Disclosure Report 2023

Disclosure for the Annual Report 2023 according to Article 431 et seqq. of the CRR and Article 29c of the Liechtenstein Banking Ordinance

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1 Introduction

1.1 Legal basis

This Disclosure Report is produced in accordance with Part Eight of Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR II), considering Commission Implementing Regulation (EU) 2021/637 of 15 March 2021. Furthermore, this Disclosure Report is prepared in accordance with Article 29c of the Ordinance of 22 February 1994 on Banks and Investment Firms (Liechtenstein Banking Ordinance). According to Article 23 of the Act of 21 October 1992 on Banks and Investment Firms (Liechtenstein Banking Act), the Board of Directors is responsible for verifying compliance with the disclosure requirements.

1.2 Article 431 of the CRR: Scope of disclosure requirements

Pursuant to Article 431(1) of the CRR, institutions shall publicly disclose the information laid down in Part Eight, Title II, subject to the provisions of Article 432 of the CRR. In accordance with Article 13(2) of the CRR, disclosure takes place on a consolidated basis since Bank Frick is wholly owned by a financial holding company.

Pursuant to Article 431(3) of the CRR, institutions shall stipulate in a formal procedure how disclosure obligations are to be met and how the appropriateness of the disclosure can be assessed. Furthermore, another procedure is being introduced that can be used to evaluate the extent to which the disclosed information conveys the institution's risk profile comprehensively.

1.3 Article 432 of the CRR: Non-material, proprietary or confidential information

Article 432(1) of the CRR excludes non-material information from disclosure. Information in disclosures is regarded as material if its omission or misstatement could change or influence the assessment or decision of users relying on that information for the purpose of making economic decisions. The materiality of information is regularly reviewed.

Furthermore, pursuant to Article 432(2) of the CRR, information is not disclosed if it is classified as proprietary or confidential.

1.4 Article 433 and Article 434 of the CRR: Frequency and means of disclosure

Disclosures are made annually by 31 May at the latest for the period ended 31 December of the previous year. The Disclosure Report is published on the Bank Frick website (German: www.bankfrick.li/de/ueber-bank-frick/zahlen-und-fakten; English: www.bankfrick.li/en/about-bank-frick/facts-and-figures). All quantitative disclosures are made in Swiss francs.

2 Article 447 of the CRR: Key parameters

Overview of key parameters		31.12.2023	31.12.2022
Available own funds			
1	Common equity Tier 1 (CET1)	102,995,342.72	90,280,414.75
2	Tier 1 capital (T1)	102,995,342.72	90,280,414.75
3	Total capital	102,995,342.72	90,280,414.75
Risk-weighted position amounts			
4	Total risk amount	613,308,629.18	522,930,893.11
Capital ratios (in % of the risk-weighted position amount)			
5	Common equity Tier 1 capital ratio (%)	16.79	17.26
6	Tier 1 capital ratio (%)	16.79	17.26
7	Total equity ratio (%)	16.79	17.26
Additional own funds requirements for risks other than that of excessive debt (in % of the risk-weighted position amount)			
7a	Additional own funds requirements for risks other than that of excessive debt (%)	–	–
7b	of which to be held in the form of CET1 (%)	–	–
7c	of which to be held in the form of T1 (%)	–	–
7d	SREP overall capital requirement (%)	8.00	8.00
Combined capital buffer and overall capital requirements (as % of the risk-weighted position amount)			
8	Capital conservation buffer (%)	2.50	2.50
8a	Capital conservation buffer based on macroprudential risks or systemic risks at member state level (%)	–	–
9	Institute-specific anti-cyclical capital buffer (%)	0.56	0.27
9a	Systemic risk buffer (%)	0.09	0.04
10	Buffer for global systemically important institutions (%)	–	–
10a	Buffer for other systemically important institutions (%)	–	–
11	Combined capital buffer requirement (%)	3.14	2.80
11a	Overall capital requirements (%)	11.14	10.80
12	CET1 after fulfilment of SREP overall capital requirement (%)	8.79	9.26
Leverage ratio			
13	Total risk position measure	2,156,993,823.95	2,491,304,688.28
14	Leverage ratio (%)	4.78	3.62
Additional own funds requirements for the risk of excessive debt (in % of the total risk position measure)			
14a	Additional own funds requirements for risk of excessive debt (%)	–	–
14b	of which to be held in the form of CET1 (%)	–	–
14c	SREP overall leverage ratio (%)	3.00	3.00

Requirement for the buffer for the leverage ratio and overall leverage ratio (in % of the total risk position measure)			
14d	Buffer for the leverage ratio (%)	–	–
14e	Overall leverage ratio (%)	3.00	3.00
Liquidity coverage ratio			
15	Overall high-quality liquid assets (HQLAs) (weighted value – average)	1,024,535,379.14	1,362,444,434.91
16a	Cash outflows, weighted total value	1,148,857,600.57	1,411,083,378.12
16b	Cash inflows, weighted total value	503,904,264.13	623,355,096.05
16	Total net cash outflows (adjusted value)	644,953,336.43	787,728,282.07
17	Liquidity coverage ratio (LCR) (%)	158.85	172.96
Structural liquidity ratio			
18	Available stable refinancing, total	812,959,930.27	870,923,528.93
19	Required stable refinancing, total	431,224,191.21	457,868,489.27
20	Net stable funding ratio (NSFR) (%)	188.52	190.21

Overview of risk-weighted assets			
	RWAs		Own funds requirements
	31.12.2023	31.12.2022	31.12.2023
Credit risk (without CCR)	442,055,017.75	391,926,843.03	35,364,401.42
Of which: Standardised approach	442,055,017.75	391,926,843.03	35,364,401.42
Counterparty credit risk (CCR)	1,788,942.13	1,508,948.45	143,115.37
Of which: CVA	1,788,942.13	1,508,948.45	143,115.37
Settlement risk	–	–	–
Market risk	17,177,832.93	13,864,102.40	1,374,226.63
Of which: Standardised approach	17,177,832.93	13,864,102.40	1,374,226.63
Large loans	–	–	–
Operational risk	152,286,836.37	115,630,999.24	12,182,946.91
Of which: Basic indicator approach	152,286,836.37	115,630,999.24	12,182,946.91
Amounts below the threshold for deductions (subject to a risk weighting of 250%)	–	–	–
Total	**613,308,629.18**	**522,930,893.11**	**49,064,690.33**

3 Article 435(1) of the CRR: Risk management objectives and policies

3.1 Risk strategy (points (a) and (c) of Article 435(1) of the CRR)

The purpose of risk management at Bank Frick is to monitor the risks taken on in accordance with the risk strategy. This includes identifying, measuring and managing risks, as well as reporting to the Management Board and the Board of Directors. Continuous improvement is part of the risk management process.

The risk policy is part of the Bank's risk culture and provides the framework for the risk strategy. This occurs in conjunction with the business strategy and, among other aspects, reflects the risks arising from the business model and considers the impact on the Bank's capital and liquidity resources.

The risk policy is the responsibility of the Board of Directors and includes a framework of limits and reporting obligations. Operational management is responsible for the continuous monitoring and measurement of risks and is supported in this role by the Risk Management department. The Risk Management department reports to the Board of Directors on a quarterly basis and informs the Management Board about new findings on an ongoing basis. Risk reporting is carried out according to a set schedule as a rule, with ad hoc reports being prepared where necessary.

The risk appetite is operationalised using a comprehensive limit system for risk categories according to pillars I and II, as well as recovery and early warning thresholds. Where necessary, but at least once a year, limits are compared by Risk Management with risk-bearing potential and risk capital. Adjustments will be made in the event of any deviations. Any changes to limits require the approval of the Board of Directors.

Risk management at Bank Frick is based on the following risk policy:

Responsibility of the Board of Directors

Risk management, for which the Board of Directors has ultimate responsibility within the framework of the risk strategy, is an essential mechanism of overall bank management at Bank Frick.

Conservatism principle and sustainable remuneration policy

Key quality features of a bank's business policy are the conservative approach to business and operational risks, regardless of whether the risk is proprietary or managed, and the achievement of sustainable profitability considering the conservatism principle. This principle is backed up by a remuneration policy aimed at achieving long-term business success.

Proportionality and materiality

In assessing the appropriateness of processes, systems and methods, Bank Frick adheres to the regulatory principle of proportionality.

The risks arising in relation to the Bank's business strategy, whether in the form of market, credit, liquidity or operational risks, are assessed in accordance with the principle of proportionality. This also applies to any risks presented by new business segments or products.

Clear powers and responsibilities

All authorities, organisational units and committees directly involved in the risk management process have clearly defined duties, powers and responsibilities.

Prudent risk management

- The risk management process must be conducted on a forward-looking basis.
- Risks are only taken on insofar as they are necessary to take advantage of opportunities identified and to realise returns.
- Bank Frick pursues a risk-averse strategy. To justify an engagement, the opportunities that arise from a business decision must significantly outweigh the risks.
- Operational risks are systematically analysed. Mitigation measures are taken where necessary.
- Bank Frick concludes transactions where it can be sure that it has made the arrangements necessary to control the related risks. This means that it must understand the structural, legal, personnel, technical and methodological foundations.

Separation of functions

Risk monitoring and risk reporting is ensured by a business unit that is independent of the bodies responsible for risk management.

Transparency

- The relevant individuals/departments/committees must make decisions affecting the Bank's risk positions in a clear, transparent and verifiable manner.
- A culture of open communication, a climate of trust and an active, risk-based approach, in relation to both the Bank and its clientèle, must be actively promoted.
- The Management Board is informed immediately concerning any material developments.
- The Risk Management department has the option of reporting directly to the Board of Directors independently of the Management Board if necessary (see Liechtenstein Banking Ordinance, Article. 21d. (3)).

3.2 Risk-bearing capacity (point (a) of Article 435(1) of the CRR)

Adequate capitalisation and liquidity boost a Bank's risk-bearing capacity. The Internal Capital Adequacy Assessment Process (ICAAP) is the primary process used to ensure risk-bearing capacity in terms of capital, The Internal Liquidity Adequacy Assessment Process (ILAAP) is intended primarily to ensure sufficient liquidity. ICAAP forms an integral part of management and decision-making processes.

3.3 Risk management and monitoring (point (d) of Article 435(1) of the CRR)

The risk management structure is geared to the unique situation of Bank Frick and ensures that the identification, capturing, assessment, quantification, control and monitoring of material risks are organised and implemented properly, pragmatically and effectively in the context of all business activities. This should ensure that the Bank's risk management is understood and actively implemented at all hierarchical levels within the organisation.

Internal directives set out the risk policy, basic structures, responsibilities and duties in relation to risk management at Bank Frick. Specific information on processes, calculations, models and reporting obligations are defined in separate documents where necessary.

The limit system serves as a control instrument for risks that are deliberately taken.

3.4 Risk organisation (point (b) of Article 435(1) of the CRR)

The diagram below shows the duties and parties responsible within the risk management process:

Risk management at Bank Frick is organised according to the three lines of defence model (TLoD), which envisages a systematic approach to risks and a functioning control and monitoring system within the Bank.

This model is particularly relevant in the context of the internal control system (ICS). It divides the various business functions into three distinct lines of defence, each with different duties and responsibilities.

The various business units of the Bank form the first line of defence. The key emphasis here is on those divisions geared towards adding value. The operational units are responsible for the risks within their area of responsibility and are supported by the Risk Management department. This includes, among other activities, the development and implementation of suitable measures and controls as well as the related testing.

The second line of defence, comprised of the Risk Management, Compliance and Legal departments, plays an essential role. These departments have the role of monitoring and coordinating the control activities of the first line of defence. In addition to this, the second line of defence is responsible for ensuring uniform and regular reporting and compliance with the relevant statutory requirements within the Bank.

Internal Audit forms the third line of defence and ensures the effectiveness of controls.

3.5 Declaration by the governing body on the appropriateness of the risk management process (point (e) of Article 435(1) of the CRR)

The Board of Directors of Bank Frick hereby confirms that the alignment of the risk management procedures and systems is appropriate for the Bank’s profile and strategy, thereby ensuring a holistic risk-bearing capacity.

3.6 Declaration by the governing body, in which the general risk profile associated with the business strategy is described (point (f) of Article 435(1) of the CRR)

Bank Frick is a family-run Liechtenstein bank with its registered office in Balzers. It was founded in 1998 by Kuno Frick Sr (1938–2017) and is now controlled by the Kuno Frick Family Foundation (KFS) in Liechtenstein. In 2021, the minority share of NET1 UEPS was acquired by KFS, so that Bank Frick has been fully owned by KFS again since the beginning of February 2021.

Strategically, Bank Frick focuses on providing products and services for financial intermediaries such as fiduciaries, asset managers, payment service providers, fund promoters and fintechs. One of Bank Frick's unique selling points is its high level of expertise in the regulated blockchain banking sector. The Bank supports tokenisations of property and assets, trades in cryptocurrencies for its clients, provides custody of crypto assets and makes them bankable. Bank Frick develops tailor-made funds for intermediaries and acts as a custodian bank. In addition, Bank Frick holds acquiring licences from Visa and MasterCard.

3.6.1 Risk development

Bank Frick focuses on its core markets and core clients. Interest income improved in 2023, originating largely from risk-averse instruments. In addition, the increase in sales has led to an overall increase in capital requirements.

3.6.2 Strategy for own funds

Bank Frick has a solid capital base adequacy that ensures the long-term existence of the Bank. With a Tier 1 capital ratio of 16.8% (previous year: 17.3%), the figure on 31 December 2023 was well above the lower limit of 11.1% required by the Financial Market Authority (FMA) Liechtenstein (including a capital conservation buffer of 2.5%). The leverage ratio was 4.8% on the reporting date (previous year: 3.6%) and thus also significantly higher than the regulatory limit of 3.0%.

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

3.6.3 Financial risks

Bank Frick takes on financial risks in the areas indicated below.

Credit risks

As of 31 December 2023, the receivables from clients amounted to approximately CHF 491 million (previous year: CHF 459 million). An overview of collateral can be found in the 2023 Annual Report.

Bank Frick 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.

The credit portfolio is distributed across many different clients, credits and collateral. Loans are always granted based on national and international regulations and internal credit instructions. Valuation allowances are also made on an ongoing basis to adequately account for credit risks.

Bank Frick uses the standard approach in accordance with Article 111 of the CRR to calculate own funds 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 subdivide market risk into the following four categories:

- **Trading and banking book**
  To ensure that market risk positions remain low and are limited, the Bank does not generally engage in trading and the derivative business on its own account. If such transactions prove to be necessary, they are only carried out to a very minor extent and exclusively 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 strongly limited since the Bank does not have its own trading book positions. The balance sheet shows that the proportion of shares and other non-fixed-interest securities in relation to total securities is around 30% (previous year: 24%).

- **Interest rate risk**
  The most relevant market risk to which Bank Frick is exposed is interest rate risk. Interest rate risk in the banking book is evaluated based on interest rate shocks.

  Bank Frick invests its clients' deposits on the money market. Short maturities do not give rise to any significant interest rate risks. Periodic stress tests (different scenarios, including for instance a parallel shift of the yield curve) are carried out to determine the interest rate risk.

- **Exchange rate risk**
  Bank Frick's internal regulations stipulate that no open foreign exchange positions of more than CHF 1 million or equivalent may be held overnight in any currency with respect to trading. The total of all open foreign currency positions held overnight must not exceed CHF 3 million. This helps to minimise the exchange rate risk. Bank Frick uses the standard approach in accordance with Article 325 et seqq. of the CRR to calculate own funds requirements for market risks.

Liquidity risk

Bank Frick's liquidity management ensures the 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 amounted to 159% as of 31 December 2023 (previous year: 173%) and was thus significantly above the lower regulatory limit of 100%.

In addition, stress tests show that Bank Frick would still have sufficient liquidity even under difficult circumstances (for instance, the default of an important counterparty).

During the scenario analyses, alternative sources of financing were also defined to ensure sufficient liquidity in situations of stress. The Internal Liquidity Adequacy Assessment Process (ILAAP) also ensures solvency and the associated refinancing capacity.

3.6.4 Operational risk

Bank Frick aims to reduce its operational risk to a minimum by specifying clear powers and responsibilities, a complete limit system, appropriate controls and the resulting precautions. The management of the Bank is continuously updated about operational risks in reports.

Bank Frick has its own Compliance department. There are clear guidelines concerning applicable due diligence obligations.

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

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

3.6.5 Strategic risk

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

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

3.6.6 Regulatory risk

By systematically entering new markets and consistently pushing forward with innovative technologies, Bank Frick exposes itself to additional regulatory risk. New regulatory and legal developments, as well as trends in distributed ledger technology (DLT) and crypto assets, could therefore have a significant impact on the future of Bank Frick's blockchain banking.

For example, the Bank was the first company in Liechtenstein to be registered by the FMA as a token issuer, token creator, TT identity service provider and TT token custodian pursuant to Article 12(1) and (2) of the Law on Tokens and TT Service Providers of 3 October 2019 (TTTL).

The dynamics of regulatory developments in the European Union also have a significant impact on the risk landscape of Bank Frick. For instance, threshold values such as equity composition must always be in line with the latest regulatory specifications.

3.6.7 Reputational risk

Reputational risk for the Bank consists of the potential negative economic impact that could arise because of damage to the Bank's reputation. The Bank's reputation is based on the trust of the public, its clients and the investor. It has been possible to reduce reputational risk significantly by putting crisis communication plans in place.

4 Article 435(2) of the CRR: Corporate governance

4.1 Number of directorships held by members of the governing body

Pursuant to Article 29a of the Liechtenstein Banking Ordinance, the mandate restriction is only of particular significance for banks and investment firms. As Bank Frick is excluded from this, there is no disclosure of the directorships held.

4.2 The principles of the strategy for selecting members of governing bodies and their actual knowledge, skills and experience

When selecting members of the Board of Directors and the Management Board, Bank Frick attaches importance to sufficient knowledge, skills and experience in relation to the activities to be carried out. In addition to professional expertise, personal qualifications are also important. Irrespective of these attributes, members must always maintain an excellent reputation.

The actual knowledge, skills and experience of the individual members of governing bodies pursuant to points (b) and (c) of Article 435(2) of the CRR are not disclosed, with reference to the non-materiality of the information pursuant to Article 432(1) of the CRR in conjunction with the European Banking Authority's EBA/GL/2014/14 Guidelines of 23 December 2014 (amended by EBA/GL/2016/11) on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No. 575/2013 and Article 432(3) of the CRR.

Further information on the principles of the strategy concerning the selection of members of the governing bodies can be found in the chapter "Corporate governance" of the 2023 Annual Report.

4.3 Diversity strategy for the selection of members of the governing bodies, the objectives and respective targets of the strategy, and the target attainment

A balance of knowledge and skills, diversity and experience are considered and is an important prerequisite in the composition of the relevant governing bodies.

4.4 Flow of information to governing bodies concerning risk-related issues

The Risk Management department ensures that the Management Board and the Board of Directors receive all essential risk-relevant data by means of regular risk reporting. The most essential financial risk indicators are reported to the Management Board monthly. In addition, a detailed risk report is prepared for the Management Board and the Board of Directors on a quarterly basis. The risk-bearing capacity analysis and the stress test results are communicated annually to the Management Board and the Board of Directors. The Risk Management department has the option of reporting directly to the Board of Directors independently of the Management Board if need be.

5 Article 436 of the CRR: Scope of application

This Disclosure Report has been issued on a consolidated basis for Bank Frick AG (see Chapter 1.2).

Scope of consolidation financial (for accounting purposes) and regulatory

Companies	Type of company/industry	Financial consolidation method (for accounting purposes)	Consolidation regulatory			
			Full consolidation	Quota consolidation	Not consolidated, not deducted from own funds	Deducted from own funds
Kuno Frick Family Foundation	Financial holding company		X			
BF Receipts Ltd.	Support company for interest payments	Full consolidation			X	
MZ-Holding AG	Real estate	Full consolidation			X	
21. Funds SICAV	Fund company	Full consolidation			X	
Tradico AG i. L.	Fintech	Full consolidation			X	
Priller Immo AG	Real estate				X	
Cadeia GmbH	B2B Fintech				X	
Seed X Liechtenstein AG	Fintech				X	

6 Article 437 of the CRR: Own funds

Bank Frick discloses its own funds in the following table in accordance with Article 437 of the CRR:

CET1: Instruments and reserves		
Capital instruments and the related share premium accounts	30,000.00	Articles 26(1), 27, 28 and 29
of which foundation capital shares	30,000.00	EBA list pursuant to Article 26(3)
Retained earnings	72,122,273.94	point (c) of Article 26(1)
Premiums	13,650,000.00	point (b) of Article 26(1)
Fund(s) for general banking risks	24,300,000.00	point (f) of Article 26(1)
Amount of items within the meaning of Article 484(3) and the related share premium accounts subject to phase out from CET1	–	Article 486(2)
Minority stakes (authorised amount in consolidated CET1)	5,755,283.67	Article 84
Interim gains reviewed by an independent party minus all foreseeable fees or dividends	–	Article 26(2)
CET1 before regulatory adjustments	**115,857,557.61**	
CET1: Regulatory adjustments		
Additional valuation adjustments (negative amount)	-12,662,213.89	Articles 34 and 105
Intangible assets minus the corresponding tax liabilities (negative amount)	-1.00	point (b) of Article 36(1) and Article 37
Total regulatory adjustments to common equity (CET1)	**-12,662,214.89**	
CET1	**102,995,342.72**	
AT1: Instruments		
Total own funds base (TC = T1 + T2)	**102,995,342.72**	
Total risk-weighted assets (RWAs)	**633,308,629.18**	

Capital base ratios and buffers		
Common equity (as a percentage of risk-weighted assets)	16.79	point (a) of Article 92(2)
Tier 1 capital ratio (as a percentage of risk-weighted assets)	16.79	point (b) of Article 92(2)
Total capital (as a percentage of risk-weighted assets)	16.79	point (c) of Article 92(2)
Institution-specific buffer requirement (minimum requirement on CET1 ratio according to point (a) of Article 92(1) plus capital conservation buffer and countercyclical capital buffer requirements, systemic risk buffer requirements and systemically important institution (SIIs) buffer requirements, expressed as a percentage of risk-weighted assets)	7.64	Articles 128, 129, 130, 131 and 133 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive, CRD)
of which capital conservation buffer	2.50	
of which countercyclical capital buffer	0.56	
of which systemic risk buffer	0.09	
of which buffer for global systemically important institutions (G-SIIs) or other systemically important institutions (O-SIIs)	–	
CET1 available to meet buffers (as a percentage of risk-weighted assets)	16.79	Article 128 of the CRD

7 Article 438 of the CRR: Own funds requirements

The Bank uses the standardised approach for credit risk according to Part 3, Title II, Chapter 2 of the CRR for calculating own funds coverage for credit risks. The basic indicator approach in accordance with Article 315 of the CRR is used to calculate own funds coverage for operational risks. Bank Frick uses the standard approach in accordance with Article 325 et seqq. of the CRR to calculate own funds requirements for market risks. Own funds requirements for the credit value adjustment (CVA) risk are calculated using the standardised method in accordance with Article 384 of the CRR.

The following table provides an overview of the risk-weighted assets (RWAs) that form the denominator of risk-based own funds requirements in accordance with Article 92 of the CRR:

The FMA Liechtenstein has not imposed any additional institution-specific own funds requirements on Bank Frick to date.

		RWAs		Minimum own funds requirements
		31.12.2023	**31.12.2022**	**31.12.2023**
Points (c) and (d) of Article 438	**Credit risk (without counterparty default risk, CCR)**	442,055,017.75	391,926,843.03	35,364,401.42
	of which in a standard approach	442,055,017.75	391,926,843.03	35,364,401.42
Article 107 and points (c) and (d) of Article 438	**CCR**	1,788,942.13	1,508,948.45	143,115.37
	of which according to a standardised method	1,788,942.13	1,508,948.45	143,115.37
	of which CVA	1,788,942.13	1,508,948.45	143,115.37
Point (e) of Article 438	**Settlement risk**	–	–	–
Article 438	**Market risk**	17,177,832.93	13,864,102.40	1,374,226.63
	of which in a standard approach	17,177,832.93	13,864,102.40	1,374,226.63
Point (e) of Article 438	**Large loans**	–	–	–
point (f) of Article 438	**Operational risk**	152,286,836.37	115,630,999.24	12,182,946.91
	of which in a basic indicator approach	152,286,836.37	115,630,999.24	12,182,946.91
	Total	**613,308,629.18**	**522,930,893.11**	**49,064,690.33**

8 Article 450 of the CRR: Remuneration policy

Point (h)(i) and (ii) of Article 450(1) of the CRR – Remuneration granted in the financial year

		A Governing body – supervisory role	B Governing body – management role
Fixed remuneration			
1	Number of employees identified	4	3
2	Total fixed remuneration	2,103,419.00	4,068,480.00
3	of which as monetary remuneration	2,103,419.00	4,068,480.00
Variable remuneration			
9	Number of employees identified	4	3
10	Total variable remuneration	1,290,253.00	2,963,209.00
11	of which as monetary remuneration	1,115,290.00	2,558,726.00
12	of which retained	0.00	0.00
EU-13a	of which as shares or holdings of equivalent value	174,963.00	404,483.00
EU-14a	of which retained	174,963.00	404,483.00
17	Remuneration, total (2 + 10)	3,393,672.00	7,031,689.00

Point (h)(iii) and (iv) of Article 450(1) of the CRR – Retained remuneration

	Retained remuneration	A Total amount of retained remuneration granted for earlier performance periods	B Of which to be drawn in the financial year	C Of which to be drawn in subsequent financial years	EU – G Total amount of the retained remuneration granted prior to the financial year actually paid in the financial year	EU – H Total amount of retained remuneration granted for earlier performance periods that has been earned but is subject to vesting periods
1	Governing body – supervisory role	372,114.00	120,942.00	251,172.00	120,942.00	251,172.00
2	Monetary remuneration	0.00	0.00	0.00	0.00	0.00
3	Shares or holdings of equivalent value	372,114.00	120,942.00	251,172.00	120,942.00	251,172.00
7	Governing body – management role	553,107.00	233,821.00	319,286.00	233,821.00	319,286.00
8	Monetary remuneration	0.00	0.00	0.00	0.00	0.00
9	Shares or holdings of equivalent value	553,107.00	233,821.00	319,286.00	233,821.00	319,286.00
25	Total amount	925,221.00	354,763.00	570,458.00	354,763.00	570,458.00

Point (i) of Article 450(1) of the CRR – number of people whose remuneration totalled EUR 1 M or more per financial year:

		Identified employees drawing a high income as defined under point (i) of Article 450(1) CRR
1	EUR 1 M to EUR 1.5 M.	0
2	EUR 1.5 M to EUR 2 M.	0
3	EUR 2 M to EUR 2.5 M.	1
4	EUR 2.5 M to EUR 3 M.	1
5	EUR 3 M to EUR 3.5 M.	0
6	EUR 3.5 M to EUR 4 M.	1

The remuneration policy was defined by the Board of Directors. The Board of Directors reviews it annually to ensure it is adequate and complies with all legal specifications. This is outlined in a dedicated directive ("Remuneration Policy"). The duties associated with remuneration are performed by the Board of Directors. A remuneration committee has not been set up. The Board of Directors met thirteen times in the 2023 financial year (eleven ordinary meetings and two extraordinary meetings).

The fixed component of the salary generally covers the work carried out for the Bank. The salary system takes into consideration the service performed, training, role and experience.

The bonus constitutes special remuneration in addition to the fixed salary component. The bonus has the character of a voluntary, one-time payment. It is redefined annually depending on the overall success of the Bank on the one hand and individual performance on the other. There is no entitlement to the payment of a bonus. Since the variable remuneration components are additional and voluntary benefits, it is ensured that there is no significant dependence on variable remuneration and that there is an appropriate ratio of variable to fixed remuneration. The variable component may not exceed 100% of the fixed component.

The EU-REM2 table will not be disclosed, as no guaranteed variable remuneration and no severance payments to risk bearers were granted for the financial year.

Bank Frick is not a mayor institution within the meaning of point (146) of Article 4(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and its balance sheet total over the last four years has amounted, on average, to less than EUR 5 billion.

Accordingly, Bank Frick applies the exemption pursuant to point (a) of Article 94(3) of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC as regards the specifications set out in points (l) and (m) as well as in point (o) of Article 94(1) and in addition for all employees.

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