>		
Due to banks	-	-
Due to clients	104	41
<b>Liabilities vis-à-vis affiliated companies</b>		
Due to legal entities	-	-
Receivables from loans to directors		
→ Board of Directors	700	700
→ Management Board	791	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	766,692	1,093,749
→ of which in EUR	217,573	180,256
→ of which in USD	390,378	625,429
→ of which in CAD	10,335	16,383
→ of which in SGD	1	1,015
→ of which in GBP	129,876	256,547
Debts	766,059	1,093,576
→ of which in EUR	216,988	180,267
→ of which in USD	390,173	625,391
→ of which in CAD	10,284	16,380
→ of which in SGD	1	1,014
→ of which in GBP	130,268	256,531

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

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

in CHF 1,000	Financial year	Previous year
Other assets	13,662	9,844
→ Positive replacement costs of forward foreign exchange transactions	6,593	3,030
→ Settlement account balance replacement costs for forward foreign exchange transactions	–	–
→ Premium on financial investment bonds (accrual method)	3	57
→ Settlement accounts	7,065	6,757
Other liabilities	14,243	11,564
→ Negative replacement costs of forward foreign exchange transactions	6,394	2,791
→ Settlement account balance replacement costs for forward foreign exchange transactions	199	239
→ Discount on financial investments bonds (accrual method)	–	–
→ Settlement accounts	7,649	8,534

## Structure of client assets

in CHF 1,000	Financial year	Previous year
<b>Type of client assets</b>		
Assets in funds under own management (investment company)	616,063	588,337
Assets with management mandate	63,580	110,180
Other client assets	1,863,675	1,515,562
<b>Total client assets (incl, duplication)</b>	<b>2,543,318</b>	<b>2,214,079</b>
→ of which duplication	616,063	588,337
→ Net influx of new funds	-14,495	-43,291



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**Mario Frick**

Chairman of the Board of Directors  
of Bank Frick since 2008

Photographed in the Valüna valley,  
Liechtenstein

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Crossing the finishing line after a great many kilometres to spectators' applause, exhausted but happy – that's an indescribable feeling. But first things first: I began cross-country skiing 10 years ago, and even then, it was only a stopgap for football. I had to quit playing football due to knee problems, and it was then that I discovered cross-country skiing together with my brothers. We've since taken part in various competitions: in the Birkebeiner in Norway, the Fossavatnsgangan in Iceland and even the 90-kilometre Vasaloppet in Sweden. This year, we took part in the 50-kilometre Finlandia in Finland. These races are no walk in the park, and after 30 or 40 kilometres things get really tough. It's then a case of grinning and bearing it. Once you've fought through these tough patches, the finish line gets ever closer. And there is also the anticipation of a hearty dinner afterwards – and, of course, a nice glass of wine! For me, cross-country skiing is really an all-round package: the fresh air helps clear my head, the scenery is truly impressive and I can train every muscle in my body.







## 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	19,246	19,246	–	15,484	15,484	–
Warranties and similar	200	200	–	200	200	–
Irrevocable liabilities	–	–	–	–	–	–
Other contingent liabilities	–	–	–	–	–	–

### Open derivative financial instruments

in CHF 1,000	Financial year			Previous year		
	Replacement values		Contract-volume*	Replacement values		Contract-volume*
	positive*	negative*		positive*	negative*	
Forward foreign exchange contracts	6,593	6,394	492,503	3,030	2,791	400,720

\* from trading activities

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

### Fiduciary transactions

in CHF 1,000	Financial year	Previous year
Fiduciary investments at third-party banks	138,115	170,994
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	2,989	2,373
→ of which foreign exchange transactions	3,017	2,905
→ of which cash transactions	-28	-532
→ of which securities trading	-	-
→ of which precious metal transactions	-	-
Breakdown of staff costs	9,315	7,492
→ of which wages and salaries	7,667	6,240
→ of which remuneration of the members of the Board of Directors	-	-
→ of which social insurance contributions and support	796	553
→ of which pension expenses	425	440
→ of which other staff costs	427	259
Breakdown of operating expenditure	8,749	5,664
→ of which cost of business premises	548	160
→ of which IT expenditure	2,597	1,780
→ of which furniture	36	94
→ of which other equipment	-	151
→ of which other operating expenditure	5,568	3,480

In accordance with Art. 1092 subsection 9 lit. d of the Liechtenstein Persons and Companies Act, the salaries of the members of the Board of Directors and Management Board are not disclosed.  
Based on art. 24e, para. 1, clause 6 BankV the return on capital is 0.29%.

in CHF 1,000	Financial year	Previous year
Breakdown of the item "Other income from ordinary activities"	11,694	383
→ Income from property	449	274
→ Other income from ordinary activities	11,244	109

# Report of the statutory auditors

## Report of the statutory auditors to the General Meeting

As the statutory auditors, we have audited the accounting records, the financial statements (balance sheet, income statement, notes and cash flow statement; pages 16 to 47) and the annual report of Bank Frick & Co. AG for the year ended 31 December 2016.

These financial statements and the annual report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualifications 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 financial position, the results of operations and the cash flows in accordance with Liechtenstein law. Furthermore, the accounting records, financial statements and the annual report as well as the proposed appropriation of available earnings comply with Liechtenstein law and the company's articles of incorporation.

The annual report is in conformity with the financial statements.

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

ReviTrust Grant Thornton AG



**Egon Hutter**  
Certified  
Public Accountant  
(Lead Auditor)



**Rainer Marxer**  
Certified  
Public Accountant

Schaan, 5 April 2017

The background is a dark blue gradient. A white line starts from the bottom left and curves upwards towards the right. A teal line starts from the middle left and curves upwards towards the right, crossing the white line. A thin horizontal white line is positioned in the upper third of the page.

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